GMS Flash Alert

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Switzerland - Social Security Agreement with Brazil in force 1 October 2019

The Social Security Agreement between Switzerland and Brazil (“Agreement”) entered into force on **1 October 2019**.[1] It coordinates the social security rules of the two contracting states in the areas of old age, survivors, and disability, and regulates the payment of state pension benefits abroad.

It is anticipated that the Agreement will help facilitate cross-border investment and employee transfers between the two countries.

WHY THIS MATTERS

The Agreement coordinates the relations between Switzerland and Brazil in the area of social security. Under the Agreement it is now possible for seconded employees to remain in their home social security system for a maximum period of five years and also covers family members. Insurance coverage by the Agreement includes old-age, survivors', and disability. In addition, the Agreement specifically addresses claims for benefits from the relevant country, providing for easier access to benefits/pension payments, and the payment process.

As to the latter point, with this Agreement providing social security protection for international assignees by coordinating contributions periods and benefits, such assignees generally do not lose their social security benefits entitlement in the home country when they go to work in the other country and the Agreement facilitates their access to benefits arising from contributions made in the host country. This could positively affect an employee’s decision whether to take an assignment to Brazil or Switzerland, assured in the knowledge that the period he or she is working on assignment will not detrimentally affect the determination of entitlement to future benefits.

General Comments

Generally, the Agreement is similar to the other social security agreements concluded by Switzerland and meets the international standards typically applied for such agreements. The material scope of the Agreement covers the legislation of the two states in the area of old-age, survivors', and disability insurance. It deals in particular with (i) the equal treatment of nationals of both contracting states, (ii) access to the social security benefits of the contracting states and (iii) the payment of ordinary state pensions abroad.

The possibility of remaining in home country social security when posted to the other country is possible for a maximum period of five years.

The provisions on applicable legislation relating to international assignees and their family members are also applicable to nationals of third countries.

In addition to the provisions relating to individuals on assignment, the Agreement also provides rules on the processes for claiming benefits from the other country – e.g., the provision of lump-sum settlements instead of receiving minor state pension and invalidity (AHV / IV) annuities, the right to supplementary Swiss benefits for citizens of Brazil, or to reclaim contributions made to the Swiss AHV institutes.

Family allowances are not regulated in the Agreement. For children residing in Brazil, therefore, there is no entitlement to Swiss family benefits even after the Agreement comes into force.

KPMG NOTE

Transitional Rules

It is important to note that the transitional and final provisions of the Agreement (article 34) are not yet fully clear. The KPMG International member firm in Switzerland has been made aware that the Swiss social security administration (BSV) is recommending the following practice until the transitional rules have officially been finalized:

> For employees whose assignments from Switzerland to Brazil commenced before the Agreement came into force (1 October 2019) who remained in Swiss social security on a voluntary basis for this period, a certificate of coverage (CoC) can now be applied for retroactively starting 1 October 2019. The application should be filed via the online application Tool (ALPS) as soon as possible. The following would have to be considered:
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> - Certificate of Coverage start date 1 October 2019 (or date of application);
> - Maximum duration of five years (starting from 1 October 2019).

Once all the conditions are met, a CoC will be issued by the Swiss social security authorities. As the signed CoC may take some time, the Brazilian social security authorities might oblige individuals to make contributions up until the date of issuance of the CoC. The double payment of contributions should therefore remain in place until the CoC has been confirmed and issued.

FOOTNOTE:

1 For the announcement of the entry into force of the Agreement and links to the pertinent documents (in Swiss-German), click here.

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Switzerland:

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

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