



TaxAlert

USA-Hungary Totalization Agreement comes into force on 1 September

2 September 2016

Almost 17 months after its domestic publication, the totalization agreement between the United States and Hungary entered into force on 1 September 2016.

Who and what contributions and benefits are covered?

The agreement applies to individuals who are/ were covered by the US and/or the Hungarian social security systems in line with the legislation of the given state. The agreement also covers any individuals' relatives who may receive allowances due to their relationship with the insured persons.

The agreement determines which country's social security system should cover the individuals in question and it also covers pensions benefits, disability benefits, and in the case of Hungary, health insurance and unemployment benefit contributions.

Assignment exemptions

According to the agreement, an individual who is assigned to the host country should be covered by the home country's social security system – assuming that i) the period of the individual's assignment does not exceed five years ii) the employer is officially seated in the home country and iii) the individual was covered by the home country's social security system before the assignment started.

If the assignment exceeds five years, further exemptions could be applied. However, in such cases, the competent authorities of both countries should agree on the application of the exemption.

In order to certify that social security coverage does indeed exist in the home country, a certificate of coverage should be applied from the competent home country authority. (In some cases, the authorities of both countries should approve the application.)

Ongoing assignments

It should be noted that in the case of ongoing assignments, the five-year exemption period should be counted from 1 September 2016, i.e. for the purposes of the agreement, 1 September 2016 should be considered as the start date of the assignment.

Calculating insured periods

Based on the agreement, the periods for which any individual is covered by either the Hungarian or the US social security system should be considered when determining the entitlement for pension benefit – unless the individual in question has worked the minimum time needed to qualify for full pension benefits in the given country.

The insurance periods before 1 September 2016 should also be considered when determining pension entitlements of an individual covered by the agreement – i.e. whether the individual will be entitled for benefits on or after 1 September 2016.



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