



Mobility: Social Security

February 2024

Italy

Social Security Agreement between Italy and Japan will enter into force on 1 April 2024

Executive summary

On 12 January 2024, diplomatic notes were exchanged in Tokyo for the entry into force of the Social Security Agreement between Italy and Japan. The agreement comes into effect on 1 April 2024 and enables workers moving between countries to maintain social security coverage in their home country.

Key Features of the Agreement

The position with regard to contributions is as follows:

- ▶ Employees who are subject to social security in one of the contracting States and then temporarily sent by an employer in that State to work in the other contracting State shall remain covered under the social security scheme of their home country and exempt from the insurances in the host location covered under the agreement for a period of not more than 5 years.
- ▶ Similar provisions exist for persons moving between both States in respect of self-employment activities.
- ▶ For periods of work that exceed 5 years, the authorities in both countries may agree, subject to justification, to continued coverage in the home country and exemption in the host country in respect of the insurances covered under the Agreement.

The position with regard to benefits is as follows:

- ▶ The agreement is a 'Double Contribution Convention' which means it **does not** allow individuals to aggregate periods of residence, employment or contributions in Japan and Italy for the purpose of determining entitlement to state pension and other benefits in either country.
- ▶ The agreement does not cover all insurances in Italy and Japan.
- ▶ With regards to Japan, the agreement covers various pension insurances. With regards to Italy, the agreement covers old-age pension, survivors' insurance, disability insurance and involuntary unemployment in Italy.
- ▶ Consequently, Italian employers seconding employees to work in Japan, who remain covered under the Italian social security scheme, may still have an obligation to report and pay the Japanese insurances not covered under the agreement.
- ▶ Similarly, Japanese resident employers who are subject to Japanese social security legislation still have an obligation to report and pay insurances not covered under the agreement. This would require the Japanese employer to register with the Italian social security authorities (INPS) and operate a shadow payroll.

Certificate of Coverage Application Process

The Italian and Japanese authorities will, in due course, release the certificate of coverage model and will outline the procedure to request certification from the respective authorities.

Impact on employers

This agreement will eliminate dual social security contribution charges in respect of persons moving between Italy and Japan. However, it is important to note that obtaining a certificate of coverage may not provide exemption from social security contributions in the host country and, therefore, action will need to be taken in both Italy and Japan for inbound assignees to ensure that partial liabilities are met.

Next Steps

We recommend reviewing individuals currently assigned between Japan/Italy to ensure that social security certificates are obtained where relevant and review the social security contributions that are paid locally in Japan and Italy.

EY will continue to monitor these developments. Should you have any questions, we encourage you to contact one of our social security professionals.

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