

# *International Assignment Services*

## Taxation of International Assignees Country – Sweden

*Human  
Resource Services*

*International  
Assignment  
Taxation Folio*



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# ***Table of Contents***

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Introduction – International assignees working in Sweden.....	3
Step 1 – Understanding basic principles.....	4
Step 2 – Understanding the Swedish tax system.....	6
Step 3 – What to do before you arrive in Sweden.....	13
Step 4 – What to do when you arrive in Sweden.....	17
Step 5 – What to do at the end of the year.....	18
Step 6 – What to do when you leave Sweden.....	20
Step 7 – Other matters requiring consideration.....	21
Appendix A – Overview of personal tax deductions and income tax rates.....	22
Appendix B – Typical tax computation.....	24
Appendix C – Double-taxation agreements.....	25
Appendix D – Social security agreements.....	27
Appendix E – Tax restrictions on deductibility of mixed expenses for employees.....	28
Appendix F – Sweden contacts and offices.....	29

Additional Country Folios can be located at the following website: [www.pwc.com/ias/folios](http://www.pwc.com/ias/folios)

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# ***Introduction – International assignees working in Sweden***

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

This folio is designed to assist both the foreign employee and employer in dealing with the tax and social security issues related to Sweden. The folio reflects Swedish legislation as of January 2011 for the income year 2011.

It is not intended to be comprehensive. More detailed advice should be sought before any specific decisions are made.

Further information can be obtained from any one of the principal contacts listed in Appendix F.

**Last updated: January 2011**

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

**Menu**

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# ***Step 1 – Understanding basic principles***

## ***The scope of taxation in Sweden***

1. An international assignee transferred by his/her employer to Sweden will, in general, become liable to Swedish tax. For employment income the main taxes are municipal income tax and state income tax. Other taxes that may be relevant are state capital income tax and real estate tax. The former Swedish wealth tax is abolished as from 1 January 2007. In addition, the expatriate may become subject to Swedish social security charges.
2. The extent of Swedish taxation will mainly depend upon the expatriate's place of residence and the length of the assignment in Sweden. Swedish tax legislation distinguishes between full tax liability and limited tax liability.

## ***The tax year***

3. The Swedish tax year ("beskattningsår") runs from 1 January to 31 December. Where an individual is resident in Sweden for only part of a calendar year, his income in that period is treated as if it were income relating to a full calendar year. There is a monthly pro-rated restriction of personal allowances for the number of months of residency, but otherwise the same tax rules apply for full year of residency as for part year of residency.

## ***Methods of calculating tax***

4. A Swedish resident individual is liable to personal income tax on his/her world-wide income at progressive rates. The income tax payable is calculated on annual taxable income after certain deductions. For most expatriates in Sweden, there are two marginal tax brackets to be recognized. The top rate of personal income tax is approximately 58%.
5. A Swedish nonresident individual is subject to Swedish income tax only on income arising from sources in Sweden.
6. A double tax treaty may exclude certain foreign source income from Swedish taxes. In most treaties the credit of tax method is used in Sweden in order to avoid double taxation.

## ***Husband and wife***

7. Married persons are independently liable to Swedish tax on their income. If both spouses are Swedish resident taxpayers, 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***

8. In determining an expatriate's place of residence, reference has to be made to the domestic law of Sweden. A foreign citizen is considered resident in Sweden if he/she meets the following conditions:
  - He/she is domiciled in Sweden, i.e., he/she has his/her permanent home in Sweden and/or;

- He/she stays permanently in Sweden, i.e., he/she stays continuously for more than six months in Sweden and/or;
  - He/she has an essential connection with Sweden.
9. It should be stressed that longer periods spent abroad will be considered to break a continuous stay, even if the assignment in Sweden will last for more than six months. However, weekend trips and short business trips will not be considered to break a continuous stay. A continuous stay is only broken if an individual leaves Sweden for at least six months or as long time as he/she stayed in Sweden. However, this limit is not very strict, and therefore advice should be sought in each individual case.
  10. 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. Foreign individuals who have never been resident in Sweden cannot have essential connections with Sweden.
  11. Swedish citizens, or international assignees who have been resident in Sweden for a total of ten years, are deemed to be resident in Sweden until five years have elapsed from the date of moving out of Sweden, unless the person can prove that his/her essential connections with Sweden have been broken. 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.
  12. An individual who is considered resident in Sweden may, 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 in case of dual residence, or 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***

13. For an individual resident in Sweden there is an exemption under domestic legislation from Swedish personal income tax on employment income earned during an assignment in a foreign country, the so called six-month rule and one-year rule (see paragraphs 30-33) apply under certain conditions.

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**Menu**

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# ***Step 2 – Understanding the Swedish tax system***

## ***General principles***

14. An expatriate who has been transferred to Sweden will generally become liable to Swedish employment income tax, capital income tax, net wealth tax and real estate tax. The scope of taxation depends primarily on whether the expatriate is deemed as a resident or a nonresident individual. Normally, an expatriate will also be liable to the employee's part of the social security taxes unless exemption rules apply.

## ***Taxation of employment income***

### ***Taxable income***

15. From the first day an expatriate has established residence in Sweden, he/she is liable to Swedish personal income tax on his/her worldwide income at progressive rates. The individual's taxable income is his/her gross income less certain specifically deductible items, personal allowances and employee's part of social security contributions.
16. Key personnel working for limited periods in Sweden can be eligible for certain tax exemptions. If the conditions are fulfilled, 25% of the salary will be exempt from taxation and the residual 75% will be subject to ordinary taxation. Further, certain allowances will be exempt from tax. See paragraph 34.
17. Expatriates regarded as nonresident individuals will have a limited tax liability. They will be subject only to income taxes on remuneration from employment exercised in Sweden and paid by a Swedish employer (Swedish source).
18. There is a specific concession available for nonresident expatriates working in Sweden. Nonresidents may, subsequent to application, be taxed at a flat rate of 25%. If the special tax concession for nonresidents applies, no deductions are available. See paragraph 29.

## ***Employment income***

19. All remuneration from employment, whether in cash or in kind, is treated as taxable income, 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.
20. 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. Tax advice should be sought before the actual reimbursement in order to structure reimbursements in a tax efficient way.
21. Benefits in kind are normally included in employment income. These benefits are normally valued at fair market value.

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22. Special regulations and values will apply at the preliminary and final tax assessment in respect of private use of a company car, meals provided by the employer, housing provided by the employer, and private use of a summer or winter vacation house provided by the employer. For example:
- The private use of a company car constitutes a taxable benefit, which is based on a standard calculation relating to the basic amount (the basic amount is established each year and is linked to the consumer price index), a price related amount (based on the car's original purchase price for the year model in question as stated by the Tax Agency in November each year), and an interest related amount based on the government borrowing rate ('statslåneräntan'). Cars that by agreement are not for private use or so called pool-cars may be exempted from taxation;
  - Employer provided housing and vacation-housing benefits are valued at fair market value. Reference can normally be made to standard values used for the preliminary tax assessment that is issued annually by the Tax Agency. These rates tend to be significantly lower than the fair market value.

## ***Stock options***

23. Employee stock options generally do not qualify as securities and trigger taxation when exercised. The value of the benefit should be determined as the difference between the fair market value and the exercise price. Before 1 January 2009 there was an exit tax on options that have vested but have not been exercised.

## ***Deductions***

24. In principle, all expenses incurred during the discharge of the contract of service are deductible, e.g., traveling expenses, car expenses, cost of living allowances on business trips, business entertainment (limitations apply), necessary literature and tools of trade (see Appendix E). However, in many cases the deductible amounts can be restricted or regulated, and the tax authorities normally draw the line at expenses that could be considered to constitute personal costs of living. There is extensive case law in this respect. Examples of deductible expenses are:
- Traveling expenses between home and the place of work by the cheapest public transportation;
  - Expenses incurred due to double accommodation and home travel during temporary assignments away from home may be deductible for a limited period (applicable to Swedish accommodation and home travel within EU/EEA only);
  - Personal pension premium contributions to Swedish pension schemes are deductible to a limited amount. A foreign pension scheme considered to be a normal scheme in that foreign country may be tax deductible in Sweden. The terms of the insurance agreement should be enclosed with the tax return so that the tax authorities can determine whether the foreign plan qualifies as pension insurance for Swedish tax purposes. Deductions for pension premiums are only available to resident individuals.

Standard tax credits are given on earned employment income. The size of the tax credit is dependent on how long the stay in Sweden is during the year and varies between SEK 12,600 – 33,000.

## ***Preliminary withholding tax for Swedish employer***

25. Personal income taxes on salary income paid in cash and in kind, are normally withheld monthly by the employer in accordance with Swedish employer withholding tax tables determined for each calendar year (Normal A-tax bill) and depending on the municipal tax rate applicable. There are approximately 280 municipalities throughout Sweden, which apply tax rates between 29% and 36%.

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26. Since the tax table rates are based on annual salary, excess tax may be withheld for individuals working temporarily in Sweden, e.g., if they do not work here a full year. In order not to pay such excess tax during the income year a preliminary tax adjustment may be granted by the local tax office during the income year upon application.
  27. All tax withheld at different sources will be recognized in the final tax assessment.

### ***Preliminary withholding tax for non-Swedish employer***

28. The liability to withhold preliminary taxes is not enforceable on a foreign employer not operating in Sweden from a permanent establishment here. Under these circumstances, employees may make preliminary tax payments themselves (Special A-tax bill), where the same rules apply as above.

### ***Withholding tax for nonresidents***

29. For nonresidents, the preliminary withholding tax withheld by the employer is also the final tax. In order to benefit from the 25% flat rate (so called SINK) an application must be filed with the Local Tax Authority in advance, normally by the Swedish employer. For longer assignments the tax authority may require proof of number of days spent in Sweden.

### ***Six-month and one-year rules***

30. 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 liable to tax in the country of work. During the assignment abroad, you are allowed to spend 72 days per 12 months in Sweden, but not in the beginning or the end of the assignment period (please take into consideration tax authorities' recent regulation concerning limitation of the amount of the days allowed to spend outside the host country to 96 days in total for both Sweden and other countries).
31. 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 or employment lasts for at least one year in one and the same country.
32. Where there is dual employment or a directorship in a second country of work (or several other countries), and the income is tax exempt in the first foreign country of work, tax must also be paid in the second country of work in order to be exempt from Swedish income tax.
33. A tax return must still be filed in Sweden in spite of the above rules.

### ***Foreign experts and key personnel***

34. Special rules on taxation apply to foreign experts and key personnel. According to these regulations, only 75% of the income earned is taxed during the first three years in Sweden. Some benefits, like school fees, allowance for moving, and allowance for home travels, are tax exempt. These regulations apply to foreign personnel employed by a Swedish company or a foreign company with permanent establishment in Sweden. The employment and residence in Sweden must be limited in time, not exceeding five years, and the employee can not have been a resident in Sweden prior to the employment. To qualify for this exemption, one must obtain a ruling from the National Tax Board.

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## ***Taxation of capital income***

### ***Capital income tax***

35. Resident individuals are liable to capital income tax of 30% on all investment income including all current income from bank savings, dividends received from Swedish or foreign companies, capital gains from sale of financial instruments, real estate or other assets, and claims of different kinds. Real estate capital gain tax is 22% of the gain.
36. Nonresident individuals are generally not liable to pay capital income tax, though dividends received from a Swedish company are taxable unless tax exempt under a double taxation treaty. In the case of disposal of shares, there may be a Swedish tax liability on capital gains even for nonresidents. The applicable tax treaty should be examined.
37. The cash principle will apply in order to determine the point of taxation. Therefore, the resident status of the individual on the date of payment is important when he/she is receiving capital income. For example, bank interest is not accrued for the whole tax year in the year in which the individual moves in or out of Sweden. Instead, the point of taxation is the date of actual payment.

### ***Rental income***

38. Worldwide rental income from the letting of private property is normally considered as capital income. Tax is assessed on annual rentals and other income received from the real property after deduction of related expenses. For private property, the related expenses are deemed to amount to a standard amount of SEK 12,000 and 20% of the annual rental income. If the real property is rented by the employer, then this standard deduction is not available.
39. Non-private real property is treated as business property. Income from business property is subject to tax under provisions applicable to business income. Rental income from a property that is not deemed to be a private dwelling is considered as income from business on the basis of net income. The taxable income is calculated according to the accruals concept (on an earnings basis) as opposed to the remittance basis (which is the principle for capital income). 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 on top of the employee's taxable income, thus at a marginal tax rate of approximately 50% to 58%.

### ***Capital gains from sale of securities***

40. Capital gains are basically calculated as the difference between the sales price and the acquisition cost including other costs necessary to obtain the income. The gain on the sale of shares is the net profit; i.e. the 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. This standard method may 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 continue to have tax liability on capital gains from the disposal of shares during a ten-year period after they leave Sweden. This time limit is reduced in several double tax treaties.

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## ***Capital gains from sale of private real estate***

42. The sale of private real estate permanently occupied by the owner or his/her family is taxable and triggers a tax of 22%. Capital gains are basically calculated as the difference between the sales price and the acquisition cost including other costs necessary to obtain the real estate.
43. Nonresident individuals are only liable to tax on the sale of real estate situated in Sweden. Double tax treaties should be reviewed in relation hereto.

## ***Capital gains from sale of other assets***

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

## ***Interest expenses***

47. Interest paid by resident individuals is deductible. However, if the netting of capital income and expenses results in 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%. A deficit cannot be carried forward to another tax year.
48. Interest costs 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 within the category income from capital.

## ***Administrative expenses***

50. Management costs for the administration of investments, e.g., bank charges and notary fees, are deductible to the extent the costs exceed SEK 1,000.

## ***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 such quoted shares. Losses are not to be carried forward after the end of the calendar year, and therefore, unless offset against capital gains, are to be used as a capital income deduction.

## ***Withholding tax and reporting requirements***

52. Banks and other financial institutions are required to issue annual (income) statements and, furthermore, to withhold preliminary withholding tax on bank interest, dividends, and income received on sale of securities.
53. Banks and other financial institutions are required to issue statements of interest paid by an individual on bank loans, etc.

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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 in favor of Swedish resident individuals. The rules apply to capital insurance signed as from 1 July 1995 and onward.
  56. Banks, insurance companies, etc., report directly to the tax authorities.

## ***Taxation of net wealth***

### ***Net wealth tax***

57. Net wealth tax is abolished as from 1 January 2007.

## ***Taxation of private property***

### ***Private property fee***

58. Basically, a fee of 0.75% of the property's tax assessment value is payable up to a maximum of SEK 6,512. The tax assessment value should reflect 75% of the average fair market value of similar property in the same area.

## ***Tax on foreign private property***

59. The tax on foreign private property is abolished from 1 January 2008.
60. Nonresident individuals are only taxed for property located in Sweden in accordance with the above.

## ***Social security contributions***

### ***Social security***

61. An extensive compulsory social security system exists in Sweden. It includes social security such as basic and complimentary pension rights, and social welfare such as sickness pay and maternity allowance, for which social security contributions are due.

## ***Employer contribution***

62. Social security contributions are paid partly by the employer and partly by the employee.
63. The employer's compulsory contribution is 31.42% (2011) of the monthly gross remuneration in cash and in kind and is paid monthly. For employees older than 65 and between 19-24 years old, the fees may be reduced in some circumstances.
64. In addition, an employer may enter into a collective agreement to pay employees additional premiums of between 6% and 15%.
65. Foreign employers may register to pay contributions for Swedish employees, e.g., sales and technical staff working permanently in Sweden.

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## ***Employee contribution***

66. The compulsory employee contribution is 7% (2011) of annual taxable income, at a maximum of SEK 29,400. However, no contributions are to be paid on taxable income in excess of approximately SEK 420,447. The contributions are withheld by the employer and included in the preliminary tax assessment. Contributions are fully tax creditable.

## ***EU nationals***

67. Sweden is a full member of the EU, and thus EU regulation 1408/71 applies. The regulation refers to the temporary assignment of an employee from one EU country to another. It states that the employee remains subject to the social security system of his/her home country, provided the duration of the secondment does not exceed 12 months. It is possible to extend this period for up to five years.
68. The above EU regulation also applies to nationals of EU member countries who work both in their home country and in another EU country (e.g., Sweden). They are then subject to the social security system of their country of residence only, normally the home country.

## ***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 regulations (see Appendix D).

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**Menu**

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# ***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. For employment less than three months, visas are required for some nationalities. If the duration is more than three months a residence permit is also required.

## ***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. If you are moving directly from a Nordic country to take up residence in Sweden, then you will have to deregister in your home country before leaving.

## ***EU nationals and EEA nationals***

73. If you are an EU national or an EEA national, then you do not need a work permit. You may stay in Sweden for up to three months from the date of arrival without a residence permit. If you intend to stay for more than three months, then you must register with the Swedish Migration Board (right of residence).

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.

74. As an EU national or EEA national you will normally be granted a residence permit if at least one of the following conditions is met:
  - You have employment for which you receive a wage/salary;
  - You can prove that you have enough funds to support yourself and your family (e.g., employment outside Sweden but residence in Sweden);
  - You carry on an independent business in Sweden;
  - You render or receive independent personal services in Sweden;
  - You are a relation of an EU/EEA national (spouse, child); and
  - If you have lived in Sweden for more than 48 months you can apply for a permanent work and residence permit.

## ***Nationals of other countries***

75. Residence permits are usually granted to:
  - Individuals for occupational or commercial reasons;
  - Students;
  - Foreigners who were once Swedish nationals;

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- Spouse, children, etc., of an individual who is resident in Sweden, as part of a program of bringing families together.
76. Normally, you must file the application for a residence and work permit with a Swedish consular representative in your home country or the country in which you have lived for the past six months prior to the application.
  77. Please be aware of that you are not allowed to be in Sweden during the application process. You need to have the permit granted and stamped into your passport before entering Sweden.

## ***Employment contracts***

78. It is strongly recommended that all terms and conditions of the assignment to Sweden be explicitly discussed. In this respect it is useful to specify all aspects of your assignment in a written agreement before you arrive in Sweden.

## ***Requesting Forms (EU) and A1 (EES and Switzerland)***

79. If you are an EU national or and EEA national, then you may remain subject to your home social security system provided the duration of your transfer does not exceed 24 months for EU-countries and 12 months for EES-countries and Switzerland. It is possible, however, to extend this period in most cases for up to five years. We refer to paragraph 67. You and your employer have to file a joint request for a certificate under EU regulation 1408/71 with the appropriate authorities in your home country. (New rules are expected from May 2010, for example, is the normal assignment period stretched up to 24 months).

## ***Remuneration packages***

80. Before moving you should ensure that satisfactory arrangements have been made with your employer to cover the extra expenses you will incur through living in Sweden. You should check whether, and to what extent, allowances (e.g., cost of living allowance, housing allowance, education payment, etc.) you receive are taxable.

## ***Split payroll***

81. If you are resident and employed in Sweden and you perform a substantial amount of work outside Sweden, you may find it advantageous to sign separate employment contracts with your employer and with an associated group company located abroad. Due to the application of progressive rates of tax in most countries, a payroll split between treaty countries, which accurately reflect services and responsibilities rendered in or for both countries will produce tax savings e.g. the Nordic tax treaty.

## ***Timing of arrival***

82. To minimize your tax burden, you should, if possible, discuss your arrival date with a tax adviser. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after your arrival.

## ***Importing personal possessions***

83. Before you arrive in Sweden, bear in mind that 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.

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84. When arriving from a country in the EU, there are no import formalities to consider. This implies 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.

85. 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.
86. 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 property***

87. 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***

88. 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.

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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**

89. 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, interim license, registration inspection of vehicles**

90. 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.

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**Menu**

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# Step 4 – What to do when you arrive in Sweden

## Registration

91. If you intend to stay for a period of one year or more, then you must notify the local tax agency ('Skatteverket'). Your address, civil status, citizenship, etc. will be recorded. You will also be assigned a personal identification number (*Sw Personnummer*) at that time. You will be required to present your passport, residence permit, and birth certificates for children under the age of 18 and documents concerning your civil status (marriage certificate).
92. If you intend to stay for a period of one year or more, and/or you do not remain in your home country system by the EU regulation or by treaty regulation in respect of secondments, then you should also notify the local social security office ('Försäkringskassan') in order to include you and your family in the general social security system. Since some social insurance benefits have qualification periods of up to six months, especially for non-EU nationals, you and your family should register immediately on your arrival.

## Child allowance

93. A monthly tax-free child allowance of SEK 1,050 per child (Jan 2009) is disbursed to parents monthly for each child under the age of 16 who reside in Sweden. Extra allowances are also paid for the third or more children. If you are included in the social security system, then the amount is paid automatically to one of the parents, generally the mother. A qualification period of six months may apply.

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**Menu**

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# ***Step 5 – What to do at the end of the year***

## ***Filing of tax return***

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

## ***Preprinted tax return***

95. The preprinted tax return is a 'suggested' tax return, to which the individual may add any necessary information, then sign and mail the return to the tax office. 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. For non-residents, the final date is 31 May.
96. A final tax bill will arrive in August, September or December, when excess tax will be refunded in cash or the money will be transferred to your account.
97. Normally it is difficult to apply for an extension of the filing date after 2 May. Late filing will imply a penalty charge.

## ***Not preprinted (empty) tax return***

98. The empty tax return is mainly intended for individuals with complicated tax affairs, entrepreneurs, members of closely held companies, etc. However, international assignees also have to file a non-preprinted tax return for their first year in Sweden. Forms are distributed before 15 April but are also obtainable from tax offices, banks, etc. The due date for filing an empty tax return is 2 May of the year following the income year.
99. A final tax bill will arrive in the period August-December, when excess tax will be refunded in cash or the money will be transferred to your account.
100. On application, and subject to certain circumstances, e.g. travel or illness, an extension of the filing date may be granted up to mid June. Late filing will imply an extra penalty charge.

## ***Balance due***

101. Swedish taxes are normally collected through the PAYE (Pay As You Earn) withholding tax system. However, supplementary tax payments can be made by the individual to cover underpayment of taxes that may be due because of income that has not been subject to withholding tax, e.g., capital gains or foreign earned income.
102. If there is an underpayment on an individual's tax account, the individual will not be charged any interest costs if a supplementary tax payment is settled prior to 12 February of the year after the income year. If substantive supplementary tax payments are required (taxes exceeding SEK 20,000), the major part of the supplementary tax should be paid by 12 February in order to avoid interest charges.
103. In case the remaining taxes do not exceed SEK 20,000 you may wait until 2 May of the year after the income year to make the supplementary tax payment and still avoid interest charges. After this date, interest on late payments will be charged. It should be mentioned that these interest charges are not deductible for Swedish

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income tax purposes. After these dates, an interest, which is linked to a so-called "base interest" (approximately 1% at present), is levied based on unpaid amounts. Underpayments exceeding SEK 20,000 are currently subject to a 1.25% (approximately) interest charge.

### ***Spouses file separate returns***

104. Spouses file separate tax returns and are taxed separately, except for the tax on net wealth.

### ***Preliminary tax withheld and offset against final tax***

105. Tax is normally withheld by the employer in accordance with 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), as mentioned in earlier paragraphs.
106. Banks and other financial institutions are also required to withhold preliminary income tax on capital income (interest and dividends).
107. 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***

108. Where there is a capital deficit or in certain circumstances, e.g. where an individual is working in Sweden during only part of the income year, the preliminary tax withheld by the employer can be adjusted by application to the local tax office. The decision is to be reported to the employer.
109. On a capital deficit or where there is only part-year income the preliminary withholding by banks can be adjusted by agreement with the bank.

### ***Tax credit***

110. Foreign taxes paid by Swedish residents on 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 three years.

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**Menu**

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# *Step 6 – What to do when you leave Sweden*

## **General matters**

111. You must notify the local tax office and the local social security office of your departure from Sweden.
112. There are no requirements to file a departure tax return or direct payment of balance due. Filing and tax payment requirements follow the ordinary provisions, as described earlier.
113. 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 office an adjustment of the preliminary withholding tax can be made.
114. 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 withdrawn until after your departure, capital income tax will normally still be levied.
115. Post-assignment bonuses or similar payments paid after your departure are normally still taxable in Sweden if they relate to activities performed in Sweden. A tax planning opportunity may be to have the bonus taxed in Sweden according to "SINK" (which is a 25% tax concession for nonresidents; see above 29).

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**Menu**

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# ***Step 7 – Other matters requiring consideration***

## ***Gift and inheritance tax***

116. Gift and Inheritance tax was abolished with effect from 17 December 2004.

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**Menu**

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# ***Appendix A – Overview of personal tax deductions and income tax rates***

## ***Personal allowances for 2011***

Personal allowances for resident taxpayers are based on taxable income and vary between SEK 12,600 – 33,000.

## ***Social security charges (employee) for 2011***

Employees must pay social security charges, 7%, up to an income ceiling of SEK 420,447. The charges are thus creditable for income tax purposes.

## ***Basic amount (for national social security purposes) for 2011***

The basic amount is determined by the Government for each year. For 2009 the amount stated is SEK 42,800.

## ***Value-added tax***

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

## ***Wealth tax***

Abolished as from 1 January 2007.

## ***Property fee***

Basically, a fee of 0.75% of the property's tax assessment value is payable or maximum SEK 6,512. The tax assessment value should reflect 75% of the average fair market value of similar property in the same area.

## ***Company cars***

The rules for determining the value of the company car benefit are based on standard calculations. The value of the benefits is computed as SEK 13,567 + 2.84% multiplied by the car's original price for the year's model in question + 9% of the car's original price for the year's model in question exceeds 7.5 basic amounts, another 20% of the car's original purchase price above 7.5 basic amount will be added.

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 from employment activity***

Tax rates applicable to resident individuals in 2009 are as follows (in SEK):

<b>Taxable income over*</b>	<b>Not over</b>	<b>State income tax</b>	<b>Municipal income tax</b>
0	395,600	0%	Approx. 32% **
395,600	560,900	20%	Approx. 32% **
560,900	and above	25%	Approx. 32% **

\* Taxable income before taking the personal allowance into account

\*\*Municipal income tax varies between 27 and 36%.

## ***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, then this income will be subject to Swedish tax at a flat rate of 25%.

## ***Income from capital***

Income from capital is liable only to state tax at 30%.

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**Menu**

# Appendix B – Typical tax computation

## Typical tax computation for 2010 for income from employment

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	
Interest-free loan	<b>8,000</b>	
Total earned income		<b>1,224,700</b>
<b>Less – Personal deductions:</b>		
Personal allowance	<b>(12,600)</b>	
Taxable income		<b>1,212,100</b>
<b>Tax computation</b>		
Municipal tax (32%) **	387,872	
State tax (20%) (1,212,100 – 383,000)	165,820	
State tax (5%) (1,212,100 – 548,300)	33,190	
Social security charges (employee)	29,400	
Tax credit 100% of pension fee	(29,400)	
Additional tax credit	<b>(21,345)</b>	
<b>Tax due</b>		<b>574,473</b>

\* The taxable value of an interest-free loan is the government borrowing rate + 1%, approximately 3.00%, of the loan. The value is thus deductible as an interest expense against the gross income from capital.

\*\* We have included the church tax, approximately 1%, in the average municipal tax rate. As a nonmember of the Swedish State Church you could be exempt from part of the Church tax.

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**Menu**

# Appendix C – Double-taxation agreements

## *Countries with which Sweden currently has double-taxation agreements:*

Albania	France	Lebanon	Slovakia
Argentina	Gambia	Lithuania	South Africa
Australia	Germany	Luxembourg	Soviet Union
Austria	Greece	Macedonia	Spain
Bangladesh	Hungary	Malaysia	Sri Lanka
Barbados	Iceland	Malta	Switzerland
Belgium	India	Mauritius	Tanzania
Belorussia	Indonesia	Mexico	Thailand
Bolivia	Iran	Morocco	The Philippines
Botswana	Iraq	Namibia	Trinidad and Tobago
Brazil	Ireland, Rep. o	Netherlands	Tunisia
Bulgaria	Isle of Man	New Zealand	Turkey
Canada	Israel	Norway	Ukraine
Chile	Italy	Pakistan	United Kingdom
China, P.R.	Korea, Rep	Peru	United States
Cyprus	Jamaica	Philippines	Uruguay
Czech Republic	Japan	Poland	Venezuela
Denmark	Kazakhstan	Portugal	Vietnam
Egypt	Kenya	Romania	Yugoslavia
Estonia	Kuwait	Russia	Zambia
Faroe Islands	Latvia	Singapore	Zimbabwe
Finland			

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## *The Nordic tax treaty:*

Denmark	Iceland
Faroe Islands	Norway
Finland	

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**Menu**

# Appendix D – Social security agreements

## **Countries with which Sweden currently has social security reciprocal agreements:**

Austria	Greece	Norway
Australia	Hungary	Poland
Belgium	Iceland	Portugal
Canada	Ireland, Rep. of Iceland	Quebec
Cape Verde	Israel	Slovakia
Chile	Italy	Slovenia
Cyprus	Latvia	Spain
Czech Republic	Liechtenstein	Sweden
Denmark	Lithuania	Switzerland
Estonia	Luxembourg	Turkey
Finland	Malta	United Kingdom
France	Morocco	United States
Germany	Netherlands	Former Yugoslavia (Serbia and Montenegro)

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**Menu**

# 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:*

Restrictions in respect of	Deductibility (costs incurred by employee not reimbursed)	Taxpayer-Employee (personal income tax/wage withholding tax)
		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.	Deductible: Max SEK 180	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-three years	Taxable
Certain fines	Nondeductible	Taxable

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**Menu**

# Appendix F – Sweden contacts and offices

## Contacts

### Contacts and offices

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**Menu**

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