India/Finland/Sweden

India’s social security totalization agreement with Finland and Sweden now in force with effect from 1 August 2014

Executive summary
The social security totalization agreements (‘the Agreements’) entered between India and Finland as well as India and Sweden came into force with effect from 1 August 2014. The Agreements will reduce social security compliance costs for assignments between the agreement countries, most notably reducing the requirement for assignees to India to be covered by the Indian Provident Fund and Pension Scheme.

Provided certain conditions are met individuals seconded between India and Finland or Sweden may remain within their home country scheme for initial periods of five years for Finland and two years for Sweden (under both Agreements there is the possibility of extensions). Transitional rules exist for current assignments.

The India/Sweden Agreement does not cover contributions in respect of parental insurance, occupational injury insurance, labour market fee and general wage fee and part of the sickness insurance fee.

Key terms of the Agreements
Scope of benefits covered
The Agreements apply to the following benefits:

► India – Provident Fund Scheme, Pension Scheme and Deposit Linked Insurance Scheme.
► Sweden – the laws governing income based old-age and guarantee pensions, survivors’ pension and surviving children’s allowance, sickness compensation and activity compensation. The Agreement excludes contributions in respect of parental insurance, occupational injury insurance, labour market fee and general wage fee and part of the sickness insurance fee.
► Finland – the laws governing old-age, disability and survivors’ pensions under the earnings-related pension scheme including pension schemes for self-employed persons.

Secondments and Certificates of Coverage
Subject to certain conditions, both Indian and Finnish/Swedish employers should now be able to obtain Certificates of Coverage (CoC) for current and future employees who are on assignment between their countries. A CoC will ensure that the employer and employee remain liable to pay compulsory social security contributions in the home.
country, and will also exempt them from the payment of social security contributions in the host country. For current assignments, this exemption will only apply from 1 August 2014. Prior to this date, the domestic social security laws of India and Finland / Sweden are applicable. However, the Swedish authorities have indicated they will accept CoC applications for postings from Sweden to India that started on 1 August 2013 or later, i.e. within one year prior of the convention entering into force.

Under the terms of the Agreement between India and Finland, a CoC can be obtained to cover the first 60 months of the assignment. For assignment continuing beyond 60 months, an extension can be requested in accordance with the mutual consent of the competent authorities of both countries.

Under the terms of the Agreement between India and Sweden, a CoC can be obtained to cover the first 24 months of the assignment. This coverage may be extended for a further period of up to 24 months upon obtaining the mutual consent of the competent authorities of both countries.

**Totalization of period of coverage**
The Agreements allow individuals to aggregate periods of coverage in either country, if necessary, in order to qualify for eligibility to each country's social security benefits covered under the terms of the Agreement.

**Key implementation features for employers / employees**

**Indian employees assigned to Finland / Sweden**
- Indian employees assigned to Finland / Sweden can continue coverage under the Indian social security scheme by obtaining a CoC and claim exemption from Swedish / Finnish social security schemes - subject to detachment conditions under the Agreements.
- Swedish social security contributions in respect of sickness insurance will be payable with reduced rates, while contributions for parental insurance, occupational injury insurance, labour market fee and general wage fee will be fully payable (as the Agreement only covers part of the mandatory Swedish social security contributions) for Indian employees assigned to Sweden for a period exceeding one year. The rate of contributions for Indian employees to Sweden is 17.94% instead of 31.42%, while the rate of contributions for Swedish employees who remain covered by Swedish social security during secondment to India is 13.48%.

<table>
<thead>
<tr>
<th>Type of Social Security</th>
<th>SS in %</th>
<th>Exemption in %</th>
<th>Payable in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>National pension</td>
<td>10.21%</td>
<td>10.21%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Survivor’s pension</td>
<td>1.17%</td>
<td>1.17%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Sickness insurance</td>
<td>4.35%</td>
<td>2.10%</td>
<td>2.25%</td>
</tr>
<tr>
<td>Parental insurance</td>
<td>2.60%</td>
<td>0.00%</td>
<td>2.60%</td>
</tr>
<tr>
<td>Occupational injury insurance</td>
<td>0.30%</td>
<td>0.00%</td>
<td>0.30%</td>
</tr>
<tr>
<td>Labour market fee</td>
<td>2.91%</td>
<td>0.00%</td>
<td>2.91%</td>
</tr>
<tr>
<td>General wage fee</td>
<td>9.88%</td>
<td>0.00%</td>
<td>9.88%</td>
</tr>
<tr>
<td></td>
<td>31.42%</td>
<td>13.48%</td>
<td>17.94%</td>
</tr>
</tbody>
</table>

- Certain elements of Finnish social security contributions will be payable as the Agreement only covers pension (i.e. part of the mandatory Finnish social security contributions) for Indian employees assigned to Finland.

**Finnish / Swedish employees assigned to India**
- Finnish / Swedish employees assigned to India can continue coverage under their home social security scheme for benefits covered by the convention by obtaining a CoC and claim exemption from Indian social security - subject to detachment conditions under the Agreements.
- Finnish / Swedish employees who have paid Indian social security contributions before the Agreement came into force can withdraw such contributions (along with interest) on completion of their Indian assignment.

**Next steps**
It is essential that employers with cross border workers involving India and Finland / Sweden should review how the Agreements will affect the future liabilities and employment costs. Assignment models or structures will need to be reviewed to maximize the benefits under the Agreements.

In particular, employers should
- Determine whether CoCs are available under the terms of current assignments.
- Review terms of planned assignments to ensure they will be eligible for coverage under the Agreements and the impact this will have on employment cost.
- Where relevant for both current and future assignments, begin the process of applying for CoCs from the appropriate authorities.
- Review current payroll withholding processes to ensure payments are correct following the introduction of the
Agreements.

► Consider any communication to the employees affected by the Agreements.
► Review the impact the introduction of the Agreements will have on existing assignment policies.
► Swedish employers should review legacy population of outbounds from Sweden to India in order to determine potential effects on occupational pension coverage if CoCs can be obtained.
► Review legacy population of inbounds to India from Finland / Sweden in order to determine whether possible refunds of Indian contributions can now be obtained.

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