

SWEDEN 2009

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 Societies 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. The fee is then slightly higher for the extra cost of 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 intended for those who are not members of an Unemployment Insurance Society or do not fulfil the employment criteria.

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 with 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 2008AW earnings level is SEK 352 470 (reported in June 2009). The 2009 AW amounts to SEK 362291.

Reference date for all information is **July 1st 2009**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

2. Unemployment insurance

Income related unemployment insurance is voluntary and presupposes membership of an Unemployment Insurance Society.

Payment rate is independent of age. Duration depends from 2007 on family conditions. Duration is 300 days unless You have dependent children, then duration is 450 days.

2.1 Conditions for receipt

The recipient must be fit for work and available to work at least 3 hours per day and on average at least 17 hours per week.

If the job loss is voluntary there is a 45 day waiting period before benefits are paid.

The unemployed has to do an active job-search to be entitled to benefits.

2.1.1 Employment conditions

A recipient must have worked at least 6 months (with at least 80 hours per month) or 480 hours during a continuous period of 6 months (with at least 50 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. There is also a possibility to pay directly to one of the 31 occupational Unemployment Insurance Societies or to a special 32nd Society, which is not related to any trade union or employers organisation. The membership condition has been temporarily lowered to 6 months in 2009 to make it is easier for employees to return to being insured in regard to the economic decline.

From 2007 there is a new co-financing fee. Each employee has to pay an additional SEK 150-300 each month to contribute to the financing of the Unemployment Insurance at a total of about SEK 8 billion. The co-financing fee was lowered in 2008 as a result of lower unemployment and there is a proposal to make a reduction in the fee of SEK 50 from July^{1st} 2009. Due to the increasing unemployment, many of the Unemployment Insurance Societies have increased the co-financing fee in 2009. This increase does not involve the white-collar societies.

2.2 Calculation of benefit amount

Reference date for all information is **July 1st 2009**

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2.2.1 *Calculation of gross benefit*

Gross replacement rate is 80 per cent of previous earnings for 200 days and then 70 per cent for the next 100 days. The maximum daily benefit is SEK 680 (yearly equivalent SEK 176 800). The minimum daily benefit is SEK 320 (yearly equivalent SEK 83 200).

2.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

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*

The benefit is taxable.

2.4 *Benefit duration and waiting periods*

Payable on a 5-day week basis, for a maximum of 300 days or 60 weeks, 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 return to the insurance period that has been awarded. 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 680, the minimum is SEK 320). The duration of the program is maximum 450 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*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

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. 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. The same conditions as for Unemployment insurance.

3.1.1 *Employment conditions*

The same as the income related insurance from 1998.

3.1.2 *Contribution conditions*

None

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

The benefit is a daily flat rate of SEK 320 (yearly equivalent of SEK 83 200) after full time work. Proportionally lower after part time work. In the 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.

3.2.1.1 *Irregular additional payments* [NEW ITEM]

None

3.2.1.2 *Obligations of family members* [NEW ITEM]

Each family member is treated separately as concerns Unemployment insurance. The unemployed has to widen the job-search to other occupations and to other regions from the first day. Earlier the unemployed could wait 100 days to widen the job-search. This might influence the spouse and family situation if there is possible to find a job at a different location.

3.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

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

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

It is taxable.

3.4 *Benefit duration and waiting periods*

It is payable on a 5-day week basis, for a maximum of 300 days. Duration is 450 days when there are dependent children. There is a 7-day waiting period when based on employment condition. After expiration of the days, the unemployed are submitted to labour market policy programs and the job and development guarantee.

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*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

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4. Social assistance

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.

4.1 Conditions for receipt

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.

Topping-up net incomes that fall below this standard is usually not possible. The claimant of social assistance has to claim all government financed allowances before coming to the municipally assistance. About 5.7 % of the households have social assistance for one month or more.

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 marital status and the age of the child and a household part that depends on the size of the household. For 2009 the norm is as shown in the table below

Family type	Rates at NBHW norms (SEK per month)	Household rate based on number of family members	
Single	2 800	1 person	880
		2 people	990
Married couple / Cohabitants	5 060	3 people	1 240
Child <1 year	1 520	4 people	1 420
1-2 years	1 710	5 people	1 620
3 years	1 370	6 people	1 850
4-6 years	1 640	7 people	2 020
7-10 years	2 100		
11-14 years	2 410		
15-18 years	2 710		

4.2.1.1 Irregular additional payments [NEW ITEM]

None

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4.2.1.2 *Obligations of family members* [NEW ITEM]

Each family member has to be active in supporting himself.

4.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

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 and waiting periods*

Indefinite, as long as the conditions for receipt are met. Most people on social assistance need less than a year and the average is between 5 and 6 months.

4.5 *Treatment of particular group*

4.5.1 *Young persons*

No specific minimum age.

4.5.2 *Older workers*

There is a special support (Äldreförsörjningsstöd), for retired people, mostly with immigrant background, who have been in Sweden not long enough to get a full pension. This support is aimed at keeping them off the social assistance.

4.5.3 *Others if applicable*

5. Housing benefits for rented accommodation

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).

5.1 Conditions for receipt

Low income and children. Most recipients are single parents. About two thirds of the persons with housing benefits below age 29 are students. High marginal effects.

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 month)	Housing benefit (HB1) (before income-test)
Age < 29, with no child	0 – 1800	0
	1800 – 2600	75% of (HC – 1800)
	2600 – 3600	75% of (2600 – 1800) + 50% (HC – 2600)
	3600 +	75% of (2600 – 1800) + 50% (3600 – 2600)
Families: with 1 child	0 – 2000	950
	2 000 – 3 000	950 + 50% of (HC – 2000)
	3 000 – 5300	950 + 50% of (3000 – 2 000) + 50% of (HC – 3000)
	5300 +	950 + 50% of (3000 – 2 000) + 50% of (5300 – 3000)
with 2 children	0 – 2 000	1325
	2000 – 3300	1325 + 50% of (HC – 2000)
	3300 – 5900	1325 + 50% of (3300 – 2000) + 50% (HC – 3300)
	5900 +	1325 + 50% of (3300 – 2000) + 50% (5900 – 3300)

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with 3 children	0 – 2000	1750
	2000 – 3600	1750 + 50% of (HC – 2000)
	3600 – 6600	1750 + 50% of (3600 – 2000) + 50% of (HC – 3600)
	6600 +	1750 + 50% of (3600 – 2000) + 50% of (6600 – 3600)

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 month)	Subsidy rate for the means-test (%)	Housing benefit, including the income-test (GI = gross income)
Single < 29, with no children	3417	33	HB1 – 33% (GI – 3417)
Lone parents	9750	20	HB1 – 20% (GI – 9750)
Families <29 with no children	4833	33	HB1 – 33% (GI – 4833)
Families with 1 or more children	4875/partner*	20	HB1 – 20% (GI – 4875)

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

5.2.3 *Costs eligible for housing benefits*

Maximum costs are illustrated in table in part 5.2.1

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

Housing benefit 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*

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6. Family benefits

A monthly amount to all children registered in Sweden

6.1 Conditions for receipt

Each child below 16 (or below 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 12 600 per child (SEK 1 050 per month), with a supplement of SEK 1200 for the second child, SEK 4 248 for the third child, SEK 10 320 for the fourth child, and SEK 12 600 for the fifth and each subsequent child.

6.2.1.1 Irregular additional payments [NEW ITEM]

No

6.2.2 Income and earnings disregards

Family benefit is not subject to any means test.

6.3 Tax treatment of benefit and interaction with other benefits

Benefit is not taxable.

6.4 Treatment of particular groups

6.4.1 Young persons

Yes

6.4.2 Older workers

6.4.3 Others if applicable

7. Childcare for pre-school children

- Age 1 49 %
- Age 2 91 %
- Age 3 95 %
- Age 4 97 %
- Age 5 98 %
- Age 6 86 %
- Age 7 85 %
- Age 8 82 %

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 1 260, 840 and 420 for the 1st, 2nd and 3rd child respectively. With a yearly household income above SEK 504 000 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

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

7.2.4 *Treatment of particular groups*

[e.g. lone parents, immigrants, part-time employees, self-employed, sick or disabled]

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8. Employment-conditional benefits

See Earned Income Tax Credit section 10.1.1.2

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

This is a separate benefit 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, 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.

9.1 *Conditions for receipt*

Each child below 16 (or below 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 1 273 per child, that is SEK 15 276 yearly.

9.2.1.1 Irregular additional payments [NEW ITEM]

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*

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10. Tax system

10.1 Income tax

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

- *Basic reliefs*: A basic allowance is given for assessed earned income and varies between SEK 12 600 and SEK 33 000, depending on income. When individuals pay central government income tax, the basic allowance is at its lowest level, which equals SEK 12 600. The basic allowance depends on the assessed earned income and the basic amount, which equals SEK 42 800.

Assessed-Earned- Income (SEK) Relative to Basic Amount (BA)	Percentage of BA at lower bracket	For exceeding income, % of BA
0 – 0.99	0.423	
0.99 – 2.72	0.423	+0.2
2.72 – 3.11	0.77	
3.11 – 7.88	0.77	-0.1
7.88 –	0.293	

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

10.1.1.2 Standard 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 under 65, an annual Earned Income Tax Credit (EITC) worth up to SEK 18 179 is granted on labour income. For those aged 65 or more, a higher credit worth up to SEK 30 000 is granted. For a person aged under 65 the EITC is calculated as follows: $EITC = (\text{Special Amount} - \text{Basic Allowance}) * \text{local tax rate}$. For those older than 65 the EITC for 2009 is simplified so that it is no longer connected to the local tax rate or the basic amount. The Basic Amount (BA) in 2009 is SEK 42 800. The Special Amount is based on the taxpayer's (gross) earned income.

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

Earned Income (EI)	Special Amount
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- 0.91 BA	EI
0.91 BA - 2.72 BA	0.91 BA + 0.25 * (EI - 0.91 BA)
2.72 BA - 7.00 BA	1.363 BA + 0.065 * (EI - 2.72 BA)
7.00 BA -	1.642 BA
BA = SEK 42 800	

For taxpayers older than 65, the EITC is calculated differently:

Earned Income (EI)	EITC
- 100 000 SEK	0.2*EI
100 000 - 300 000 SEK	15 000 SEK + 0,05*EI
300 000 SEK -	30 000 SEK

10.1.2 *Income tax schedule (central government income tax)*

Taxable Income (SEK)	Tax (SEK) at lower bracket	For exceeding income, %
0 - 367 600	0	
367 600 - 526 200	0	20
over 526 200	31 720	25

10.1.3 *State and local income taxes*

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 income year coincides with the calendar year.

The tax base is the same as for the central government income tax. The basic allowance for individuals paying local government tax varies between SEK 12 600 and SEK 33 000; it depends on the taxpayer's income. For a taxpayer earning the AW, this basic allowance amounts to SEK 12 600 (based on an AW equal to SEK 348 757 - subject to revision with the AW).

The local government personal income tax is proportional and differs between municipalities. The average rate amounts to 31.52 per cent in 2009, with the maximum and minimum rates being 34.17 per cent and 28.89 per cent, respectively.

10.2 *Treatment of family income*

Spouses are taxed separately.

10.3 *Social security contributions and payroll taxes*

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10.3.1 *Contributions payable by employees and benefit recipients*

A general pension contribution of 7 per cent of personal income is paid by employees and the self-employed when income is equal to or greater than 42.3 per cent of the basic amount underlying the basic allowance (see Section 1.121). The contribution cannot exceed SEK 28 800 since the general pension contributions are not paid for income over SEK 410 763 (=8.07*50 900). The employees' contribution is offset with a tax credit.

10.3.2 *Contributions payable by employers*

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 2009 are listed below.

Program	Employer (%)	Self-employed (%)
Retirement pension	10.21	10.21
Survivor's pension	1.70	1.70
Parental insurance	2.20	2.20
Health insurance	6.71	6.93
Labour market	2.43	0.50
Occupational health	0.68	0.68
General wage tax	7.49	7.49
Total	31.42	29.71

In certain regions, a reduction of 10 per cent of the base, maximum SEK 7 100 per month, is granted (SEK 18 000 per year for self-employed) (it is not included in the calculations underlying this Report). For employees aged under 26 a reduced SSC rate of 15.49 per cent is applied (15.07 per cent for self-employed). For employees who are over 65 years old and born after 1937 only the retirement pension contribution (10.21 per cent) is applicable. For persons born in 1937 or earlier no employers' social security contributions are applied. On premiums for occupational pensions paid by the employer a reduced SSC rate (24.26 per cent) is applied.

10.3.3 *Payroll taxes*

10.4 *Treatment of particular group*

[for income taxes, social contributions and payroll taxes]

10.4.1 *Young persons*

10.4.2 *Older workers*

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10.4.3 *Others if applicable*

[e.g. immigrants, self-employed, sick or disabled, pensioners]

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11. Part-time work

11.1 Special benefit rules for part-time work

[Summary of relevant provisions detailed in earlier sections.]

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

[Summary of relevant provisions detailed in earlier sections.]

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12. Policy developments

12.1 Policy changes introduced during 2009.

The tax credit introduced in 2007 was expanded in 2008 and with a 3rd step in 2009.

Entering the Unemployment insurance will from July 1st be possible after 6 months of membership as a temporary relief in 2009.

Social insurance fees were lowered in 2009 for young people.

12.2 Future policy changes announced in 2009

The tax credit will have a 4th step in 2010. Standard tax credit for elderly was changed in 2009 and will be changed further in 2010.

ANNEX

DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD *Revenue Statistics*.

Social security contributions to general government

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here [...] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

Social security contributions paid to institutions outside general government

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

Payroll taxes

This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.