

BUSINESS SWEDEN



TAX RELIEF FOR KEY FOREIGN EMPLOYEES

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Sweden operates a tax relief scheme to help companies attract top international expertise to their Swedish operations. Key foreign employees may therefore qualify for an income tax reduction and their employers for a lower rate of employer contributions.

TAX RELIEF - THE BASICS

Sweden offers special income tax relief to encourage highly skilled people, such as international executives, experts, researchers and others with special skills, to work in Sweden.

The tax relief is motivated by the fact that foreign experts and others living in Sweden for shorter time periods cannot gain full advantage from Sweden's social welfare and pension system.

INCOME TAX RELIEF FOR KEY FOREIGN STAFF

Employees qualifying for the tax break are taxed on only 75 percent of income in their first three years of employment in Sweden. The remaining 25 percent is tax-free.

The tax relief applies to all salaries and benefits, such as employers' payments of housing and living expenses. It also applies to stock options and other special compensation offered by the employer.

In all other respects, taxation is as for any other Swedish resident. This means that a qualifying foreign employee can apply for tax deductions for extra costs of living or for maintaining two homes, as is the case for a Swedish taxpayer.

REDUCED EMPLOYER CONTRIBUTIONS BENEFIT THE EMPLOYER

All employers pay social security contributions on behalf of their employees. The tax relief scheme for key foreign employees also offers a financial incentive to employers. Employers' contributions are based on only 75 percent of the employee's



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total taxable income, rather than 100 percent of income as is normally the case.

The tax relief creates an additional incentive for employers to establish top executive functions in Sweden. It also enables companies to offer salaries and remuneration packages that are internationally competitive.

IN BRIEF

- Substantial income tax reduction for foreign experts and key personnel
- Reduced rate of employer contributions
- Benefits such as relocation costs, schooling and home travel are tax exempt

WHO QUALIFIES?

Key foreign employees who hold vital positions in a company. This could for example be executives responsible for the company's general management and administration, or researchers.

Eligible for tax relief are, either:

- Experts in research and development, organisational development, production, administration, logistics, marketing, engineering, finance, information and communication technology, advanced production development and new technology applications. Swedish legislation does not limit key foreign employees to specific qualifications or positions, but provides some examples and guidelines. The Taxation of Research Workers Board (Forskarskattenämnden) has some leeway in deciding who may qualify.

or

- Foreign employees whose monthly earnings in Sweden exceed two statutory basic amounts (a statutory basic amount in 2017 is SEK 44 500) in the calendar year during which the work began. Monthly earnings include benefits, such as car allowance and/or housing.

OTHER CONDITIONS

To qualify for income tax relief, individuals must be employed by a company in Sweden or a foreign company with a permanent place of business in

Sweden. Swedish citizens or persons resident in Sweden at any time for five years prior to the start of their assignment are not eligible for tax relief.

Individuals who are granted tax relief are generally not expected to reside in Sweden for more than five years. However, if circumstances change, an individual may remain in Sweden after five years without incurring any penalty for the three years of tax relief.

The individual may change jobs and employer during his or her stay in Sweden. Forskarskattenämnden will determine if the new employment qualifies for continued tax relief.

HOW TO APPLY FOR INCOME TAX RELIEF

The applicant or employer submits an application for income tax relief to Forskarskattenämnden.

Please note that applications must be filed within three months of the start of employment. Decisions of Forskarskattenämnden can be appealed to county or national administrative courts.

ACCOUNTING AND REPORTING

When reporting income to the Swedish Tax Agency (Skatteverket), the employer should include the individual's tax-free allowances. All other reporting by employers follows standard procedures.

USEFUL CONTACTS

GOVERNMENT AGENCIES

Taxation of Research Workers Board

(Forskarskattenämnden)

Karlavägen 108

Box 24144, SE-104 51 Stockholm

+46 10 574 79 57

www.forskarskattenamnden.se

The Taxation of Research Workers Board adjudicates on individual applications for tax relief of foreign experts, researchers and other key people working temporarily in Sweden.



We help Swedish companies grow global sales and international companies invest and expand in Sweden.

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