



Chinese Social Security Coverage for Expatriates

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Chinese Social Security Coverage for Expatriates

Helping expatriates understand the benefits and limitations of China's Social Security

As China's society continues to open up, and as travel resume following Covid, it is expected that more and more expatriates are likely to look at living and working in China, especially in some of China's major cities, such as Beijing, Shanghai, and Guangzhou. Outside of needing to pay tax in China on earnings, expatriates also may be required to pay Chinese social welfare insurance, depending upon their individual circumstances.

This article delves into the essential benefits that expatriates can enjoy when paying China's social welfare insurance ("Social Security").

Types of Employment of Expatriates

In China, a working expatriate or specifically a "Foreigner employed in China" is defined as a non-Chinese national holding a valid working permit and residence permit. The working permits come in various names according to the role the expatriate is conducting. Typically, an expatriate will receive a working permit. However, there are permits for Experts - Foreign Expert Certificate, Journalists (Permit for Permanent Foreign Journalists), and long-term expatriates can receive the Foreigner's Permanent Residence Card (a sort of Green Card).

It is important to note that expatriates working in China in Taiwan, Hong Kong and Macao are under different legal systems and so the taxes and welfare requirements are different.

Who Pays for Social Security and What is the Coverage?

Social Security is mandatory for anyone working in China, and expatriates need to be aware that the percentages for contributions of various coverages vary from city to city. In essence, Social Security covers the employee's pension, basic medical insurance, unemployment insurance, work-related injury insurance, and maternity and paternity insurance.

At present, there are two main employment methods for expatriates in China: direct employment and overseas dispatchment.

Direct employment means that employers in China have signed a contract with the expatriate. Once the contract is signed, the expatriate needs to be registered with the Chinese labour authorities, and the company has to make sure to cover the expatriate's Social Security every month.

Overseas Dispatchment means that an overseas company with a labour contract signed with an expatriate that is sent to work in China, here too, the company needs to pay for the expatriate's Social Security.

If an expatriate is self-employed, they have to make sure to cover their own Social Security payments, however as most expatriates are required to have a work permit and visa this is not possible for most.

The biggest questions that most expatriates ask is who is supposed to cover their Social Security? According to the provisions of the Interim Measures for Participation in Social Security of Foreigners Employed in China, the employing organizations that recruit foreigners, according to law, should handle Social Security registration within 30 days from the date of handling employment certificates for them. Foreign personnel dispatched by overseas employers to work in domestic employing organizations should be registered for Social Security by domestic employing organizations. Organizations employing foreign employees (including branches of foreign enterprises in China and representative offices in China) and foreign employees with legal employment qualifications can apply for Social Security registration if they present the establishment documents and relevant certificates provided by the relevant approval authorities. The Social Security premiums payable by expatriates must be withheld and paid by the employing organizations. Expatriates do not need to pay the Social Security premiums in person to the Social Security agency. If the foreign employees have reached or exceeded the legal retirement age when they come to China for employment, they do not need to participate in Social Insurance.

Expatriates Benefits

In essence, if they meet the prescribed conditions, expatriates under Social Security can enjoy the same Social Security benefits as the Chinese personnel participating in Social Security.

Expatriates who leave China before enjoying the pension benefit stipulated by China are allowed to keep their personal accounts. If they return to work in China again, the years of contribution can be calculated accumulatively. However, in the event the expatriate terminates their Social Security account via a written application, the balance in the pension account can be given in a lump sum to the expatriate. The sum will only be what the expatriate had contributed from their monthly salary withheld by the company they work for, the pension paid by the company will be kept by China and is not refundable. In the event the lump sum was to be above RMB50,000 then expatriate would have to go through their Chinese bank and prove they had paid taxes in order to have the sum converted from RMB and transferred to the non-Chinese account of their choice.

Furthermore, both Chinese nationals and expatriates can withdraw from the medical insurance sums included in the Social Security deposited monthly. An individual can go to the designated bank with their account book (red book), normally provided by the company after registering in their behalf, and withdraw whatever is in the account.

Lastly, if the expatriate were to die, the balance of his or her basic endowment insurance personal account can be inherited.

Case Study

Marco is 36 years old from Italy, an expatriate employed by a Chinese company registered in Beijing. The government authorized his Work Permit in January 2020 and the company to register his Social Security for him within 30 days. In Beijing, if Mark's gross salary is RMB 25,000 starting from January 2020 to December 2022, he shall pay 8% of the pension, 2% + RMB 3 of basic medical insurance, 0.2% of unemployment insurance base on his gross salary. The monthly amount in his personal account would be:

RMB 2,000 in his pension account, RMB 750 in his medical insurance passbook, which is 3% based on his gross salary, 2% paid by Marco, 1% paid from his company's contribution. The amount in Marco's medical insurance passbook could be withdrawn at any time.

If Mark will be leaving China by December 2022 and will not return to China anymore, the amount refundable is from Pension account:

$$2,000 \times 12 \times 3 = \text{RMB } 72,000$$

Additional Insurance to expats

Expatriates who travel, live and work in China enjoy the same Social Security coverage as Chinese citizens when it comes to health, which means expatriates have access to local public hospitals. However, a common issue is language barriers.

However, companies can purchase international health insurance specifically for expatriates if they are willing to. These insurance types can provide expatriates access to international hospitals in China where expatriates can be taken care of by English speaking staff or assisted by on sight translators, and possibly other languages available.

Furthermore, these types of medical insurance can provide more coverage, such as general accident insurance. The insurance can also provide monthly income compensation for foreign employees when they suffer from a major illness, accidental disability, or death, effectively make up for the income loss of their families and individuals in the above cases and stabilize their economic sources.

Since many expatriates travel back and forth between their home countries and China, companies can buy travel medical insurance, which can guarantee that expatriates can receive rescue services by international rescue companies and obtain certain medical expenses compensation in case of accidental injury or acute disease during their stay outside China and repatriation cover to their home country.

Social Security Country Exemptions

To treat expatriates the same as the nationals in China protecting their social welfare right and interests, while avoiding paying double in terms of tax and Social Security, China has signed bilateral Totalisation Agreements with some governments around the world to exempt them from paying certain elements of Social Security in China, as long as their rights and coverage are safeguarded.

By 2020, China had signed bilateral and multilateral mutual Social Security exemption agreements with 12 countries: Germany, Korea, Denmark, Canada, Finland, Switzerland, Netherlands, Spain, Luxembourg, Japan, France and Serbia. These agreements aim to deal with the Social Security rights and obligations of transnational employees having their rights safeguard in the other countries. Therefore reducing the burden of Social Security payments for enterprises and personnel and further promoting bilateral economic and trade relations, in turn, facilitating the movement of personnel between those countries.

It essential to keep in mind that China's bilateral Social Security agreements with Germany, Korea, Finland, Switzerland, Netherlands, Spain and Serbia cover the pension insurance and unemployment

insurance. In contrast, China's bilateral social security agreements with Denmark, Canada, Luxembourg, and Japan only cover pension insurance. Among the countries that have signed bilateral or multilateral mutual exemption agreements on social insurance, all have come into effect except France which is pending.

Planning Ahead

Understanding Social Security's workings can help expatriates negotiate better for their employment contracts, know the limitation of their health coverages and other coverages, and allow proper planning to ensure that they are adequately covered. Companies operating in or with China should consult HR professionals or tax agents when hiring non-local talents, see if there are any treaties between the countries and effectively plan their expatriate staff's payment, and consult their employer or insurance professionals.



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