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Global Mobility Services

Taxation of International Assignees – Sweden

People and Organisation

Global Mobility Country Guide

pwc

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Country - Sweden

Introduction 5
International assignees working in Sweden 5
Step 1 6
Understanding basic principles 6
Step 2 8
Understanding the Swedish tax system 8
Step 3 13
What to do before you arrive in Sweden 13
Step 4 16
What to do when you arrive in Sweden 16
Step 5 17
What to do at the end of the year 17
Step 6 19
What to do when you leave Sweden 19
Step 7 20
Other matters requiring consideration 20
Appendix A 21
Overview of personal tax deductions and income tax rates 21
Appendix B 23
Calculation of taxable income 23
Appendix C 24
Double-taxation agreements 24
Appendix D 25
Social security agreements 25
Appendix E 26

Tax restrictions on deductibility of mixed expenses for employees 26

Appendix F..... 27

Sweden contacts and offices 27

Additional Country Folios can be located at the following website: **Global Mobility Country Guides**

Introduction

International assignees working in Sweden

International assignees assigned by their employer to Sweden are often unaware of the Swedish tax and social security system. Normally, they will become subject to Swedish taxation.

This document is designed to provide both employees and employers with information on the tax and social security issues related to assignments to Sweden.

The document reflects Swedish law and practice as at January 2017. It only provides an overview and is not a comprehensive guide. We recommend you contact your PwC adviser for further advice before acting on any information contained in this booklet.

Step 1

Understanding basic principles

The scope of taxation in Sweden

1. An international assignee who is transferred to Sweden will typically become liable to Swedish taxes. Employment income is subject to local and state income taxes. Other taxes that may be relevant are state capital income tax and real estate tax. In addition, the expatriate and the employer may be liable to pay Swedish social security charges.

2. The scope of the liability to pay Swedish taxes will depend upon the expatriate's tax status, whether fully liable as a Swedish resident or only liable on a limited basis as a non-resident.

The tax year

3. For individuals the Swedish tax year (Sw. beskattningsår) runs from 1 January to 31 December.

Methods of calculating tax

4. An individual who is a Swedish resident is liable to personal income tax on world-wide income at progressive rates. The income tax is calculated on annual taxable income after deductions, allowances and tax reductions. The maximum rate on earned income is approximately 61%.

5. A Swedish nonresident individual is liable to Swedish income tax only on income arising from sources in Sweden.

6. A double tax treaty may exclude foreign source income from Swedish taxes. In most treaties Sweden will use the credit of tax method to avoid double taxation.

Spouses and civil partners

Spouses and civil partners are independently liable to Swedish tax on their income. If both spouses or partners are Swedish residents, income such as investment income, deductions for interest expenses and pension insurance premiums are allocated to the spouse who is documented as the legal owner in relation to a third party, e.g. banks and insurance companies.

Determination of residence

7. Under Swedish tax law, an individual is considered resident in Sweden if any of the following criteria is met:

   – The individual is domiciled in Sweden, i.e., resides permanently in Sweden

   – The individual stays in Sweden, on a continuous basis for more than six months or longer

   – The individual no longer lives in Sweden but maintains an essential connection with Sweden

8. Longer periods spent abroad will break a continuous stay in Sweden, even if the assignment in Sweden lasts for more than six months. However, weekend trips and short business trips will not break a continuous stay. Only if an individual leaves Sweden for at least six months or for a period longer than both the previous and subsequent stay in Sweden will the stay be considered broken. However, these limits are not fixed and advice should be sought in each individual case.

9. When determining whether an individual has an essential connection with Sweden or not, all important ties with Sweden, both economic and social, are taken into consideration. Non-Swedish nationals who have never been Swedish residents cannot be considered to have essential connections with Sweden for tax purposes.

10. Swedish citizens, or international assignees who have been Swedish residents for ten years or more, are deemed to be residents until five years after the departure from Sweden, unless the person can prove that there are no essential connections with Sweden. After five years the burden of proof is reversed and the tax authorities have to prove that ties still exist between the individual and Sweden.

11. An individual may be resident in Sweden and at the same time, be considered resident in another country under that country's domestic legislation (dual residence). If there is a tax treaty between that country and Sweden, there are normally provisions in the treaty to determine in which country a person shall be considered resident for treaty purposes and how double taxation is to be eliminated.

    A list of countries with which Sweden has such agreements is given in Appendix C.

    We recommend that tax advice be sought before transfer to Sweden in order to avoid adverse consequences of dual residence.

Six-month and one-year rule

12. For resident individuals there is an exemption under domestic legislation from Swedish taxes in respect of employment income earned abroad, the so called six-month rule and one-year rule (cf. paragraphs 30-33).

Step 2

Understanding the Swedish tax system

General principles

13. An expatriate who has transferred to Sweden will generally become liable to Swedish taxes on employment income, capital income and real property in Sweden. The scope of taxation depends primarily on whether the expatriate is a resident or a nonresident for Swedish tax purposes. Normally, an expatriate will also be liable to pay a general pension contribution (the employee's part of the social security contributions) unless an exemption applies.

Taxation of employment income

Taxable income

14. From the first day of residence in Sweden, the expatriate is liable to Swedish personal income tax at progressive rates on worldwide income. The taxable income is gross income less certain specifically deductible items, general allowances and a basic allowance.

15. Key personnel working for a limited period in Sweden may be eligible for an expatriate tax concession. If the conditions are fulfilled, 25% of compensation will be exempt from taxation and the remaining 75% will be subject to ordinary tax rates. Further, certain allowances will be exempt from tax. See paragraph 34-35.

16. Nonresident individuals will be subject to income taxes only on employment income earned in Sweden that is paid by a Swedish employer (Swedish source).

17. Nonresidents are taxed on Swedish employment income at a flat rate of 25%. The 25% tax – SINK – requires an application to be filed with the Tax Agency. SINK is a final withholding tax on the gross income and no deductions are available, cf. paragraph 29.

Employment income

18. All employment income, whether in cash or in kind, is taxable, including directors' fees, bonuses, commissions, pensions, annuities, reimbursement of private expenses, free or subsidized loans, tax equalization reimbursements, overseas adjustments, cost of living allowances, housing allowances, car allowances, and all other kinds of allowances.

19. Where an employer reimburses expenses for the move to Sweden, the reimbursement is not taxable on the employee as long as only actual moving expenses are reimbursed. Advice should be sought to structure reimbursements in a tax efficient way.

20. Benefits in kind are normally taxed at fair market value.

21. Standard values apply for withholding and employer reporting in respect of company car benefits, meals, housing and holiday lodgings provided by the employer. For example:

    – Private use of a company car is a taxable benefit, which is based on a standard calculation. The same value applies for the individual income tax return.

    – Standard values for employer provided housing and holiday housing benefits for the employer reporting are issued for each year by the Tax Agency. These values are often lower than the market value which should be reported in the individual tax return.

Stock options

22. Employee stock options generally trigger taxation when exercised. The value of the benefit is the difference between the fair market value and the exercise price.

Deductions

23. In principle, all necessary expenses incurred when exercising the employment are deductible, e.g., commuting expenses, car expenses, cost of living allowances during business trips, business entertainment (limitations apply), necessary literature and tools of trade (see Appendix E). However, as personal costs of living are not tax allowable, the Tax Agency is prone to challenge some expenses. There is extensive case law in this respect.

    Deductible expenses include:

    – Expenses in excess of SEK 11,000 per annum for commuting between home and the place of work by the cheapest means of public transportation;

    – Expenses incurred during a temporary assignment to Sweden, including accommodation and home travel (trips within EU/EEA only);

    – Personal pension premium contributions to Swedish pension schemes are deductible within certain limits, but only if the employee is not covered by a company occupational pension scheme. Contributions paid into a foreign pension scheme may be tax deductible within the same limit. Deductions for pension premiums are only available to resident individuals.

    A standard basic allowance is automatically granted against earned income. The allowance depends on the taxable income and the number of months spent in Sweden in the calendar year and varies between SEK 13,700 – 35,900 (2019).

Withholding obligations for a Swedish resident employer

24. Personal income taxes on employment income, in cash and in kind, are normally withheld monthly by the employer according to withholding tax tables determined for each calendar year and depending on the municipal tax rate applicable. The applicable table is shown on the employee's A-tax bill. There are 290 municipalities throughout Sweden that apply local tax rates between 29% and 35%. In addition, residents may be liable to pay church tax and funeral fee at a total rate of 1.25%.

25. The tax table rates are based on an annual salary level. For part year residents this means that the withholding may be higher than the final liability. An adjustment of the withholding may be granted by the Tax Agency upon application.

26. Taxes withheld at different sources will be recognized in the final tax assessment and be offset against the final tax liability.

Withholding obligations for non-Swedish employers

27. Foreign employers not operating in Sweden from a permanent establishment here are not liable to withhold income taxes on compensation paid to employees in Sweden. Instead, the employees are required to make preliminary tax payments themselves (Special A-tax bill) during the current year.

Withholding tax for nonresident individuals

28. For non-resident individuals, a final withholding tax applies in respect of Swedish source employment income. This Special Income Tax for Non-residents, SINK, is levied at a flat rate of 25%. In order to apply SINK, an application must be filed with the Tax Agency. If the employer is not a Swedish tax resident, the employee is liable to register with the Tax Agency and to report and pay taxes on a monthly basis.

Six-month and one-year rules

29. Resident individuals in Sweden who have been assigned to work abroad or who have taken up employment abroad for a planned duration of not less than six months are not liable to Swedish income taxes on income of such employment, provided the income is taxed in the country of work. There is no requirement for a minimum tax rate. However, all of the exempted income must be subject to tax in the country of work. During the assignment abroad, the employee must not spend more than 72 days per 12 months in Sweden (on average 6 days per month).

30. If no tax is payable in the working country due to exemptions under domestic legislation in that country, the income is tax exempt in Sweden only if the assignment and the employment last for at least one year in one and the same country.

31. In case of dual employments or if services are performed in more than one foreign country, the exemption under the six month rule applies to the extent that the income is taxed in each country of service.

32. A claim for this exemption should be made in the annual tax return which must still be filed.

Foreign experts and key personnel

33. Special rules may apply to foreign experts and key personnel (non-Swedish nationals). According to these regulations, only 75% of the income earned is taxed during the first three years in Sweden. Some benefits, like school fees, moving expenses, home leave twice per year, are tax exempt. The individual must be employed by a Swedish company or a foreign company with permanent establishment in Sweden. The employment and residence in Sweden must not exceed five years. The employee must not have been a resident in Sweden at any point during the five calendar years preceding the start of the employment in Sweden. To qualify for this exemption, the employee must apply for a ruling from the Taxation of Research Workers Board (Sw. Forskarskattenämnden). The application must be filed within three months from starting the work in Sweden.

34. From 2012 an alternative rule has been introduced under which an employee earning more than SEK 93,000 per month (for assignments starting in 2019) is considered to qualify for the tax relief. All other requirements must however still be fulfilled and an application needs to be filed.

Taxation of capital income

Capital income tax

35. Resident individuals are liable to capital income tax of 30% on investment income including all current income from bank savings, dividends received from Swedish or foreign companies, capital gains from sale of financial instruments, foreign currency, real estate or other assets, and claims of different kinds. For real property held for private use, capital gains tax is levied at a rate of 22%. Special rules apply to capital gains and dividends from closely held companies.

36. Nonresident individuals are generally not liable to pay capital income tax, though dividends on Swedish shares are subject to a 30% final withholding tax. Gains from selling real property in Sweden are also taxable. Capital gains on shares may be taxable if sold within 10 years from departing Sweden. The applicable tax treaty should be examined.

37. A cash principle applies when determining the point of taxation for investment income. Therefore, the tax status of the individual on the date of receiving a payment determines the tax treatment of investment income. As regards capital gains, the disposal triggers taxation and the tax treatment is based on the individual's tax status on that date.

Rental income

38. Worldwide rental income from the letting of property, after deduction of related expenses, is taxed as capital income. For real property held for private use, the related expenses are a standard amount of SEK 40,000 and 20% of the annual rental income. For apartments, the standard deductions are SEK 40,000 plus the rent/fee paid for the apartment. If the private residence is rented by the employer, these standard deductions are not available.

39. Non-private real property is treated as business property. Income from business property is taxed as business income on the basis of net income. The taxable income is calculated based on the accounts. Actual costs for maintenance (repairs, insurance costs, real property tax, interest costs, etc.) are deductible in computing net business income. In addition, depreciation on buildings is tax deductible according to certain percentage tables. Income from business is taxed as earned income on top of the employee's taxable employment income.

Capital gains from sale of securities

40. Capital gains are calculated as the difference between the net sales proceeds and the acquisition cost including expenses and other costs necessary to obtain the income. The gain on the sale of shares is the net sales price less the average purchase price for all shares of the same kind. For quoted shares, a deemed acquisition cost of 20% of the sales price can also be used,

either optionally or if the acquisition price is unknown.

41. Nonresident individuals are not liable to tax on gains from the sale of shares. However, individuals who have been resident in Sweden remain liable to tax on capital gains from the disposal of shares and participations during a ten-year period after leaving Sweden. This time limit is reduced in several double tax treaties.

Capital gains from sale of private real property

42. The sale of real property held for private use by the owner or his/her family is taxable and triggers a tax of 22%. The capital gain is calculated as the difference between the sales price and the acquisition cost including other costs necessary to acquire the real estate and expenses for rebuilding or improving the property.

43. Nonresident individuals are only liable to tax on the sale of real property situated in Sweden.

Capital gains from sale of other assets

44. Gains from the sale of personal assets are only taxable if the profits exceed SEK 50,000 per year. The acquisition cost of such personal assets is either the real purchase price, or alternatively 25% of the sales price.

45. Other assets that are regarded as investment property are taxed on the net profit. Exchange rate gains and losses on assets and liabilities in foreign currencies are also taxable. E.g., repayment of a loan in a foreign currency would typically lead to a currency gain or loss.

46. Nonresident individuals are not liable to tax on gains from the sale of other assets.

Interest expenses

47. Interest paid by resident individuals is deductible.

48. Interest expenses paid to foreign banks and financial institutions by a resident individual are deductible in accordance with the above.

49. An interest-free loan or a loan with a beneficial interest rate provided by an employer is a taxable benefit. The taxable benefit value is determined as the difference between an interest level that is adjusted to the market conditions (normally the state loan interest + 1%) and the actual interest paid by the employee. The taxed amount is tax deductible as an interest expense.

Investment management expenses

50. As from 1 January 2016, investment management expenses e.g., bank charges and notary fees, are no longer deductible.

Capital gains/losses

51. As a rule, only 70% of capital losses from the sale of securities and only 50% of capital losses from the sale of private real property are deductible. For quoted shares, however, 100% of a loss may be deducted against gains on qouted shares. Losses are not carried forward to later years.

Withholding tax and reporting requirements

52. Banks and other financial institutions are required to issue annual income statements on interest, dividends, and proceeds received on sale of securities and to withhold tax on interest and dividends paid.

53. Banks and other financial institutions are required to issue statements of interest paid by an individual on bank loans, etc.

54. Insurance companies are required to issue statements of pension insurance premiums paid.

55. Foreign insurance companies are required to report foreign based capital insurance policies held by Swedish resident individuals. The rules apply to capital insurance policies issued as from 1 July 1995.

56. Banks, insurance companies, etc., report directly to the tax authorities.

Taxation of net wealth

Net wealth tax

57. The net wealth tax was abolished as from 1 January 2007.

Taxation of real property

Private real estate fee

58. Owners of private real property (private residences) in Sweden are liable to pay an annual real estate fee that is levied at a rate of 0.75% of the property's tax assessment value. The maximum tax is SEK 8 049 (2019).

Tax on foreign real property

59. Swedish real estate fees and real estate tax are not levied on real property abroad.

60. Nonresident individuals are only taxed for property situated in Sweden in accordance with the above.

Social security contributions

Social security

61. An extensive compulsory social security system exists in Sweden. It includes inter alia old-age and survivor's pension, sick pay and parental allowances, for which social security contributions are due.

Employer contributions

62. Social security contributions are mainly paid by the employer.

63. The employer's compulsory contribution is 31.42% (2019) of the monthly gross remuneration in cash and in kind and is paid monthly. For employees older than 65 at the beginning of the year, the fees are reduced.

64. In addition, an employer may enter into a collective agreement to provide employees with company pension benefits which are funded by employer contributions ranging between approximately 5-35% of the pensionable salary.

65. Foreign employers are required to register and to report and pay social security contributions on a monthly basis for employees that reside and work in Sweden.

Employee pension contribution

66. Employees are liable to pay a general pension contribution at a rate of 7% (2019) of taxable income (capped), the maximum annual contribution being SEK 36,400 (2019). No contributions are due on taxable income in excess of SEK 520,000 (2019). The contributions are included in the monthly employer tax withholding. Contributions paid are fully tax creditable against income taxes payable for the same year.

EU nationals

67. Sweden is a full member of the EU and EU regulation 883/2004 applies. The regulation refers to the temporary assignment of an employee from one EU country to another. It means that the employee remains subject to the social security system of his/her home country, provided the duration of the secondment does not exceed 24 months. It is possible to extend this period for up to five years.

68. The regulation also applies to nationals of EU member countries who work both in their home country and in another EU country. They are normally subject to the social security system of their country of residence.

Other nationals

69. Non-EU nationals performing employment services in Sweden are normally subject to the Swedish social security system. However, non-EU nationals are covered if they are employed in an EU state. Further, social security agreements between Sweden and some other countries provide relief which is similar to the above mentioned EU regulation (see Appendix D).

Step 3

What to do before you arrive in Sweden

Work and residence permits

70. Nordic nationals, EU nationals, and EEA nationals do not need a work permit in Sweden.

71. Non-EU or non-Nordic nationals must apply for a work permit before coming to Sweden.

Nordic nationals

72. If you are a citizen of Finland, Iceland, Norway, Denmark, or Faroe Islands you may enter, stay, and work in Sweden without a work and residence permit.

EU nationals and EEA nationals

73. If you are an EU national or an EEA national, you do not need a work permit.

74. If you are a Swiss citizen and intend to stay in Sweden for more than 3 months, then you must apply for a residence permit.

75. If you have lived in an EU country but are not an EU citizen you may under some circumstances be granted status as a long-term resident of that country. You will then have rights similar to those of EU citizens.

76. If your family members are non-EU citizens and you intend to stay in Sweden for more than three months, they should apply for residence cards at the Swedish Migration Agency. The residence card allows your family to live and work in Sweden as long as you have right of residence.

Nationals of non-EU countries

77. You must have been offered a job before you can obtain a work permit. You cannot enter Sweden until the permit has been granted. You cannot obtain a work permit to go to Sweden and look for a job.

78. In order to obtain a work permit, you must:

    – have a valid passport
    – have been offered terms of employment that are at least on the same level as Swedish collective agreements or that which are customary in the occupation or industry
    – have been offered a monthly salary in line with the salary level in Sweden for your profession, taking into account also educational level and experience.

79. Members of certain occupations and citizens of certain countries are subject to special regulations for working in Sweden. They must meet more or different requirements.

80. For employments with duration shorter than 3 months, special regulations apply for visa and work permits.

81. Please be aware of that you are not allowed to be in Sweden during the application process. You need to have the permit granted before entering Sweden.

Employment contracts

82. All terms and conditions for the assignment to Sweden should be documented. The tax relief for foreign experts and key persons (c.f. Sections 34-35) is available only if the employer is a Swedish resident entity.

Requesting EU Form A1

83. If you are an EU/EEA national or a Swiss national, you may remain subject to your home country social security system provided the duration of your transfer does not exceed 24 months. It is possible, however, to extend this period for up to five years (cf. 68). You have to file a request for a certificate under EU regulation 883/2004 with the appropriate authorities in your home country.

Remuneration packages

84. The tax implications of the remuneration package should be analysed from a Swedish tax perspective, e.g., in respect of any long-term incentives and the possibility to benefit from the tax relief for foreign experts.

Split payroll

85. If you are resident and employed to work in Sweden and perform services also in another Nordic country/countries (Denmark, Finland, Iceland and/or Norway), it may be advantageous to sign a separate employment contract with an associated group company located abroad. This may provide for income earned during work days in other Nordic countries to be exempt from Swedish taxes under the Nordic tax treaty.

Timing of arrival

86. Sweden will claim to tax all employment and investment income received after the arrival in Sweden. Accordingly, it may be advantageous to accelerate the payment of income earned abroad or to delay entry into Sweden.

Importing personal possessions

87. Importing certain items may be prohibited or restricted. This includes not only the more obvious items such as firearms and drugs but also certain meat and poultry products, fish, plants and animals (outside EU). Certain articles made from protected species are also prohibited.

88. When arriving from a country in the EU, there are no import formalities to consider. This means that personal possessions of EU nationals are free from duties, excise, and VAT in Sweden. It should be noted that some restrictions exist regarding tobacco and alcoholic beverages. Also free from duties, excise, and VAT are the personal possessions of non-EU nationals who have been domiciled in another EU country prior to their arrival in Sweden, provided the goods have been subject to duty, excise, and VAT upon arrival in the EU area or have been bought within the EU.

    When your possessions arrive in Sweden, you must notify the customs authority at the point of entry.

89. Before you may dispose of the goods freely, they must be cleared through customs, that is, a declaration must be submitted for their release for free circulation and free consumption. To qualify for customs and tax relief for migrant's property, certain conditions must be fulfilled before you enter Sweden.

90. Unless such conditions have been fulfilled, you will be liable to pay the customs and duty and VAT as may be levied on the property under the rules applying to the import of goods in general.

Customs relief for migrant's personal property

91. An individual who has had his or her normal place of residence outside the EU (in a third country) for a continuous period of at least 12 months before moving to Sweden may qualify for customs relief for personal property which:

    – Except in special cases justified by the circumstances, has been in the possession of and, in the case of non-consumable goods, used by the person concerned in a third country for at least six months before the date of immigration; and

    – Is intended to be used for the same purpose at his/her new normal place of residence in Sweden.

    The Board of Customs may grant exemption from the condition requiring 12 months of residence in a third country if the person in question clearly intended to live outside the EU for a continuous period of at least 12 months.

Personal property

92. For the present purposes, personal property means any property intended for the personal use of the persons concerned or for meeting their household needs.

    The following, in particular, shall constitute personal property:

    – Household effects;

    – Cycles and motorcycles, private motor vehicles and their trailers, camping caravans, pleasure craft and private airplanes; and

    – Household provisions appropriate to normal family requirements, household pets, and saddle animals.

    Personal property must not be such as might indicate, by its nature or quantity, that it is being imported for commercial reasons.

Household effects mean personal effects, household linen, furnishings, and equipment intended for the personal use of the persons concerned or for meeting their household needs.

Customs relief will not be granted for alcoholic products, tobacco products, commercial means of transport, or articles for use in the exercise of a trade or profession, other than portable instruments of the applied or liberal arts.

You have to declare your migrant's property to the Board of Customs by filling in form No Tv 718.3 (Sw. Enhetsdokument).

Assurance

93. To qualify for customs relief for migrant's property, you must submit a written assurance, using form no Tv 740.41.

    Note that you must be able to provide satisfactory confirmation of any particulars you provide in your written assurance.

Registration and inspection of vehicles

94. Certain vehicles, e.g. motor vehicles and trailers, which are cleared through customs and are intended for permanent use in Sweden, must be duly registered in this country. In conjunction with the customs clearance, the customs authority reports the vehicle for registration.

Step 4

What to do when you arrive in Sweden

Registration

95. If you arrive in Sweden intending to stay here on a more or less permanent basis for one year or longer, you need to register in the Swedish population register and will be granted a Swedish personal id number (Sw. personnummer).
The registration requires a visit in person to the Tax Agency to which you should bring a valid passport, a residence permit, a certificate of employment as well as documents showing marital status and birth certificates for any children, if applicable. Based on this, the Tax Agency will issue a Swedish personal id number and an A-tax card showing the applicable tax table to use for the withholding of income taxes.

    If the stay in Sweden is shorter than one year and you will be liable to pay Swedish income taxes, a Swedish tax co-ordination number (Sw. samordningsnummer) and a tax card needs to be obtained.

96. If you intend to stay for a period of one year or more, and/or if you do not remain in your home country system under EU regulations or under a social security agreement, you should also notify the local social security office (Sw. Försäkringskassan) in order to include you and your family in the Swedish social security system. Since some social security benefits have qualification periods of up to six months, especially for non-EU nationals, you and your family should register immediately upon your arrival.

Child allowance

97. A monthly tax-free child allowance of SEK 1,250 per child (2019) is paid to parents monthly for each child under the age of 16 who reside in Sweden. Extra allowances are also paid for the second or more children. A qualification period of six months may apply.

Step 5

What to do at the end of the year

Filing of tax return

98. Resident individuals file a tax return annually for the preceding calendar year (income year).

Pre-printed tax return

99. The pre-printed tax return is a pre-filled tax return, to which the individual should add any necessary information on income and deductions, then sign and mail to the Tax Agency. You can also confirm the tax return via telephone or Internet using a code. The form is distributed before 15 April in the year following the income year. The final date for filing the tax return is 2 May in the year following the income year.

100. A final tax bill will be distributed by regular mail in August, September or December, when any excess tax will be refunded in cash or be transferred to your bank account.

101. A filing extension until 15 June may be available upon application. Late filing will typically lead to a late filing fee being levied.

If you have not received a pre-printed tax return

102. If you have not received a pre-printed tax return by 15 April you should request a form from the Tax Agency. The dates for filing and distribution of tax bills are the same as for the pre-printed return.

Balance due

103. Swedish taxes are normally collected through the PAYE (Pay-as-you-earn) withholding tax system. Supplementary tax payments can be made by the individual to cover underpayment of taxes on income that has not been subject to withholding, e.g., capital gains or foreign earned income.

104. If the underpayment on an individual's tax account is not more than SEK 30,000, interest will not be charged if a supplementary tax payment is made by 3 May the year after the income year. If the supplementary tax payment required exceeds SEK 30,000, the excess portion should be paid by 12 February in order to avoid interest charges.

105. Interest on final tax due is levied at a rate of 1.25% (annual rate as at January 2019, subject to change) on unpaid amounts as set forth in Section 105.

106. Final taxes are due for payment within 90 days from the issuing of the tax bill. If you fail to pay the final taxes by the due date, interest is levied at a rate of 16.25% (annual rate as at January 2019, subject to change). Interest charges on late tax payments are not deductible for Swedish income tax purposes.

Spouses file separate returns

107. Spouses file separate tax returns and are taxed separately.

Preliminary tax withheld and offset against final tax

108. Tax is normally withheld by the employer according to withholding tax tables determined for each calendar year (A-tax bill) or, if the individual does not have an employer registered in Sweden, must be paid by the individual (Special A-tax bill).

109. Banks and other financial institutions are also required to withhold preliminary income tax on capital income (interest and dividends).

110. All preliminary taxes withheld at source or otherwise paid will be set off automatically against the final tax computed by the tax authorities in the final tax assessment.

Adjustment of withholding tax

111. Where there is a capital income deficit, if deductions will be claimed on the tax return or if an individual resides in Sweden during only part of the income year, the preliminary tax withheld by the employer can be adjusted by application to the Tax Agency. The decision is to be reported to the employer.

Tax credit

112. Foreign taxes paid by Swedish residents on foreign source income taxable in Sweden are allowed as a credit against Swedish taxes. Foreign taxes that cannot be utilized in the current year may be carried forward for five years.

Step 6

What to do when you leave Sweden

General matters

113. You must notify the Tax Agency and the local social security office of your departure from Sweden.

114. There are no requirements to file a departure tax return or to make a direct payment of balance due. Filing and tax payment follow the ordinary provisions, as described earlier.

115. In order to reduce excess tax payments tax advice should be sought at the beginning of your departure year or at least before the end of the calendar year of your departure. By application to the local Tax Agency an adjustment of the preliminary withholding tax can be made.

116. Capital income received after your departure, and thus paid when you are no longer considered tax resident in Sweden, will normally not be taxed in Sweden due to the cash principle. However, if the income is available to you, but not received until after your departure, capital income tax will normally still be levied. In respect of capital gains, taxation is triggered when a capital gain/loss is actually realized, i.e. at the date of selling the asset.

117. Post-assignment bonuses or similar payments received after your departure are normally still taxable in Sweden if they relate to services performed in Sweden. A tax planning opportunity may be to have the bonus taxed in Sweden at the 25% flat rate special income tax for nonresidents, cf. paragraph 29.

Step 7

Other matters requiring consideration

Gift and inheritance tax

118. Gift and inheritance tax was abolished with effect from 17 December 2004.

Foreign employers to notify authorities about employees posted in Sweden

119. As from 1 July 2013, foreign employers shall report postings of employees to Sweden by submitting a notification to the Swedish Work Environment Authority (Sw. Arbetsmiljöverket). The notification must be filed no later than when the employee begins the work in Sweden. An exemption applies if the posting to Sweden does not last for more than five days.

120. The rules aim to ensure that workers posted to Sweden are guaranteed working and employment conditions in Sweden as required under the EU Posting of Workers Directive. However, the rules apply for all foreign employers, not just those within the EU. The notification should include the employer's name, an authorized representative, domicile and information on an appointed contact person in Sweden of the employer. In addition, it should contain information on posted employee/s, the type of services to be provided, the duration, as well as the location where the services will be provided. The contact person in Sweden shall be authorized to receive notices on behalf of the employer and to provide documents to show that the requirements under Swedish law for posted employees are met. The contact person can be one of the employees or any other appropriate person staying in Sweden.

121. An employer who does not comply with the requirements can be fined and/or be ordered to file the notifications required.

Employers must notify tax authorities when hiring third-country nationals to work in Sweden

122. As from 1 August 2013, employers in Sweden and abroad are required to notify the Swedish Tax Agency when hiring third-country nationals (basically non-EU/EEA nationals) to work in Sweden.

123. Before recruiting a third-country national, the employer is required to check that the individual has the Swedish residence and work permits required.

124. Employers who employ third-country nationals who do not hold valid Swedish residence and work permits will be liable to pay a penalty fee and may also be fined, or even sentenced to prison. Non-compliance with the notification requirement is also a criminal offence.

125. A special form is to be used for the notification to the Tax Agency.

Appendix A

Overview of personal tax deductions and income tax rates

Basic allowances for 2019

Basic allowances for resident taxpayers are based on taxable income and vary between SEK 13,700 – 35,900. Part year residents are allowed a pro-rated portion of the SEK 13,700 allowance.

Social security contributions (employee) for 2019

Employees are liable to pay a general pension contribution at a rate of 7%, up to an income ceiling of SEK 520,000. The charges are creditable for income tax purposes.

Basic amount for 2018

The basic amount (Sw. prisbasbelopp) is determined by the government for each year. For 2019 the amount stated is SEK 46,500.

Value-added tax

Value-added tax is generally charged at 25% on the sale of goods and services. A lower tax rate, 12%, applies to food products and hotel services. Newspapers and passenger transportation are taxed at 6%.

Wealth tax

The net wealth tax was abolished as from 1 January 2007.

Real estate fee

Real property used as a private residence is subject to an annual fee of 0.75% of the property's tax assessment value. The maximum fee is SEK 8,049 (2019).

Company cars

The rules for determining the taxable value of a company car benefit are based on standard calculations and list prices of various car makes and models published by the Swedish Tax Agency to which the acquisition cost of any extra equipment is added.

For 2019, the taxable benefit value is computed as the total of:
SEK 13,485
+ the total of the list price of the car and any extras multiplied by 0.3825%
+ the total of the list price of the car and any extras not exceeding 7.5 basic amounts (7.5*46,500= SEK 348,750) multiplied by 9%
+ the total of the list price of the car and any extras exceeding 7.5 basic amounts multiplied by 20%

The value of the benefit may be adjusted to 75% if the beneficiary drives more than 30,000 km on the job.

If the employer pays for the employee's private use of fuel, the benefit of free fuel is valued at the fair market value multiplied by 1.2.

Personal income tax rates on earned income

Tax rates applicable to resident individuals in 2019 are as follows (in SEK):

Taxable income over*	Not over	State income tax	Municipal income tax
0	490,700	0%	Approx. 32% **
490,800	689,300	20%	Approx. 32% **
689,400	and above	25%	Approx. 32% **

* Taxable income after taking the personal allowance into account

**Municipal income tax varies between 29% and 35%.

Nonresident taxpayers

A nonresident individual will be subject to tax in Sweden if he/she works here for periods exceeding 183 days in any 12 month period or for shorter periods during which he/she is paid by a Swedish employer or by a permanent establishment in Sweden. If a nonresident individual becomes liable to taxes in Sweden, employment income will be subject to Swedish tax at a flat rate of 25%.

Income from capital

Net income from capital, including investment income and deductions as well as capital gains and losses, is subject to state tax at a flat rate of 30%. If the net of capital income and expenses is a deficit, a tax credit of 30% of the deficit is granted against other taxes (on income from employment and/or real estate tax). Any deficit in excess of SEK 100,000 will give a tax credit of 21%. The tax credit cannot be carried forward to another tax year.

Appendix B

Calculation of taxable income

Typical tax computation

Tax computation	SEK	SEK
Salary	1,020,000	
Annual bonus	125,000	
Director's fees	25,000	
Company car (Volvo V70 2,5T)	46,700	
Total earned income		**1,216,700**
Less — Personal deductions:		
Personal allowance	(13,700)	
Taxable income		**1,203,000**
Tax computation		
Municipal tax (33%) *	396,990	
State tax (20%) (1,203,000 – 490,700)	142,460	
State tax (5%) (1,203,000 – 689,300)	25,685	
Social security charges (employee pension fee)	36,400	
Tax credit 100% of pension fee	(36,400)	
Additional tax credit	(13,512)	
Public Service fee	1,347	
Tax due		**552,970**

* We have included the church tax and funeral fee, 1.25%, in the average municipal tax rate. As a non-member of the Swedish State Church you could be exempt from part of the Church tax.

Appendix C

Double-taxation agreements

Countries with which Sweden currently has double-taxation agreements:

Albania	Denmark	Kenya	Serbia
Argentina	Egypt	Korea, Republic of	Singapore
Australia	Estonia	Kosovo	Slovakia
Austria	Faroe Islands	Latvia	Slovenia
Azerbaijan	Finland	Lithuania	South Africa
Bangladesh	France	Luxembourg	Spain
Barbados	Gambia	Macedonia	Sri Lanka
Belgium	Georgia	Malaysia	Switzerland
Belarus	Germany	Malta	Taiwan
Bermuda	Greece	Mauritius	Tanzania
Bolivia	Guernsey	Mexico	Thailand
Bosnia/Hercegovina	Hungary	Montenegro	Trinidad and Tobago
Botswana	Iceland	Namibia	Tunisia
Brazil	India	Netherlands	Turkey
British Virgin Islands	Indonesia	New Zealand	Ukraine
Bulgaria	Ireland, Republic of	Norway	United Kingdom
Canada	Isle of Man	Pakistan	United States
Cayman Islands	Israel	Philippines	Venezuela
Chile	Italy	Poland	Vietnam
China, Peoples Republic	Jamaica	Portugal	Zambia
Croatia	Japan	Romania	Zimbabwe
Cyprus	Jersey	Russia	Armenia
Czech Republic	Kazakhstan	Saudi Arabia	Nigeria

The Nordic tax treaty:

Denmark	Iceland	Faroe Islands	Finland
Norway			

Appendix D

Social security agreements

Countries with which Sweden currently has social security reciprocal agreements:

Austria	Greece	Norway
Bosnia/Hercegovina*	Iceland	Portugal
Canada	Israel	Quebec
Cape Verde	Italy	Serbia*
Chile	India	Slovenia*
Croatia*	Korea	Spain
Denmark	Luxembourg	Switzerland
Finland	Montenegro*	Turkey
France	Morocco	United Kingdom
Germany	Netherlands	United States
Philippines (to be ratified)		

*Agreement with the former Republic of Yugoslavia

As a member of the EU/EEA, Sweden applies EU Regulations 883/2004 and 1408/71.

Appendix E

Tax restrictions on deductibility of mixed expenses for employees

The deductibility and tax-free reimbursement of a number of mixed expenses are summarized below:

		Taxpayer-Employee (personal income tax/wage withholding tax)
Restrictions in respect of	*Deductibility (costs incurred by employee not reimbursed*	*Reimbursement (payment by employer to employee)*
Commuting costs	Deductible	Taxable
Membership fees of clubs associated with employment	Nondeductible	Taxable
Subscriptions for telephone	Nondeductible	Taxable
Personal care (for example make-up, hairdresser)	Nondeductible	Taxable
Briefcases, etc.	Nondeductible	Taxable
Home office	Nondeductible	Taxable
Business gifts	Nondeductible	Tax-free
Food, beverages, and luxuries	Nondeductible	Taxable
Clothing (except work clothes)	Nondeductible	Taxable
Conference costs, seminars, etc. (including travel and hotel expenses)	Deductible: if necessary for the employment	Tax-free
Excursions and study tours (including travel and hotel expenses)	Nondeductible	Taxable
Business entertainment costs, etc.	Meals not deductible	Taxable on the excess
Literature (excluding professional literature)	Nondeductible	Taxable
Computers, word processors, etc.	Nondeductible	Taxable
Musical instruments and sound equipment	Nondeductible	Taxable
Company cars	Nondeductible	Taxable
Use of private car for business purposes	Deductible: Max SEK 1.85 per km	Taxable on the excess
Housing outside usual residence	Deductible: two-five years	Taxable
Certain fines	Nondeductible	Taxable

Appendix F

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