



Australian Government

**Department of Families, Community Services
and Indigenous Affairs**

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Ms Anne MacGregor
Southern Cross Group
17 Avenue Charles Gilisquet
Brussels 1030
BELGIUM

Dear Ms MacGregor

SOCIAL SECURITY AGREEMENT BETWEEN AUSTRALIA AND SWITZERLAND

I am writing to advise you that a Social Security Agreement between Australia and Switzerland has been signed. The Agreement is expected to begin operating in 2008, after the relevant legislation is passed and other necessary changes have been made in both countries.

As part of Australia's treaty making process it is usual to consult widely before taking definitive treaty action. I am writing to seek the views of parties who may have an interest in the Agreement before we prepare documentation for the Parliamentary Joint Standing Committee on Treaties and table both the Agreement and a National Interest Analysis in Parliament.

Australia already has similar agreements operating with Austria, Belgium, Canada, Chile, Croatia, Cyprus, Denmark, Germany, Ireland, Italy, Malta, The Netherlands, New Zealand, Portugal, Slovenia, Spain and the USA. Agreements are beneficial and do not take away existing rights.

Under the Agreement, Australia and Switzerland will each broadly share the support of those people who have spent part of their working life in both countries. People will be able to move between Australia and Switzerland knowing that their pension rights are recognised in both countries

For Australia, the Agreement covers age pension, disability support pension for the severely disabled, pensions payable to widowed persons, double orphan pension and carer payment. For Switzerland, the Agreement covers old-age, disability and survivor benefits.

The Agreement also includes provisions regulating compulsory contributions in respect of work performed by people sent temporarily between Australia and Switzerland. These provisions will avoid the need for contributions to be paid into both countries' systems in respect of the same work.

The Agreement will potentially benefit Australia's population of around 10,000 Swiss-born residents and any other residents who may have worked in Switzerland. Many former Australian residents now living in Switzerland are also expected to benefit.

An explanation of the Agreement and how it may assist people to access social security benefits from both countries is attached.

The text of the Agreement is available on our Internet site at:

<http://www.facsia.gov.au/internet/facsinternet.nsf/international/agreements-new.htm>

If you would like to offer views on the proposed Agreement please write before 4 December 2006 to:

Branch Manager
International Branch
Department of Families, Community Services
and Indigenous Affairs
PO Box 7788
CANBERRA MAIL CENTRE ACT 2610

or email: international.branch@facsia.gov.au.

If you would like more information or have any questions please contact:

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Peter Hutchinson	02 6244 8732	02 6244 5980	peter.hutchinson@facsia.gov.au
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Thank you for your assistance in this matter.

Yours sincerely

Michalina Stawyskyj
Branch Manager
International Branch

3 November 2006

SOCIAL SECURITY AGREEMENT BETWEEN AUSTRALIA AND THE SWISS CONFEDERATION

A social security agreement with the Swiss Confederation (Switzerland) was signed on 9 October 2006. The purpose of this paper is to let the community in Australia know what social security agreements do, and how this Agreement in particular will affect people.

The views of the Australian community, particularly those who are most likely to benefit from the Agreement, are an important part of the Agreement process.

WHY DO WE HAVE SOCIAL SECURITY AGREEMENTS?

The proposed Social Security Agreement between Australia and Switzerland coordinates the two countries' social security schemes to provide better social security coverage for people who have moved between Australia and Switzerland.

People who have lived in more than one country often find, when they claim a pension or benefit, that they do not have enough residence or contributions under a social security scheme to qualify for payment.

To help overcome this problem, a network of social security agreements has been set up within the international community.

One of the key elements in these agreements is that the partner countries broadly share the responsibility for social security coverage and related costs. If a person has lived and worked in more than one country, then it is fair that those countries share the responsibility for supporting that person when he/she claims a pension or benefit.

Agreements help many people to receive a part pension from one or both countries, which they would not otherwise get.

It is an important principle that Agreements do not take away existing entitlements.

The proposed Agreement with Switzerland is Australia's latest agreement of this type - similar agreements are already operating with Austria, Belgium, Canada, Chile, Croatia, Cyprus, Denmark, Germany, Ireland, Italy, Malta, The Netherlands, New Zealand, Portugal, Slovenia, Spain and the USA.

WHAT WILL AUSTRALIA DO UNDER THE AGREEMENT?

To qualify for an Australian pension people normally have to be Australian residents and in Australia on the day a claim for pension is lodged, and certain periods of residence (eg 10 years for an age pension) are required before an Australian pension can be granted. Also, most payments are not payable outside Australia except for temporary absences.

The Agreement modifies these rules so that:

- Australia will treat someone who is resident in Switzerland as being a resident of Australia and present in Australia, so that the person can lodge a claim for Australian pension;

- Australia will add the person's periods of insurance in Switzerland to his or her Australian residence so that the person can meet the minimum residence qualifications to get an Australian pension;
- Australia will pay benefits covered by the Agreement indefinitely in Switzerland, as long as the person otherwise remains qualified.

WHAT WILL SWITZERLAND DO UNDER THE AGREEMENT?

Under the Agreement, Australian nationals will receive the same treatment as Swiss nationals and will be able to have their Swiss social insurance system benefits (OASI/DI pensions) paid abroad.

Australian nationals will continue to be able to receive refunds of their contributions when they leave Switzerland, after the Agreement commences. However people who receive a refund will not be able to receive a Swiss pension and will not be able to use their periods of insurance in Switzerland to help them qualify for an Australian pension.

WHAT BENEFITS WILL BE COVERED UNDER THE AGREEMENT?

The Agreement covers Australian age pension, disability support pension (outside Australia only for the severely disabled), pensions payable to widowed persons, double orphans pension and carer payment. Switzerland reciprocates these payments through their old-age, disability and survivors' insurance.

HOW ARE PENSIONS CALCULATED UNDER THE AGREEMENT?

Australian pensions

People who live in Australia but do not have ten years' residence in Australia can count their Swiss periods of insurance to qualify for an Australian pension, subject to the means test. During this time (until they have ten years residence in Australia) they will be paid the normal income-tested pension rate less the amount of any Swiss pension - ie, the Swiss pension would be 'topped-up' to the rate of Australian pension they would receive if they had no Swiss pension.

Australian pensions in Switzerland will be based on the person's period of 'Australian Working Life Residence' [*this is the period between age 16 and Age Pension age*]. A full pension, subject to the means test, is payable to a person with 25 years 'Australian Working Life Residence'. For example, under the Agreement, a man who has lived in Australia from age 30 to age 50 (ie 20 years) may, at age 65, be paid 20/25ths of a means-tested Australian age pension in Switzerland. No pension is paid overseas if a person has less than 12 months Australian Working Life Residence.

Swiss pensions

The Swiss pension paid will be based on the period of insurance the person has completed in Switzerland.

Where a partial pension is equivalent to less than 10% of the corresponding full pension, an Australian national or their survivor who does not reside in Switzerland or who is permanently leaving Switzerland shall receive a lump sum payment.

Where a partial pension is equivalent to more than 10% but not more than 20% of the corresponding full pension, an Australian national or their survivor who does not reside in Switzerland or who is permanently leaving Switzerland may opt between having the pension paid or a lump sum.

ADMINISTRATION AND LODGEMENT OF CLAIMS

The Agreement will create administrative links between the social security systems of Australia and Switzerland which will help pensioners in one country in their dealings with the social security authorities of the other.

Centrelink will assist people in Australia with claims for Swiss and Australian pensions, and the Swiss authorities will assist people in Switzerland with claims for Australian and Swiss pensions.

DOUBLE SUPERANNUATION COVERAGE

The Agreement between Australia and Switzerland also includes provisions that address the problem of double coverage. Double coverage can arise where an employee is sent temporarily from one country to another to work and compulsory superannuation (or equivalent) contributions are required under the laws of both countries for the same work. The Agreement provides that, in these situations, the employer/employee will generally only be subject to the legislation of their home country. For example, where an employer sends an employee from Australia to work temporarily in Switzerland, and double coverage would arise, the Agreement provides that the employer will instead only be required to make Australian Superannuation Guarantee contributions and will be exempted from making contributions under Swiss law. Equivalent provisions apply for a Swiss employee seconded to work in Australia.

WHEN WILL THE NEW AGREEMENT START?

The Agreement is expected to begin operating in 2008, after the necessary treaty, legislative and administrative processes are completed in both countries.

WHERE CAN I FIND MORE INFORMATION?

Further information and the text of the Agreement can be found on the Department of Families, Community Services and Indigenous Affairs website at:

<http://www.facs.gov.au/internet/facsinternet.nsf/international/agreements-new.htm>

Or you can write to:

Assistant Secretary
International Branch
Department of Families, Community Services and Indigenous Affairs
PO Box 7788
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*International Branch
Department of Families, Community Services and Indigenous Affairs
November 2006*