



# GMS Flash Alert



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## United States - Social Security Agreements Enter into Force in 2018, 2019

In late 2018 and early 2019, there will be an unusual amount of activity with respect to U.S. Social Security Totalization Agreements (SSTAs), with three agreements entering into force over the space of three months. As previously reported in *GMS Flash Alert*<sup>1</sup>, the SSTA with [Brazil](#) entered into force on October 1, 2018, and the SSTA with [Uruguay](#) entered into force on November 1, 2018.

An agreement with [Slovenia](#) will enter into force on February 1, 2019.<sup>2</sup>

In addition, a SSTA with [Iceland](#) has gone through the process to be approved by the U.S. government; however, it still requires approval from the Icelandic government in order to enter into force.

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### WHY THIS MATTERS

One of the primary purposes of a SSTA is to prevent double taxation of social security taxes on workers on international assignments, which may help reduce the cost of international assignments. Where a worker is assigned temporarily to a host country, her home country retains exclusive right to impose social security tax.

SSTAs also provide for the coordination of social security benefits between the two countries, meaning that those who work temporarily in the host country are now more likely to accrue a benefit for the tax they pay to that country than they would be if there were no SSTA.

Once an agreement enters into force, the employer of a U.S. assignee to the host country can obtain a Certificate of Coverage (CoC) online at the Social Security Administration (SSA) [website](#)<sup>3</sup> prior to the commencement of the assignment. The CoC serves as proof that the employee and employer are exempt from the payment of Social Security taxes to the host country. The U.S. Social Security Administration website<sup>4</sup> also contains information regarding how to obtain a CoC from the other country, in the case of a worker who is assigned temporarily to the United States.

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## Notable Provisions Included in SSTAs

SSTAs between the United States and Brazil, Uruguay, Slovenia, and Iceland each has a provision which provides that an employee who is sent by his home country employer to a third country, who is then sent by that third country to the country that is party to the agreement, will be eligible for a CoC, if he was subject to FICA in the third country.

Most SSTAs do not address whether a CoC can be extended beyond five years, but in practice most countries will permit extensions, under various circumstances. However, the U.S.-Brazil SSTA includes an unusual provision which appears to prohibit extensions beyond five years, unless the person returns to the home country for at least six months.

Also included in the Brazil and the Iceland SSTAs is a provision for self-employment that provides that a person on an assignment will only be taxed in the country in which he resides. However, the self-employment provisions of the SSTAs with Slovenia and Uruguay provide that a person temporarily residing in one country can stay covered in his home country for up to five years.

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### KPMG NOTE

The online CoC application for Brazil became available on the U.S. Social Security website on October 1, 2018, the day that the agreement with Brazil entered into force.<sup>5</sup>

On November 1, 2018, the Uruguay SSTA entered into force, but at the time of this publication the online application for that country is not yet available.

Officials in the Office of International Programs have expressed a preference for online applications over submission by other methods; the specific information required for a Uruguay CoC has not yet been made known. Thus, for the time being it is recommended that employers wait for the online application to appear on the SSA website before submitting an application for Uruguay.

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### FOOTNOTES

1 See the following issues of GMS *Flash Alert*: [2018-131](#) (October 8, 2018) and [2018-109](#) (August 22, 2018).

2 For prior coverage, see GMS [Flash Alert 2017-042](#), March 3, 2017.

3 The online Certificate of Coverage application can be accessed at [www.ssa.gov/coc](http://www.ssa.gov/coc).

4 See the SSA's description of the SSTA for the country in question for instructions on where to address a CoC application in the other country.

5 For prior coverage, see GMS [Flash Alert 2018-131](#), October 8, 2018.

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