China and Switzerland Conclude Bilateral Treaty on Social Insurance

CMS, China

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The governments of China and Switzerland recently signed the *Sino-Swiss Social Security Agreement*, pursuant to which an employee originating from either country may be exempted from contributing in the other country to certain types of statutory social insurance (e.g. pensions and unemployment). This will benefit employees working in cross-border environments. The agreement was signed on 30 September 2015 and will not become effective until both governments have undergone their legislative procedures.

Upon implementation of the *PRC Social Insurance Law*, starting from 15 October 2011, expatriates working in China with a 'Work Permit for Foreigners', a 'Foreign Expert Certificate', a 'Foreign Journalist Identity Card' or a 'Permanent Residence Permit for Foreigners' are required to join China's social insurance system. This encompasses pensions, medical, work-related injury, unemployment and maternity insurance.

To join China's social insurance system, an expatriate must pay a certain percentage of his/her remuneration to social insurance funds in China in accordance with Chinese laws. As a result, an expatriate staying within the social insurance system of his/her home country has to pay double social insurance premiums. However, if his/her home country has a treaty to avoid double social insurance contributions with China, the expatriate may be exempted from double payment of some social insurance premiums under certain conditions.

In the past, China only concluded these social insurance treaties with Germany and South Korea. Now, in addition to Switzerland, China has concluded similar treaties with Demark, Finland and Canada. It is believed that expatriates from these countries will get certain benefits in respect of their social insurance in China in the near future.

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