

HR & Tax Alert



Quality In Everything We Do

France – France and Japan Sign Social Security Agreement

March 2005

Executive Summary

France and Japan have entered into a Social Security (Totalization) Treaty signed on 25 February 2005. The treaty now needs to be approved by the parliaments of both countries and will take effect three months after approval. It is expected to enter into force at the end of 2005 or beginning of 2006.

Human Capital, as part of its Asian strategy, has worked for many years encouraging the French Government to negotiate Social Security treaties with Japan, South Korea and China to demonstrate our market leadership to French multinationals and Asian subsidiaries in France. The second of these treaties with Japan was signed by the Japanese Ambassador and the French Foreign Minister.

The first treaty with South Korea was signed in 2004. There is no date set for approving a treaty with China.

Overview of Social Security Treaties

Social Security Treaties between countries around the world are common. France has a total of 57 treaties including the EU Directives. These treaties, often called “Totalization Agreements” have two main purposes. First, they eliminate dual social security obligations, the situation that occurs when a worker from one country works in another country and is required to pay Social Security in both countries on the same earnings. Second, the treaties help fill gaps in benefit protection for workers who have spent their

careers working in different countries by potentially providing partial benefits from each country.

Generally, under the treaties, workers pay into the social system of the country in which they are working. However, there is generally an exception for employees sent to work in a host country for a limited period of time (generally from three to five years). These workers remain in their home country social system. This avoids dual social taxation and disruptions in coverage

Effective Date

The France-Japan treaty will only take effect three months after the parliaments of both countries have given their approval. The approval of the treaty has already been put on the agenda of the French National Assembly and our understanding is that approval will be given quickly in France and in both countries before the end of the year 2005. The treaty will be officially announced during the visit of the French President to Japan at the end of March and a specific request is being made by the Japanese Ambassador to France that it be quickly considered by the Japanese parliament.

Coverage

Both French Expatriates in Japan and Japanese expatriates in France at the date the treaty becomes effective will be covered. In addition, expatriates who

arrive after the effective date of the treaty will also be covered. In both cases, the period of coverage is up to 5 years. Extensions are subject to mutual approval.

The coverage of the treaty in terms of the social security system is similar to the other 57 treaties France has on social security. French ASSEDIC, (unemployment insurance) which is covered by the EU Directives for EU countries is not specifically covered in this bilateral treaty.

Japanese expatriates in France will be required to subscribe to private workmen's compensation insurance or be subjected to French coverage.

Next Steps

The benefits of a Totalization Treaty are not automatic. Clients should assess which of their employees are eligible under the agreement and once the treaty is in place take steps to obtain a Certificate of Coverage for the applicable system under which the short-term assignees will be covered.

For further information, please contact your local Ernst & Young Human Capital professional or in France or Japan:

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