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flash Alert

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Sweden – 9.88% Payroll Fee on Income of Assignees to India, USA, Canada

by KPMG AB, Stockholm
(KPMG AB in Sweden is a KPMG International member firm)

The Swedish Tax Agency published a written position paper on September 9, 2014, stating that the payroll fee of 9.88 percent will be levied on employment income paid to employees assigned to India, USA, and Canada.¹ Quebec is also included, as Sweden has a separate social security agreement (SSA) with the Canadian province of Quebec.

Why This Matters

Currently, the employment income paid to employees from Sweden on assignments exceeding one year to India, the USA, Canada, and Quebec is not subject to a payroll fee if they are covered by Sweden's social security system. This 9.88-percent payroll fee will result in higher employment-related costs for employees on international assignment to these three countries (India, USA, and Canada) and the province of Quebec.

Global mobility professionals may need to take these changes into consideration when budgeting for international assignments and work with their payroll departments/personnel in administering the payroll implications of applying the fee and remitting the proceeds.

According to the Swedish Tax Agency's new position paper, the payroll fee of 9.88 percent (the rate for 2014) shall be levied on employment income paid to Swedish employees who during their assignments to India, the USA, Canada, and Quebec are covered (in full or partly) by the Swedish social security system.

For employers with employees assigned to the USA, Canada, and Quebec, the payroll fee shall be paid on all employment income paid after December 31, 2014. For employers with assignees in India, the new rules apply retroactively from August 1, 2014, i.e., the date on which the social security agreement between India and Sweden came into force.

KPMG Note

This change applies to assignments exceeding 12 months. For assignments **not** exceeding 12 months, an employee remains covered by the Swedish social security system under the country's domestic social security law. For these employees, the Swedish employer (currently **and** going forward) is paying the full employer rate (including the payroll fee). As the respective SSAs with the USA, India, Canada (and the separate SSA with the province of Quebec) only cover pension-related social security benefits (and not all benefits under the Swedish social security system), this means that an employee assigned – for example – to the USA for a period exceeding one year can only remain covered by pension-related benefits in accordance with the SSA. In such case, the employer only pays the social security fees funding pension-related benefits (and from now on also the payroll fee, which essentially is a tax).

KPMG Note (cont'd)

For employers with assignees in India, the USA, Canada, and Quebec the imposition of the payroll fee could mean a significant increase in costs. We recommend that affected employers analyze their situations to determine the impact of this change and establish what alternatives may be available to them.

Footnote:

1 See (in Swedish):

<http://www.skatteverket.se/rattsinformation/reglerochstallningstaganden/stallningstaganden/2014/stallningstaganden2014/13148548314111.5.3aa8c78a1466c5845871051a.html> .

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The information contained in this newsletter was submitted by the KPMG International member firm in Sweden. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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