



GMS Flash Alert

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Brazil – Government Announces Entry into Force of Social Security Agreement with U.S.

The agreement on social security entered into between Brazil and the U.S. has been enacted by the president of Brazil, Mr. Michel Temer.¹ According to the agreement's wording, as from October 1, 2018, nationals of Brazil residing in the U.S. and nationals of the U.S. who live in Brazil may add (or "totalize") the periods of coverage in both countries in order to meet the minimum period of coverage required to help them acquire entitlement to retirement due to old age and disability, and to death pension. The agreement also prevents double taxation for those who might otherwise be subject to the social security taxes of both countries.

Approximately 1.3 million Brazilians and more than 35,000 U.S. citizens stand to benefit from the agreement's entry into force; this includes workers of other nationalities who contributed to social security in both countries.²

WHY THIS MATTERS

The bilateral agreement between Brazil and the United States will allow assignees from one country to the other to be exempt from the obligation to contribute to the social security system of the other (host) country for a maximum of five (5) years, thereby potentially avoiding double social security contributions for temporary assignments in the other country.

In addition, the agreement should provide social security protection for international assignees, so that they do not lose their social security benefits entitlement in their home country when they go to work in the other country. This could positively affect an employee's decision whether to take an assignment to Brazil or the United States, assured in the knowledge that the period he is working on assignment abroad will be added for purposes of determining entitlement to future benefits.

Moreover, the agreement serves to simplify the administration of assignments from Brazil to the United States and vice versa, thereby making it easier for international companies to deploy their employees to the other country.

Background

On June 30, 2015, it was announced that the United States and Brazil had signed a social security agreement. (For prior coverage, see GMS [Flash Alert 2017-017](#), January 27, 2017.) It has taken some time for the legislative ratification process to be completed in each country. The agreement is expected to take effect on October 1, 2018.

According to the Social Security Department of the Ministry of Finance (*Ministério da Fazenda*), Brazil has already entered into bilateral agreements, which are in force, with the following countries/jurisdictions: Germany, Belgium, Cape Verde Islands, Canada, Chile, South Korea, Spain, France, Greece, Italy, Japan, Luxembourg, Portugal, and Quebec. Brazil has also entered into multilateral agreements with Mercosur countries (Argentina, Paraguay, and Uruguay) and Ibero-America countries (Argentina, Bolivia, Brazil, Chile, El Salvador, Ecuador, Spain, Paraguay, Peru, Portugal, and Uruguay).

The U.S. Social Security Administration has not yet officially announced that the agreement with Brazil will enter into force, but it is expected that an announcement will be forthcoming. The United States currently has bilateral totalization agreements in place with Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Korea (South), Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, and the United Kingdom. Agreements that are pending with Iceland, Slovenia, and Uruguay are also expected to enter into force in the months to come.

KPMG NOTE

Good for Brazil

Brazil stands to gain considerably from the agreement, with the prevention of social security double taxation for individuals who have worked in both countries; furthermore, it will also encourage investment in Brazil.

FGTS

Please note, the agreement will NOT apply to the Brazil *Fundo de Garantia do Tempo e Serviço*, also known as FGTS, which is the Severance Indemnity Fund for employees.

Certificates of Coverage for Assignees Already in the Country

Assignees already in place need to make an application for a Certificate of Coverage (“CoC”). Applications for CoCs should be made promptly on behalf of affected assignees. We expect to announce when the United States Social Security Administration begins accepting applications for Americans on assignment in Brazil.

FOOTNOTES:

1 See the May 25, 2018 press release from the Secretaria de Previdência “[Acordo de Previdência entre Brasil e EUA é aprovado pelo Congresso brasileiro.](#)”

2 Ibid.

Contact us

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