Executive summary
The Social Security Totalization Agreement between Switzerland and Japan has now been ratified by both parliaments, and will come into force on 1 March 2012. This Totalization Agreement is in line with most social security agreements in place with Switzerland, which address the transfer of pension benefits and the equality of treatment of nationals of both contracting states, and has the potential to provide major social security cost savings for employers.

Key features
The Totalization Agreement between Switzerland and Japan applies to nationals of both contracting states, members of their families and individuals residing in one of the contracting countries. Regarding Japan, the Agreement also applies to individuals with permanent residence permits in Japan.

Secondments and Certificates of Coverage
From 1 March 2012 both Swiss and Japanese employers will, under certain circumstances, be able to obtain a certificate of coverage for a period not exceeding six years (an initial five year request plus a one year extension) for current and future employees on assignment between the two countries. Such a certificate will ensure that the employee is exempt from host liabilities relating to old age and survivors insurance, invalidity insurance and health insurance.

Accompanying family members
Where an individual is entitled to remain within their home social security system, whilst working in the host state - in accordance with the provisions of this Totalization agreement - their accompanying spouse and children are also entitled to benefit from this provision.

This means that for the accompanying spouse and children of Swiss employees, they will be insured in the Swiss old-age and survivors and invalidity insurance during the period in Japan for which a Certificate of Coverage is in place.

This is, however, on the basis that they are not employed themselves in the host country, in which case, they would not be entitled to benefit from the Certificate of Coverage of another person.

Totalization of insurance
The Agreement allows an individual to aggregate periods of insurance in
Switzerland and in Japan, if necessary, to qualify for a pension benefit (old-age, disability or survivors’ pension) under the legislation of Japan or Switzerland.

This means that if the conditions required to be entitled to a Swiss invalidity pension on the basis of Swiss periods of coverage are not fulfilled, Japanese periods of coverage can be aggregated with the Swiss periods of coverage for the purpose of acquiring the right to that benefit.

In the reverse case, an individual may also qualify for the Japanese old-age pension based on their combined Japanese and Swiss periods of coverage if they do not have enough Japanese periods of coverage.

Next steps
It is essential that employers with cross border workers involving Switzerland and Japan urgently review the implications of the agreement, in particular:
► Determine whether certificates of coverage are available.
► Begin the process of preparing the applications for submission to the appropriate authorities.
► Review current payroll social security withholding to ensure payments do not continue into both schemes.
► Consider any appropriate communication with the employees affected.

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