
Germany: Agreement on social insurance with India to enter into force on May 1st

March 28, 2017

In brief

A new bilateral agreement on social insurance between India and Germany will enter into force on May 1, 2017. The new agreement supercedes the old agreement dated October 8, 2008 and has a greater scope than the prior one. Global mobility program managers should review their mobile populations and determine any impacts, such as the need to file certain reimbursement applications before May 1, 2017 with the German authorities.

In detail

Background

The previous agreement was a so-called secondment agreement and was aimed at preventing overlapping social insurance and therefore double contributions. The old agreement did not contain any further regulations, such as those concerning the acquisition of pension entitlements.

Still no double insurance in Germany or India

Like the old agreement, the new agreement contains provisions concerning the avoidance of double contributions to state pension and unemployment insurance schemes. As in the past, the legal provisions of the country in which the temporary employment is carried out

continue to apply. If the conditions of the secondment are fulfilled under the terms of this agreement, the employee concerned may remain in the German state pension and unemployment insurance system for a period of up to 48 months and be exempted from such obligations in India.

The agreement also continues to give employees the opportunity to remain in the German state pension and unemployment insurance system within the scope of an exemption under the agreement. Such exemptions are agreed at the discretion of the responsible authorities.

Totalization rules will apply from May 1st

The new agreement now also guarantees and coordinates

social insurance in relation to state pension insurance systems. The insurance periods required in acquiring pension entitlements in Germany can also include the employee's insurance periods in India, and vice-versa. The only requirement in this regard is that the insurance periods do not overlap. The actual pension payment is, however, made in the country under which the employee acquired insurance periods and in accordance with this country's law. The agreement ensures that citizens of each country are treated equally and guarantees unlimited pension payments in one country even when located in the other country (i.e., Germany or India).

In the case of a German employee who has previously paid contributions to the state pension scheme in India, these contribution periods are now taken into account in the employee's pension claims in Germany. This can be particularly important in terms of waiting periods or minimum insurance periods. The prerequisite for this is that no application for the reimbursement of contributions paid in India has been submitted or amounts have not already been reimbursed. In this situation, we recommend clarification of the state pension account so that if the employee draws his or her pension, insurance periods in India can be taken into account. We are glad to be

of assistance in the clarification of accounts with the Deutsche Rentenversicherung (German Statutory Pension Insurance Scheme).

Reimbursement of employee's contribution to the German state pension scheme

In the past, Indian employees who have previously paid pension contributions in Germany were permitted to apply for the reimbursement of employee contributions. This is no longer possible under the new agreement and the mutual consideration of insurance periods in Germany and India if the Indian employee has contributed to the German state pension insurance

for a period of more than five years. If employees are interested in applying for the reimbursement of pension contributions (only the employee share), the application for reimbursement must be filed before May 1, 2017.

The takeaway

Global mobility program managers should review their social security guidelines. They also should review their assignment population to determine if there is a need to file applications for reimbursement of employee pension contributions until May 1, 2017 with the German authorities.

Let's talk

For a deeper discussion of how these issues might affect your business, please contact your PwC Global Mobility Services engagement team or one of the following representatives from PwC Germany and PwC India:

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