How to Claim Social Insurance as an Expatriate Leaving China?

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The process explained for claiming Social Insurance as an expatriate when leaving China

In China, many expatriates have come and established their professional or entrepreneurial careers and, with time, consider moving once again to expand their business or explore new professional careers in another country. However, some expatriates, unfortunately, plan not to come back and often miss out on the large sums of Social Insurance they are entitled to collect back if they have been paying social insurance during their working time in China. Social insurance was introduced for expatriates in China in October 2011, where it was implemented initially in Beijing, and a few geographical pockets, and slowly other parts of the country have implemented since then or are in the process of implementing.

What Exactly can be Withdrawn from the Social Insurance?

Expatriates who do not consider drawing a Chinese pension upon retirement (assuming the criteria are met) can cash-out their personal accounts certain amounts paid for their Social Insurance. Specifically, they can withdraw their Pension and Unemployment Insurance that they had contributed over the years by paying their social welfare and taxes in China after resigning or completing their contract.

Unfortunately, expatriates can only cash out and close their Social Insurance account and collect back personal contributions, but will not be able to collect back any of the Social Insurance that the company has paid for their part of the expatriate's Pension and Unemployment Insurance.

Effectively, most expatriates choose to either collect their part of the withdrawable Social Insurance or keep the account until they meet the retirement age of China (at the time of writing, 60 men and 55 for women). To qualify for the Chinese pension an expatriate should have contributed 15 years' worth of pension contributions. Theoretically, there is a pro-rata payment of pension for anyone that has paid over 15 years. As the rules were only brought in 2011, no expatriate has yet paid 15 years for obtaining a full Chinese pension. However, considering the rules in 2011 say that it would be the same as local Chinese citizens, the pension is considerably low after 15 years. Hypothetically after 15 years, if the expatriate worked in Beijing, their pension in 2021 could be more than 900 RMB[1]; if they worked in Shanghai, they could expect more than 1200 RMB[2]. To receive a larger salary the expatriate would have to work and contribute to their pension for much longer. For either outcome, an expatriate would have contributed a lot more over 15 years or more if their remuneration was above the city cap on contributions.

The government department managing pensions do not have a clear system for allowing expatriates to claim their pensions in the future, and so an expatriate needs to consider whether or not it is worth waiting until the criteria met and they have retired, or they withdraw their person contributions upon exiting China.

Medical Insurance is Separate

Another source of income that expatriates often miss out on is their Medical Social Insurance which can be withdrawn by using their red account book whenever they want during their professional career in China. If an expatriate already has private healthcare insurance, they can withdraw from that account from time to time as they would already be covered medically.

[1] http://rsj.beijing.gov.cn/xwsl/mtgz/202104/t20210409_2350399.html
[2] https://m12333.cn/policy/sacc.html

What is the Process for an Expatriate to Cash Out their Social Insurance?

The first step is to inform the company that the expatriate works in China that they intend to leave and would like to begin their labour contract termination process. Generally, that includes submitting a letter of resignation one month before the planned time to leave.

Once the company in China is informed, the labour termination process begins and should take HR less than a month to do via their government-approved websites, which inform the status of the individual. The expatriate should also inform HR that they would like to close their Social Insurance account as more documents will have to be filled and downloaded into a USB for the expatriate to present to the Social Insurance bureaux.

Generally, a good HR department will help the expatriate close the Social Insurance account to avoid any problems or misunderstandings. However, if unaccompanied, the expatriate will have to bring the documents and USB provided by their HR to the Social Insurance bureaux on the day of their booked appointment. Documents normally include:

- D card of the handler
- Company seal
- Business License
- Copy of original passport of foreign nationals
- Departure certificate
- Proof of Resignation

If everything goes well, the expatriate should receive money in their bank account in China within two months. Hence, LehmanBrown recommends that all expatriates do not close their bank accounts in China and pay for their Chinese mobile number as it is essential to access and validate their identity.

There are cases where the company had miscalculated the taxes; therefore, the taxes have to be paid before the withdrawal can happen. However, there is no need to panic in that situation as the problem will be clearly identified, and it falls on the company operating in China to resolve it.

What can an Expatriate Expect to Receive?

The personal Pension and the Unemployment Insurance are the only parts that can be taken when closing the social insurance account, the rest and the part that the employer provides will effectively be lost. In the case study below, the expatriate earned 20,000 RMB per month for four years in a company based in Beijing and paid the social insurance, 8% for the Pension and 0.2% for the Unemployment Insurance. The example will also include the Medical Insurance portion assuming the expatriate has not withdrawn any.

City	Beijing
Social Insurance Breakdown	Expatriate’s Part
Salary	20,000 RMB
Pension	1,600 RMB (8%)
Medical Insurance (Maternity Included)	400 RMB (2%)
Unemployment	40 RMB (0.2%)
Total Monthly Social Insurance	2040 RMB (10.2%)
Withdrawable Social Insurance after 3 Years	73,440 RMB

The case study is only a small example of what to expect, for an expatriate working in Beijing, other cities and regions have different percentages, which can be more beneficial. Furthermore, the Social Insurance is not affected by the expatriate using the beneficial tax deductibles specific to expatriates remuneration packages, which include Housing, Meals, Dry-cleaning, Education, and Elderly Care. However, these tax benefits are due to stop at the end of 2021 unless the tax regulations are updated to extend such benefits or adjust in some way.

Repatriation Limitations

For those expatriates who have reached the end of their professional China journey, it would be a shame for them to leave with part of their hard work not collected. However, expatriates should keep in mind that that payments without tax receipts to demonstrate tax filing and payments is a maximum of 50,000 USD per annum. If one wants to transfer more than 50,000 USD, they can do so with certified tax receipts to demonstrate tax filing and payments to their bank accounts.

Any repatriation transfer (repatriation article) above 20,000 USD is recommended for the expatriate to go to their bank in China and talk to them regarding how much money is possible for them to transfer in one go. Going to the bank for 20,000 USD is because some banks have limits on how much RMB exchanged, which then affects how much the expats can exchange in their account per time. By going to the banks, it is possible to create a repatriation plan which may exceed 20,000 USD per transfer; in any case, expatriates should not panic as there are plenty of solutions. Once approved, the transfer will just incur the transfer and exchange fees as long as the transfer is done by from and to personal and not corporate accounts. It is important to obtain tax certificates for income declared and tax paid, which is for all income, even income that is non-taxable, as long as it is declared and a tax certificate issued, this is supporting documentation for repatriation of funds overseas.

LehmanBrown’s Recommendation

Whether an expatriate is leaving or just arrived or is still working in China, the best recommendation is to sit with an accountant to establish an effective Tax Plan to maximise their fringe benefits. Even if an expatriate is in the final three months of their operations, they can still quickly gain benefits before the end of the year.

Regarding an expatriate claiming their social insurance at the end of their professional journey in China, it is recommended to begin coordinating with the company and figuring out what challenges they might have to complete the claim. Often companies will struggle as it is not a standard procedure, and every city and region may have their specific requirements.

Hence, the best recommendation for an expatriate or company operating in China is to contact an accounting firm like LehmanBrown who can help navigate the difficulties and mitigate any issues that may arise.

Reach Out and Find Out More

If you are an expatriate who would like to claim your social insurance or a company looking to understand how the process works for your expatriate staff, feel free to contact LehmanBrown via email: enquiries@lehmanbrown.com.

LehmanBrown has been assisting and advising companies from around the world operating in China for two decades and is always happy to advise anyone on their China journey.

Sign up to the LehmanBrown newsletter to stay informed of the latest policies or receive business advice by emailing: newsletter@lehmanbrown.com

About Us

LehmanBrown is a licensed China-focused accounting, taxation and business advisory firm, operating dedicated offices in Beijing, Tianjin, Shanghai, Shenzhen, Guangzhou, Hong Kong and Macau, and with an extensive affiliate network throughout China and in over 100 countries worldwide.

LehmanBrown combines years of international expertise with practical China experience and knowledge, offering expert advice and support to both local and international clients. We are committed to providing individually tailored financial and business solutions for each of our clients, recognizing that each client is different. Through offering “whole of life” services, LehmanBrown offers clients assistance throughout every step of their business life cycle, from pre-conception to afterlife. LehmanBrown is registered with the PCAOB in the US and is able to conduct SEC work, as well as being accredited by accounting bodies in the UK and Australia.

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综合多年的国际经验以及对中国市场的深刻理解和洞察，我们致力于为本地及国际客户提供高质量的专业服务和支持。我们了解每位客户都是独一无二的，承诺为每一位客户量身打造适合自身的财务和商业解决方案。从前期策划到市场退出，雷博通过提供“全生命周期”服务，为客户在不同商业生命周期的每一个阶段提供协助。雷博在美国公众公司会计监督委员会（PCAOB）已注册，有资质开展美国证监会（SEC）相关工作，同时在英国和澳大利亚也得到会计方面的专业认证。

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For further information about how we can add value and support your individual or business needs, please contact us.
如需为个人或企业获取更多的增值服务及业务协助信息，请与我们联系。

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