



GMS Flash Alert

2016-124 | November 3, 2016



United States – New Social Security Totalization Agreement Signed with Iceland

The U.S. Social Security Administration recently announced that the United States and Iceland signed a totalization agreement to protect U.S. and Icelandic employers and workers from dual social security tax liability.¹ The agreement has not yet been made public.

Once the agreement enters into force, Iceland will be the 27th or 28th country with which the United States has a social security totalization agreement. (The most recent agreement signed by the United States is with Brazil. That agreement is currently undergoing legislative review. For prior coverage, see [GMS Flash Alert 2015-084](#), July 13, 2015.)

WHY THIS MATTERS

The agreement between the United States and Iceland will eliminate dual social security contributions, which occur when a worker from the one country works in the other country. Also, once a Certificate of Coverage is obtained, transferred workers can remain covered by their home country social security system. This will help assure continued contributions into their social security systems and benefits entitlement, as well as bringing peace of mind to many workers deciding on taking an assignment or on assignment that may have concerns about their contributions and future benefits when they are assigned to work in the United States or Iceland. On that note, an important feature of the U.S.-Iceland social security totalization agreement – as with many such agreements – is that it acts to close any gaps in benefit protections for workers who divide their careers between the two countries where their contributions to the home country system may be interrupted (provided they are paying into the host country system).

The agreement should help facilitate the cross-border movement of workers between Iceland and the United States and help to lower costs for companies that may have employees who are experiencing double taxation.

Next Steps

The current rules and practices remain in effect until the new agreement enters into force.

Before the agreement can enter into force, each country has to complete a review process. The Icelandic Parliament must ratify the agreement. And in the United States, the president must transmit the agreement to Congress for a required 60-day review period.

FOOTNOTE:

1 To see the announcement on the Web site for the Social Security Administration, click [here](#).

* * * *

The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

The information contained in this newsletter was submitted by the KPMG International member firm in the United States.

www.kpmg.com

kpmg.com/socialmedia



The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.

© 2016 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159