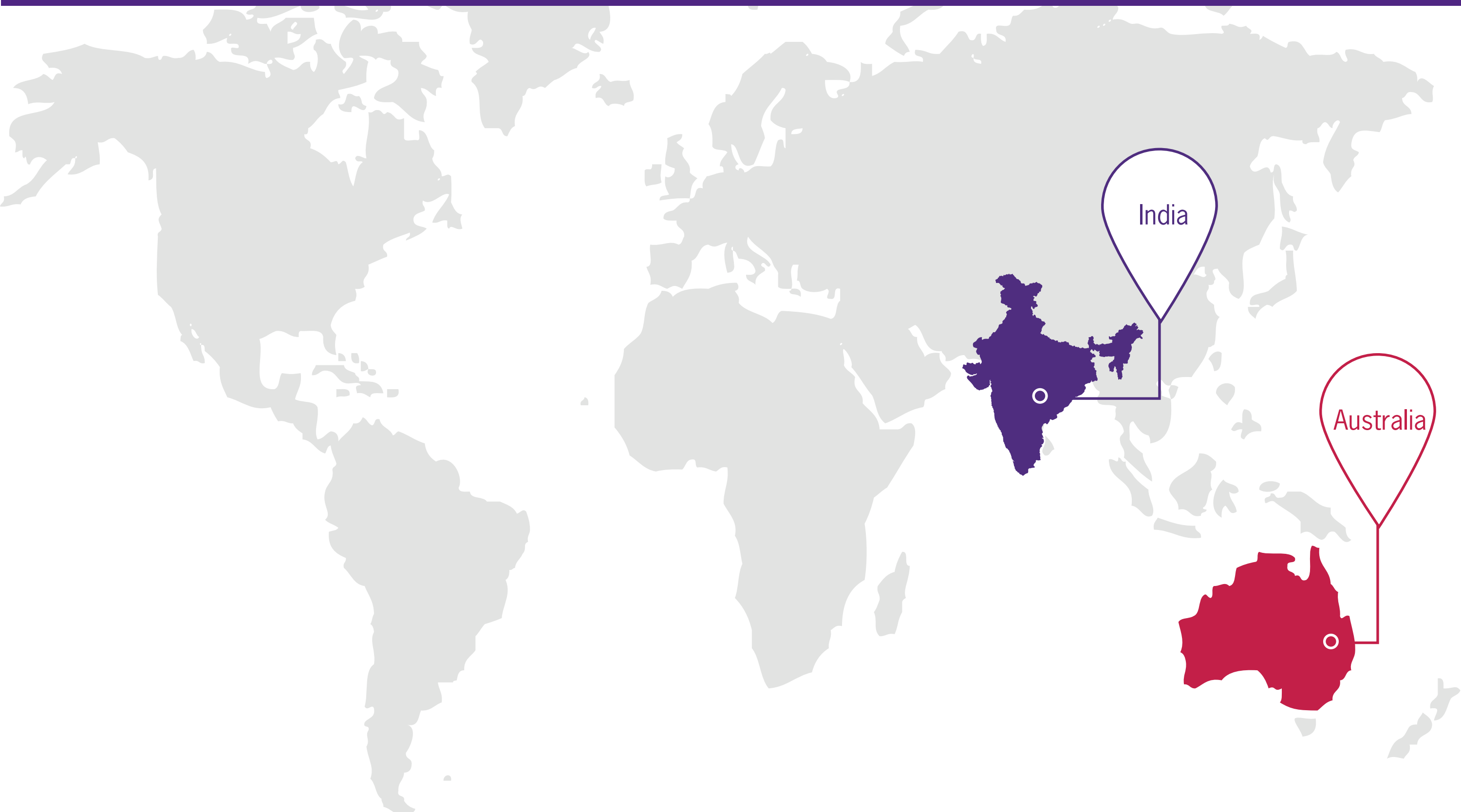
Social Security Agreement between India and Australia – from India perspective



Background

India has entered into a Social Security Agreement (SSA) with Australia on 18 November 2014, which is notified vide circular no. IWU/7(2)2009/Australia/Vol-I dated 16 March 2016 by the Government of India. The SSA between India and Australia is effective from 01 January 2016.

The objective of this agreement is to safeguard Australian employees deputed to India and Indian employees deputed to Australia from making double contributions to social security schemes in both countries. This agreement will enable employees to continue social security contributions only in their home country subject to fulfilment of conditions under the Agreement. This agreement also empowers Australian employees to withdraw their accumulated balance in social security schemes in India upon termination of their Indian assignment.

This SSA will promote the movement of employees between India and Australia as their pension rights are recognised and protected.

In India, SSA applies to following:

- Employees' Provident Funds Scheme, 1952
- Employees' Pension Scheme, 1995
- Employees' Deposit-Linked Insurance Scheme, 1976

Benefits covered by the SSA

1. Exemption from social security contributions in the host country

The employees of one country ("home country") posted by their employers in the other country ('host country") for periods not exceeding 5 years can claim exemption from social security contributions in the host country, based on a Certificate of Coverage (COC) obtained by the employers from the respective authorities in both countries.

Under the terms of the SSA, a COC can be obtained to cover the first 5 years of the assignment in the respective company. However, the period of 5 years can be extended based on consent of respective authorities in India and Australia.

2. Withdrawal of Contribution

- Benefit for Provident Fund Scheme

Prior to the SSA, Australian employees were entitled to withdraw lump sum amounts from the contributions made to the Indian Provident Fund account only on retirement after attaining 58 years of age. Post the SSA, Australian employees can also withdraw the amounts on completion of an Indian assignment.

- Benefit for Pension Scheme

Australian employees are entitled to withdraw lump sum benefit under the Pension scheme if they have the eligible services of less than 10 years. However, the employees are eligible to receive a monthly pension benefit if they have eligible services of 10 years or more. The totalisation benefit as given in the agreement is included in the requirement of eligible services.

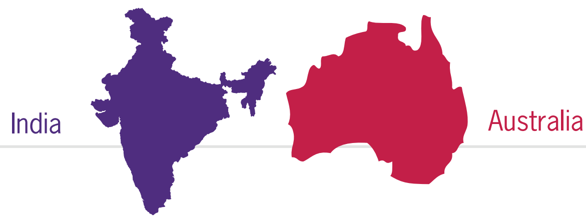
Totalisation benefit means that the period of contribution in one country, subject to certain terms and conditions, will be added to the period of contribution in the other country to determine the eligibility criteria.

- Export of benefit clause

Employees are now given an option of receiving the refund of contributions made either in Indian bank account or overseas bank account under the "export of benefits clause" under the SSA signed with India.

Where Grant Thornton can assist

- Assisting Indian employers to obtain a COC from the authorities in India;
- Reviewing assignment contracts of employees deputed before January 2016 to analyse coverage under SSA and impact it will have on the employment cost; and
- Obtaining refund of contribution already deposited with the authorities in India.



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