BTA TALKS

India proposes UK-style totalisation pact with US

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India has proposed signing a social security totalisation agreement with the United States (US) on the lines of the Double Contributions Convention (DCC) agreement it concluded with the United Kingdom (UK) earlier this year, official sources told *Business Standard*.

The DCC agreement, signed on July 24 as part of the Comprehensive and Economic Trade Agreement (CETA), exempts Indian workers and their employers from paying UK social security contributions for up to three years when on temporary assignments. Around 75,000 workers and over 900 companies are expected to benefit, resulting in savings of more than ₹4,000 crore as a result of the agreement.

The proposal to the US has been made as part of the ongoing talks for a Bilateral Trade Agreement (BTA) between both sides. "India and the UK signed a DCC deal earlier this year which allows Indian workers to pay social security contributions solely in their own country for a period of three years. We remain hopeful of a similar agreement with the US and have proposed one in our ongoing talks. Discussions too, have also happened on the matter," the official said.

A totalisation agreement coordinates between the social security systems of the signatories and ensures that citizens from these countries avoid paying into the social security system of another country if they are already contributing to their home country's system. The aim is to avoid double contribution, so that workers do not end up paying into the social security systems of both countries for the same work.

India has long been trying to convince the US authorities to sign such a deal, which could help bring back contributions made by Indians while working in the US even though they were not allowed to avail of that country's social security benefits.

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Avoiding double contribution

- Indian workers contribute nearly $3 billion annually to the US social security system
- Workers need to have contributed for atleast 10 years to avail of US social security benefits
- Most Indian workers return within 2-5 years, thus becoming ineligible, and their contributions are 'forfeited'
- India & UK signed totalisation agreement in July, allowing workers to make contributions solely in the home country for 3 months

"We value our ongoing engagement with the Government of India on trade and investment matters and look forward to continuing to advance a productive and balanced trade relationship between our two countries. We refer you to the US trade representative (USTR) for specifics on trade negotiations," a spokesperson in the US embassy said in response to a detailed query sent by *Business Standard*.

According to a Harvard Journal on legislation report in 2016, temporary Indian workers in the US contributed nearly $3 billion annually to the American Social Security system. Indian professionals on temporary work visas are required to pay under the Federal Insurance Contributions Act (FICA) — a payroll tax in the US that funds social security and medicare. It is paid by both employees and employers, with a total rate of 7.65 per cent for each.

"Over the past decade, Indian nationals working in the United States have contributed over $ 27.6 billion to the US Social Security system," the report had said.

For a worker to qualify to avail the US social security benefits, it must have contributed for at least 40 quarters, or 10 years. However, most H-1B and L-1 Indian workers return to India within two to five years — unless their visas are extended, thus becoming ineligible to claim any benefits. As a result, their contributions are 'forfeited' in the US, with no mechanism in place to recover them.

According to a report by the Indian Council for Research on International Economic Relations (ICRIER), the US authorities have argued that the Employees Provident Fund (EPF) scheme, which is the main social security scheme in India, does not cover half of the working population in the country and for this reason, cannot be regarded as adequate for the purposes of entering into a bilateral totalisation agreement.

For this purpose, the central government earlier this year undertook a national social security data-pooling exercise to assess the 'true' extent of social protection coverage in India. As a result, the International Labour Organization (ILO) in July estimated that social security coverage in India has increased from 19 per cent in 2015 to 64.3 per cent in 2025.