

Taxation of individuals and goods in Sweden upon cross border mobility

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A Taxation of individuals

A.1 Income taxes

A.1.1 Tax liability

An individual who is regarded as tax resident in Sweden is in principle liable to tax on worldwide income from the date of arrival. The cash principle applies when determining the point of taxation and tax year. Hence, only those payments received during residency in Sweden are taxable at the ordinary rates. However, payments for work performed in Sweden are taxable even if received before arrival or after departure but normally at the lower non-residents tax rate. The cash principle does not apply to business income. Special rules apply to capital gains. Taxes paid in other countries are generally taken into account when determining the Swedish tax either as a foreign tax credit or deduction from income.

An individual's income is divided into three categories: income from employment, capital and business. In addition to income tax, Sweden also imposes municipal fee on real property and tax on the deemed value increase of life insurance.

Interest, dividends, rent from private dwellings, capital gains and losses and other capital income is taxed under the category of income from capital.

A.1.1.1 Under which conditions are non-resident workers liable to tax?

A.1.1.1.1 Domestic law

Employment income

Foreign individuals who spend less than six consecutive months in Sweden are, generally, considered as non-resident. This is, normally, the case for foreign nationals, who visit Sweden temporarily for the purposes of business and/or pleasure. A non-resident individual is subject to tax in Sweden on source income only. The Swedish sourced income may be taxed according to the Special Income Tax Act (SINK) with a flat rate of 25 percent.

Capital income

Dividends: Dividends on Swedish shares and participations in Swedish securities funds are taxable as income of capital. The rate of dividend tax is 30 per cent. According to the Nordic tax treaty the tax is reduced to 15 percent if the individual is resident in another Nordic country.

Capital gains: An individual who is not considered as a resident of Sweden is tax liable for capital gains on disposals on properties and condominiums situated in Sweden and for disposal on shares and certain other securities. A Swedish resident who moves out of Sweden is during a ten years period after the move, liable to tax on capital gains from the disposal of shares and similar securities in Swedish corporations and foreign shares and similar securities that were purchased before the move from Sweden. However, the Swedish tax claim may be limited by tax treaties.

Rental income from Private property: If a private property in Sweden is leased, the rent is taxable as income from capital. Costs incurred as a result of the lease are not deductible. Instead, a standard deduction is allowed from this income. For private houses, deductions are limited to 20 percent of the rental income plus 12,000 SEK per year. For flats and condominiums, the deductions are limited to the actual rental cost plus 12,000 SEK per year. Special regulations apply for lease to the individual's own employer.

In case the property is not deemed as a private residence, any income is taxed as income from business on a net income basis. Actual costs for maintenance (including the real property tax), interest costs, etc., are deductible when calculating the income basis. In addition, depreciation on buildings is possible.

Ownership of Private property: If the individual owns a detached or semi-detached house in Sweden he is liable to pay a municipal fee on real property at a maximum amount of SEK 6,362 per real property (Income year 2009 level). However, the municipal fee will not exceed 0.75 percent of the tax assessment value ("*taxeringsvärde*"). The tax assessment value is calculated as 75 percent of the market value of the building. Real estate tax will be levied on undeveloped plots, leasehold sites, apartment buildings that are non-residential premises, industrial premises etc.

A.1.1.1.2 Specific topics arising from Community law/the Nordic tax treaty?

Special Income Tax Act (SINK)

An individual who is non-resident in Sweden and who derives income with respect to services rendered in Sweden may be taxed according to the Special Income Tax Act (SINK). Non-residents who qualify for taxation according to SINK pay a final national income tax of 25 percent at source. No deductions are allowed. SINK is normally granted in two different situations either when the individual spend less than six months in Sweden or when the individual habitually spends time in Sweden but the number of nights in Sweden are limited.

According to previous case law the individual will qualify for SINK tax even though he spends three to four nights per week in Sweden under the condition that he does not have any other significant ties to Sweden. However, this claim has been criticized by the Swedish Tax Agency. They interpret the tax legislation in a more restrictive way but do often accept that the individual spends maximum two nights in Sweden per week on a regular basis. Thus, due to the controversial question the legal situation is unclear at the moment.¹

¹ RÅ 1997 ref. 25, RÅ 2008 ref. 56

The Swedish SINK legislation also has a 183-day rule which is constructed in the same way as the 183-day rules in tax treaties and rules about taxation of pension income for non-residents.

Business trips

Individuals that visit Sweden on business trips will most likely not be considered as tax liable in Sweden since the stay in Sweden usually only last for a few days or weeks. This means that Sweden will not tax the employment income the individual receives due to work in Sweden. However, if the individual will move to Sweden within a near future from the day of the business trip, the individual could be considered as tax liable in Sweden from the first day in Sweden, i.e. the first day the individual arrived in Sweden on his business trip. According to this, the individual may become tax liable on his worldwide income from that day as well, meaning Sweden will tax both the individual's employment income as well as capital income.

In the same way this could be an issue if the individual goes on a business trip to Sweden after he has moved back to his home country when he has no essential ties left in Sweden and should be considered as a non-resident in Sweden. If the business trips is taken too close to the date the individual moved abroad, he could become tax liable in Sweden on his worldwide income for the period he moved from Sweden until the business trip in Sweden has ended as well.

A.1.1.2 Under which conditions do migrant workers become tax residents – a brief description

Generally, an individual is considered a resident of Sweden for purposes of Swedish individual income taxation if he has his real home in Sweden. A person, without a real home in Sweden, but who stays here permanently or has essential ties to Sweden, is also considered resident of Sweden. Should a person be considered as a tax resident in Sweden, he will be regarded as this as from the day he arrived in Sweden.²

A.1.1.2.1 Domestic law

Real home in Sweden (bosatt)

An individual that has his real home in Sweden is considered as a resident in Sweden and will be tax liable on his worldwide income.

Permanent stay in Sweden (stadigvarande vistas)

An individual that stays in Sweden permanently is considered as a Swedish resident as well even though he does not have a real home in Sweden. Normally, six consecutive months of stay in any period in Sweden qualifies for permanent stay.

² Handledning för internationell beskattning 2009, s. 47

There are no explicit rules in Swedish tax law governing what would constitute consecutive and permanent stay in Sweden. However, the Swedish Tax Agency's opinion is that an individual who regularly stays overnight in Sweden in a consecutive six-month period should be considered resident in Sweden. It should be noted that an individual could be deemed to stay here regularly even if the individual spends more nights abroad than in Sweden³.

Essential ties to Sweden (väsentlig anknytning)

If the individual has lived in Sweden and moved abroad but keep essential ties to Sweden the individual can be considered as a Swedish resident. Essential ties can be, for example, a Swedish citizenship, previous stay in Sweden (the length of the stay in Sweden affects), an all-the-year-round place of residence in Sweden, family staying in Sweden, business activity in Sweden. The list of criteria is not comprehensive. However, the definition of essential ties should not be extensive interpreted.⁴ Each individual case will be examined on its own merits in order to determine the residency.

A.1.1.2.2 Specific topics arising from Community law/the Nordic tax treaty?

In general, the Swedish Tax Agency would consider a person that works and stays in Sweden with the family as a Swedish resident both according to the internal tax legislation and to the Nordic tax treaty since these are strong criteria.

A.1.1.3 Under which conditions does tax residency cease to exist – a brief description

As a main rule the Swedish tax residency will cease to exist if the above mentioned criteria (A.1.1.2.1) are not met.

A.1.1.3.1 Domestic law

According to Swedish tax legislation, the Swedish tax residency will cease to exist if the individual do no longer have a real home in Sweden, do not stay in Sweden permanently and do no longer have any essential ties to Sweden. A person who is a Swedish citizen or who for at least ten years had a real home or habitual abode in Sweden and moves out from the country, shall be considered as a resident of Sweden for another five years from the day of departure, unless the individual is able to prove that there are no significant ties with Sweden. For other individuals that have lived in Sweden for a shorter period the Swedish residency would normally cease to exist on the day of departure from Sweden.

A.1.1.3.2 Specific topics arising from Community law/the Nordic tax treaty?

The uncertainty regarding the Swedish SINK-regulation on what constitutes a permanent stay and not causes difficulties in situations where an individual works rather frequently in Sweden but lives in another Nordic country. For the Öresund area this is less of a problem where

³ See above regarding SINK in section A.1.1.1.2

⁴ Handledning för internationell beskattning 2009, s. 43

Danish residents go to Sweden on a daily basis to work since they never spend nights in Sweden and are, therefore, not in question of becoming Swedish tax residents.

A.1.2 Taxation

A.1.2.1 What are the general tax rates on employment income – a brief description

Income from employment is subject to national and local income taxes in Sweden. A basic national tax of 20 percent is levied on taxable income in excess of SEK 367,600 (2009). A higher national tax of 25 percent is levied on taxable income in excess of SEK 526,200. Local (Municipal) tax is charged at a flat rate ranging from 29.7 to 36 percent. The average local tax rate amounts to 31 percent.

A.1.2. Which rules apply specifically for workers migrating to your country?

Obligations and rights for non-residents

According to Swedish tax legislation and EU regulations, migrating workers are in general subject to the same obligations and rights as Swedish citizens and residents.

A person that is considered as a non-resident in Sweden should be taxed according to the Special Income Tax Act (SINK). As stated above, a flat tax rate of 25 percent is withheld. According to SINK, no deductions are available. An individual that is being taxed in accordance to SINK are not liable to file an income tax return each year. In order to not conflict with EU regulations, Sweden has however implemented an option for the individual to apply for being taxed in accordance with the Income Tax Act (Inkomstskattelagen, IL). If the individual apply for being taxed in accordance with IL, he will also in general be entitled to the same deductions as a Swedish tax resident. Please note that this also implies that he has to obey the same obligations as a Swedish tax resident, e.g. liability to file an income tax return and be subject to both national and local taxes⁵. Generally, a Swedish taxpayer may deduct costs incurred in acquiring and maintaining income from employment. Personal costs of living are explicitly excluded. A summary of different deductions and scenarios applicable on migration workers in Sweden in accordance to IL will follow.

Personal allowance

A personal allowance (grundavdrag) is granted for all Swedish tax residents when calculating taxable income for both municipal tax and national tax purposes. The personal allowance for 2009 varies between SEK 12,600 and SEK 33,000 depending on the income level. The personal allowance is phased out to SEK 12,600 at a taxable income of SEK 337,200. For migrant workers that move to or from Sweden during a year a pro-rated personal allowance based on SEK 12,600 is granted.

⁵ For further details see A.1.2.1

Commuting and travel

Costs for commuting are deductible to the extent they exceed SEK 9,000 per year. However, several restrictions apply.

Cost for business travel is deductible to the extent it has not been reimbursed by the employer. There are specific per diem amounts set by the Swedish Tax Agency for costs other than travel and accommodation. Reimbursements exceeding the per diem amounts are taxed as salary. Most Swedish companies have adjusted their reimbursement policies to correspond with the tax regulations.

A mileage allowance of SEK 18.50 is given per every 10 kilometers driven in work with a private car.

Temporary assignment/increased cost of living

Swedish tax law permits, under certain circumstances, a deduction for increased costs of living. Individuals on temporary assignments who maintain their real home in their home country may qualify for this deduction. The deduction is, generally, available for a maximum period of two to three years. However, the maximum length of the assignment in Sweden that could qualify as temporary is not defined in tax law.

In general, the following deductions may be claimed:

- Increased housing costs on location.
- Increased cost of living the first month with a daily standard amount.

Note, however, that deductions are not automatically available for assignments in Sweden. The deductions may be questioned by the Swedish Tax Agency and each individual case will be examined on its own merits.

Home trips

An individual that qualify for deduction for increased costs of living is also qualified to a deduction for one home trip per week if their real home is placed in an EU or EEA country. In order to qualify for the deduction, the distance between the real home and the work needs to be more than 50 kilometers. The deduction does not include home trips for family members.

Tax reduction for costs relating to housekeeping

Individuals over 18 years old are able to apply for a tax reduction of 50 percent of the costs related to private housekeeping. To be entitled to the tax reduction the services must have been performed by an individual or business who hold the specific permission (*F-skattsedel*). The tax reduction is limited to SEK 50,000 per year. For costs below SEK 1,000 a tax reduction will not be given. The rules for the tax reduction is now also extended to include

labor costs incurred as from 8 December 2008 for the repair, maintenance and rebuilding cost on private dwelling.

Tax reduction due to interest cost

According to Swedish law, a Swedish tax resident is entitled to a deduction for interest cost paid during the stay in Sweden. Foreign interest costs are deductible as well as Swedish interest costs. The individual may be entitled to the deduction even if he already has deducted the interest costs in another country.

Other common deductions

Employee social security contributions made in accordance with the EU regulation No. 1408/71 to another country than Sweden are deductible. Contributions paid in accordance with the Nordic totalization agreement are also deductible.

Contributions to EU/EEA or Swedish pension insurance are generally deductible within certain limits if the contribution is subject to favorable tax treatment in the country of origin. Contributions made by the employer to qualified pension plans generally do not constitute taxable income for the employee.

Tax relief for foreign experts

Foreign experts, scientists and executives who work temporarily in Sweden and who are resident in Sweden for tax purposes may benefit from a special tax regime. The tax effect of the special tax regime is that 25 percent of the employment income is excluded from taxation. In addition, reimbursements for moving expenses, travel expenses and expenses paid for Swedish primary and secondary school are tax exempt. No social security charges are levied on the exempt income.

The tax regime is applicable during the first three years of the assignment period.

In order to apply for the special tax regime, the following requirements must be fulfilled:

1. the applicant must be a non-Swedish citizen
2. the applicant must not have been resident in Sweden during any of the five years preceding the assignment period
3. the applicant's intention is to stay in Sweden for a maximum period of five years
4. the applicant must be considered an expert, scientist or key person
5. the employer of the applicant must be a Swedish company or a foreign company with a permanent establishment in Sweden

An application for the special tax regime must be filed to a certain committee of The National Tax Board (Forskarskattenämnden) within a period of three months from the day when the applicant starts working in Sweden.

The Swedish rules on tax relief are to some extent difficult to predict which causes uncertainty when an individual moves to Sweden.

Specific topics arising from Community law

What causes problems in some situations is when individuals moves to Sweden but are not able to sell their private home before the move. Instead the house is sold after the arrival in Sweden and any gain made is then subject to Swedish taxation. Sweden's method with a postponement of taxation of gains from sale of private properties is not attractive for individuals that would not have paid any tax in their home country if the house had been sold before the arrival in Sweden.⁶

The new Swedish rules on taxation of stock options may also prevent individuals from moving to Sweden due to heavy taxation of income already earned outside Sweden but since the rules are still new it is difficult to predict.⁷

A.1.2.3 Which rules apply to workers migrating from your country?

A Swedish resident migrating from Sweden will often be considered as a Swedish tax resident according to Swedish internal tax legislation due to essential ties.⁸ As a result, the individual will also be tax liable in Sweden on his worldwide income. Hence, double taxation is common for Swedish migrants.

Sweden has internal tax regulations to avoid or decrease double tax situation for Swedish residents working abroad; the so called six-month and one-year rule (sexmånaders- och ettårsregeln).

A Swedish resident who is assigned abroad for at least six months without interruptions is exempt from Swedish tax on employment income received in relation to the assignment abroad, provided that the income is taxed in the country where it is derived and the number of days spent in Sweden during the assignment period do not, for any reason, exceed 36 days or in the average six days for each full month during the period abroad.

A Swedish resident assigned abroad for at least one year is exempt from Swedish tax on employment income, provided that the whole year is spent in the same employment in the same foreign country. Under the one year provision, there is no requirement that the foreign earned income has been subject to tax in the country of assignment. However, a condition for the one year provision to apply, is that the income must be tax exempt in the working country

⁶ See also A.1.2.3.2. regarding Postponement of taxation of capital gain due to sale of private property.

⁷ See also A.1.2.3.2 regarding Exit taxes on stock options.

⁸ See also A.1.1.2.1 regarding Essential ties to Sweden.

as a consequence of that state's domestic legislation, or by means of a treaty (not a tax treaty) with that state, or by a special decision of an authority in the state, or as a consequence of no existing tax provisions in the state.

Shorter time periods spent outside the country where the employment is exercised will not break a qualifying period of absence from Sweden. However, the breaks in Sweden must not exceed 72 days during each one year period starting from the first day of the assignment.

For Swedish residents that migrate to work in another Nordic country the 72 day-rule may not be as important given that Sweden, as described in the section beneath, apply the exemption method under the Nordic tax treaty.

A Swedish resident migrating from Sweden will still be tax liable on capital income sourced from Sweden as well as municipal fee on real property in Sweden in accordance with the same rules that apply to non-residents in Sweden. In addition, a Swedish resident migrating from Sweden will also be liable to tax on income derived from a property outside of Sweden.

A.1.2.3.1 Rules for the avoidance of double taxation

In general, the Swedish tax treaties apply the credit method in order to avoid double taxation. According to the Swedish tax legislation, the tax paid abroad has to be considered as final, i.e. the tax has to be paid in the other country. The individual has to prove this with, for example, a final tax assessment issued by the other country's tax authority. In case the Swedish Tax Agency grants the tax credit, the foreign tax will be credited against the Swedish tax. Please note that the foreign tax is the maximum tax that can be credited.

According to the Nordic tax treaty and article 25.6.b, Sweden should apply the exempt method as regards employment income in accordance with article 15.1. Thus, Sweden will not include the employment income that a Swedish resident has earned due to work in another Nordic country. However, according to article 25.6.c, this is exemption with progression meaning that Sweden has the right to include the employment income when determining the Swedish progressive tax rate. Sweden does not use this right so in practice normal exemption is applied.

A.1.2.3.2 Exit taxes

Exit taxes on stock options

According to earlier tax rules in Sweden, employee stock options were taxed as employment income upon exercise. Employee stock options were, however, only taxable in Sweden if the options became exercisable (vested) when the individual was resident in Sweden. If an individual left Sweden and held employee stock options that was vested when the individual was resident in Sweden, the options became taxed at the day of departure as if the options were exercised. The amount subject to taxation was the fair market value of the underlying stocks at the departure day less the exercise price. As from January 1, 2009 Sweden has amended the rules regarding taxation of employee stock options and the exit taxation is abolished as it was contrary to the EU regulations on free movement.

According to the new rules stock options classified as employee stock options according to Swedish legislation are taxed as employment income at exercise, regardless of where the holder has lived and worked at grant and vesting. If the employee stock options are also taxed in another country, the double taxation should be solved by the applicable tax treaty or internal Swedish legislation (six month rule or one year rule). When applying a tax treaty it is assumed that the OECD view on stock options and cross border personnel will be applied. This states that as a main principle the right to tax (for the country of source) should be allocated based on where the work has been performed between grant and vesting.

Postponement of taxation on capital gain due to sale of private property

For individuals, a capital gain on a non-professional disposal of a real property is taxed as capital income. This is the case for both private dwellings and for business properties that constitute fixed assets. Capital gain on the sale is taxable at an effective rate of 22 percent.

Sweden has implied a possibility for an individual to postpone the taxation of the capital gain from a sale of a permanent home in EU/EEA when buying a new permanent home within the EU/EEA. The following conditions need to be fulfilled in order to qualify for the postponement:

- The sold property needs to be considered as a private property according to Swedish law.
- The seller should have permanently been living in the sold property the year before selling or at least been living in the property for three of the last five years.
- The sold property needs to be placed within the EU/EEA.
- The new permanent property must be placed within the EU/EEA.
- The new permanent property can be bought the calendar year before the sold property was sold at the earliest, and the calendar year next to the year the sold property was sold at the latest.

The individual should make a claim in the Swedish tax return if he wishes to apply for a postponement. It is important to be aware that the Swedish Tax Agency will charge 1.67 percent of the postponement each year. When the purchased property is going to be disposed, the individual has to reverse the postponement to taxation.

Tax deferred on an exchange of shares

If shares are exchanged for shares in the acquiring company, a capital gain is subject to tax deferral for Swedish residents until the received shares are sold or the seller is no longer resident in Sweden (residence in this context means real home or permanent stay in Sweden). This means that if a Swedish tax resident leaves Sweden, the tax deferral is taxed on the exit day from Sweden. Thus, a person who is treated as resident according to the rules of essential ties may be taxed at exit according to these rules. It is clear that the rules are not in line with the EU regulations on free movement and changes to the rules are proposed as from 1 January 2010 and the Swedish Tax Agency apply the rules already as if they were already in place.

Ten year rule regarding sale of shares

As described above Sweden taxes gain from sale of Swedish shares and foreign shares acquired during residency in Sweden during a period of ten years after the individual moved from Sweden. This internal Swedish tax rule is also in accordance with the Nordic tax treaty.

A.1.3 Deviations between the rules applicable between the Nordic countries and the rules applicable versus other countries

Definition of residency under the tax treaty

Generally speaking Sweden tend to look at where an individual's family live when determining where the individual should be regarded as a resident under a tax treaty (centre of vital interest). Based on experience we understand that it is Norway's view that the residency stay in Norway when an individual and his family move from Norway even though the period outside Norway may be even two years or longer.

Exempt method on employment income

In order to avoid double taxation on employment income, Sweden applies exemption according to the Nordic tax treaty. This is quite unusual compared to other Swedish tax treaties. The most common way to avoid double taxation on employment income according to Swedish tax treaties is the credit method.

Hiring out of labour

Under the Nordic tax treaty the 183-day rule should not be applicable when it is a situation of hiring out of labour. Since Swedish does not have any specific tax rules regarding the hiring out of labour Sweden cannot use this rule, and levy tax, in situations where employees from companies that hire out personnel to work in Sweden for less than 183 days.

Legal employer or economic employer?

Sweden applies the term "legal employer". This means that it is in fact the contract that determines who the employer is. For Swedish assignees working in Denmark, this issue can cause inconvenience since Denmark applies the term "economic employer". According to this interpretation of the term, the employer is the company which has rights to the work produced by the individual and bears the responsibility and risks arising from the work produced. Thus, there are situation where Swedish tax residents become tax liable in both Sweden and Denmark since both countries consider the employer belongs to their respective country.

Commuting costs

Many individuals commute between Sweden and Denmark each day. In Sweden, an individual can claim a deduction for the total bridge-toll when going over Öresundsbron. In Denmark, an individual are only entitled to a standard deduction. Thus, Swedish individuals working in Denmark and being tax liable in Denmark on their employment income will only be entitled to the standard deduction and not the total amount that they can claim in Sweden.

A.2 Net wealth taxes

Sweden abolished the net wealth tax in 2007.

A.3 Social security contributions

A.3.1 Liability to pay

A.3.1.1 Under which conditions is there a liability to pay for employment exercised by migrant workers?

A.3.1.1.1 Domestic law

Sweden has a comprehensive social security system, comprising old age pensions, unemployment and disability benefits, sickness and maternity payments and child and youth benefits. The social security system is, mainly, financed through employers' contributions.

There is a liability to pay Swedish social security contributions on employment income paid for work performed in Sweden. Social security contributions are also due where the employment is exercised during business trips outside Sweden and secondments outside Sweden for a period of up to one year.

If an individual is seconded from an EU/EEA-country and is covered by a Certificate of Coverage (E101), the Swedish social security regulations are not applicable and social security contributions are no due.

A.3.2 Contributions paid

A.3.2.1 What are the general social security contribution rates – a brief description

The statutory social security charges amount to 31.42 percent (for 2009) of the total remuneration paid to the employees including all taxable benefits in kind. Employees do not contribute to these charges. In addition, an employer bound by a collective agreement, pays in the average 18 percent of salaries to cover the cost of contractual pension plans. Special charges apply for youths.

The employees are charged a pension insurance fee of 7 percent of the employment income, up to SEK 410,763 for 2009. The maximum charge is SEK 28,800. The charge is fully credited against other income taxes.

A.3.2.2 Do any rules apply specifically for immigrant workers?

The Swedish social security legislation applies to Swedish citizens as well as immigrant workers. However, in order to benefit from the social security benefits, the individual must be comprised by the Swedish social security system. The employee social security contribution is only due where the individual is taxable in Sweden on the employment income.

A.3.3 Deviations between the rules applicable between the Nordic countries and the rules applicable versus other countries

There is a Nordic totalization agreement in place between the Nordic countries, however, this is rather seldom used instead the EU/EEA regulation 1408/71 is applied between the Nordic countries.

There are also specific agreements in place between Denmark and Sweden covering both taxation and social security. The agreements are in place to facilitate the cross-border working in the Öresund area (Copenhagen – Malmö).

B Taxation of goods

B.1.1 VAT on goods crossing a border within the EU (to be described by the Swedish national reporter)

The value added taxation of goods is harmonised within the EC⁹, which means that the rules are equal for goods crossing any border within the EC.

As regards goods, the following transactions are subject to VAT:

- supplies of goods by a taxable person;
- intra-Community acquisitions; and
- importation.

“Supply of goods” means the transfer of the right to dispose of tangible property as owner. VAT is reported by all taxable persons performing a taxable transaction, for instance a supply of goods, and private individuals who makes an taxable intra-Community acquisition.

A supply of goods within Sweden is as a principal rule subject to 25 percent VAT. There are however also reduced rates of 12 percent and 6 percent applicable to food, books and magazines etc. Private individuals acquiring goods in Sweden will have to pay VAT on the acquisition without possibility to deduct the VAT. This applies to Swedish as well as foreign citizens. If, however, the goods are brought to a non EC member state the Swedish VAT can be refunded under certain circumstances.

There are two different principles to determine where to tax goods in case of a cross border transaction within the EC.

Under the **principle of destination** goods are subject to VAT in the country where the goods are transported to. This principle is, with a few exceptions only applied on transactions between taxable persons. One important exception to this principal rule is, however, acquisitions of new means of transports made by private individuals. This implies that a new car acquired from a Danish reseller and transported to Sweden consequently should be subject to Swedish VAT of 25 percent.

Under the **principle of origin** goods are subject to VAT in the country where the seller resides. The principle of origin can be regarded as the main rule when goods are acquired by private individuals. Consequently, a Swedish citizen can benefit from the lower Finnish VAT rate (22 percent) if he acquires the goods in Finland and transports it back to Sweden.

⁹ From a VAT perspective there is a practical difference between the EU and the EC since some parts of the EU, for instance Åland, is not considered as a part of the EC VAT territory.

The principle of origin does not apply if the goods are transported by the seller, or on his behalf, if the goods concerned are subject to excise duties or if the value of the seller's supplies exceeds a certain threshold. If the threshold is exceeded the seller is obliged to register for VAT in the country of destination and charge local VAT. The Swedish threshold amounts to SEK 320 000 and is calculated on all supplies to customers in Sweden during the current and previous year.

Since VAT is only due in case of a supply of goods by a taxable person or in case of an intra-Community acquisition, a private individual bringing goods to Sweden from another EC member state, or from Sweden to another EC member state, is not obliged to report or pay any additional VAT. Precautions should, however, be taken if the good in question is a new means of transport. As mentioned above, such transactions are considered as intra-Community transactions despite a private individual being involved in the transaction.