Welcome to the June 2014 edition of our global social security newsletter, bringing you updates on changes in the social security regimes of various countries across the PwC network in the period from 1 April 2014 to date.

We hope that you enjoy reading the updates and as always, please feel free to contact us should you have any queries or require further clarification on any of the issues raised in the newsletter.

Regards

**The PwC social security network**

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Please visit our dedicated website for details on the social security regimes in place in over 100 countries in the PwC network: [www.pwc.com/socialsecurity](http://www.pwc.com/socialsecurity)
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Australia

On 13 May 2014, the Australian government presented its 2014/15 budget to Parliament. A key proposal is an increase in the retirement age to 70 by 2035 for individuals born after 1 July 1958. In addition, the current employer superannuation rate is scheduled to rise to 9.5% in July 2014 and 12% by 2019. The Budget contains a proposal to leave the new 9.5% rate unchanged until 30 June 2018, with a gradual increase to 12% by 2022.

Belgium

On 10 June 2010 Belgium and Montenegro signed a bilateral agreement on social security replacing the existing treaty with the former Yugoslavia. The new agreement takes effect from 1 June 2014. The agreement does not have a nationality requirement and allows for the retention in the home country system of an individual on secondment to the other country for 2 years, with a further 3 year extension (maximum of 5 years). The agreement also contains an article allowing the two countries to agree on the social security treatment of certain categories of workers in exceptional cases, as well as specific rules for international transport workers. The agreement also provides co-ordination rules on various benefits, including sickness, pension and unemployment benefits.

China

The China/Denmark bilateral agreement on social security, signed in December 2013, entered into force on 14 May 2014. The bilateral agreement covers pensions only and provides that Danish employers and the employees who are posted to China may be exempt from paying contributions to the Chinese social security system for a period of 3 years.

In addition, the monthly salary base cap for contributions in Shanghai has changed from 14,706 Yuan to 15,108 Yuan. There have also been some small decreases in Shanghai Unemployment (employer and employee) and Maternity (employer) contribution rates. The 2014 annual social security rate updates for Beijing and Guangzhou have not yet been announced.

Czech Republic

The maximum period for which an individual may contribute to the Czech pension scheme on a voluntary basis has been extended from 10 years to 15 years. This applies to individuals working outside the EU in countries with which the Czech Republic does not have a bilateral social security agreement (e.g. India, China, Hong Kong).

Denmark

The Danish authorities have introduced new practices regarding applications for documentation certifying rights to sickness benefits in kind in other EU countries (e.g a European Health Insurance Card or S1). Before issuing these documents, the Danish authorities require that an applicant is subject to Danish social security and holds an A1 document confirming this treatment. In reality, an A1 is often not in place prior to an assignment, particularly in cases where an application has been submitted close to the commencement of the assignment.

Under the new practice, the municipality which is to issue the relevant European Health Insurance Card or S1 may contact the Danish national authority to determine if Danish social security is to apply in respect of an assignment. The national authority will make a preliminary assessment as to whether or not Danish social security will apply and if this is the case, the municipality may issue provisional and temporary documentation, e.g. for a period of 3 months.
Your country information

**Germany**

A German old-age pension may be claimed by pensioners aged between 65 and 67, depending on their year of birth. Claiming an old-age pension before 65 is possible, however, this leads to a reduction in the amount of the payment. As part of legislation coming into effect on 1 July 2014, it is possible for individuals born before 1952 to claim an old-age pension at the age of 63 without a reduction, provided they have a period of German social security coverage of 45 years. This includes coverage from salaried employment or self-employment, voluntary coverage (if at least 18 years of insurance was derived from salaried employment or self-employment) and military or civilian service. In addition, the retirement age will also be increased gradually up to the age of 65 for individuals born between 1953 and 1963.

**Greece**

The rates for employer social security contributions that are payable to the Social Security Institute for private sector employees (“IKA-ETAM”) will be reduced by 2.9%, while employee social security contributions will be reduced by 1% (subparagraph IA.3 of article 1 of Greek Law 4254/2014). This provision will come into effect from 1 July 2014.

In cases where the mandatory insurance of an individual with both IKA-ETAM and the Insurance Fund for the self-employed (“OAEE”) applies, the individual will be mandatorily subject to the insurance of OAEE for the entire period only, provided that the insurance period with IKA-ETAM is less than twenty five (25) insurance days per month (subparagraph IA.1 of article 1 of the Greek Law 4254/2014).

In addition, from 1 June 2014, an employer’s social security obligation to keep the IKA’s special book for registration of newly recruited staff that is subject to IKAs insurance has been abolished (Article 20 of Greek Law 4255/2014).

**Ireland**

The Social Welfare and Pensions Bill 2014 was published on 3 June 2014. The Bill strengthens a number of residence requirements necessary to claim some social assistance payments. In addition, the Bill also provides that gains arising on the assignment or release of a share option will now be liable to employer PRSI (only the exercise of an option will continue to qualify for exemption from employer PRSI). The collection mechanism will likely to be through the payroll withholding tax (PAYE) system.

**The Netherlands**

1. **Updated instruction on taxability of foreign social security contributions**

   From 1 January 2013, an employer’s contribution towards an employee’s Dutch health insurance is not considered taxable on the employee’s part. The Dutch tax authorities have issued an updated instruction on the tax treatment of foreign social security contributions paid by an employer on behalf of its employees, which provides that such contributions are now taxable. The Dutch tax authorities have agreed that liabilities for 2013 can be accounted for in the income tax return of an employee. From 2014 the treatment of foreign social security contributions should be accounted for through Dutch payroll.

2. **Extension Certificates of Coverage from Japan**

   A bilateral agreement on social security between Japan and the Netherlands has been in place for 5 years. A number of Japanese employees working in the Netherlands may now hold Japanese Certificates of Coverage which exceed the maximum five year retention period allowed under the agreement. The Japanese and Dutch authorities have approved the extension of several Certificates of Coverage for employees assigned from Japan to the Netherlands for a period of beyond five years. These approvals are in line with the announcement from the Dutch social security authorities that it would apply a more flexible approach to requests to extend A1 and Certificates of Coverage beyond a period of 5 years.
In April 2014, the National Assembly passed a new Pension Reform Bill which is awaiting presidential approval before it can be enacted. Several changes will be introduced if the Bill is enacted, including:

- the number of employers required to contribute to the pension scheme will be increased. The proposal covers any employer with three or more employees. The minimum number of employees under the existing law is five.
- the minimum employer contribution will increase from 7.5% to 12% while employee contributions will increase to 8% (currently 7.5%). The basis of calculating contributions has been modified to cover total emoluments as opposed to basic pay, housing and transport allowances under the current law.

Employers need to proactively consider the possible impacts of the Bill on their operations as it is likely to be enacted into law before the end of the year.

Norway
1. **New Nordic social security convention**
The Nordic countries have negotiated a new Nordic social security convention which entered into force on 1 May 2014. The convention is based on the principles of the EEA Regulation 883/2004 and the intention is to create harmony with the provisions of the Regulation with respect to inter-Nordic cases. The terms of EEA Regulation 883/2004 shall prevail in all cases, except where it is impossible to apply the Regulation. The Nordic social security convention will also apply to non-EU citizens.

2. **Regulation of the basic amount**
The basic amount is used when determining pension and calculation of pension and benefits from the Norwegian National Insurance scheme. The basic amount is adjusted each year. With effect from 1 May 2014, the basic amount has been increased by 3.67% from NOK 85,245 to NOK 88,370.

Peru
On May 25th 2012, Law No. 29903 introduced modifications to Peruvian pension system regulations. Under these regulations, individuals born after 1 August 1973 who earn income from non-dependent services rendered to companies will be mandatory affiliated to either a public or private pension system. It has been announced that this requirement has now been postponed until 1 August 2014.

Turkey
From 11 April 2014, employers should declare foreign employees to the Turkish Social Security Institution within 30 days from the date on which a work permit is issued. Previously, there was no time limit for registration of foreign nationals. In addition, a Bill on the restructuring of tax and social security debts was introduced to Parliament on 2 June 2014.
The United States

The first totalization agreement between the United States and the Slovak Republic entered into force on 1 May 2014, along with an accompanying administrative arrangement. The provisions of the new agreement are largely similar to those of most other US agreements, with certain exceptions. For example, the agreement specifically provides for a 5 year period for transfers of self-employed persons, and also includes a provision for persons sent by their employer from the United States or the Slovak Republic to a third country.

EU/EEA updates

1. **The Court of Justice of the European Union gives judgment on residence** (Case C-255/13)

The case involved proceedings between an Irish national and the Irish Health Service Executive (‘HSE’) concerning the latter’s refusal to grant the applicant a further renewal of Form E112 to cover the costs of medical treatment which he is receiving in Germany (please see our March 2014 newsletter for commentary on the case).

In its judgment of 5 June 2014, the Court of Justice (ECJ) of the European Union provided criteria in distinguishing between “residence” and “stay” in a Member State.

For the purpose of determining a person’s residence (i.e. habitual centre of interests), all criteria must be taken into account, in particular those identified in Article 11(1) of Regulation 987/2009, as well as the intention of the person concerned as to his actual place of residence. That intention must be assessed in the light of the objective facts and circumstances of the case in the main proceedings; a mere declaration of intention to reside in a particular place is not, in itself, sufficient.

The factors to be taken into account for this purpose include the fact that although the person lived in Germany for a long time, that situation does not reflect a personal choice on his part.

The ECJ held that the mere fact that the person stayed in Germany for 11 years is not sufficient in itself alone for him to be regarded as resident in that Member State. Based on the guidelines provided by the ECJ, the Irish courts will now need to determine the applicant’s “residence” position under EU regulations.

2. **New directive on the enforcement of the Posting of Workers Directive**

A new directive on the enforcement of the Posting of Workers Directive has been adopted. The new Directive will safeguard respect for posted workers’ rights in practice and strengthen the legal framework for service providers. The new Directive will not prejudice the application of Regulation 883/2004 on the coordination of social security systems.

3. **New recommendation on sickness benefits received in a non-EU country**

The Administrative Commission has adopted a recommendation concerning the entitlement to sickness benefits in kind for employees (and members of their family) during assignments to non-EU countries when a bilateral social security agreement is in place.

According to the newly adopted recommendation, a Member State which has concluded an agreement which includes provisions on sickness benefits shall apply these provisions to persons to whom the legislation of this Member State applies, as well as to members of their family who reside in another Member State and who are entitled to receive benefits in kind on the basis of Regulation 883/2004.
Your country information

Bilateral agreement updates

Signed:
Brazil – Switzerland  3 April 2014
Canada – Peru  10 April 2014
Belgium – Turkey  11 April 2014
(revised version)

Entered into force:
Slovakia – United States  1 May 2014
China – Denmark  14 May 2014
Belgium – Montenegro  1 June 2014
(revised version)