THE OECD TAX-BENEFIT MODEL FOR SWEDEN

Description of policy rules for 2018
THE OECD TAX-BENEFIT MODEL FOR SWEDEN
Description of policy rules for 2018

OECD team: Marion Bachelet (lead author), Olga Rastregina, James Browne, Herwig Immervoll, Dirk Neumann, Daniele Pacifico

National team: Christina Enegren and Malin Persson, Swedish Ministry of Finance

This version: October 2018 – via http://www.oecd.org/els/benefits-and-wages.htm

REFERENCE: No. VS/2015/0427 (D150030 & D151310)

This work is published on the responsibility of the Director of the OECD Directorate for Employment, Labour and Social Affairs. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

© OECD 2017

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of the source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d’exploitation du droit de copie (CFC) at contact@cfcopies.com.

Social Policy Division and Jobs and Income Division
www.oecd.org/social

Directorate for Employment, Labour and Social Affairs
# Table of contents

**Preface**  
4

**The OECD tax-benefit model for Sweden: Policy rules in 2018**  
5

1. Reference wages  
5

2. Unemployment benefits  
5
   2.1. Unemployment insurance (Arbetslöshetsförsäkring inkomstrelaterad)  
5
   2.2. Unemployment assistance (Arbetslöshetsförsäkring grundnivå)  
6

3. Social assistance and housing benefits  
7
   3.1. Social Assistance (Ekonomiskt bistånd)  
7
   3.2. Housing benefit (Bostadsbidrag)  
9

4. Family benefits  
12
   4.1. Child allowance (barnbidrag)  
12
   4.2. Lone-parent benefits (Alimony advance payment, Underhållsstöd)  
13

5. Childcare for pre-school children  
14
   5.1. Gross childcare fees  
14
   5.2. Fee discounts and free provision  
14
   5.3. Child-care benefits for formal centre-based care  
15
   5.4. Child care allowance for children not using child care centers  
15
   5.5. Tax concessions for childcare expenditures  
15

6. In-work benefits  
16

7. Social security contributions and payroll taxes  
16
   7.1. Social security contributions (Arbetsgivaravgifter)  
16

8. Taxes  
17
   8.1. Personal income tax (Inkomstskatt)  
17

Annex: Other benefits and direct taxes  
21
   Special support for retired people (Äldreförsörjningsstöd)  
21
   Housing benefits for retired people (BTP (bostadstillägg för pensionärer and SBTP (särskild bostadstillägg för pensionärer)  
21
   Establishment benefit (Etableringsersättning)  
21
Preface

The OECD Tax-Benefit model (TaxBEN) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of working age (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of stylised families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The Annex provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

Reading notes and further details on the scope and content of this report

- The reference date for policy rules described in this report is January 1, 2018.
- Guidelines for completing and updating this report are provided here.
- Further information on the model, model results, and references to reports and analytical uses is available on the project website. A methodology document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol \( i \) in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: \([\text{variable name}]\), for instance: \([\text{AW}]\) for the average wage.
The OECD tax-benefit model for Sweden: Policy rules in 2018

1. Reference wages

The 2018 average wage \( [\text{AW}] \) is SEK 449 562.\(^1\)

2. Unemployment benefits

2.1. Unemployment insurance (Arbetslöshetsförsäkring inkomstrelaterad)

Variable names:\(^2\) \([\text{UI}_p; \text{UI}_s]\)

This is an unemployment insurance benefit. It is contributory, not means-tested and taxable. \(^\text{i}\) It is voluntary and presupposes membership of an Unemployment Insurance Society.

2.1.1. Eligibility conditions \(^\text{i}\)

Age: No lower age limit, maximum age 64 years old.

Contribution/employment history: A recipient must have worked at least 6 months (with at least 80 hours per month) during the previous 12 months.

Behavioural requirements and related eligibility conditions: \(^\text{i}\) TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.\(^3\) The benefit claimant must:

1. be fit for work and available to work at least 3 hours per day and on average at least 17 hours per week;
2. actively look for work;
3. have been a member of an Unemployment Insurance Society for the last 12 months (in 2018, the membership is between 102 and 155 SEK).

2.1.2. Benefit amount

Calculation base: The amount of benefits is calculated as a percentage of previous gross earnings.

Benefit amount: Gross replacement rate is 80 per cent of previous earnings for 200 days and then 70 per cent. If the person is under 25 years of age, has activity support and does not have children, the replacement falls to 70 percent from day 101. The maximum daily benefit is SEK 910 (yearly equivalent SEK 236 600) the first 100 days and then SEK 760.

---

\(^1\) AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration. For more information on methodology see the latest Taxing Wages publication.

\(^2\) The variable names ending with “_p” refer to the first adult (so-called “principal” adult) whereas those ending with “_s” are related to the spouse.

\(^3\) Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018, forthcoming), Langenbucher (2015) and Venn (2011).
(yearly equivalent SEK 197 600). The minimum daily benefit is SEK 365 (yearly equivalent SEK 94 900).

If the recipient does not have a job when the benefit duration has ended, there should be an offer to take part in a labour market policy program (activity guarantee) or the job and development guarantee. The job and development guarantee participants receive 65% of previous earnings with limits: the maximum daily benefit is SEK 760, and the minimum is SEK 365.

2.1.3. Benefit duration

The benefit is payable on a 5-day week basis, for a maximum of 300 days or 60 weeks for those without children and 450 days or 90 weeks for those with children, after a 7-day waiting period. The days on which benefits are received may be broken by a period of employment. If the employment proves not to be durable, the unemployed may use any remaining insurance period.

Part-time unemployed can receive unemployment benefit for 75 days.

If the recipient does not have a job when the benefit duration has ended, there should be an offer to take part in a labour market policy program (activity guarantee) or the job and development guarantee. The maximum duration of the job and development guarantee programme is 450 days.

2.1.4. Means test

The benefit is not means-tested.

2.1.5. Tax treatment

The benefit is taxable.

2.1.6. Interactions with other components of the tax-benefit system

Family and housing benefits can be paid in addition to unemployment insurance benefits. Unemployment insurance benefits are included in the income definition for the means tests for housing benefits and social assistance.

2.1.7. Combining benefit receipt and employment/starting a new job

The benefit is reduced in proportion of the number of days worked.

2.2. Unemployment assistance (Arbetslöshetsförsäkring grundnivå)

Variable name: \[ UA \]

The basic unemployment insurance benefit can be thought of as an unemployment assistance benefit. It is aimed mainly at those not insured or insured not for long enough to qualify for unemployment insurance benefits, but meet the employment conditions.

It is non-contributory, not means-tested and taxable.

---

4 The variable names ending with “_p” refer to the first adult (so-called “principal” adult) whereas those ending with “_s” are related to the spouse.
2.2.1. Eligibility conditions

**Age**: It is available from the age of 20, until age 64.

**Contribution/employment history**: The same conditions as for Unemployment insurance apply.

**Behavioural requirements and related eligibility conditions**: The same conditions as for unemployment insurance apply. (TaxBÉN assumes that these conditions are satisfied when simulating unemployment benefits).\(^5\)

2.2.2. Benefit amount

**Calculation base**: Flat rate.

**Benefit amount**: The benefit is a daily flat rate of SEK 365 (yearly equivalent of SEK 94 900) for those previously employed full time, and is proportionally lower for those previously employed part time; for example, those who previously worked 4 days a week receive 80% of the full benefit amount.

2.2.3. Benefit duration

The benefit is payable on a 5-day week basis, for a maximum of 300 days, or 450 days for those with dependent children. There is a 7-day waiting period. At the end of this period, the unemployed are referred to labour market policy programs and the job and development guarantee (see Section 2.1.3 above).

2.2.4. Means test

The benefit is not means-tested.

2.2.5. Tax treatment

The benefit is taxable.

2.2.6. Interactions with other components of the tax-benefit system

Family and housing benefits can be paid in addition to unemployment assistance benefits. Unemployment assistance benefits are included in the income definition for the means tests for housing benefits and social assistance.

2.2.7. Combining benefit receipt and employment/starting a new job

The benefit is not paid for days worked. Benefit days must not be consecutive.

3. Social assistance and housing benefits

3.1. Social Assistance (Ekonomiskt bistånd)

Variable name: \([\text{SA}]\)

---

\(^5\) Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018, forthcoming), Langenbuchar (2015) and Venn (2011).
This is a non-contributory benefit, means-tested and not taxable.

The cash social assistance programme is the Social Welfare Allowance, which is municipally administered. The programme is supposed to give temporary relief when there are no other means of economic support.

### 3.1.1. Eligibility conditions

Social assistance 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.

Social assistance claimants have to claim all government financed allowances before claiming municipally assistance.

### 3.1.2. Benefit amount

The National Board of Health and Welfare (NBHW) is responsible for calculating a national guideline norm for social assistance. The norm is calculated annually and has an individual part that depends on marital status and the age of the child, and a household part that depends on the size of the household.

<table>
<thead>
<tr>
<th>Family type</th>
<th>Rates at NBHW norms (SEK per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>3 030</td>
</tr>
<tr>
<td>Married couple / Cohabitants</td>
<td>5 460</td>
</tr>
<tr>
<td>Child &lt;1 year</td>
<td>1 960</td>
</tr>
<tr>
<td>1-2 years</td>
<td>2 150</td>
</tr>
<tr>
<td>3 years</td>
<td>1 900</td>
</tr>
<tr>
<td>4-6 years</td>
<td>2 080</td>
</tr>
<tr>
<td>7-10 years</td>
<td>2 930</td>
</tr>
<tr>
<td>11-14 years</td>
<td>3 370</td>
</tr>
<tr>
<td>15-18 years</td>
<td>3 800</td>
</tr>
<tr>
<td>19-20 years</td>
<td>3 830</td>
</tr>
</tbody>
</table>
### 3.1.3. Benefit duration

Indefinite, as long as the conditions for receipt are met. Most claims last for less than a year, and the average is 6.4 months.

### 3.1.4. Means test

The income measure used to assess eligibility is earned and taxable social security income after income tax and social security contribution, including unemployment insurance and assistance benefits, family and lone parent benefits.

For the first six months of the benefit claim, the maximum benefit amount is reduced by 100% of net income. For those who have been receiving the assistance benefit for more than 6 months, the maximum assistance benefit is reduced by 75% of net income for up to two years after entering work. This provision is not simulated in the TaxBEN model.

### 3.1.5. Tax treatment

The benefit is not taxable.

### 3.1.6. Interaction with other components of the tax-benefit system

Income from other benefits is included in the social assistance means test as described above.

### 3.1.7. Combining benefit receipt and employment/starting a new job

No limit, but income from work reduces assistance benefit entitlement as described in Section 3.1.4 above.

### 3.2. Housing benefit (Bostadsbidrag)

Variable name: [HB]

This is a non-contributory benefit, means-tested and not taxable.

People who own their accommodation may get the benefit if they have low income, though note that this scenario is not simulated in the TaxBEN model.

<table>
<thead>
<tr>
<th>Number of family members</th>
<th>Household rate based on number of family members (SEK per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>970</td>
</tr>
<tr>
<td>2 people</td>
<td>1 080</td>
</tr>
<tr>
<td>3 people</td>
<td>1 350</td>
</tr>
<tr>
<td>4 people</td>
<td>1 540</td>
</tr>
<tr>
<td>5 people</td>
<td>1 770</td>
</tr>
<tr>
<td>6 people</td>
<td>2010</td>
</tr>
<tr>
<td>7 people</td>
<td>2 180</td>
</tr>
</tbody>
</table>
Housing assistance exists in three main forms:

- The income-tested housing allowance *(Bostadsbidrag)*, it varies according to age for young people without children, 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* *(bostadstillägg)* and SBTP *(särskilt bostadstillägg)*) exists for pensioners and persons with sickness or activity compensation (not modelled, see Annex).

### 3.2.1. Eligibility conditions

Households must have low income and either have children or be aged under 29. In practice, most recipients are single parents and around two thirds of claimants without children below age 29 are students.

### 3.2.2. Benefit amount

Total housing costs are divided in brackets; 50 to 90% 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 below). 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.
<table>
<thead>
<tr>
<th>Family composition</th>
<th>Housing costs (HC) (SEK per month)</th>
<th>Housing benefit (HB1) (before income-test)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age &lt; 29, with no child</td>
<td>0 – 1800</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>1 800 – 2 600</td>
<td>90% of (HC – 1 800)</td>
</tr>
<tr>
<td></td>
<td>2 600 – 3 600</td>
<td>90% of (2 600 – 1 800) + 65% (HC – 2 600)</td>
</tr>
<tr>
<td></td>
<td>3 600 +</td>
<td>90% of (2 600 – 1 800) + 65% (3 600 – 2 600)</td>
</tr>
<tr>
<td>Families:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>with 1 child</td>
<td>0 – 1 400</td>
<td>1 500</td>
</tr>
<tr>
<td></td>
<td>1 400 – 3 000</td>
<td>1 500 + 50% of (HC – 1 400)</td>
</tr>
<tr>
<td></td>
<td>3 000 – 5 300</td>
<td>1 500+ 50% of (3 000 – 1 400) + 50% of (HC – 3 000)</td>
</tr>
<tr>
<td></td>
<td>5 300 +</td>
<td>1 500 + 50% of (3 000 – 1 400) + 50% of (5 300 – 3 000)</td>
</tr>
<tr>
<td>with 2 children</td>
<td>0 – 1 400</td>
<td>2 000</td>
</tr>
<tr>
<td></td>
<td>1 400 – 3 300</td>
<td>2 000 + 50% of (HC – 1 400)</td>
</tr>
<tr>
<td></td>
<td>3 300 – 5 900</td>
<td>2 000 + 50% of (3 300 – 1 400) + 50% (HC – 3 300)</td>
</tr>
<tr>
<td></td>
<td>5 900 +</td>
<td>2 000 + 50% of (3 300 – 1 400) + 50% (5 900 – 3 300)</td>
</tr>
<tr>
<td>with 3 children</td>
<td>0 – 1 400</td>
<td>2 350</td>
</tr>
<tr>
<td></td>
<td>1 400 – 3 600</td>
<td>2 350 + 50% of (HC – 1 400)</td>
</tr>
<tr>
<td></td>
<td>3 600 – 6 600</td>
<td>2 350 + 50% of (3 600 – 1 400) + 50% of (HC – 3 600)</td>
</tr>
<tr>
<td></td>
<td>6 600 +</td>
<td>2 350 + 50% of (3 600 – 1 400) + 50% of (6 600 – 3 600)</td>
</tr>
</tbody>
</table>

3.2.3. Benefit duration
No limit.

3.2.4. Means test
The housing benefit is income-tested. Reduction rates and disregards depend on age and family situation:
<table>
<thead>
<tr>
<th>Family composition</th>
<th>Income disregard (SEK per month)</th>
<th>Benefit withdrawal rate (%)</th>
<th>Housing benefit after the income-test (GI = gross income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single &lt; 29, with no children</td>
<td>3 417</td>
<td>33</td>
<td>HB1–33% (GI–3 417)</td>
</tr>
<tr>
<td>Lone parents</td>
<td>10 583</td>
<td>20</td>
<td>HB1–20% (GI–10 583)</td>
</tr>
<tr>
<td>Families &lt;29 with no children</td>
<td>4 833</td>
<td>33</td>
<td>HB1–33% (GI–4 833)</td>
</tr>
<tr>
<td>Families with 1 or more children</td>
<td>5 292/partner*</td>
<td>20</td>
<td>HB1–20% (GI(principal)–5 292)-20%(GI(spouse)–5 292)</td>
</tr>
</tbody>
</table>

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

3.2.5. *Tax treatment*

Benefits are not taxable.

3.2.6. *Interaction with other components of the tax-benefit system*

The benefit is dependent on gross income including unemployment insurance benefits.

3.2.7. *Combining benefit receipt and employment/starting a new job*

No restriction, but the benefit is reduced if the claimant has earnings as described above.

4. *Family benefits*

Variable name: [FB]

4.1. *Child allowance (barnbidrag)*

Variable name: [FAMBEN]

This is a non-contributory benefit, not means-tested and not taxable.

Child allowance is a monthly amount for all children registered in Sweden. There is also a parents' insurance to compensate for income reduction when children are born and sick (not modelled).

4.1.1. *Eligibility conditions*

Each child below 16 (or until June the year the youngster become 20 years old if they are still at school) qualifies the family for child benefit.

4.1.2. *Benefit amount*

The annual amount is SEK 12 600 per child (SEK 1 050 per month), with a supplement of SEK 1 800 for the second child, SEK 5 448 for the third child, SEK 12 120 for the fourth child, and SEK 15 000 for the fifth and each subsequent child. (Children 16 years and older receive the benefit only 10 months per year.)
4.1.3. Benefi t duration
No limit except with respect to the age of children.

4.1.4. Means test
Child allowance is not subject to any means test.

4.1.5. Tax treatment
The benefi t is not taxable.

4.1.6. Interaction with other components of the tax-benefi t system
The benefi t is not affected by any other benefi t. Other means tested benefi ts are affected by this benefi t.

4.1.7. Combining benefi t receipt and employment[starting a new job]
The benefi t amount is not affected by employment or starting a new job.

4.2. Lone-parent benefi ts (Alimony advance payment, Underhållsstöd)
Variable name: [OPB]
This is a non-contributory benefi t, not means-tested and not taxable. This separate benefi t is designed to ensure that lone parents receive the alimony that the absent parent is supposed to pay. If the absent parent pays directly to the lone parent, then the state is not involved. If not, however, the state advances the money and then demands the absent parent to pay it in full or in part. Since the TaxBEN model assumes that alimony is not forthcoming, all lone parents receive this benefi t in the model.

4.2.1. Eligibility conditions
Each child below 16 (or until June the year the youngster becomes 20 years old if they are still at school) from a lone-parent family qualifies.

4.2.2. Benefi t amount
The monthly amount is SEK 1 573 per child for children 14 years old and younger, or SEK 18 876 per year. The monthly amount for children 15 years old and older is SEK 1 723, or SEK 20 676 per year.

4.2.3. Benefi t duration
No limit except with respect to the age of the child.

4.2.4. Means test
The benefi t is not subject to any means test for the parent receiving the benefi t, though the amount the absent parent has to pay is means-tested.

4.2.5. Tax treatment
The benefi t is not taxable.
4.2.6. *Interaction with other components of the tax-benefit system*  
Alimony advance payment is taken into account in the means test for social assistance.

4.2.7. *Combining benefit receipt and employment/starting a new job*  
No restrictions.

5. **Childcare for pre-school children**

The **reference date** for the policy rules described in this section is **January 1, 2018**.  
Compulsory schooling starts at age 7, but there is possible to start at age 6 and this age-group often has special classes (Grade 0).

**5.1. Gross childcare fees**

Variable name: [SWcc_cost]  
Childcare is heavily subsidised by state and local governments. The TaxBEN model takes the maximum childcare fee that is payable, which in 2018 is SEK 1 382, to be the gross fee.

**5.1.1. Discounts for part-time usage (not modelled)**

Children to parents on parental leave (with a new baby) and children to parents that are unemployed have a right to at least 15 hours a week of childcare. These hours are cheaper than the ordinary fee. The local community can subsidize more than 15 hours a week and there is a variety of solutions according to the 290 communities. The fee is lower for part-time childcare than for fulltime. To pay the part-time fee the child can spend at most 30 hours per week at preschool. For the first child the fee is 2 per cent of gross income, and for the second and third children the fee is 1 per cent of gross income. There is a monthly cap of SEK 922 for the first and SEK 460 for the second and third children.

**5.2. Fee discounts and free provision**

The fee parents actually pay depends on their gross income. 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 1 382, SEK 922 and SEK 460 for the first, second and third children respectively. As a result, household incomes above SEK 552 972 have no effect on the fee paid. For schoolchildren, the percentages are 2%, 1% and 1% respectively. The order of the child is according to the need of daycare – generally, the youngest is first.

Also, for children aged 3-6 there is general pre-school (*allmän förskola*). This means that they receive free schooling for 15 hours a week, 35 weeks a year.

**5.2.1. Eligibility**

All households with annual incomes of less than SEK 552 972 pay less than the maximum fee.

---

6 The childcare module of the tax-benefit model is updated every three year (next update: 2018).
5.2.2. **Amount of discount or free provision**

Children aged 3-6 can attend general pre-school (*allmän förskola*) for 15 hours a week for 35 weeks (525 hours a year).

5.2.3. **Variation by income**

Fees are a percentage of income as described above.

5.3. **Child-care benefits for formal centre-based care**

Variable name: [cc_benefit]

None, but childcare fees are taken into account when determining entitlement to benefits such as social assistance so support for childcare costs is provided through these benefits indirectly.

5.3.1. **Eligibility**

5.3.2. **Benefit amount**

5.3.3. **Benefit duration**

5.3.4. **Means test**

5.3.5. **Tax treatment**

5.3.6. **Interaction with other benefits**

5.3.7. **Combining benefit receipt and employment/starting a new job**

5.4. **Child care allowance for children not using child care centers**

None.

5.5. **Tax concessions for childcare expenditures**

Childcare fees are not tax deductible.

There is a tax deduction for household services (*skattereduktion för hushållsnära tjänster*) that can be used for childcare in the taxpayers’ home. As this is not relevant for centre-based childcare, it is not included in the TaxBEN model.

5.5.1. **Eligibility**

To be entitled to tax deductions for household services, the tax payer must be liable for tax in Sweden during the tax year in question, have reached the age of 18 by the end of the tax year, and have incurred expenses for household service work.

5.5.2. **Maximum amount**

The tax deduction is 50 per cent of the labour cost. The maximum tax deduction for household services is SEK 25 000 per year for persons 65 years or younger. For persons older than 65 years of age the maximum tax deduction is SEK 50 000 per year.
5.5.3. Variation by income
The tax deduction does not vary with income, but the deduction is worth less to those whose taxable income is less than the amount of the deduction, and is worth nothing to those who do not pay income tax in the first place.

5.5.4. Impact on overall income tax calculation
The individual’s final tax (personal income tax and property tax) is reduced by the tax deduction for household services but the deduction is not refundable.

6. In-work benefits
Variable name: [IW]
See Earned Income Tax Credit (Section 8.1.4).

6.1.1. Eligibility conditions
6.1.2. Benefit amount
6.1.3. Benefit duration
6.1.4. Means test
6.1.5. Tax treatment

6.1.6. Interaction with other components of the tax-benefit system

7. Social security contributions and payroll taxes

7.1. Social security contributions (Arbetsgivaravgifter)

7.1.1. Contributions payable by employees and benefit recipients
Variable names: [SOCSEC_p; SOCSEC_s]
A general pension contribution of 7% of personal income is paid by employees and the self-employed when income is at least 42.3% of the basic amount underlying the basic allowance (which in 2018 is SEK 62 500, so the threshold at which contributions start to be paid is SEK 26 438). The contribution cannot exceed SEK 35 300 since the general pension contributions are not paid for income over SEK 504 375 (=8.07*62 500). Employees’ social security contributions reduce income tax liabilities one-for-one.

7.1.2. Contributions payable by employers
Variable names: [SSCR_p; SSCR_s]
The employers’ contributions are calculated as a percentage of the total sum of salaries and benefits in a year. For the self-employed, the base is net business income. The rates for 2018 are listed below.
### Table

<table>
<thead>
<tr>
<th>Program</th>
<th>Employer (%)</th>
<th>Self-employed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement pension</td>
<td>10.21</td>
<td>10.21</td>
</tr>
<tr>
<td>Survivor’s pension</td>
<td>0.70</td>
<td>0.70</td>
</tr>
<tr>
<td>Parental insurance</td>
<td>2.60</td>
<td>2.60</td>
</tr>
<tr>
<td>Health insurance</td>
<td>4.35</td>
<td>4.44</td>
</tr>
<tr>
<td>Labour market</td>
<td>2.64</td>
<td>0.10</td>
</tr>
<tr>
<td>Occupational health</td>
<td>0.20</td>
<td>0.20</td>
</tr>
<tr>
<td>General wage tax</td>
<td>10.72</td>
<td>10.72</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31.42</strong></td>
<td><strong>28.97</strong></td>
</tr>
</tbody>
</table>

In certain regions, a reduction of 10 percentage points of the social security contributions, maximum SEK 7 100 per month, is granted (SEK 18 000 per year for self-employed). (Note that this situation is not simulated by the tax-benefit model calculations).

For employees who are over 65 years old and born after 1937 only the retirement pension contribution (10.21%) is applicable. For persons born in 1937 or earlier, there are no employers’ social security contributions but a special 6.15% payroll tax is applied (see Section 7.1.3 below). For individuals working with research and development in private sector a reduction of 10% of the base is granted, maximum 230 000 SEK per business group per month. (Note that neither of these situations is simulated by the TaxBEN model).

### 7.1.3. Payroll taxes

Variable name: Not simulated.

Payroll tax is paid on premiums for occupational pensions paid by the employer. The tax rate is 24.26%. There is also a payroll tax (special wage tax, 6.15%) for employees who are over 65 years old. (Note that neither of these situations is simulated by the TaxBEN model, so the payroll tax does not appear in the model).

### 8. Taxes

The tax unit is the individual, spouses are taxed separately.

#### 8.1. Personal income tax (Inkomstskatt)

Variable names: [IT\_p; IT\_s]

Sweden has both a central government and a local government personal income tax. They are completely coordinated in the assessment process and refer to the same period, i.e. the tax year coincides with the calendar year.

#### 8.1.1. Tax allowances

**Basic allowance**: a basic allowance is given for assessed earned income and varies between SEK 13 400 and SEK 35 100 for persons 65 years or younger, depending on income. The
basic allowance depends on the assessed earned income and the basic amount (BA), which is SEK 45 500 in 2018.

Basic allowance for persons aged 65 or less

<table>
<thead>
<tr>
<th>Assessed-Earned- Income (SEK) Relative to Basic Amount (BA)</th>
<th>Basic Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 0.99</td>
<td>0.423*BA</td>
</tr>
<tr>
<td>0.99 – 2.72</td>
<td>0.423<em>BA + 0.2</em>(income – 0.99*BA)</td>
</tr>
<tr>
<td>2.72 – 3.11</td>
<td>0.77*BA</td>
</tr>
<tr>
<td>3.11 – 7.88</td>
<td>0.77<em>BA – 0.1</em>(income – 3.11*BA)</td>
</tr>
<tr>
<td>More than 7.88</td>
<td>0.293*BA</td>
</tr>
</tbody>
</table>

For persons 65 years and older the basic allowance is higher, see table below (since the TaxBEN model focuses on those of working age, these provisions are not modelled). The basic allowance for persons 65 years and older varies in 2018 between SEK 32 600 and SEK 79 900, depending on income. It is SEK 39 000 when individuals start paying the central government income tax.

Basic allowance for persons aged over 65

<table>
<thead>
<tr>
<th>Assessed-Earned- Income (SEK) Relative to Basic Amount (BA)</th>
<th>Basic Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 1.11</td>
<td>1.11*BA</td>
</tr>
<tr>
<td>1.11 – 2.72</td>
<td>1.11<em>BA + 0.249</em>(income – 1.11*BA)</td>
</tr>
<tr>
<td>2.72 – 2.94</td>
<td>1.511<em>BA + 0.332</em>(income – 2.72*BA)</td>
</tr>
<tr>
<td>2.94 – 4.45</td>
<td>1.584<em>BA + 0.113</em>(income – 2.94*BA)</td>
</tr>
<tr>
<td>4.45 – 9.15</td>
<td>1.754<em>BA – 0.158</em>(income – 4.45*BA)</td>
</tr>
<tr>
<td>9.15 – 12.43</td>
<td>1.011<em>BA – 0.09</em>(income – 9.15*BA)</td>
</tr>
<tr>
<td>12.43 –</td>
<td>0.715*BA</td>
</tr>
</tbody>
</table>

Other allowances:
- Standard marital status reliefs: None.
- Relief(s) for children: None.
- Work-related expenses: None.
- Other: None.

8.1.2. Tax base

The taxable income includes gross earnings plus unemployment benefits.

8.1.3. Central government income tax schedule

The central government income tax schedule for 2018 is as follows:
8.1.4. Local Income tax schedule

The tax base is the same as for the central government income tax. The basic allowance for individuals younger than 65 years paying local government tax is the same as for the central government tax. It varies between SEK 13 400 and SEK 35 100 in 2018 and it depends on the taxpayer’s income. For a taxpayer earning the AW, this basic allowance amounts to SEK 13 400 (based on an AW of SEK 418 107 - subject to revision with the AW).

The local government personal income tax is proportional and differs between municipalities. The average rate amounts to 32.12 per cent in 2018, with the maximum and minimum rates being 35.15 per cent and 29.19 per cent, respectively.

On average a 0.22% contribution is made towards funeral fees. This is included in the total local tax payable in the models. Note that this is classified as a ‘non-tax compulsory payment’ in the TaxBEN model.

8.1.5. Tax credits

A tax credit equal to 100 per cent of the compulsory social security contributions paid by the employee is granted.

For a person aged 65 or less, an annual Earned Income Tax Credit (EITC) worth up to SEK 27 200 at the average local tax rate is granted on labour income. For those aged over 65, a higher credit worth up to SEK 30 000 is granted. For a person aged 65 or less the EITC is connected to the basic allowance (BAL), the basic amount (BA) and the local tax rate (LTR). For those older than 65 a simplified EITC was introduced in 2009 so that it is no longer connected to the local tax rate, the basic allowance or the basic amount.

The Basic Allowance in 2018 is SEK 45 500; the local tax rate is discussed in Section 8.1.4. The Special Amount is based on the taxpayer’s (gross) earned income. A phase-out of the EITC for those with incomes above around SEK 600 000 a year was introduced in 2016.

For taxpayers younger than 65, the EITC is calculated as follows:

<table>
<thead>
<tr>
<th>Earned Income (EI)</th>
<th>EITC</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;0.91 BA</td>
<td>(EI – BAL) * LTR</td>
</tr>
<tr>
<td>0.91 BA - 2.94 BA</td>
<td>(0.91 BA + 0.332 * (EI – 0.91 BA) – BAL) * LTR</td>
</tr>
<tr>
<td>2.94 BA - 8.08 BA</td>
<td>(1.584 BA + 0.111 * (EI – 2.94 BA) – BAL) * LTR</td>
</tr>
<tr>
<td>8.08 BA – 13.54 BA</td>
<td>(2.155 BA – BAL) * LTR</td>
</tr>
<tr>
<td>More than 13.54 BA</td>
<td>(2.155 BA – BAL)<em>LTR – 0.03</em>(EI – 13.54 BA)</td>
</tr>
</tbody>
</table>

For taxpayers older than 65, the EITC is calculated differently (not modelled):
<table>
<thead>
<tr>
<th>Earned Income (EI)</th>
<th>EITC</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;100 000 SEK</td>
<td>0.2*EI</td>
</tr>
<tr>
<td>100 001 – 300 000 SEK</td>
<td>15 000 SEK + 0.05*EI</td>
</tr>
<tr>
<td>300 001 – 600 000 SEK</td>
<td>30 000 SEK</td>
</tr>
<tr>
<td>600 001 – 1 600 000 SEK</td>
<td>30 000 – 0.03 * (EI – 600 000)</td>
</tr>
<tr>
<td>1 600 001 or more</td>
<td>0</td>
</tr>
</tbody>
</table>
Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Sweden that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

**Special support for retired people (Äldreförsörjningsstöd)**

This is a special support for retired people, mostly with immigrant background, who have been in Sweden not long enough to get a full pension. This support is designed to keep them off social assistance.

**Housing benefits for retired people (BTP (bostadstillägg för pensionärer and SBTP (särskild bostadstillägg för pensionärer)**

Senior citizens have their own system for housing benefits. It is possible to have an income from work of 24 000 SEK per year and still get full housing benefit. However the benefit is reduced when the income from work exceeds SEK 24 000.

**Establishment benefit (Etableringsersättning)**

Those who have recently arrived in Sweden can get establishment benefit. The benefit can be received when drawing up and carrying out an establishment plan. An introduction plan contains activities to support the person to quickly learn Swedish, find work and support themselves. If the plan contains full-time activities the benefit is SEK 308 per day. If it is a part-time plan the benefit is reduced proportionally. Those who have children younger than 11 years can get a supplementary benefit of SEK 800 per child and month. Older children are entitled to a benefit of SEK 1 500. Supplementary benefit can be received for a maximum of three children. Single household without children may also apply for supplementary benefit up to SEK 3 900 for housing, while households with children may apply for housing benefits for rented accommodation.