



Sweden

Introduction

A person's liability for Swedish tax is determined by residence status for taxation purposes and the source of income derived by the individual. Income tax is levied at progressive rates on an individual's taxable income for the year, which is calculated by subtracting allowable deductions from the total assessable income.

Extended business travelers are likely to be taxed on employment income relating to their Swedish working days, provided the stay in Sweden exceeds 183 days in a 12-month period.

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Income tax

Liability for income tax

A person's liability for Swedish tax is determined by residence status for tax purposes. A person can be a resident or a nonresident for Swedish tax purposes.

A resident of Sweden generally refers to an individual who spends more than six consecutive months in Sweden. A nonresident of Sweden is generally someone who spends less than six consecutive months in Sweden or someone whose stay is longer than six months but is not considered as consecutive. Two days or more presence in Sweden on a regular basis is sufficient for the stay to be considered consecutive.

The general rule is that a person who is a resident of Sweden is assessable on the individual's worldwide income. Nonresidents are generally assessable on income derived from sources in Sweden. Extended business travelers are likely to be considered nonresident of Sweden for tax purposes if their stay in Sweden does not exceed six months.

Tax trigger points

Technically, there is no threshold/minimum number of days that exempts the employee from the requirements to file a tax return and pay tax in Sweden. To the extent that the individual qualifies for relief in terms of the dependent personal services article of the applicable tax treaty, there will be no tax liability. Further, under the 183-day rule in the Special Income Tax Act for Nonresidents (SINK), a nonresident individual will not be subject to Swedish income tax, provided the individual's income is paid by a non-Swedish employer with no permanent establishment in Sweden and that the stay in Sweden does not exceed 183 days in a 12-month period. Please note that Sweden does not apply the economic employer concept.

Types of taxable income

For extended business travelers, the types of income that are generally taxed are employment income, Swedish-sourced income, and gains from the sale of taxable Swedish assets (such as real estate). Fringe benefits are generally taxable.

Tax rates

For tax residents net taxable income is taxed at graduated rates ranging from approximately 29 percent to 57 percent (the rate varies between different municipalities). Nonresidents taxed under SINK are taxed at a flat rate of 25 percent.

Social security

Liability for social security

The Swedish social security scheme is divided into a residence-based insurance that covers minimum basic payments and allowances and a work-related insurance covering loss of income.

Residence-based scheme

Anyone residing in Sweden is covered by the residence-based insurance. Individuals coming to Sweden are deemed to be resident if it can be assumed the stay will exceed 12 months. Residents leaving Sweden are still regarded as residents if it can be assumed their stay abroad will not exceed 12 months.

Work-based scheme

The work-based scheme covers salaried persons, contractors, and self-employed persons.

All persons working in Sweden are covered by the work-based scheme. Work performed outside of Sweden for an employer resident in Sweden is also deemed work in Sweden if the assignment period is assumed to be 12 months or less. Equally, work is not deemed work in Sweden when an individual is assigned to Sweden by a foreign employer and the assignment period is assumed to be 12 months or less. In this respect, a foreign employer is an entity without a permanent establishment in Sweden.

The Swedish social security system is financed by social security contributions. The employer pays 31.42 percent (no cap) in employer contributions. The base for the contributions is the employees' salary. The contribution includes pension contributions to the public pension system, healthcare, etc. In addition, the employee pays 7 percent in pension contributions to the public system, with a cap at an annual income of 420,447 Swedish krona (SEK). Thus, the maximum employee contribution is SEK29,400. The employee's contributions are fully credited against income tax.

Extended business travelers employed by an employer located in an EEA member state or Switzerland, in most cases, can remain subject to their home countries' social security schemes. They can obtain exemptions from paying social security in Sweden, regardless of their citizenship. This exemption is based on the EEA/Swiss rules with respect to posting and/or simultaneous employment. Other extended business travelers, in some cases, may stay in their home countries' social security systems and obtain exemptions from paying Swedish social security based on the provisions of social security treaties signed between their home countries and Sweden. If no continued home country social security coverage and no subsequent exemption from social security contributions are available under EEA/Swiss rules, social security treaty, or Swedish domestic rules, an extended business traveler will be subject to Swedish social security.

Compliance obligations

Employee compliance obligations

Individual income tax returns are due by May 2 following the tax year-end, which is December 31. Filing an extension until June 15 is possible on application. A nonresident taxed under SINK should not file a tax return, although an application for SINK is required.

Employer reporting and withholding requirements

There is a withholding requirement from employment income. If an individual is taxable on employment income, the employer has a withholding requirement. No withholding applies, however, where the employer is a nonresident with no permanent establishment in Sweden.

Other

Work permit/visa requirements

A visa must be applied for before the individual enters Sweden. The type of visa required will depend on the purpose of the individual's entry. Visas are not required for EU nationals and several other nationals. A work permit is required for non-EU nationals.

Double taxation treaties

In addition to Swedish domestic arrangements that provide relief from international double taxation, Sweden has entered into double taxation treaties with more than 60 countries to prevent double taxation and allow cooperation between Sweden and other tax authorities in enforcing their respective tax laws.

Permanent establishment implications

There is the potential that a permanent establishment could be created as a result of extended business travel, but this would depend on the type of services performed and the level of authority the employee has.

Indirect taxes

Sweden applies value-added tax (VAT). The general rate is 25 percent. Different rates apply on certain goods and services.

Transfer pricing

Sweden has a transfer pricing regime. A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but performing services for the benefit of the entity in another jurisdiction, in other words, a cross-border benefit is being provided. This would also be dependent on the nature and complexity of the services performed.

Local data privacy requirements

Sweden has data privacy laws.

Exchange control

Sweden does not restrict the flow of Swedish or foreign currency into or out of the country. Certain reporting obligations, however, are imposed to control tax evasion and money laundering. All currency transfers made by any person into or out of Sweden of SEK150,000 or more in value must be reported by the transferring bank to the Swedish Tax Agency.

Nondeductible costs for assignees

Generally, private living expenses are not deductible. Premiums paid to a private pension policy are deductible with a maximum amount of SEK12,000 per year. The same applies for contributions by the employee to a company pension scheme.

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