

SWEDEN

In the fall of 2006 a centre-right government came to power in Sweden on a free-market campaign which included a promise to lower the world's highest taxes – especially on income. Some taxes were lowered in 2007 and more tax cuts are planned for 2008

1.

As of January first 2007, Sweden introduced an earned income tax credit worth up to SEK 11,200 (€ 1,190) [up to SEK 19,300 (€ 2.051) for those over 65 still working]. The tax credit applies only to labour income and the value to the individual taxpayer is dependent not only on income but also on local tax rates (the tax credit works as a reduction in the local tax base). Maximum tax credit is reached at annual incomes just over SEK 300,000 (€ 31,887)

The tax credit was partially financed by scrapping the existing tax deductions for labour union membership and unemployment insurance contribution. Also the tax on tobacco was increased substantially in 2007, by SEK 2 (€ 0.21) per 20-cigarette package (including VAT). The tax on smokeless tobacco was doubled from SEK 6 to SEK 12 (€ 0.64 to 1.28).

2.


In July, the government introduced a tax deduction for certain household services in order to combat the black economy: cleaning, window polishing, laundry, cooking, child caring, and gardening, etc. – but not on installations and masonry, carpentry, etc. The new rules allow a tax reduction equal to half the labour cost.

3.

As of 2008 the Swedish wealth tax was abolished – with retroactive effect from January 1st 2007!

4.

The planned measures will be described in more detail in the 2008 update, but the headlines are:

- An increase of the earned income tax credit to a maximum of SEK 14,460 (€ 1,542) per employed
- A ceiling on the maximum property tax for owner occupied housing (SEK 6,000/year = € 640)
- Increased capital gains tax on owner occupied property (from 20 to 22 percent)
- A reduction of the employers' labour contributions in certain parts of the service sector (from 32 to 10 percent of the wage)
- Increased taxes on tobacco and alcohol. 



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Lower income tax for the employed

the tax credit will be financed by cutting tax deduction on labour union membership and unemployment insurance contribution

Tax deduction for some household services

Abolition of wealth tax

as of January 1st 2007...

More changes in 2008

cuts but also increases are scheduled



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