

## **BASIC INFORMATION ON THE AGREEMENT ON SOCIAL SECURITY BETWEEN FINLAND AND INDIA**

### **Introduction**

The Agreement on Social Security between Finland and India was signed in New Delhi on 12 June 2012. Its entry into force requires legislative procedures in both Finland and India, and the Agreement is expected to come into force during 2013. There is also an Administrative Arrangement linked to the Agreement, which contains further provisions on contacts and cooperation between the authorities applying the Agreement. The Agreement on Social Security will be published in the Treaty Series of the Finnish Statute Book prior to the date of entry into force.

The Agreement is important for persons who have moved from Finland to India or from India to Finland and who have been employed in either state or both states or are about to move to be employed in the other Contracting State.

Outside the EU, Finland has an Agreement on Social Security also with the USA, Canada, Australia, Israel and Chile. India has an agreement with e.g. Denmark, Germany, France and Belgium.

### **Payment of pensions from one Contracting State to another**

The Agreement applies to Finnish earnings-related pensions and pensions under the Indian employees pension scheme. Old-age, disability and survivors' pensions are paid from both states' pension systems. All these pension benefits are covered by the Agreement. Pensions are paid from Finland to India and vice versa.

At present earnings-related pensions are already paid from Finland on the basis of employee pension legislation to all countries without restrictions. The present Agreement however facilitates application for pensions between Finland and India.

According to the Agreement a pension earned in India is paid to a person resident in Finland from India. Under the Indian legislation that payment would not be possible without an agreement. The Agreement benefits those Finnish employees who have been employed in India and who were covered by the statutory Indian pension system during their assignment. Pensions earned by residents of India who have moved to Finland from India are paid the pensions earned by them in India.

A pension shall be applied for by means application forms in compliance with the Agreement. The principle is that the application process is initiated in the pension applicant's country of residence once the application has been submitted. In Finland the pension application is submitted to the Finnish Centre for Pensions, which will send it to the relevant Indian authority. In India the application is submitted to EPFO (Employees' Provident Fund Organization). More detailed information on circumstances





and forms regarding pension applications can be found at the web service of the Finnish Centre for Pensions [www.etk.fi](http://www.etk.fi), once the date of entry into force of the Agreement will be known.

A pension earned in India can be based on employment before the entry into force of the Agreement, but pensions will be payable only after the Agreement has entered into force.

The Indian statutory pensions consist of two schemes: the Employees Provident Fund Scheme and the Employees pension Scheme (EPS). A Provident Fund benefit is a lump sum old-age benefit based on funding, which can be applied for at the age of 58 years. Old-age, disability and survivors' pensions are payable under the EPS. A pension is paid from this scheme starting from the age of 58 years if the employee has completed an insurance period of at least 10 years. The Agreement will facilitate the establishment of pension rights so that also Finnish periods of employment are included in the period of insurance of 10 years, if they do not overlap with the Indian period of insurance. If the period of insurance in India is less than 10 years it is possible to apply for reimbursement of the insurance contributions.

### **Posted employees**

The Agreement contains provisions on posted (or detached) employees. A posted employee remains subject to the pension legislation of the country of departure as a rule for a maximum of five years. During this time the employee is not covered by the statutory pension system of the country of employment. If the assignment continues longer, the Finnish Centre for Pensions and the Indian EPFO can agree exceptionally on extending the period of detachment to a certain period of time.

In regard to Finland the provisions on posted employees involve that the employee and employer pay earnings-related pension contributions to the relevant Finnish employee pension institution and that earnings-related pension is earned during employment abroad according to the Finnish legislation on earnings-related pensions. Correspondingly, the earnings-related pension of an employee sent by an Indian company to work in Finland is determined under the Indian legislation and contributions are paid only to India.

According to the Agreement it is possible that an employee is considered a posted employee although the employment contract is concluded with a Finnish company's internal company that operates in a foreign country. The Finnish company is however responsible for payment of pension insurance contributions to Finland.

The status of a posted employee is indicated by the posted employee's certificate of coverage, which is applied for in Finland from the Finnish Centre for Pensions. The applicant is in general the employer by the employee's consent. The certificate can also be applied for persons whose assignment started before the entry into force of the Agreement. The date of detachment under the Agreement is counted from the date of entry into force of the Agreement.



The Agreement thus prevents payment of double pension contributions. In India the employee's contribution is 12 % of the monthly pay and the employer's contribution 12.5 % of the pay.

In Finland the employee's earnings-related pension contribution is 5.15 % of pay for persons under 53 years and 6.50 % for persons over 53 years. The employer's average earnings-related pension contribution is 17.4 % of the payroll (2012).

### **Questions often asked**

#### 1. Does nationality influence the application of the Agreement?

The Agreement applies to all persons who are or have been covered by the Finnish or Indian pension legislation. In general, nationality is not of significance. There are, however, provisions in the Agreement to the effect that pensions are paid to persons resident in states other than the Contracting States on the same conditions as to their own nationals. Nationality or the country of residence does not in any way restrict the payment of Finnish earnings-related pensions.

#### 2. How is the social security of a posted employee's family members determined?

The Agreement does not contain provisions on the social security of accompanying family members but provisions on their social security are included in national legislation. Family members shall apply for decision of the Social Insurance Institution of Finland on being covered by the Finnish residence-based social security.

#### 3. Does the Agreement contain provisions on self-employed persons?

Finnish self-employed persons (entrepreneurs) are subject to corresponding provisions as apply to posted employees. A Finnish entrepreneur can, as a rule, remain insured for five years under the Finnish Self-Employed Persons Pensions Act when engaged in self-employment in India.

#### 4. From what date can one refer to the Agreement?

The Agreement will be applied from the date of its entry into force. A pension can be paid at the earliest from that date, but employment prior to the Agreement's entry into force is taken into account when determining the amount of the pension.

The Agreement also applies to those posted employees who are currently on assignment. The detachment of five years referred to in the Agreement is considered to begin on the day when the Agreement enters into force.

#### 5. What language should one use when communicating with authorities?

Pension applications and other documents can always be submitted in the countries' official languages. There is also an English text on the forms. Using English facilitates





the processing of the matter, since English is also used in the communication between authorities.

6. What agency should one contact to obtain more information?

In Finland one can turn for further information to the Finnish Centre for Pensions and in India to the EPFO.

Finland:

The Finnish Centre for Pensions (ETK)  
Eläketurvakeskus  
FI-00065 ELÄKETURVAKESKUS

Posting matters:

Tel. + 358 29 411 2816 (from 8 a.m. to 4 p.m., weekdays)

Email: [foreign.affairs@etk.fi](mailto:foreign.affairs@etk.fi)

Pension matters:

Tel. +358 29 411 2818 (from 8 a.m. to 4 p.m., weekdays)

Email: [pensionmatters@etk.fi](mailto:pensionmatters@etk.fi)

In India:

International Workers' Unit (IWU)

Employees' Provident Fund Organization

Head Office

14, Bhikaji Cama Place

New Delhi -110066

Tel. + 91 11 261 726 68 (from 9.15 a.m. to 5.45 p.m., weekdays)

Email: [rc.iwcell@epfindia.gov.in](mailto:rc.iwcell@epfindia.gov.in)

