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GES NewsFlash

Sweden — The Social Security Agreement between Sweden and India will enter into force on the first of August 2014



July 10, 2014

Overview

On 14 December 2012, we reported that Sweden and India signed a Social security agreement that will simplify the posting of employees between India and Sweden. This agreement will enter into force on 1 August 2014.

Key benefits of the agreement

The Social security agreement governs the Indian and Swedish welfare system for age, survivors', and disability pension (pension rights). The agreement determines the applicable laws on coverage in India or Sweden in regards to the pension rights. As a main rule, an employee is covered by the pension scheme in the country where the work is performed.

The Social security agreement governs situations where Swedish individuals covered by the Swedish laws are posted to work in India and where Indian individuals covered by the Indian laws are posted to work in Sweden. Under the Social security agreement, such posted employees should in certain cases remain in the social security pension scheme in their home country although work is carried out in the other country. The Social security agreement also ensures that an employee continuously accrues pension rights while working outside of the home country and pension-related social security charges do not have to be paid in both countries.

The charges for employees who remain in the Swedish social security scheme while posted to work in India for more than one year will be at a rate of 13.48 percent. Indian employers without a permanent establishment in Sweden who send employees covered by the Indian social security system for a period exceeding one year will have to pay employee charges at a rate of 8.06 percent.

According to the Social security agreement, an employee who is posted by the employer in the home country to work in the other contracting state shall continue to be covered by the social security in the home country provided that the anticipated duration of the work does not exceed two years. Subject to an agreement between the contracting states, the employee shall remain in the home country social security system for another two years. Hence, the employee can continuously, for a period of up to four years, be covered by the social security system of the home country and will therefore continue earning pension rights and pay contributions in the home

country. Since the Social security agreement only covers pension rights, social security contributions in regards to other social security benefits may have to be paid and reported in the country where the work is carried out.

According to Article 21 Section 2 of the transitional provisions, the agreement should also apply to postings that have occurred prior to the entry into force. However, the agreement is not likely to apply to events that occurred before 1 August 2013.

There are no application procedures established yet, but employees covered by the Swedish social security systems could use the application form for postings within the EU/ESS when applying to remain in the Swedish social security scheme while being posted to India.

Deloitte's view

More than a hundred Swedish companies are established in India and the establishments are expected to increase. A large number of Swedish persons currently reside in India. Indian persons residing in Sweden working primarily in the IT and technology sectors constitute a large group of people obtaining work-and-residence permits in Sweden.

The harmonization of social security coverage between Sweden and India is of great importance for companies in Sweden and for companies planning to enter into the Indian market. Moreover, the Social security agreement between India and Sweden can result in cost savings for Swedish and Indian employers. It also simplifies handling for Swedish employers when hiring Indian workers and also for companies that assign Swedish persons to work in India. The Social security agreement between Sweden and India will enter into force on the first of August 2014.

Sweden has just recently signed a similar Social security agreement with South Korea and is currently in the process of negotiating an agreement with Japan.

Sweden has already entered into similar Social security agreements with several countries (Bosnia-Herzegovina, Chile, Israel, Canada, Cape Verde, Croatia, Morocco, Serbia, Turkey, and the United States).

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