

Agreement on Social Security between the Government of Australia and the Government of the Republic of Korea

Introduction

- 7.1 The *Agreement on Social Security between the Government of Australia and the Government of the Republic of Korea (Canberra, 6 December 2006)* (the Social Security Agreement with Korea') coordinates the social security systems of Australia and Korea to provide improved access to pensions for people who have moved between the two countries. The Social Security Agreement with Korea also provides provisions to prevent 'double coverage'. Double coverage can occur when an employer sends an employee from one country to work temporarily in another and compulsory superannuation contributions are required in both countries.

Background

- 7.2 Australia has bilateral social security agreements with 18 other countries: Austria, Belgium, Canada, Chile, Croatia, Cyprus, Denmark, Germany, Ireland, Italy, Malta, the Netherlands, New Zealand, Norway, Portugal, Slovenia, Spain and the United States of

America.¹ In addition to the Social Security Agreement with Korea, Australia has also signed social security agreements with Japan and Switzerland but these have not entered into force.²

The Social Security Agreement with Korea

7.3 The Social Security Agreement with Korea improves the portability of benefits, provides avenues for mutual administrative assistance to facilitate the determination of correct entitlements³, and provides for the lump sum refunds of Korean pension contributions:

This means that Australian citizens who have worked in Korea and paid contributions into the Korean national pension scheme will be able to receive a refund under the same conditions as Korean nationals.⁴

7.4 To qualify for an Australian age pension people normally have to be Australian residents and in Australia on the day a claim for pension is lodged, and they must also have at least 10 years Australian residence.⁵

7.5 Under the Social Security Agreement with Korea, people who live in Australia but do not have ten years of residence in Australia can count their Korean periods of contributions to qualify for an Australian pension, subject to the means test.⁶ Until they have ten years of residence in Australia, they will be paid the normal income-tested pension rate less the amount of any Korean pension, that is:

1 See the Department of Families, Community Services and Indigenous Affairs website for further information relating to these agreements:

<www.facsia.gov.au/internet/facsinternet.nsf/international/agreements-current.htm>

2 NIA, para. 6.

3 Ms Michalina Stawyskyj, *Transcript of Evidence*, 18 June 2007, p. 8.

4 Ms Michalina Stawyskyj, *Transcript of Evidence*, 18 June 2007, p. 8.

5 Department of Families, Community Services and Indigenous Affairs (FaCSIA), *Information Sheet on the Social Security Agreement between Australia and Korea*, available on the FaCSIA website, accessed 27 June 2007:
<[www.facsia.gov.au/internet/facsinternet.nsf/VIA/international_ssa/\\$File/InfoKorea.pdf](http://www.facsia.gov.au/internet/facsinternet.nsf/VIA/international_ssa/$File/InfoKorea.pdf)>

6 *Information Sheet on the Social Security Agreement between Australia and Korea*, see note 5 above.

The Korean pension would be 'topped up to the rate of Australian pension they would receive if they had no Korean pension.'⁷

7.6 Under the Social Security Agreement with Korea, Korean pensions will be based on the period of contributions the person has completed in Korea, unless the person has already received a refund.⁸

7.7 The National Interest Analysis estimated that 57 people will benefit from the Social Security Agreement with Korea in the first full year. However, at the public hearing, the Committee was informed that this number was only based on the Australian payments:

I should clarify that the national interest assessment states at paragraph 10 that it is estimated that 57 people will benefit in the first full year; however, that is just the estimated number who will get an Australian payment. We estimate the total who will benefit from both countries at 126 people.⁹

7.8 The Social Security Agreement with Korea also contains 'double coverage' provisions. Double coverage provisions ensure that Australian and Korean employers do not have to make compulsory superannuation contribution into both countries' systems when an employee is seconded to work in the other country temporarily.¹⁰

Implementation and costs

7.9 The Social Security Agreement with Korea will be implemented through the *Social Security (International Agreements) Act 1999* (Cth) ('the Act').¹¹

7.10 The Social Security Agreement with Korea is expected to cost approximately \$1 million over the period 2008-2011 in administrative

7 *Information Sheet on the Social Security Agreement between Australia and Korea*, see note 5 above.

8 *Information Sheet on the Social Security Agreement between Australia and Korea*, see note 5 above.

9 Ms Michalina Stawyskyj, *Transcript of Evidence*, 18 June 2007, p. 8.

10 NIA, para. 12; Articles 6 to 12 of the Social Security Agreement with Korea.

11 NIA, para. 19.

outlays. The cost of implementing the Agreement over the same period is approximately \$1.996 million.¹²

Consultation

- 7.11 Extensive consultation was undertaken during the negotiation with Korean community groups, welfare organisations, State and Territory Governments, and organisations consulted by Treasury.¹³ A complete list of these organisations is provided in the National Interest Analysis (NIA).¹⁴

Benefits of the Agreement

- 7.12 The Social Security Agreement with Korea will allow residents of Australia and Korea to move between Australia and Korea knowing that their right to benefits is recognised in both countries.¹⁵
- 7.13 The Social Security Agreement with Korea will also allow Australians who have worked in Korea and paid contributions into the Korean system to receive a refund under the same conditions as Korean nationals:

...Korea provides for lump sum refunds of contributions to certain foreign nationals, and one of the reasons we entered into this agreement was there was a lot of pressure on the Australian embassy in Seoul from Australians working in Korea – a lot of English language teachers and those sorts of people – who are paying relatively significant contributions into the Korean system and were leaving the country to come back to Australia and could not get access to their money. So most systems do not provide for refunds at all, but the Korean system does and so the Koreans have agreed to treat Australian citizens equally.¹⁶

12 NIA, para. 21.

13 NIA, Consultation section.

14 The NIA is available from the Committee Secretariat or on the Committee's website: <www.aph.gov.au/house/committee/jsct/9may2007/tor.htm>

15 NIA, para. 8.

16 Mr Peter Hutchinson, *Transcript of Evidence*, 18 June 2007, p. 9.

- 7.14 Business is also expected to benefit from the double coverage provisions as these ensure that the employer need only contribute to the relevant superannuation scheme in their home country.¹⁷

Recommendation

Recommendation 6

The Committee supports the *Agreement on Social Security between the Government of Australia and the Government of the Republic of Korea (Canberra, 6 December 2006)* and recommends that binding treaty action be taken.

¹⁷ NIA, para. 12.

