

GMS Flash Alert

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Sweden – Court Rules on Expert Tax Relief

On 25 November, Sweden’s Supreme Administrative Court handed down a new ruling concerning how compensation paid to foreign workers is to be calculated in order to assess whether the employee may be entitled to the so-called “expert tax relief.”¹

The ruling is a welcome change to the previous approach that placed restrictions on which employer could pay the employee’s salary in order for the employee to be granted the tax relief.

WHY THIS MATTERS

Eligible expatriate taxpayers and their employers stand to benefit from the broader scope for the expert tax relief that the court’s ruling entails.

As this area is complicated, it is advisable that affected expatriates and their employers consult with their professional tax advisers to establish whether conditions exist for availing of the expatriate tax relief and how income that qualifies for the relief should be determined.

Background

To be granted expert tax relief on the basis of the so-called “salary condition,” salary and other remuneration for work in Sweden must exceed two “price base” amounts on a monthly basis.²

Previously, the authorities required that the salary be paid by a Swedish employer or a foreign employer with a permanent establishment in Sweden.

What the Court’s Ruling Means

The court’s ruling means that compensation paid by a foreign employer without a permanent establishment in Sweden can also be taken into account, provided that the Swedish employer bears the cost of the compensation.

The Supreme Administrative Court emphasises that the purpose of having an objective salary criterion is that it should simplify matters for the employer and provide increased predictability.

The Supreme Administrative Court also stresses that what applies according to the law – i.e., in order for remuneration to be covered by expert tax relief – has to do with work in Sweden.

KPMG NOTE

The purpose of the expert tax relief is to attract highly-qualified international experts by offering them tax relief for work in Sweden.

The result of the previous approach was that the tax relief was generally not available if the foreign expert continued to be paid from the home country, in whole or in part, despite the fact that the work was performed in Sweden for the benefit of a Swedish employer.

The decision is a welcome clarification. In future, employees on split payroll will also be able to include the foreign part of the income to reach the salary threshold.

It is the belief of the KPMG International member firm in Sweden that the ruling is in line with what legislators had intended and with the aim of attracting international experts to the Swedish labour market.

Some uncertainty remains about whether the ruling means the tax relief can also be applied to compensation paid by a foreign employer and not just that it can be considered when calculating whether the salary condition is met.

Due to the ruling, the Swedish Tax Agency (*Skatteverket*) has announced that its previous position – that involved a determination as to whether payments to the employee came from someone other than the Swedish employer (as covered under a decision from *Forskarskattenämnden*) – is redundant. This could be interpreted as meaning that the expert tax relief might also be applied to compensation paid by the home-country employer provided that the cost would be invoiced to the Swedish employer.

FOOTNOTES:

1 The Supreme Administrative Court (HFD) ruling on 25 November 2021, case number 1763-20.

2 For more on Swedish taxation of individuals, see [Taxation of International Executives: Sweden](#), a publication of the KPMG International member firm in Sweden. For prior coverage of the expatriate tax relief, see [GMS Flash Alert 2020-398](#), 11 September 2020.

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RELATED RESOURCE:

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