THE OECD TAX-BENEFIT MODEL FOR SWEDEN

Description of policy rules for 2019
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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, 2019.
- 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 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: [variable name], for instance: [AW] for the average wage.
The OECD tax-benefit model for Sweden: Policy rules in 2019

1. Reference wages

Average wage [AW]: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available here).\(^1\) If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth\(^2\) to the latest available wage estimate.

2. Unemployment benefits

2.1. Income-related unemployment insurance (Arbetslöshetsförsäkring inkomstrelaterad)

Variable names: [\[UI_p; UI_s\]]

This is an unemployment insurance benefit. It is contributory, not means-tested and taxable.\(^3\) It is voluntary and requires membership of an Unemployment Insurance Fund to qualify.

2.1.1. Eligibility conditions\(^4\)

Age: No lower age limit. Maximum age: the end of the month before the unemployed person reaches the age of 65.

Contribution/employment history: A recipient must have worked at least 6 months (with at least 80 hours per calendar month) during a framework period of twelve months immediately prior to the onset of unemployment. Alternatively, the recipient must have worked for at least 480 hours during a consecutive period of 6 calendar months and have performed this work for at least 50 hours during each of these months.

Behavioural requirements and related eligibility conditions: TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.\(^4\) The benefit claimant must:

1. be capable of working and have nothing preventing him or her from undertaking work on behalf of an employer for at least 3 hours each working day and an average of at least 17 hours per week,

\(^{1}\) Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication.

\(^{2}\) Wage growth projections are based on OECD Economic Outlook and EU economic forecasts (for non-OECD countries).

\(^{3}\) 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.

\(^{4}\) Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018), Langenbucher (2015) and Venn (2011).
2. be registered as jobseeker at the public employment service,
3. otherwise be available to the labour market.
4. have been a member of an Unemployment Insurance Fund for the last 12 months (in 2019, the membership fee was between 108 and 155 SEK per month).

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 for the rest of the period. 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 the first 100 days and then SEK 760 (yearly equivalent SEK 197 600). The minimum daily benefit for someone who has been working full time 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 activity support of 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 dependent children, after a 6-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. Such breaks can last no longer than 12 months since the unemployed last received benefit.

Part-time unemployed can receive unemployment benefit for a total of 60 weeks when performing part-time work within a benefit period.

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. Those who received unemployment benefit before participating in the programme can continue in the programme and receive activity support indefinitely. However, participants in the job and development guarantee programme who did not receive any unemployment benefit before participating can only receive activity support for 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.

**Figure 1. Monthly benefit receipt by duration of unemployment and previous earnings**

![Graph showing monthly benefit receipt by duration of unemployment and previous earnings.]

*Note:* In left panel, previous earnings are at the average wage. In right panel, calculations are for a single person without children.

*Source:* Calculations using OECD tax-benefit model.

2.2. *Basic unemployment insurance (Arbetslöshetsförsäkering grundnivå)*

Variable name: [UA]  

The basic unemployment insurance benefit is aimed mainly at those not insured or insured not for long enough to qualify for income related benefits, but meet the employment conditions.

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

2.2.1. *Eligibility conditions*

**Age:** It is available from the age of 20, until the end of the month before the unemployed person reaches the age of 65.

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[5] 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.
**Contribution/employment history:** The same conditions as for income related benefits apply.

**Behavioural requirements and related eligibility conditions:** The same conditions as for income related benefits apply. (TaxBEN assumes that these conditions are satisfied when simulating unemployment benefits).\(^6\)

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 6-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: [SA]

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

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\(^6\) Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [Immervoll and Knotz (2018)](https://www.isd-stiftelse.org), [Langenbucher (2015)](https://www.isd-stiftelse.org) and [Venn (2011)](https://www.isd-stiftelse.org).
The cash social assistance programme 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 Government is responsible for calculating a national norm for a part of social assistance, i.e. for livelihood. 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. On top of the national norm, an individual is entitled to assistance for reasonable costs of housing, electricity, home insurance, journeys to and from work, unemployment insurance and membership in trade union. The TaxBEN model uses these national norms and includes assistance for rental costs – the whole of the family’s rent is covered less that covered by housing benefit (see Section 3.2) – but no other costs.

<table>
<thead>
<tr>
<th>Family type</th>
<th>Rates at national norms during 2019 (SEK per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>3 090</td>
</tr>
<tr>
<td>Married couple / Cohabitants</td>
<td>5 570</td>
</tr>
<tr>
<td>Child &lt;1 year</td>
<td>2 130</td>
</tr>
<tr>
<td>1-2 years</td>
<td>2 380</td>
</tr>
<tr>
<td>3 years</td>
<td>2 120</td>
</tr>
<tr>
<td>4-6 years</td>
<td>2 380</td>
</tr>
<tr>
<td>7-10 years</td>
<td>2 990</td>
</tr>
<tr>
<td>11-14 years</td>
<td>3 440</td>
</tr>
<tr>
<td>15-18 years</td>
<td>3 880</td>
</tr>
<tr>
<td>19-20 years*</td>
<td>3 910</td>
</tr>
</tbody>
</table>

*Applies for adult children 19-20 who still attend high school.
<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>990</td>
</tr>
<tr>
<td>2 people</td>
<td>1 100</td>
</tr>
<tr>
<td>3 people</td>
<td>1 380</td>
</tr>
<tr>
<td>4 people</td>
<td>1 570</td>
</tr>
<tr>
<td>5 people</td>
<td>1 810</td>
</tr>
<tr>
<td>6 people</td>
<td>2 050</td>
</tr>
<tr>
<td>7 people</td>
<td>2 220</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. Capital income is also included. 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 per cent 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.

Housing assistance exists in three main forms:

- The income-tested housing benefit (Bostadsbidrag), which 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 benefit (see Section 3.1).
- 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).

The remainder of this section describes the income-tested housing benefit (Bostadsbidrag).

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 of those without children, most 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...
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 preliminary 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)</th>
<th>Housing benefit (HB1) (before income-test)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(SEK per month)</td>
<td></td>
</tr>
<tr>
<td>Age &lt; 29, with no child</td>
<td>0 – 1 800</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% (HC – 3 000)</td>
</tr>
<tr>
<td></td>
<td>5 300 +</td>
<td>1 500* + 50% of (3 000 – 1 400) + 50% (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>2 650*</td>
</tr>
<tr>
<td></td>
<td>1 400 – 3 600</td>
<td>2 650* + 50% of (HC – 1 400)</td>
</tr>
<tr>
<td></td>
<td>3 600 – 6 600</td>
<td>2 650* + 50% of (3 600 – 1 400) + 50% (HC – 3 600)</td>
</tr>
<tr>
<td></td>
<td>6 600 +</td>
<td>2 650* + 50% of (3 600 – 1 400) + 50% (6 600 – 3 600)</td>
</tr>
</tbody>
</table>

*The table only shows the special allowance for children permanently residing in one household. For the special allowance for households with children with alternating residences and the access allowance, other amounts apply.

3.2.3. Benefit duration

Housing benefit is granted for twelve months at a time, but can be renewed indefinitely.

3.2.4. Means test

The housing benefit is income-tested. Reduction rates and disregards depend on age and family situation:
### Table: Income Disregard and Benefit Withdrawal Rate

<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>11 833</td>
<td>20</td>
<td>HB1–20% (GI–11 833)</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>5 917/partner**</td>
<td>20</td>
<td>HB1–20% (GI(principal)–5 917)-20%(GI(spouse)–5 917)</td>
</tr>
</tbody>
</table>

*The housing allowance is calculated on the basis of the income for the calendar year. The calculation for a particular month is not linked to the income during that month but to a twelfth of the total income during the calendar year.

** 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.
Figure 3. Housing benefit entitlement by gross earnings level

Note: All figures in SEK per year. One child family has a child aged 4, two child family also has a child aged 6 and three child family also has a child aged 8. Rent level is SEK 94 879 in all cases (20% of the Average Wage).
Source: Calculations using OECD tax-benefit model.

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 if the child is older but still attending compulsory school or special school) qualifies the family for child benefit. From the age of 16, child allowance is replaced by a “study allowance” for those children who are still in school. This allowance is only paid 10 months out of 12 (it is not paid in June and July).

4.1.2. Benefit amount

The annual amount is SEK 15 000 per child (SEK 1 250 per month), with a supplement of SEK 1 800 for the second child, SEK 6 960 for the third child, SEK 12 120 for the fourth child, and SEK 15 000 for the fifth and each subsequent child.

4.1.3. Benefit 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 benefit is not taxable.

4.1.6. *Interaction with other components of the tax-benefit system* The benefit is not affected by any other benefit. Other means tested benefits are affected by this benefit.

4.1.7. *Combining benefit receipt and employment/starting a new job*
The benefit amount is not affected by employment or starting a new job.

4.2. *Lone-parent benefits (Alimony advance payment, Underhållsstöd)*
Variable name: [OPB]
This is a non-contributory benefit, not means-tested and not taxable.
This separate benefit 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 benefit 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. *Benefit amount*
The monthly amount is SEK 1 573 per child for children 10 years old and younger, or SEK 18 876 per year. The monthly amount for children 11-14 years old is SEK 1 723, or SEK 20 676 per year, and for children 15 years old and older is SEK 2 073, or SEK 24 876 per year.

4.2.3. *Benefit duration*
No limit except with respect to the age of the child.

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

4.2.5. *Tax treatment*
The benefit 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. **Net costs of Early Childhood Education and Care**

The **reference date** for the policy rules described in this section is **January 1, 2019**.

Children can attend preschool from the age of 1 and up to the time when preschool class or compulsory school starts which is usually at the age of 6. Since 2018, compulsory school attendance starts at the age of 6. Six-year-olds should start in the so-called preschool class, which is still a separate school form. However, the system is flexible and it is possible to begin the preschool class at the age of 5. Alternatively, children can skip the preschool class and begin compulsory school at the age of 6. The aim, purpose and content of the preschool class is unchanged.

### 5.1. **Gross childcare fees**

**Variable name:** [SWcc_cost]

Child-care is heavily subsidised by state and local governments. The child-care fees depend on the household’s gross income. The maximum childcare fee is set at the national level but there is flexibility for municipalities to have lower fees, for instance for part-time care. The monthly cap is SEK 1 425, SEK 950 and SEK 475 for the first, second and third children respectively. The TaxBEN model takes the maximum monthly fee of SEK 1 425 per month to be the gross fee for all children.

#### 5.1.1. **Discounts for part-time usage**

There is no national regulation on how part-time fees for childcare should be determined. However, municipalities often have local regulations making the fee lower for part-time childcare than for full-time.

For the City of Stockholm, the part-time fees apply for children between one and two years of age that attend pre-school or leisure-time centre for 30 hours per week or less. From the August of the year the child turns three years old the part-time fee applies if the child is in day-care more than 15 hours per week. From that age the first 15 hours of day-care is free of charge (national regulation, see point 5.2 below). The part-time fees for Stockholm are:

- Child 1 (the youngest): 2% of household gross income, up to a monthly cap of 950 SEK per month.
- Child 2: 1% of household gross income, up to a monthly cap of 475 SEK per month.
- Child 3: 1% of household gross income, up to a monthly cap of 475 SEK per month.
- Child 4 and any additional children: no fee.
5.2. **Fee discounts and free provision**

From the autumn term when the child reaches the age of 3 and up to the time when preschool class or compulsory school starts, there is a right to 525 hours free of charge per year. This also applies to children to parents on parental leave (with a new baby) and children to parents that are unemployed. This is a national regulation.

5.2.1. **Eligibility**

All households with annual gross incomes of less than SEK 569 880 pay less than the maximum fee (see below), and all parents with children aged 3-6 who are in work, on parental leave or unemployed are entitled to 525 hours of free childcare per year.

5.2.2. **Amount of discount or free provision**

National rules stipulate that for the first pre-school child the fee can be a maximum of 3 per cent of the household’s 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. As a result, household incomes above SEK 569 880 have no effect on the fee paid. For schoolchildren attending leisure-time centre, the percentages are 2%, 1% and 1% with monthly caps at SEK 950, SEK 475 and SEK 475 respectively. The order of the child is according to age, youngest first. No fee is paid for the fourth and subsequent children in the household.

These fees apply to both private and public childcare providers. The fee covers most activities, including meals.

From the autumn term when the child reaches the age of 3 and up to the time when preschool class or compulsory school starts, there is a right to 525 hours free of charge per 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.
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 2019 is SEK 64 400, so the threshold at which contributions start to be paid is SEK 27 241). The contribution cannot exceed SEK 36 400 since the general pension contributions are not paid for income over SEK 519 708(=8.07*64 400). 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 2019 are listed below.
<table>
<thead>
<tr>
<th>Program</th>
<th>Employer (%)</th>
<th>Self-employed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(not modelled)</td>
<td></td>
</tr>
<tr>
<td>Retirement pension</td>
<td>10.21</td>
<td>10.21</td>
</tr>
<tr>
<td>Survivor’s pension</td>
<td>0.60</td>
<td>0.60</td>
</tr>
<tr>
<td>Parental insurance</td>
<td>2.60</td>
<td>2.60</td>
</tr>
<tr>
<td>Health insurance</td>
<td>3.55</td>
<td>3.64</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>11.62</td>
<td>11.62</td>
</tr>
<tr>
<td>Total</td>
<td>31.42</td>
<td>28.97</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 13 700 and SEK 35 900 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 46 500 in 2019.

For persons aged 65 or less, the basic allowance amount is as follows:

<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 2019 between SEK 23 700 and SEK 86 500, depending on income. It is SEK 56 800 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 + 0.257</em>(income – 1.11*BA)</td>
</tr>
<tr>
<td>2.72 – 3.21</td>
<td>1.526<em>BA + 0.34</em>(income – 2.72*BA)</td>
</tr>
<tr>
<td>3.21-4.45</td>
<td>1.699<em>BA+0.128</em>(income-3.21*BA)</td>
</tr>
<tr>
<td>4.45-5.31</td>
<td>1.859<em>BA-0.139</em>(income-4.45*BA)</td>
</tr>
<tr>
<td>5.31-8.08</td>
<td>1.738<em>BA-0.02</em>(income-5.31*BA)</td>
</tr>
<tr>
<td>8.08-13.54</td>
<td>1.682<em>BA-0.125</em>(income-8.08*BA)</td>
</tr>
<tr>
<td>13.54-34</td>
<td>0.999<em>BA-0.024</em>(income-13.54*BA)</td>
</tr>
<tr>
<td>34-</td>
<td>0.508*BA</td>
</tr>
</tbody>
</table>

Other allowances:
- Standard marital status reliefs: None.
- Relief(s) for children: None.
- Work-related expenses: None.
- Non-standard tax reliefs (not simulated) are given for:
  - commuting expenses exceeding SEK 11 000;
  - other types of work-related expenses exceeding SEK 5 000; examples are the costs of tools, work-related phone calls using the taxpayer’s private telephone;
• increased living expenses while on business trips, e.g. such as the use of a private car if these costs are not reimbursed by the employer;
• double housing expenses due to temporary work at other geographical locations, or if the worker’s family cannot move, even if the job is of a permanent nature;
• travelling expenses for travelling home if the taxpayer works in another place than his or her place of residence.

8.1.2. Tax base
The taxable income includes gross earnings plus taxable benefits, such as unemployment benefit, less the basic allowance.

8.1.3. Central government income tax schedule
The central government income tax schedule for 2019 is as follows:

<table>
<thead>
<tr>
<th>Taxable Income (SEK)</th>
<th>Tax (SEK) at lower bracket</th>
<th>For exceeding income, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 490700</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>490700-689300</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Over 689300</td>
<td>39720</td>
<td>25</td>
</tr>
</tbody>
</table>

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 13 700 and SEK 35 900 in 2019 and it depends on the taxpayer’s income. For a taxpayer earning the AW, this basic allowance amounts to SEK 13 700 (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 32.19 per cent in 2019, with the maximum and minimum rates being 35.15 per cent and 29.18 per cent, respectively.

On average a 0.231% 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.

Since 1st January 2019 a compulsory public service fee is charged on the same tax base as the local government tax. The fee finances public media such as television and radio. The fee is 1 per cent of taxable income, up to a maximum fee of SEK 1 347. The public service fee 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 approximately SEK 30 400 at the average local tax rate, is granted on labour income. For those aged over 65, a credit worth up to SEK 30 000 is granted. For a person aged 65 or less the EITC is related 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 related to the local tax rate, the basic allowance or the basic amount.

The Basic Allowance in 2019 is SEK 46 500; 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 – 3.24 BA</td>
<td>(0.91 BA + 0.3405 * (EI – 0.91 BA) – BAL) * LTR</td>
</tr>
<tr>
<td>3.24 BA – 8.08 BA</td>
<td>(1.703 BA + 0.128 * (EI – 3.24 BA) – BAL) * LTR</td>
</tr>
<tr>
<td>8.08 BA – 13.54 BA</td>
<td>(2.323 BA – BAL) * LTR</td>
</tr>
<tr>
<td>More than 13.54 BA</td>
<td>(2.323 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>

Figure 4. EITC schedule by gross earnings for those aged under 65, 2019

Note: All figures in SEK per year. Average local tax rate used as described in the text.
Source: Calculations using OECD tax-benefit model.
9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Sweden in 2019 (Figure 7). TaxBEN by default produces the following output: 1) net household incomes (black lines) and 2) related income components (coloured stacked areas) for selected family and individual circumstances (e.g. a lone parent working at different earnings levels with two children aged 4 and 6 respectively – users are free to select many of these circumstances). The model and the related web calculator is accessible from the project website. Figure 7 shows outputs for four scenarios:

- By gross earnings (Panel A);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (Panel B);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (Panel C);
- By previous employment record, for a jobseeker claiming unemployment benefits (Panel D).

The stacked areas shows the following household income components: GROSS = gross earnings; SSC = social security contributions; IT = income tax; FB = family benefits; HB = Housing benefits; SA = social assistance / Guaranteed minimum income benefits; IW = in-work benefit. Note that these components may be the result of the aggregation of more than one benefit into a single component. Please refer to the table of content to see the benefits included in each category.

Results in Figure 7 refer to a 2-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefits are assumed to be available in all the four scenarios when the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Panel A assumes that one adult family member (so-called ‘spouse’ using the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired) whereas the other adult member (so-called ‘principal’) is employed full-time and full-year at different earnings levels ranging between 0 and 200% of the Average Wage (AW). When earnings of the first adult are zero this person is assumed to be out of work but not receiving unemployment benefits (again, e.g. because they have expired), instead claiming social assistance or guaranteed minimum income benefits, as applicable.

Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. The horizontal axis in Panel B measures the time of benefit receipt, starting from the first month. The horizontal axis in Panel C shows the amount of previous gross earnings (before any social contribution payments). Results in Panels C and D refer to the 2nd month of unemployment benefit receipt whereas Panel D consider the case of previous earnings equal to the average Wage. Previous earnings in Panel B are also equal to the average wage.
TaxBEN assumes the following logical sequence of benefit claims: 1) Unemployment Insurance (Section 2.1), 2) Unemployment Assistance (Section 2.2), 3) Housing Benefit (Section 3.2), 4) Child Allowance (Section 4.1), 5) Lone-parent benefit (Section 4.2), 6) Social Assistance (section 3.1).

Figure 5. Selected output from the OECD tax-benefit model

Couple with two children.

Source: Calculations based on the OECD tax-benefit model.
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.

Maintenance support for the elderly (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 (särskilt 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 income from work exceeds SEK 24,000 per year.

Introduction benefit (Etableringsersättning)

Those who have recently arrived in Sweden can get introduction 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.