



# Cabinet approves Amendment of the Social Security Agreement between India and the Netherlands

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved Amendment of the bilateral Social Security Agreement (SSA) between India and the Netherlands by incorporating the "Country of Residence" Principle into the said SSA.

The amended SSA between India and the Netherlands, when operational from the third month from the date of notifying the said Amendment to the Netherlands by India, will strengthen the ties between the two countries, and continue to favourably impact the profitability and competitive position of Indian and Dutch companies with foreign operations in either country by reducing their cost of doing business abroad. The SSA will also help promote more investment flows between the two countries.

The SSA has been in successful operation since June 2010 and has benefitted Indian expatriates who have been working in the Netherlands.

- Beginning 1<sup>st</sup> January 2013, the Netherlands introduced new rules on export of social security benefits to countries outside the European Union.
- Under the new Social Security (Country of Residence) Act, the amount of benefit or allowance paid to a qualified beneficiary (read as Dutch national) is adjusted to the cost of living of the country where the beneficiary is currently residing.
- As per the new Dutch legislation, social security benefits when exported or remitted would be indexed to the cost of living of the host country (as reflected in the World Bank figures), where the Dutch citizen resides.
- The new Dutch legislation, in ordinary circumstances, has no implications for the Indian worker working in the Netherlands because it is applicable only to Dutch nationals residing outside the EU except for a very few exceptional cases. The Indian posted workers would largely continue to get benefits as per the existing India-Netherlands Social Security Agreement.
- However, the circumstances where the "country of residence" principle will apply to a few instances of Indian nationals include the following:
  - § An Indian worker who dies in the Netherlands and has his/her spouse and children living in India.
  - § An Indian worker who gets disabled while working in the Netherlands and returns to India.

After the adoption of the new social security legislation, the Netherlands side requested that India agree to revise the bilateral SSA since such a revision would be necessary as per the national legislation of the Netherlands.

The existing SSA now stands amended to the extent of the above change.

## Background

- A bilateral Social Security Agreement, (SSA) was signed between India and the Netherlands on 22<sup>nd</sup> October 2009 and came into force on 15<sup>th</sup> June 2010.

- The SSA allows exemption from double contribution to the social security system in both jurisdictions, exportability of accumulated social security benefits across jurisdictions (applicable even to the self-employed), and totalization of serving periods.
- Beginning 1<sup>st</sup> January 2013, a new social security legislation came into force in the Netherlands, consequent to which the Netherlands began to apply the "country of residence" principle on certain social security benefits exported to other countries.
- The principle sought, is to bring in equity in exportability of social benefits to the class of Dutch citizens who reside outside the Netherlands.
- As on date, India has signed and operationalized SSAs with 18 countries – Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Hungary, Japan, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland and South Korea.

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