

How much tax ought to be paid in a year in Sweden – and how much is missing?

On the basis of the decisions taken by the Riksdag, county councils and municipalities about different taxes, the total tax ought theoretically to be approx. SEK 1 450 bn. But the taxes actually determined by the Tax Agency were approx. SEK 1 300 bn.

The difference is referred to as the tax gap and is calculated to be approx. SEK 133 bn per year, which is equivalent to around 5 per cent of GNP or approx. 10 per cent of the tax determined (2005 levels).

Total tax level, approx. SEK 1 450 bn
– A theoretically calculated total of the taxes that ought to be paid in a year.

Tax gap approx. one-tenth of tax determined

Tax determined, approx. SEK 1 300 bn
– The total of all taxes that the Tax Agency has determined after inspection of tax returns, compliance controls etc.

Total tax control approx. SEK 22 bn

What is the effect of tax control and sanctions?

The direct effect in cash of the Tax Agency's compliance controls is equivalent to just under 2 per cent of the tax determined. The indirect significance of the compliance controls for tax collection is considerably greater than this as they are a deterrent against deliberate errors.

Efficient tax administration

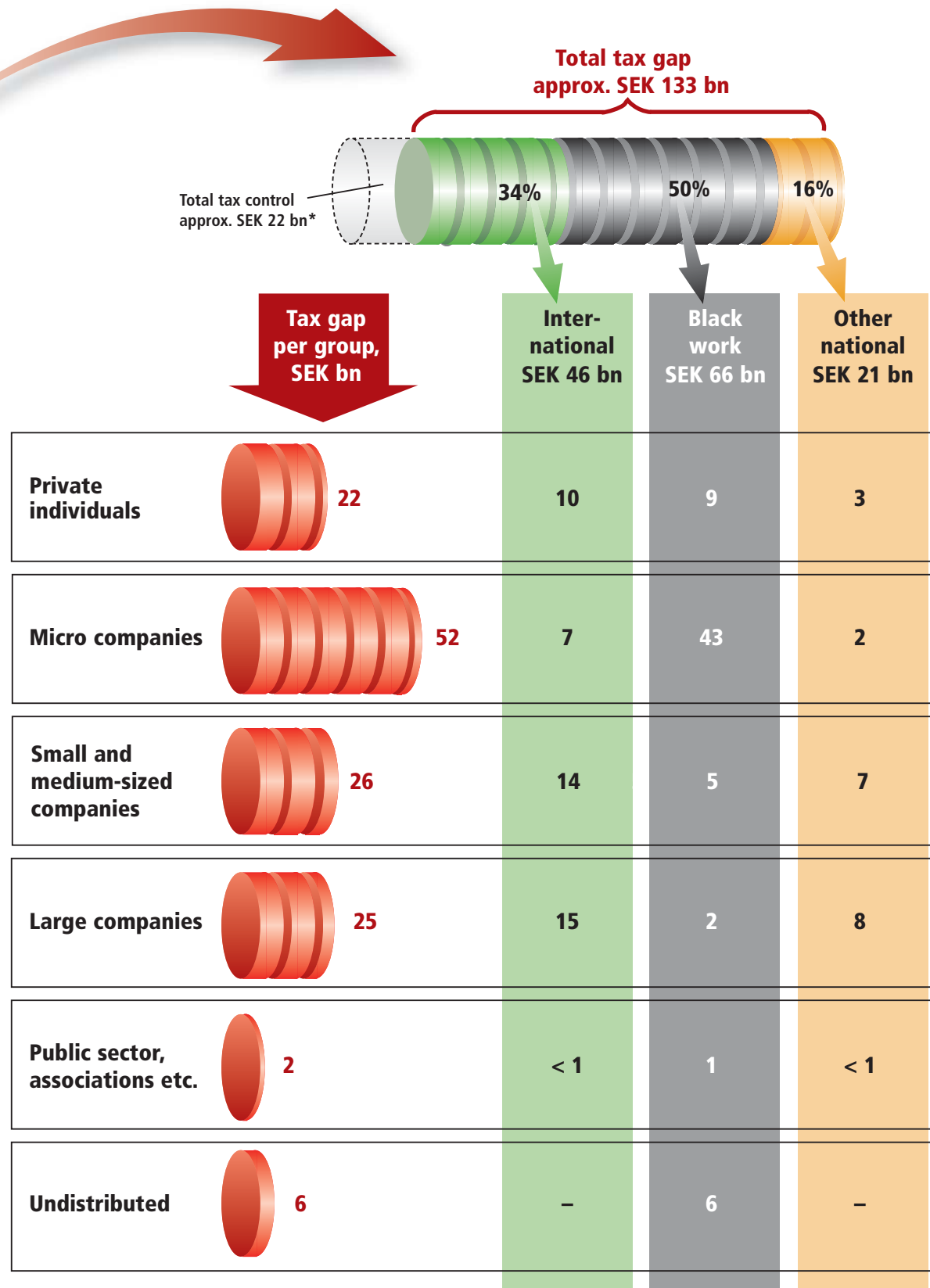
An efficient system of accounting for and payment of taxes and an extensive duty to submit third party information enables the Tax Agency to secure a large part of the tax revenue. Good service and information make it easier for individuals and companies to fulfil their obligations and increases confidence in the Tax Agency. Efficient control and correct decisions by the Tax Agency also help to maintain confidence in the tax system.

Groups of taxpayers

- Private individuals, approx. 9.8 million**
– Natural persons, not including their business activity
- Micro companies, approx. 640 000**
– Companies with a wage bill < SEK 1 m
- Small and medium-sized companies, approx. 65 000**
– Companies with a wage bill of SEK 1 - 50 m
- Large companies, approx. 15 000**
– All companies in groups where one company has a wage bill > SEK 50 m
- Public sector, associations etc, approx. 150 000**
– Municipalities, statutory joint authorities, county councils, government authorities etc.
– Economic associations, tenant-owners' associations etc.
– Voluntary associations, foundations etc.

Tax gap map

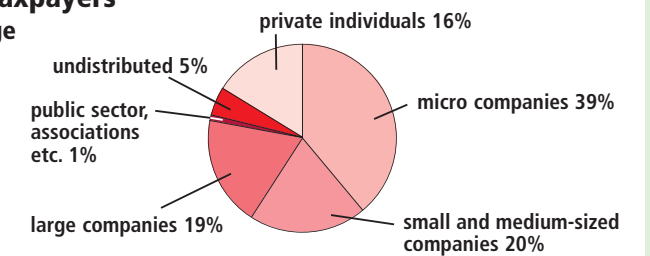
The tax gap map gives an impression of where among five compared groups of taxpayers the largest probable tax gap is to be found. The breakdown of different types of tax gap in each of the five groups is compared.



*) Results of total tax control are an average for 2001 - 2005.

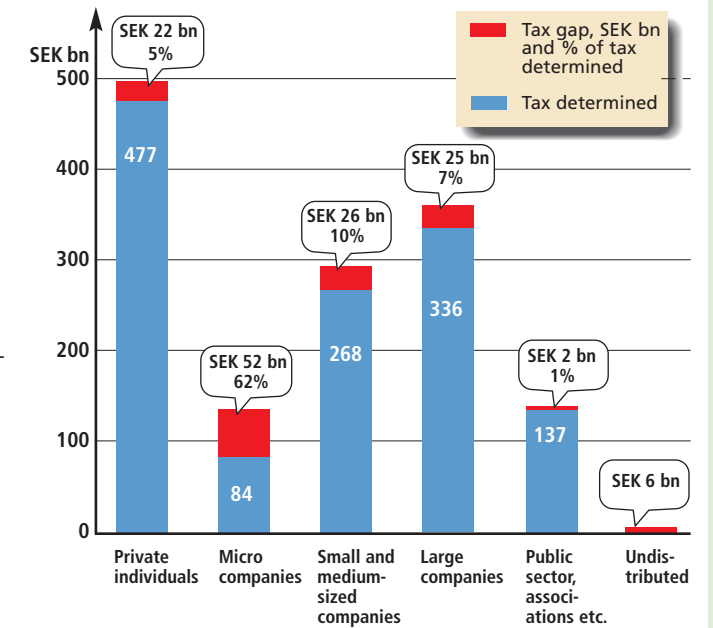
Tax gap per group of taxpayers – breakdown as percentage

The micro companies are responsible for just over a third of the total tax gap, other companies for the next largest proportions. 5 per cent of the tax gap is difficult to distribute between the different groups.



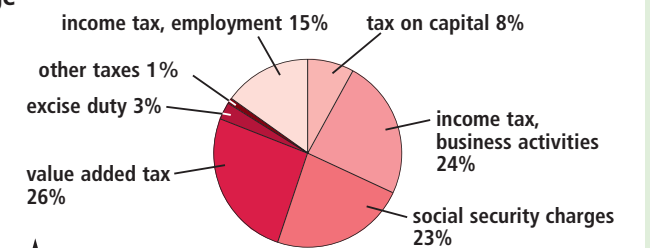
– by comparison with the tax determined

The staple diagram compares the tax gap for each group of taxpayers with the tax determined for the group. The tax gap of the micro companies represents more than half of the group's tax determined. Large companies and small and medium-sized companies account for the next largest tax gap in proportion to the tax determined for the group.



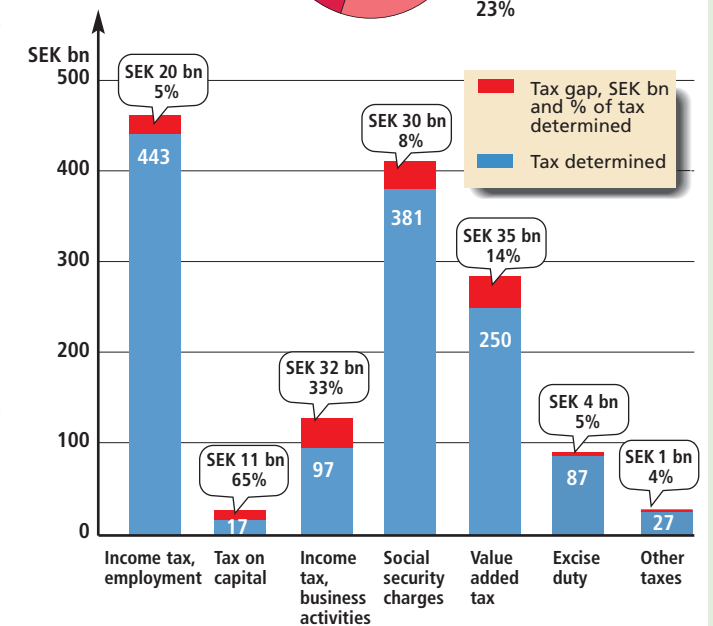
Tax gap per type of tax – breakdown as percentage

The pie chart shows the percentage breakdown of the tax gap for different types of tax. The largest proportions are in value added tax, social security charges and income tax on business activity.



– by comparison with the tax determined

The staple diagram compares the tax gap per type of tax with the tax determined for each type of tax. The proportion then becomes highest for tax on capital and income tax on business activities.



Where does one-tenth of the tax go?

Explanation of the tax gap map

The tax gap map is an approximate estimate of how things actually stand. Here is some information on how the map is to be interpreted and how the information has been obtained. The map should be used with caution.

Definition of the tax gap

The tax gap is the difference between the tax that would have been determined – if all taxpayers had reported all their activities and transactions correctly – and the tax that was determined in practice (after the Tax Agency's compliance controls).

When calculating the tax gap no account is taken of whether the tax was actually paid or not.

Moreover all kinds of errors affecting the reported tax are included, without evaluation of the cause or harmful nature of the errors. The tax gap therefore includes both deliberate evasion, tax avoidance that goes beyond the rules, and mistakes arising accidentally.

The political question of whether we have taxes that are too high or too low in Sweden is not touched upon, however; the map is intended only to reveal to how great a degree the taxes that have been democratically decided are actually accounted for.

Groups of taxpayers

In the tax gap map the taxpayers have been divided into five different groups. The numbers calculated for each group include only those who have some form of reported activity.

Tax errors that can be estimated but that cannot be assigned to any of the groups of taxpayers are assigned to the category "undistributed". This is only relevant in the case of black work.

Different types of tax gap categories

The total tax gap has been divided into three categories:

International

All errors that have an international connection. This may involve foreign individuals with income in Sweden, people in Sweden with income from abroad or various forms of transactions between Sweden and another country.

Black work

Payment for work carried out that should be taxed in Sweden but that is not reported. The definition is broad and includes both "black" wage payments and "black" sales in a company and also unreported withdrawals and private expenses that have been deducted in the company.

Other national

All types of error that do not have an international connection and that do not represent "black work". Examples of other errors include incorrect deductions, incorrect computation of capital gains, incorrect depreciation, incorrect value added tax rates etc.

Calculation of the tax gap

The tax gap associated with "black work" has been calculated on the basis of the survey of undeclared work carried out by the Tax Agency in 2006 (Rapport 2006:4). The total amount of black work can be calculated using a macro method, which means that the expenditure of the household sector in the national accounts is compared with the total income actually reported. Using different micro methods (results of the Tax Agency's compliance controls, questionnaires to both buyers and sellers, surveys of particular industries etc.), the tax gap for black work is broken down between different groups of taxpayers. In this way the greater part of the total black market employment can be explained. What remains is assigned to the category of "undistributed".

Macro calculations for the other parts of the tax gap are impossible. Instead the calculations have had to be made applying a micro perspective based on both internal and external sources, such as compliance controls based on random selections, results of the targeted compliance controls, risk analyses and surveys of industries etc. When it has been possible several different sources/calculations have been compared for the same area. In those cases where a basis for calculations has been totally lacking an estimate has instead been made, based on plausibility assessment. The assessments often take the form of arithmetical examples, where a tax gap is calculated using different assumptions.

The material for calculations carried out comes from several different years. The tax gap map does not therefore represent a snapshot of the tax gap, nor is it possible to use it to monitor trends in the tax gap.

Uncertainty in the calculations

The uncertainty of the calculations of the tax gap is in all cases large and in some cases extremely large.

The uncertainty is least in those areas where the material consists of results of compliance controls based on random selection. However these are only available in a few limited areas. The degree of uncertainty is considered greatest with regard to the international tax gap and the tax gap for large companies, where there is a not insignificant amount of tax avoidance. In addition to the difficulty of calculating the size of the tax gap that occurs it is also in many respects difficult to decide what is a tax gap. Depending on the assumptions made in the calculations, the results may differ by several billion kronor. In view of the great uncertainty in the calculations the tax gap map should be used with caution.



The tax

gap map

Information on the tax gap

 Swedish Tax Agency

 Swedish Tax Agency

Website: www.skatteverket.se