
SWEDEN 2004

1. Overview of the tax-benefit system

Sweden has an unemployment insurance consisting of a basic assistance scheme and a voluntary income related scheme for those who are members of an Unemployment Insurance Society. These are closely linked to the trade unions. It is possible to join an Insurance Society without being a member of the trade union or employers organisation at a slightly higher fee for extra administration. There is also a special Unemployment Insurance Society for those who do not want to be members of a trade union. Self-employed can also be insured. The basic assistance is for those who are not members of an Unemployment Insurance Society or do not fulfil the employment criteria but have finished full time studies.

Those with low income from work, unemployment benefit or any other kind of social security transfer income can claim an income tested housing benefit. This benefit is intended for a family when there are dependent children but is also open for low-income households beneath the age of 29. For those with neither income nor assets, social assistance can be claimed as the last resort.

1.1. Average worker wage (AW)

The tax unit is the individual, spouses are taxed separately. The 2004 AW earnings level is SEK 305 732.

2. Unemployment insurance

2.1 *Conditions for receipt*

Income related unemployment insurance is voluntary and presupposes membership of an Unemployment Insurance Society. The recipient must be fit for work and available to work at least 3 hours per day and at least 17 hours per week.

2.1.1 *Employment conditions*

A recipient must have worked at least 6 months (with at least 70 hours per month) or 450 hours during a continuous period of 6 months (with at least 45 hours each month). In both cases, if necessary, two months can be replaced by time with parental leave or compulsory military service.

2.1.2 *Contribution conditions*

An employee or a self-employed person must have been a member of an Unemployment Insurance Society for the last 12 months. The trade union members pay a fee to the Unemployment Insurance Society through the monthly collection of union fees but there is also a possibility to pay directly to one of the 37 occupational Unemployment Insurance Societies or to a special 38th Society, which is not related to any trade union or employers organisation.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

Gross replacement rate is 80 per cent of previous earnings. The maximum daily benefit is SEK 730 for the first 100 days with benefit and maximum SEK 680 during the rest of the period (yearly equivalent SEK 181 800*). The minimum daily benefit is SEK 320 .

* The calculation is based on SEK 730 the first 100 days and SEK 680 during 160 days.

2.2.2 *Income and earnings disregards*

The benefit is reduced in proportion of the number of days worked. Family and housing benefits can be paid in addition. There are no special family benefits. They are part of the housing benefit system.

2.3 *Tax treatment of benefit and interaction with other benefits*

It is taxable.

2.4 *Benefit duration*

Payable on a 5-day week basis, for a maximum of 300 days or 60 weeks, after a 5-day waiting period. The days on which benefit is received may be broken by a period of employment. If the employment proves not to be durable, the unemployed may return to the insurance period that has been awarded. A recipient who has reached this maximum benefit duration can qualify for a further period after meeting the employment conditions in 2.1.1. If the recipient does not qualify for a new period of benefit there should

be an offer to take part in a labour market program (activity guarantee). In some cases the period of unemployment benefit is prolonged with additional 300 days.

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

None.

2.5.2 *Older workers*

None.

2.5.3 *Others if applicable*

3. Unemployment assistance

The basic unemployment insurance can be called assistance. It is aimed mainly at those not insured or insured not long enough, but meet the employment conditions or have just finished their full-time studies (student condition). It is available from the age of 20.

3.1 *Conditions for receipt*

The applicant must be fit for work and must be able to take a suitable job for at least 3 hours per day and an average of 17 hours per week.

3.1.1 *Employment conditions*

The same as the income related insurance. The same insurance from 1998.

3.1.2 *Contribution conditions*

None.

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

It is a daily flat rate of SEK 320 (yearly equivalent of SEK 83 200) after full time work or studies. Proportionally lower after part time work.

In part-time work case, the reduction is a factor between 0 and 1. When you work 4 days in a week, the factor is 0.80.

3.2.2 *Income and earnings disregards*

The benefit is not paid for days worked. Benefit days must not be consecutive. Housing benefits can be paid in addition.

3.3 *Tax treatment of benefit and interaction with other benefits*

It is taxable.

3.4 *Benefit duration*

It is payable on a 5-day week basis, for a maximum of 300 days. There is a 5-day waiting period when based on employment condition, 90 days when based on student condition.

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

Not available for persons aged 18-19.

3.5.2 *Older workers*

None.

3.5.3 *Others if applicable*

4. Social assistance

The cash social assistance programme is the Social Welfare Allowance, which is municipally administered.

4.1 Conditions for receipt

It is an income and assets-tested benefit, based on the obligation to exhaust all other means of support, and to be actively seeking employment. Social assistance is, according to the legislation, a right to a certain standard of living if no other means of income can be obtained; topping-up net incomes that fall below this standard is usually not possible.

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

The National Board of Health and Welfare (NBHW) is responsible for a national guideline norm for social assistance. The norm is calculated annually and has an individual part that depends on the age of the child and a household part that depends on the size of the household. For 2004 the norm is as shown in the table below. For children below the age of 7 not attending day care institutions the rate is slightly higher. Most children do attend day-care).

Family type	Rates at NBHW norms (SEK per month)	Household rate based on number of family members	
Single	2 650	1 person	720
		2 people	800
Married couple / Cohabitants	4 840	3 people	970
Child <1 year	1 330	4 people	1 040
1-2 years	1 500	5 people	1 130
3 years	1 180	6 people	1 230
4-6 years	1 470	7 people	1 320
7-10 years	1 880		
11-14 years	2 160		
15-18 years	2 440		

In addition, social assistance recipients receive a supplementary element that covers any reasonable housing costs, after housing benefit from the state system has been received. Social workers may add extra payments for special purposes like medical or dental expenses, furniture/insurance and child-care costs. Usually there are an addition for local transportation expenses and union dues.

4.2.2 Income and earnings disregards

Maximum assistance benefit is reduced with 100 per cent of net income. Net income is defined as earned and taxable social security income after income tax and social security contribution and including housing benefit, family allowance and maintenance advance that are not taxed.

4.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable.

4.4 *Benefit duration*

Indefinite, as long as the conditions for receipt are met.

4.5 *Treatment of particular group*

4.5.1 *Young persons*

No specific minimum age.

4.5.2 *Older workers*

None.

4.5.3 *Others if applicable*

5. Housing benefits

5.1 Conditions for receipt

Housing assistance exists in three main forms:

- The income-tested housing allowance, it varies according to age, the income, the housing cost, and the number of children.
- Rent is fully covered for social assistance claimants, as a supplement to the housing allowance.
- An income-tested housing supplement (BTP) exists for pensioners (outside the scope of this study).

5.2 Calculation of benefit amount

5.2.1 Calculation of gross benefit

Total housing costs are divided in brackets; 50 to 75 per cent per bracket is added to a flat benefit. The size of each bracket and the flat benefit rate depend on age and family situation (see table). The benefit is calculated on a monthly basis according to the expected income during the calendar year but the benefit received during a year is provisional and will be checked against the final income assessment. Capital income is also considered. Housing benefit may not exceed housing costs. Monthly benefits of less than SEK 100 are not paid.

Family composition	Housing costs (HC) (SEK per year)	Housing benefit (HB1) (before income-test)	
Age < 29, with no child	0 – 21 600	0	
	21 600 – 31 200	75% of (HC – 21 600)	
	31 200 – 43 200	75% of (31 200 – 21 600) + 50% (HC – 31 200)	
	43 200 +	75% of (31 200 – 21 600) + 50% (43 200 – 31 200)	
Families:	with 1 child	0 – 24 000	7 200
		24 000 – 36 000	7 200 + 75% of (HC – 24 000)
		36 000 – 63 600	7 200 + 75% of (36 000 – 24 000) + 50% of (HC – 36 000)
		63 600 +	7 200 + 75% of (36 000 – 24 000) + 50% of (63 600 – 36 000)
	with 2 children	0 – 24 000	10 800
		24 000 – 39 600	10 800 + 75% of (HC – 24 000)
		39 600 – 70 800	10 800 + 75% of (39 600 – 24 000) + 50% (HC – 39 600)
		70 800 +	10 800 + 75% of (39 600 – 24 000) + 50% (70 800 – 39 600)
	with 3 children	0 – 24 000	14 400
		24 000 – 43 200	14 400 + 75% of (HC – 24 000)
		43 200 – 79 200	14 400 + 75% of (43 200 – 24 000) + 50% of (HC – 43 200)
		79 200 +	14 400 + 75% of (43 200 – 24 000) + 50% of (79 200 – 43 200)

5.2.2 *Income and earnings disregards*

The housing benefit is income-tested. Reduction rates and disregards depend on age and family situation:

Family composition	Gross income limit for the means-test (SEK per year)	Subsidy rate for the means-test (%)	Housing benefit, including the income-test (GI = gross income)
Single < 29, with no children	41 000	33	HB1 – 33% (GI – 41 000)
Lone parents	117 000	20	HB1 – 20% (GI – 117 000)
Families <29 with no children	58 000	33	HB1 – 33% (GI – 58 000)
Families with 1 or more children	58 500/partner*	20	HB1 – 20% (GI – 58 500)

* The partner with no income is not entitled to any housing benefit since 1995.

5.3 *Tax treatment of benefit and interaction with other benefits*

It is not taxable.

5.4 *Treatment of particular groups*

None.

5.4.1 *Young persons*

5.4.2 *Older workers*

5.4.3 *Others if applicable*

6. Family benefits

6.1 *Conditions for receipt*

Each child aged 16 or under (or until 20 if still at school) qualifies the family for child benefit.

6.2 *Calculation of benefit amount*

6.2.1 *Calculation of gross benefit*

The annual amount is SEK 11 400 per child (SEK 950 per month), with a supplement of SEK 3 048 for the third child, SEK 9 120 for the fourth child, and SEK 11 400 for the fifth and each subsequent child.

6.2.2 *Income and earnings disregards*

Child benefit is not subject to any means test.

6.3 *Tax treatment of benefit and interaction with other benefits*

It is not taxable.

6.4 *Treatment of particular groups*

6.4.1 *Young persons*

6.4.2 *Older workers*

6.4.3 *Others if applicable*

7. Childcare for pre-school children

The fraction of children in childcare is:

- Age 1-5 76 %
- Age 6-9 74 %

Compulsory schooling starts at age 7, but there is possible to start at age 6 and this age-group does often have special classes (Grade 0).

7.1 *Out-of-pocket childcare fees paid by parents*

Child-care is heavily subsidised by state and local governments. For the first pre-school child the fee is 3 per cent of the gross income (earned income plus unemployment benefits), for the second child the fee is 2 per cent and 1 per cent for the third child. There is a monthly cap of SEK 1 140, 760 and 380 for the 1st, 2nd and 3rd child respectively. With a yearly household income above SEK 456 000 there is no marginal effect and no extra fee. For school-children the percentages are 2, 1 and 1 respectively. The order of the child is according to the need of day-care – mostly the youngest are number one.

Childcare fees are not tax deductible.

Childcare fees are taken into account when determining entitlement to benefits such as social assistance.

7.2 *Child-care benefits*

7.2.1 *Conditions for receipt*

7.2.2 *Calculation of benefit amount*

7.2.2.1 *Calculation of gross benefit*

7.2.2.2 *Income and earnings disregards*

7.2.3 *Tax treatment of benefit and interaction with other benefits*

7.2.4 *Treatment of particular groups*

8. Employment-conditional benefits

None.

8.1 *Conditions for receipt*

8.2 *Calculation of benefit amount*

8.2.1 *Calculation of gross benefit*

8.3 *Tax treatment of benefit and interaction with other benefits*

8.4 *Benefit duration*

8.5 *Treatment of particular group*

8.5.1 *Young persons*

8.5.2 *Older workers*

8.5.3 *Others if applicable*

9. Lone-parent benefits

9.1 *Conditions for receipt*

Each child aged 16 or under (or until 20 if still at school) from a lone-parent family qualifies.

9.2 *Calculation of benefit amount*

9.2.1 *Calculation of gross benefit*

The monthly amount is SEK 1 173 per child, that is SEK 14 076 yearly.

This is a separate benefit the absent parent is supposed to pay. If the parent pays directly to the lone parent, then the state is not involved. If not, the state advances the money and then demand the absent parent to pay it in full or in part. This system of repayment has been enforced and more responsibility is put on absent parents to pay a larger share of the cost.

9.2.2 *Income and earnings disregards*

Not subject to any means test.

9.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable.

9.4 *Benefit duration*

9.5 *Treatment of particular group*

9.5.1 *Young persons*

9.5.2 *Older workers*

9.5.3 *Others if applicable*

10. Tax system

There is a central government and a local government personal income tax, based on the same taxable income.

10.1 Income tax

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

The tax allowances are as follows:

- Social security: An allowance of 25 per cent of the compulsory social security contribution paid by the employee (and by the unemployed on the unemployment benefits) is granted.
- Earned income allowances. These are related to the Base Allowance (BA is 39 300 in 2004):
- If gross earnings are under 1.49 times BA, the allowance is 42.3 per cent of BA.
- If gross earnings are between 1.49 and 2.72 times BA, the allowance is 42.3 per cent of BA raised with 20 per cent of earnings above 1.49 times BA.
- If gross earnings are between 2.72 and 3.10 times BA, the allowance has its maximum value of 67 per cent of BA.
- If gross earnings are between 3.10 and 6.87 times BA, the maximum value 67 per cent of BA is decreased with 10 per cent of the earnings above 3.10 times BA.
- If gross earnings exceed 6.87 times BA, the allowance is 29.3 per cent of BA.

The allowance is rounded up to a multiple of 100.

(Note: this allowance is also valid on transfer income, but not social assistance.)

10.1.1.2 Standard tax credits

75 per cent of the social security contribution (truncated to the nearest lower multiple of 100) is returned through a tax credit. This is a refundable tax credit.

A tax credit equal to 25 per cent of the trade union dues and 40 per cent of the unemployment insurance fee is granted. This credit is a non-standard relief.

A special tax credit equal to SEK 200 is given in 2004 for the statutory minimum local income tax of SEK200 (a lump sum tax).

10.1.2 *Income tax schedule*

It is the gross earnings minus the two above tax allowances, rounded down to the nearest multiple of 100.

The income tax schedule is as follows:

Taxable income in SEK	Tax payable
0 – 291 800	SEK 0
291 800 – 441 300	SEK 0 + 20%
Over 441 300	SEK 29 900 + 25%

10.1.3 *State and local income taxes*

The local government personal income tax is proportional and differs between municipalities. The average rate amounted to 31.51 per cent in 2004, with the maximum and minimum rates being 34.04 per cent and 28.9 per cent, respectively. Besides the proportional tax every individual also has to pay a statutory minimum state income tax (a lump sum tax) of SEK 200. (In this study we apply the average tax rate)

There is no earnings limit.

10.2 *Treatment of family income*

The tax unit is the individual. Spouses are taxed separately.

10.3 *Social security contribution schedule*

7 per cent of earnings (and unemployment benefits) for the general pension.

Contributions are paid up to 8.07 of the entitlement base amount (8.07*39 300), and rounded to the nearest multiple of 100. Contributions are not paid if earnings and unemployment benefits are below 42.3% of the entitlement base amount.

10.4 *Treatment of particular group*

10.4.1 *Young persons*

10.4.2 *Older workers*

10.4.3 *Others if applicable*

11. Part-time work

11.1 *Benefit rules for part-time work*

Persons working less than 17 hours per week do not qualify for unemployment insurance.

11.2 *Special tax and social security contribution rules for part-time work*

None.

12. Policy developments

12.1 *Policy changes introduced during the previous year*

Minimum parental allowance SEK 180

Ceiling gross income child-care SEK 504 000

In 2004, a special tax credit equal to SEK 200 is provided for the statutory minimum local income tax.

12.2 *Policy changes announced*