

# GMS Flash Alert

2018-120 | September 13, 2018



## Czech Republic - Amendments to Japan-Czech Republic Totalization Agreement

As of 1 August 2018, the Totalization Agreement between Japan and the Czech Republic has been amended in order to reduce the administrative burden for Japanese employees assigned to the Czech Republic, but working based on a local employment contract.<sup>1</sup>

### WHY THIS MATTERS

According to the original Totalization Agreement, it was not possible to exclude Japanese expatriates from participation in the obligatory Czech social and health insurance scheme if they concluded a local employment contract with a Czech subsidiary of a Japanese company. In such a case, it was necessary to apply for an exemption with the Czech social security institutions.

Since this approach was regarded by the Japanese companies as an obstacle to expansion of their investments in and movement of Japanese employees into the Czech Republic, the Czech authorities therefore agreed with Japan on the revision of these administrative rules.<sup>2</sup>

### The Amended Agreement: More Details

Based on the amended Totalization Agreement, Japanese employees assigned to the Czech Republic can remain in the Japanese social and health insurance scheme up to five years even if a local employment contract in the Czech Republic is concluded. However, it is necessary to be provided with a Certificate of Coverage issued by the Japanese authorities.

The Japanese authorities should specify how to proceed with the obligatory withholdings to be made from the compensation provided by the Czech entity and remitted to the Japanese scheme.

Based on the current interpretations, these terms should also be applicable in respect of the Japanese expatriates who act as statutory representatives in the Czech Republic based on an agreement on performance of duties of a statutory representative concluded with a Czech entity.

The same rules will also apply to Czech individuals assigned to Japan.

## Effective Date

The above is effective as of 1 August 2018.

## FOOTNOTES:

1 See the Totalization Agreement as updated (in Czech) at: <http://www.psp.cz/sqw/text/orig2.sqw?idd=121353> .

For a 17 May 2018 notification (in English) of the Exchange of Diplomatic Notes for the Entry into Force of the Protocol Amending the Agreement between Japan and the Czech Republic on Social Security from the Japanese Ministry of Foreign Affairs (in English), see: [https://www.mofa.go.jp/press/release/press4e\\_002039.html](https://www.mofa.go.jp/press/release/press4e_002039.html) .

2 For another article (in English) on this topic from the authors, see “Another obstacle to posting of workers by Japanese investors gone” (8 August 2018) at: <https://danovky.cz/en/another-obstacle-to-posting-of-workers-by-japanese-investors-gone> .

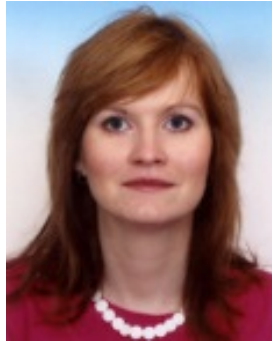
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