United States – Totalization Agreements with Brazil, Uruguay Enter into Force Soon

Social Security Totalization Agreements between the United States and Brazil (“The Brazil Agreement”) and between the United States and Uruguay (“The Uruguay Agreement”) are set to enter into force this coming autumn. The Brazil Agreement will take effect on October 1, 2018, while the Uruguay Agreement will take effect one month later on November 1, 2018. The Brazil Agreement and the Uruguay Agreement will be the 27th and 28th U.S. Social Security Totalization Agreements (“SSTAs”), respectively, to enter into force.

SSTAs are bilateral agreements that coordinate social security coverage and benefits between the two countries, preventing double tax and effecting continuity of benefits where social security tax was paid in both countries. Both agreements are notable, as to date the only South American country that the United States has an SSTA in effect with is Chile.

WHY THIS MATTERS

The agreements will allow posted workers to be exempt from the obligation to contribute to the social security system of the other (host) country for a maximum of five years, thereby potentially avoiding double social security contributions during assignments in the other country. This could help lower employers’ international assignment costs.

These SSTAs should help facilitate the cross-border movement of workers between the United States and Brazil and the United States and Uruguay.

Once they have entered into force, more than half of the population and half of the gross domestic product of South America will be covered by SSTAs with the United States.

The Brazil Agreement

The United States and Brazil signed the Brazil Agreement on June 30, 2015, which was transmitted to the U.S. Congress by then-U.S. President Barack Obama on December 8, 2016.
The provisions of the Brazil Agreement are similar to most other SSTAs to which the United States is a party. Generally, a worker is covered by the social security system of the country in which he is working. However, if a worker who is normally employed in one of the contracting countries by an employer located in that country is sent to work in the other country for a period of five years or less, he will be covered by his home country’s social security system. The employer of such a worker should obtain a Certificate of Coverage from his home country as evidence that he is eligible to remain covered by his home country’s system. Although employees already on assignment in the United States or Brazil will not be eligible for a retroactive Certificate of Coverage, their five-year assignment period is not considered to begin until the Brazil Agreement enters into force.

Individuals who have worked in both countries but do not meet the minimum benefit eligibility requirements in one (or both) of the countries may qualify for a benefit based on the combined coverage credits from both countries.

Brazil is presently the 14th largest goods trading partner of the United States, and when this agreement was signed, the U.S. government estimated that it would save U.S. and Brazilian companies over $900 million in the first six years that it is in effect. Approximately 1.3 million Brazilians and more than 35,000 U.S. citizens stand to benefit from the Brazil Agreement’s entry into force, including workers of other nationalities who contributed to social security in both countries.

The Uruguay Agreement

The United States and Uruguay signed the Uruguay Agreement on January 10, 2017, which was transmitted to Congress by President Donald Trump on March 19, 2018. The provisions of the Uruguay Agreement are similar to the Brazil Agreement. The Uruguay Agreement will exempt citizens of one contracting country sent by a company in that contracting country to work in the other contracting country for five years or less from paying social security taxes to the other country. Individuals who have worked in both countries but do not meet the minimum benefit eligibility requirements for either system may qualify for a benefit based on the combined coverage credits from both countries.

KPMG NOTE: On the Horizon

The Social Security Administration’s online Certificate of Coverage application site is not yet set up to accept Brazil or Uruguay applications.

The United States has signed SSTAs with both Slovenia and Iceland. Both agreements were transmitted to Congress in May of 2018. Absent any Congressional objection, both agreements will be considered approved by Congress after 60 session days, but will not take effect until the first month following 90 days after each country party to the agreement notifies the other party that the agreement has been approved.
FOOTNOTES:

1 For prior coverage, see GMS Flash Alert 2018-096, July 10, 2018.

2 For the Status of Totalization Agreements, Social Security Administration, click here.


4 For data from the International Monetary Fund, World Economic Outlook (April 2018), on gross domestic product, click here.

5 For a copy of the June 30, 2015 signing announcement, click here.

6 See the December 8, 2016 announcement from the office of the White House press secretary. Also, see GMS Flash Alert 2015-084 (July 13, 2015), for prior coverage.

7 Agreement on Social Security between the United States of America and the Federative Republic of Brazil.

8 For information on Brazil, Office of the United States Trade Representative, click here.

9 See “FACT SHEET: The United States and Brazil - A Mature and Multi-Faceted Partnership,” from the office of the White House press secretary.

10 See (in Portuguese) the May 25, 2018 press release from Brazil’s Secretaria de Previdência “Acordo de Previdência entre Brasil e EUA é aprovado pelo Congresso brasileiro.”

11 For the Congressional Record – House of Representatives (March 19, 2018), announcement of the transmittal and congressional action, click here.

12 Agreement on Social Security between the Government of the United States of America and the Oriental Republic of Uruguay.

13 For the Congressional Record – Senate (May 17, 2018), announcement of the transmittal and congressional action, click here.

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