

## Operational Tax News

### Sweden tax update

13 December 2016

#### **Proposal on a new financial activity tax**

Last month, the Swedish government issued a proposal on a new financial activity tax for consultation purposes. This new financial tax will apply to companies supplying VAT-exempt banking, financial, and insurance services, i.e., companies liable to pay social security contributions and supplies VAT-exempt services (under Article 135.1 a-g in the VAT Directive). The tax base for the financial tax will be the company's annual payroll expenses. The proposed financial tax is 15 percent of the tax base. The tax base can be adjusted if the taxable person shows that only a part of the payroll expense is assignable to the VAT-exempt banking, financial, and insurance services.

The new law is proposed to enter into force as of 1 January 2018. It will be applied for the first time on payroll expenses assignable to remuneration paid after 31 December 2017. The financial tax shall be reported in the income tax return and be included in the preliminary tax system.

On what is the financial tax calculated?

The tax base is the taxable person's annual payroll expenses. If the taxable person can show that only part of the payroll expense is assignable to the exempt services, the tax base can be reduced. If so, the tax base should be determined using a "fair ground" apportionment (i.e., a pro rata). The "fair ground" apportionment means that the taxable person should use a pro rata, which gives the most correct and exact result (the intended result of the financial tax is to decrease the benefits resulting from the services being exempt from VAT). According to the proposal, a turnover-based pro rata generally gives the most correct and exact result, but it cannot be excluded that a pro rata can be based on other factors, such as head count.

#### **What is next?**

The due date for submitting comments on the proposal is 15 February 2017.

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