

# Sweden

Sweden		2004			
<b>The tax/benefit position of single persons</b>					
	Wage level (per cent of APW)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		167521	251282	418803	167521
<b>2. Standard tax allowances</b>					
Basic allowance		21800	13400	11600	21800
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		2800	4200	5800	2800
Work-related expenses					
Other					
	Total	24600	17600	17400	24600
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		142700	233400	401200	142700
<b>5. Central government income tax liability (exclusive of tax credits)</b>		0	0	21880	0
<b>6. Tax credits</b>					
Basic credit					
Married or head of family					
Children					
Other		8900	13400	18100	8900
	Total	8900	13400	18100	8900
<b>7. Central government income tax finally paid (5-6)</b>		-8900	-13400	3780	-8900
<b>8. State and local taxes</b>		45164	73744	126618	45164
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		11700	17600	23900	11700
Taxable income					
	Total	11700	17600	23900	11700
<b>10. Total payments to general government (7 + 8 + 9)</b>		47964	77944	154298	47964
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	22800
	Total	0	0	0	22800
<b>12. Take-home pay (1-10+11)</b>		119557	173338	264505	142357
<b>13. Employer's wage dependent contributions and taxes</b>					
Employers' compulsory social security contributions		49536	74304	123840	49536
Pay-roll taxes		5243	7865	13108	5243
	Total	54779	82169	136948	54779
<b>14. Average rates</b>					
Income tax		21.6%	24.0%	31.1%	21.6%
Employees' social security contributions		7.0%	7.0%	5.7%	7.0%
Total payments less cash transfers		28.6%	31.0%	36.8%	15.0%
Total tax wedge including employer's social security contributions		46.2%	48.0%	52.4%	36.0%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		35.9%	35.9%	51.5%	35.9%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		51.7%	51.7%	63.5%	51.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Sweden		2004				
<b>The tax/benefit position of married couples</b>						
		Wage level (per cent of APW)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
<b>1. Gross wage earnings</b>			251282	335043	418803	335043
<b>2. Standard tax allowances:</b>						
	Basic allowance		13400	35100	35200	35100
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		4200	5700	7200	5700
	Work-related expenses					
	Other					
	Total		17600	40800	42400	40800
<b>3. Tax credits or cash transfers included in taxable income</b>			0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>			233400	293900	376100	293900
<b>5. Central government income tax liability (exclusive of tax credits)</b>			0	0	0	0
<b>6. Tax credits</b>						
	Basic credit					
	Married or head of family					
	Children					
	Other		13400	17800	22100	17800
	Total		13400	17800	22100	17800
<b>7. Central government income tax finally paid (5-6)</b>			-13400	-17800	-22100	-17800
<b>8. State and local taxes</b>			73744	93007	118908	93007
<b>9. Employees' compulsory social security contributions</b>						
	Gross earnings		17600	23500	29300	23500
	Taxable income					
	Total		17600	23500	29300	23500
<b>10. Total payments to general government (7 + 8 + 9)</b>			77944	98707	126108	98707
<b>11. Cash transfers from general government</b>						
	For head of family					
	For two children		22800	22800	22800	0
	Total		22800	22800	22800	0
<b>12. Take-home pay (1-10+11)</b>			196138	259136	315495	236336
<b>13. Employer's wage dependent contributions and taxes</b>						
	Employers' compulsory social security contributions		74304	99072	123840	99072
	Pay-roll taxes		7865	10486	13108	10486
	Total		82169	109558	136948	109558
<b>14. Average rates</b>						
	Income tax		24.0%	22.4%	23.1%	22.4%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		21.9%	22.7%	24.7%	29.5%
	Total tax wedge including employer's social security contributions		41.2%	41.7%	43.2%	46.8%
<b>15. Marginal rates</b>						
	Total payments less cash transfers: Principal earner		35.9%	35.9%	35.9%	35.9%
	Total payments less cash transfers: Spouse		24.8%	26.4%	35.9%	26.4%
	Total tax wedge: Principal earner		51.7%	51.7%	51.7%	51.7%
	Total tax wedge: Spouse		43.3%	44.5%	51.7%	44.5%

The national currency is the Swedish Kroner (SEK). In 2004, SEK 7.41 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average production worker earned SEK 251 282 (Secretariat estimate).

## 1. Personal income tax systems

### 1.1. Central government income taxes

#### 1.11. Tax unit

Spouses are taxed separately.

#### 1.12. Tax allowances and tax credits

##### 1.121. Standard reliefs

- **Basic reliefs:** A basic allowance is given for assessed earned income and varies between SEK 11 600 and SEK 26 400, depending on income. For individuals paying central government income tax this basic allowance has reached its lowest level, 11 600 SEK. The basic allowance amount depends on the assessed earned income and the basic amount (39 300 SEK).

Assessed-earned- income (SEK) relative to basic amount (BA)	Percentage of BA at lower bracket	For exceeding income, % of BA
0-1.49	0.423	
1.49-2.72	0.423	+0.2
2.72-3.10	0.67	
3.10-6.87	0.67	-0.1
6.87-	0.293	

- **Standard marital status reliefs:** None.
- **Relief(s) for children:** None.
- **Reliefs for social security contributions and other taxes:** An allowance of 25 per cent of the compulsory social security contribution paid by the employee is granted.
- **Work-related expenses:** None.
- **Other:** None.

##### 1.122. Main non-standard tax reliefs applicable to an APW

- **Interest on qualifying loans:** Interest payments are offset against capital income. The resulting net capital income is the tax base. A tax credit is given in the case of negative capital income.
- **Contributions to pensions, life insurance, superannuation schemes:** For an APW a deduction of maximum SEK 19 650 (0.5 per cent of the basic amount) can be claimed for premiums paid to private pension arrangements. For higher income groups the deduction is limited to SEK 39 300.

- Medical expenses: None.
- Other: allowances are given for:
  - ❖ The amount of commuting expenses exceeding SEK 7 000.
  - ❖ Other types of work-related expenses exceeding SEK 1 000. Examples are costs of tools, work-related phone calls on private telephone.
  - ❖ Increased living expenses while on business trips, *e.g.* such as use of private car if costs are not reimbursed by the employer.
  - ❖ Double housing expenses due to *temporary* work at other geographical locations (too far from home for commuting), or if the family for some reason can not move, even if the job is of a *permanent* nature.
  - ❖ Travelling expenses for travelling home if working in another place than the place of residence.
  - ❖ Pension premiums.
  - ❖ Unemployment insurance fee.

### 1.13. Tax schedule

Taxable income (SEK)	Tax (SEK) at lower bracket	For exceeding income, %
0-291 800	0	
291 800-441 300	0	20
Over 441 300	29 140	25

### 1.14. Tax credits

A tax credit equal to 75 per cent of the compulsory social security contributions paid by the employee is granted.

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

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

## 1.2. Local government income taxes

### 1.21. General description of the systems

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

### 1.22. Tax base

The tax base is the same as for central government income tax. The basic allowance for individuals paying local government tax varies between SEK 11 600 and SEK 26 400, depending on income. For an APW this basic allowance amounts to SEK 14 100 (subject to revision with APW).

### 1.23. Tax rates

The local government personal income tax is proportional and differs between municipalities. The average rate amounted to 31.51 per cent in 2004, with the maximum

and minimum rates being 34.04 per cent and 28.9 per cent, respectively. Besides the proportional tax every individual also has to pay a statutory minimum state income tax (a lump sum tax) of SEK 200.

## 2. Compulsory social security contributions to schemes operated within the government sector

### 2.1. Employees' contributions

A general pension contribution of 7 per cent of personal income is paid by employees and self-employed where income is equal to or greater than 42.3% of the basic amount underlying the basic allowance (see Section 1.121). The contribution cannot exceed SEK 23 900 and the tax credit is maximized to SEK 17 900.

### 2.2. Employers' contributions

Contributions from the employer are calculated as a percentage of the total sum of salaries and benefits for a year. For self-employed the base is net business income. The rates for 2003 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	11.08	11.81
Labour market	3.70	1.16
Occupational health	0.68	0.68
General wage tax	3.13	3.13
<b>Total</b>	<b>32.70</b>	<b>30.89</b>

A general discount applies both for employers and self-employed. The discount amounts to 5 per cent of the base and cannot exceed SEK 42 600 (it is not included in the calculations underlying this Report). The social security contributions are not applicable for employees or self-employed aged 65 or more. For the latter a special wage tax, which amounts to 24.26 per cent, is applicable.

## 3. Universal cash transfers

### 3.1. Transfers related to marital status

None.

### 3.2. Transfers for dependent children

The transfers are tax exempt and independent of the parent's income. The transfers for each child are as follows:

First child	11 400
Second child	11 400
Third child	14 448
Fourth child	20 520
Fifth and subsequent child	22 800

## 4. Main changes in tax/benefit systems since 1998

A tax credit of SEK 1 320 was introduced for low- and average income earners in 1999. The credit is reduced by 1.2 per cent of taxable income above SEK 135 000. This reduction was abolished 2003 and was replaced by an increase in the basic allowance.

A tax credit of 25 per cent of the social security contribution paid by employees and self-employed was introduced in 2000. The tax credit for 2003 amounts to 75 per cent.

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

The central government income tax bracket is indexed with the consumer price index plus 2 per cent. In order to reduce the number of people paying the central income tax there have been additional increases of the tax bracket since 2000. In 2004 the central government income tax bracket is restricted to be indexed with the consumer price index plus 1 per cent.

The child allowance was raised by SEK 1 200 in 2000 and 2001.

Maximum fee for childcare was introduced in 2002.

The basic allowance has been increased both in 2001, 2002 and 2003.

The maximum number of days with unemployment benefit was increased from 564 to 580 days in 1998.

The unemployment benefit was raised in 2001 by SEK 100 to SEK 680 per day.

The compensation in the sick leave was raised from 75 to 80 per cent in 1998. In 2003 the compensation was lowered to 77.6 per cent and at the same time the number of days that the employer is responsible for was increased from 14 to 21 days.

## 5. Memorandum items

### 5.1. Identification of an APW and calculation of earnings

Basic data for gross earnings are taken from the series *Official Statistics of Sweden*, published by Statistics Sweden. The wage series used is that of adult production workers in manufacturing. The calculation is based upon total average hourly earnings in the 2nd quarter of the calendar year. To arrive at the annual wage average hourly earnings have been multiplied by the normal amount of hours worked during the year. The figures are representative for the country as a whole.

### 5.2. Employer contributions to private health, pension, etc. schemes

There are a handful of widespread private social security-type schemes. The employers' contributions to these systems equalled 5 per cent of wage earnings in 2002. This figure is taken from the official statistics of labour costs in manufacturing prepared by Statistics Sweden.

## 2004 Parameter values

APW-wage	Ave_earn	251 282	Secretariat estimate
Central income tax			
	tax_rate	0.2	
	tax_rate2	0.05	
	tax_thrsh	291 800	
	tax_thrsh2	441 300	
Basic Allowance			
	gr1	1.49	
	gr2	2.72	
	gr3	3.1	
	gr4	6.87	
	gp1	0.423	
	gp2	0.2	
	gp3	0.1	
	gp4	0.293	
	gp5	0.67	
	central	1	
Local income tax			
soc. security amount	basic_amt	39 300	
	basic_ant	42 300	
	local_rate	0.3151	
	min_taxl	200	
Soc security contrib			
	SSC_rate	0.07	
employer	SSC_empr	0.327	
rounding	SSCR	49	
ceiling	SSCC	8.07	
Child benefit	CB	11 400	
Tax credits	TC1	0	
	TC1gr1	0	
	TC1gp1	0	
	TC2gp1	0.75	
	local_fixedtax	200	
Employer payroll tax	PRT	0.0313	



## 2004 Tax equations

The equations for the Swedish system are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “\_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “\_princ” and “\_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “\_spouse” values taken as 0.

1. Earnings	Earn		
	Truncearn	B	TRUNC(earn, -2)
2. Allowances:	basic_al	B	IF(truncearn<=gr_2*basic_amt, MINA(ROUNDUP(MAXA(gp_1*basic_amt, (gp_1+gp_2*(gr_2-gr_1))*basic_amt-gp_2*MAXA(gr_2*basic_amt-truncearn, 0)), -2), truncearn), MINA(ROUNDUP(MAXA(gp_4*basic_amt, gp_5*basic_amt-gp_2*MAXA(gr_2*basic_amt-truncearn, 0)-gp_3*MAXA(truncearn-gr_3*basic_amt, 0)), -2), truncearn))
	ssc_al	B	ROUNDUP((1-TC2gp1)*SSC, -2)
Total	tax_al	B	basic_al+ssc_credit
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-basic_al-ssc_credit)
5. CG tax before credits	CG_tax_excl	B	tax_rate*Positive(tax_inc-tax_thrsh)+ tax_rate2* Positive(tax_inc-tax_thrsh2)
6. Tax credits:	ssc_credit	B	Trunc(TC2gp1*SSC, -2)
	localtax_credit	B	local_fixedtax*(local_tax>0)
	tax_cr	B	ssc_credit+localtax_credit
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	B	IF(tax_inc>0, TRUNC(local_rate*tax_inc, 0)+min_taxl, 0)
9. Employees' soc security	SSC	B	(truncearn>=gp_1*basic_amt)*MINA(ROUNDSSC(truncearn*SSC_rate), ROUNDSSC(SSC*basic_amt*SSC_rate))
11. Cash transfers	cash_trans	J	Children*CB
13. Employer's contributions		B	
Employer's SSC	SSC_empr	B	TRUNC(earn*SSC_empr)-Payroll_empr
Employer's payroll tax	Payroll_empr	B	TRUNC(earn*PRT)
Total	Cont_empr	B	SSC_empr+Payroll_empr

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

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## Part IV

**Country Details, 2004**

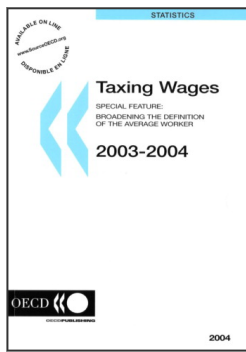
Australia (2004-2005 Income Tax Year) . . . . .	111
Austria . . . . .	125
Belgium (French only) . . . . .	137
Canada . . . . .	147
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