

Sweden

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What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

To further increase the incentives for employing individuals working in R&D, the social security contributions payable by employers in respect of R&D employees after 31 March 2020 may be reduced by an additional 9.59% of the compensation paid, resulting in a maximum reduction of 19.59% of the compensation paid (subject to certain caps).

The government has proposed that the expert tax relief (providing an exemption from income tax and social security contributions on 25% of the compensation earned by certain qualified foreign employees assigned to Sweden) be extended from three years to five years as from 1 January 2021.

Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
Expert tax relief	25% of compensation earned by certain qualified personnel is exempt from income tax and social security contributions	25%	Compensation, moving expenses to and from Sweden, travel expenses to the home country, and certain school fees	<ul style="list-style-type: none"> The employee may not be a Swedish citizen and must not have resided in Sweden for any of the five preceding calendar years in which the assignment commences The employee must intend to remain in Sweden for no more than five years The employee must be an expert, a scientist, or play a key role in the company
Reduced social security contributions	Social security contributions paid by employers in respect of R&D employees may be reduced by up to 19.59% of the compensation paid, (subject to certain caps)	19.59%	Compensation paid in respect of R&D employees	<ul style="list-style-type: none"> The total reduction in social security contributions may not exceed SEK 450,000 per month for a group of affiliated companies Employees must dedicate at least 75% of their working time to qualifying R&D projects The qualifying projects must be undertaken with a systematic approach for a "commercial purpose"

Industries most often affected by government incentives in country

Technology, Media & Telecom	Financial Services
● Telecom, Media & Entertainment	Banking & Capital Markets
Technology	Insurance
Consumer	Investment Management
Consumer Products	Real Estate
● Retail, Wholesale & Distribution	Life Sciences & Health Care
● Automotive	Health Care
Transportation, Hospitality & Services	Life Sciences
Energy, Resources & Industrial	Government & Public Services
Power & Utilities	Health & Social Care
● Mining & Metals	Defense, Security & Justice
Oil, Gas, & Chemicals	Civil Government
● Industrial Products & Construction	International Donor Organizations
	Transport

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Type	National incentive?	State, provincial, regional or local incentives? ¹	Filing deadlines imposed?	Is the claim made in advance or arrears? ²	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Innovation							
Research & development (R&D)	●	●	● ●	National: Arrears Local: Not applicable	Reduction in employer social security contributions for R&D employees	Maximum of SEK 450,000 per month	Maximum of SEK 450,000 per month
R&D grant (national or EU)	▨	▨	● ●	National: Varies Local: Not applicable	Various grants and other incentives are awarded by government agencies, such as the Swedish Research Council and the Swedish Agency for Innovation Systems (Vinnova)	Varies	Varies
Investment							
Employment: Expert tax relief	▨	●	● ●	National: Arrears Local: Not applicable	Exemption from income tax and social security contributions on portion of compensation of experts	Maximum of 25% of the compensation paid to qualifying experts is exempt from income tax and social security contributions	Maximum of 25% of the compensation paid to qualifying experts is exempt from income tax and social security contributions

Key: ● = PERMANENT INCENTIVE ▨ = TEMPORARY INCENTIVE ▨ = NEGOTIABLE ● = NO ● = LIMITED APPLICABILITY ● = NOT APPLICABLE

Notes:

- Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
- If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.



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Country background

The general corporate tax rate in Sweden is 21.4% for income years starting after 31 December 2018, and will be reduced to 20.6% for income years starting after 31 December 2020.

Social security contributions of 31.42% of taxable compensation (with no cap) account for a significant part of a company's compensation costs.

Innovation Incentives

Research & Development (R&D)

Nature of incentives

Reduced social security contributions for R&D employees

Up to 31 March 2020, social security contributions paid by employers in respect of R&D employees may be reduced by 10% of the compensation paid, subject to certain caps. The incentive is enhanced as from 1 April 2020 to allow a reduction of an additional 9.59% of the compensation paid, resulting in a maximum reduction of 19.59% of the compensation paid, subject to certain caps.

For example, if an employee receives compensation of SEK 50,000 per month, the social security contributions payable by the employer normally would amount to SEK 15,710 (i.e., 31.42% x SEK 50,000). For contributions payable in respect of compensation paid up to 31 March 2020, a deduction of 10% of the salary (i.e., SEK 5,000) is made from the contributions. For compensation paid after 31 March 2020, an additional deduction of 9.59% of the compensation (i.e., SEK 4,795) may be made from the contributions, resulting in a net social security contribution of SEK 5,915 (i.e., SEK 15,710 less the reduction of SEK 9,795), which is equivalent to 11.83 % of salary.

The total social security charge reduction may not exceed SEK 450,000 per month for a group of affiliated companies.

Eligible industries and qualifying costs

The following requirements must be met to qualify for the reduction in social security contributions:

- At least 75% of an employee's actual work time (subject to a minimum of 15 hours per month) must be dedicated to qualifying R&D projects;
- Qualifying projects must be undertaken using a systematic approach for a "commercial purpose." The commercial purpose requirement is met if the results of the research are applied to develop new goods, services, or production processes (or to improve the same). The deduction is, therefore, not available in respect of employees who spend more than 25% of their time working on a government project; and
- Eligible employees must be under age 65 at the beginning of the relevant calendar year.

IP and jurisdictional restrictions

The reduction applies to both Swedish and foreign companies that pay social security contributions in Sweden. The IP developed through the research need not be retained in Sweden.

Other concerns

In the event of an audit of the reduced social security contributions, the Swedish Tax Agency may request supporting documentation, including records establishing that the:

- Research was undertaken through a systematic process to develop new or significantly improved goods or services; and
- Employees have been working on qualifying research or development projects for at least 75% of their work hours. Hence, there must be time reports for each employee validating their total work hours, and the hours spent on qualifying R&D projects.

R&D grant (national)

Various grants and other incentives are awarded by government agencies, such as the Swedish Research Council and the Swedish Agency for Innovation Systems (Vinnova). The incentives available vary depending on the program and call.



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R&D grant (EU)

EU-funded R&D grants are available to Swedish companies, with the type of incentives depending on the program.

Investment incentives

Employment—Expert tax relief

An exemption from income tax and social security contributions is available for 25% of the compensation paid to qualifying employees. The expert tax relief applies for the first three years for which the employee is working in Sweden.

Draft legislation proposed by the Swedish government would extend the relief as from 1 January 2021 to five years in respect of assignments to Sweden that start on or after 1 June 2020.

The following requirements must be met to qualify for the exemption:

Residence requirements: Qualifying employees cannot be Swedish citizens, and the employee must not have resided in Sweden, or been present in Sweden for a consecutive period exceeding six months in any of the five calendar years immediately preceding the year in which the assignment commences. The employee must intend to stay in Sweden for no longer than five years.

Expertise requirements: Qualifying employees must be experts, scientists, or play a key role in the company. An individual automatically qualifies as an expert, scientist, or key person where their monthly gross compensation exceeds twice the standard base amount for the relevant year (SEK 94,600 for 2020). One-time payments, such as bonuses, are not included when calculating the regular monthly compensation. The scheme otherwise is intended to apply where the employee will:

- Work on a qualifying research or development assignment at a position or competence level that would be difficult to recruit within Sweden;
- Be part of the executive management team or perform other critical functions within the company; or
- Have an assignment appropriate for an expert in the relevant field of endeavor at a position or competence level that would be difficult to recruit within Sweden.

The employer must be a Swedish company, or a foreign company with a permanent establishment in Sweden, and the compensation must be paid by the employer.

The expert tax relief is not limited to a specific industry, and can be applied to all compensation paid to the individual by the employer.

The employer or the employee may apply for the incentive (it is not necessary that both apply). However, the application must be submitted within three months from the employee's first day of work in Sweden. The following documentation must be submitted by the applicant when applying for the incentive:

- For individuals who qualify based on their compensation level, a copy of the assignment letter, or employment agreement; or
- For the other categories, the applicant must provide the relevant authorities with supporting documents to prove that the employee qualifies. Such documents may include a job description, resume, diploma, etc.

