

# GMS Flash Alert

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## Sweden - Government Re-Presents Proposal Concerning 'Economic Employer'

Earlier this summer, Sweden's government once again published a proposal to implement the economic employer concept in Sweden.<sup>1</sup>

The government had previously communicated that it was planning to implement a new set of regulations around economic employer from 1 January 2021.<sup>2</sup>

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### WHY THIS MATTERS

The new regulations, if implemented, will result in a shift in Sweden, by which Sweden will consider factors beyond who pays the employee's salary when assessing who is the employer of an employee. The entity which is considered to be the employer of an employee is of great importance when assessing if the employee should be liable to tax or not when working in Sweden on a temporary basis.

Moreover, the change in applicable time limits – which we discuss below – will result in a significant reduction in the number of employees directly affected by the regulations.

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### Context and New Proposal

The previous proposal did not impact employees working within a corporate group, if the employee works for a maximum of 5 days in a row or 30 days in total during a calendar year in Sweden.

Under the new proposal, the government has increased the day limit to a maximum of 15 days in a row or 45 days in total during a calendar year. As previously communicated, the government intends to implement the new regulations on 1 January 2021.

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## KPMG NOTE

### Concerns and Feedback Following Earlier Proposal Efforts

One question that has given rise to extensive discussions within Swedish companies is whether the Swedish entity will be able to report salary and pay taxes on behalf of the foreign entity (shadow payroll). This proposed solution would have reduced the administrative burden for companies and was requested in response to the initial proposal.

The government has not adjusted its position in relation to this feedback, and, according to the proposal as it stands today, the foreign employer will need to register as an employer in Sweden and pay withholding taxes.

### Change in Time Limits and Related Issues

The planned implementation of the regulations are in line with what the government has confirmed previously and was expected. The change in time limits of 5 / 30 days to the extended 15 / 45 days is a welcome improvement. The adjustment will result in a significant reduction in the number of employees directly affected by the regulations.

However, the basic issue for companies remains the same, regardless of the time limits that are introduced. Companies will need to have a process for keeping track of who is travelling to Sweden, how many days are spent in Sweden, and what people are doing while they are working in Sweden. For large companies, this is an administrative challenge not least because of the obligation to register and manage reporting for foreign group companies.

Given the short period of time that remains between the proposal's submission and the implementation of the new regulations, it is crucial for companies that are affected to review the regulations and start taking steps to build processes to be able to handle this in the lead up to 1 January 2021.

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## FOOTNOTES:

1 For the proposal (in Swedish) from the *Finansdepartementet* (Department of Finance), see: <https://www.regeringen.se/rattsliga-dokument/proposition/2020/06/prop.-201920190/> .

The economic employer concept has been discussed previously in several "TaxNews" (a publication of the KPMG International member firm in Sweden). For prior coverage, see "[The Swedish government plans to introduce stricter taxation for Business Travelers and posted workers in Sweden](#)" (September 2019), a publication of the KPMG International member firm in Sweden. Also, see GMS [Flash Alert 2018-133](#) (17 October 2018).

2 Ibid.

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## RELATED RESOURCE:

This article is excerpted, with permission, from "[New Proposal on the Economic Employer Concept](#)" (25 June 2020), a publication of the KPMG International member firm in Sweden.

## Contact us

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