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Swedish Tax Info

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Working in Sweden; special tax reliefs

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The Swedish tax legislation contains two advantageous regimes for individuals who are planning to work in Sweden:

- 1) *Special income tax applicable to non-residents; and*
- 2) *so-called expert taxation.*

Special Income Tax

An individual who stays in Sweden for less than six months pays a special income tax for non-residents (*Sn. särskild inkomstskatt för utomlands bosatta*) on employment income. If the number of overnight stays in Sweden are few, an individual's tax liability can be limited even if the working period in Sweden exceeds six months. The special income tax is also applicable in respect of directors' remuneration.

The special income tax is a flat withholding tax of 25 percent. The tax normally will be withheld by the employer. It is calculated on the gross amount of the remuneration and expenses are not deductible. This income shall not be included in a Swedish tax return. Taxable income includes salary and benefits deriving from private employment. However, certain benefits, such as lodging in Sweden, are not taxable. The individual or his employer may request this tax relief by filing an application with the Swedish Tax Agency (*Sn. Skatteverket*).

Expert Taxation

Due to Swedish expatriate tax provisions it is possible to obtain some tax relief even if an individual temporarily resides in Sweden. Those who may benefit from the expatriate tax relief are specialists, qualified scientists or experts with knowledge and skills that are scarce in Sweden, and key employees, such as corporate executives and others with key position within the company.

The tax provisions exempt the following remuneration from Swedish income tax and social security contributions:

- 1) 25 percent of salary and benefits;
- 2) moving expenses to and from Sweden;
- 3) two return tickets to the home country annually for the individual and family members; and
- 4) children's school fees in Sweden.

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The expatriate tax relief may only be granted for the first three years and the stay in Sweden may not exceed five years. Furthermore, the expatriate tax relief may only be granted if a Swedish company, a branch, or a permanent establishment pays the individual's remuneration. Please note that some other criteria also must be fulfilled.

To qualify for the expatriate tax relief, an application must be filed with the Tax Committee (*Sm. Forskarskattenämnden*) within three months after the commencement of the employment.

Chief Executive Officers (“CEOs”) and Executive Vice Presidents (*Sm. verkställande direktör and vice verkställande direktör*) are normally granted expatriate tax relief. For other management positions, it is not yet clearly defined who qualifies for the tax relief. However, in our opinion, employees in larger companies who report directly to the CEO should be granted the expatriate tax relief. For employees with key positions other than management, it is necessary that those individuals have certain skills that are comparable with an expert's and that the Swedish company in question requires that expertise. However, it is not necessary that those individuals have a university degree.

Stockholm, April 2004

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