Executive summary
On 22 September 2014, a social security agreement was signed between Finland and the People’s Republic of China (“China”). The agreement will enter into force 1 February 2017.

In general, the Agreement will provide significant social security cost savings for companies. International assignees can remain socially insured in the home country for a period of up to five years and be exempted from certain social security contributions in the host country. However, the new Agreement will not cover all social security branches.

Benefits covered
The scope of the Agreement includes:
- Finland: Earnings-related pension scheme and unemployment insurance contributions
- China: Pension system and unemployment insurance contributions.

With respect to the unemployment insurance, the scope of the Agreement includes only unemployment insurance contributions. Therefore unemployment insurance contributions are not payable in the host country, if a certificate of coverage is issued. However, unemployment benefits cannot be exported from one country to another.

Benefits not covered
The Agreement does not cover accident and health care insurance and so the applicable insurances in Finland or China may still be due even when the assignee has a certificate of coverage issued by the home country.

Moreover, the scope of the Agreement does not include provisions on applying pension benefits. Therefore, a person applying for a pension from China or Finland, should be in contact directly with the pension authority in the relevant country.

Certificates of coverage
Once the Agreement comes into force, Finnish and Chinese employers would be able to obtain a certificate of coverage for a period up to five years for current and future assignments in Finland or China. A certificate of coverage will ensure that employees can continue to be covered under the home country social security system and be exempted from host country pension and unemployment insurance contributions. Furthermore, family members will also be covered unless they are themselves employed.

In special circumstances the authorities in the two countries can agree on a certificate of coverage for a period exceeding five years.

Transitional rules
For employees who have already started their assignment before the Agreement comes into force, a
Certificate of coverage can be obtained if they meet the requirements. The period of assignment taking place before the Agreement comes into force is not taken into account when calculating the five years posting period.

As soon as the Agreement comes into force, it is recommended to file an application for a certificate of coverage with the competent authorities for pending and new assignments.

For example, under an assignment from Finland to China, the application must be filed by the employer with the Finnish social security authorities (Finnish Centre for Pensions). Once the certificate is granted, the company in China should share this document with the competent Chinese social security authorities.

Next steps
Employers who currently have employees seconded between Finland and China, or who intend to assign employees between these countries, should review how this Agreement might affect current and future assignments:

- Review the terms of planned assignments to understand the impact of the Agreement on assignment costs.
- Review the terms of planned assignments to ensure they will be eligible for coverage under the Agreement, and the impact this will have on assignment costs.
- Review current payroll withholding processes and payroll's ability to implement the partial liabilities in the two countries.
- Consider any communication to employees affected by the Agreement and potential influence on social security benefits they may currently receive from the authorities.

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