

# The VAT Brochure

## An introduction to VAT

The VAT brochure is primarily aimed at small and medium-sized enterprises but also for others that need basic information on VAT (Value Added Tax). The information is general and should not be regarded as a legal text on the subject. This brochure deals with issues faced by most traders.

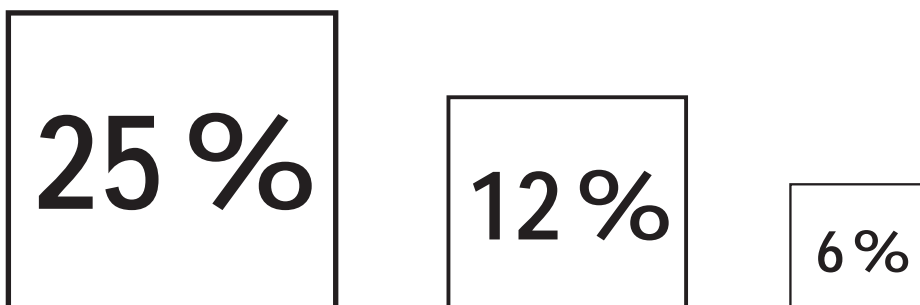
## More brochures

External trade, cultural activities and voluntary VAT liability when letting or leasing business premises are dealt with in greater detail in separate brochures. There are also brochures that describe how to report and pay VAT and how you submit information before you start a business liable to VAT.

## Read more at [www.skatteverket.se](http://www.skatteverket.se)

You will find more detailed information about VAT at the Swedish Tax Agency's website [www.skatteverket.se](http://www.skatteverket.se), where you can also read or download guides, information leaflets, legal case reports, brochures, forms and other documents. You can also use the Agency's electronic service to submit your tax returns and EC sales lists/recapitulative statements.

## *VAT rates ....*



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# News

Since the VAT brochure was last issued in April 2008, the following changes affecting the contents of the brochure have been made to the Value Added Tax Act and the Tax Payment Act.

## From 1 January 2009

The wage costs for employees must exceed SEK 300 000 for self-supply taxation of work on your own properties to apply.

## From 1 January 2010

### New rules for VAT on services

There are two main rules governing where services are considered to be supplied.

It is a main rule that when services are provided to businesses- and VAT-registered legal entities the place of supply is considered to be in the country where the customer is established. You should not therefore charge VAT on sale of services to traders in other countries. As purchaser you must yourself calculate and declare the VAT (reverse charge liability) when you buy services from other countries.

When services are provided to non-business customers (mainly private individuals) the place of supply is as a main rule considered to be in the vendor's country. Non-traders who buy services in other countries must pay the VAT of that country.

There are a number of exceptions to the main rules.

### New rules for EC sales lists/ recapitulative statement

You must also report supply of **services** in the EC sales list (recapitulative statement). This applies to services that you shall not charge VAT on under the main rule to traders in other EU countries. Previously you have only reported the value of goods you have supplied VAT-free within the EU value added tax area.

If you have supplied **goods** you must submit the EC sales lists every month instead of every quarter. Under certain conditions you may after receiving a decision from the Swedish Tax Agency submit EC sales lists per calendar quarter instead of per month.

### State your VAT registration number to vendors of services in other EU countries

If you buy services from another country within the EU value added tax area that are to be taxed in Sweden under the main rule you must give your VAT-registration number to the vendor. The vendor must submit details of the sale in an EC sales list.

## Changes in the VAT section of the VAT and PAYE return

As a result of the new VAT rules the Tax Agency has made some changes in the VAT section of the VAT and PAYE return. The reason for the changes is that as far as possible there should be the same figures you report in the VAT and PAYE return and the EC sales list.

### Box 21 – Acquisition of services from another EU country under the main rule

Here you report the value of services that you have purchased from a vendor in another EU country under the main rule. The main rule implies that the place of supply is considered to be Sweden and that you as purchaser are liable for tax and have to report the output VAT.

### Box 24 – Other purchases of services

Here you report services other than the services you have to report in box 21 or 22 and where you are also liable for tax as purchaser and have to report the output VAT.

### Box 39 – Sale of services to a trader in another EU country under the main rule

Here you report services you have provided VAT-free to a trader in another EU country under the main rule governing sale to businesses. The main rule implies that the services are considered to be supplied in the other EU country and that the purchaser is liable for tax on the purchase. You should normally also report the value of the services in an EC sales list.

### Box 40 – Other sale of services outside Sweden

Here you report other sale of services that are considered supplied outside Sweden *and which you do not have to report in box 39.*

## Refund of VAT within the EU

If you are entitled to refund of VAT in another EU country you can no longer apply on paper to an authority in the country concerned. Instead you must use the Swedish Tax Agency's electronic service "Momsåterbetalning inom EU" [Refund of VAT in the EU].

# What is VAT?

VAT is a tax that we pay on almost all consumption of goods and services. VAT is paid by all consumers, but payments directly to the state are made by businesses. VAT is not an expense for those who pay it to the state. While you must pay VAT on your purchases, in most cases you are entitled to deduct that same VAT.

If you conduct commercial activities and sell goods or services liable to VAT, you must register with the Tax Agency. You must also submit tax returns and pay VAT to the Tax Agency. You must pay the difference between the VAT that you charge on your sales (output VAT) and the VAT that you pay on your purchases (input VAT). If you import goods, you must pay VAT to Tullverket (the Swedish Customs). Refer to the Customs if you have any questions about VAT on imports.

## Abbreviations and terms

**Acquisition** = purchase

**Adjustment** = Adjustment of deductions for input VAT.

**Asset item** = asset intended for permanent use in the business.

**Business accessories** = equipment or interior fittings in a property acquired for direct use in a particular business.

**Current asset** = asset intended for sale.

**EC** = European Community value added tax area (the name EC has been replaced by EU in accordance with the Treaty of Lisbon but remains in some of the Swedish Tax Agency's forms and brochures).

**Electronic service** = service supplied electronically, often via Internet.

**EU** = The European Union. In the brochure EU or EU country means a country or an area that belongs to the European Union value added tax area (Åland is for example not included).

**Export** = sale of goods to a place outside the EU or sale services outside the EU.

**Final accounts method** = The VAT is reported in the period when you pay or receive payment but not later than when preparing final accounts.

**Foreign trader** = A business that does not have its registered office or fixed place of establishment in Sweden and that is not permanently here.

**Goods** = material things such as raw materials, semi-finished and finished consumer or capital goods and property. Also included are gas, heating and cooling, and electricity.

**Import** = goods brought into Sweden from a place outside the EC.

**Input VAT** = VAT that a trader pays on purchases for the business or himself/herself calculates on purchases in cases of reverse charge liability.

**Intra-Community acquisition** = Purchase of goods from another EU country when the purchaser pays VAT in Sweden.

**Invoicing method** = The VAT is reported during the period when you record cash payments and unpaid invoices. The method requires you to book receivables and debts on a continuous basis.

**Mixed business** = sales exempt from VAT and liable to VAT.

**Output VAT** = VAT that enterprises charge to their customers and pay to the state.

**Profit Margin Taxation (PMT)** = method of taxation on difference between purchase price and sale price.

**Reverse VAT liability** = liability to report and pay VAT transferred to purchaser.

**Right to deduct** = Right to deduct input VAT on purchases or imports for business that entails liability for VAT or entitlement to a refund of VAT.

**Self-supply** = you supply goods or services without payment, e.g. for private use.

**Service** = something that can be sold other than goods, e.g. a right.

**Split financial year** = financial year other than the calendar year.

**Tax rate** = percentage rate for calculation of output VAT (tax rate x taxable basis = VAT).

**Tax year** = generally the financial year.

**Taxable basis** = the value on which VAT is calculated.

**Taxable entity** = entity that must pay VAT to the state.

**Turnover** = sale or self-supply.

**VAT and PAYE return** = Return for reporting of VAT, employer's social security contributions and deducted tax. "VAT and PAYE return" in the brochure includes – unless the context clearly indicates otherwise – the VAT appendix SKV 2168.

**VAT appendix** = Form SKV 2168 which is used for reporting VAT in the income tax return.

**VAT registration number** = number given to entities registered for VAT by the Tax Agency.

# When you start a business

## Do I have to register for VAT?

VAT registration is necessary for you to be able to issue correct invoices with VAT. There are companies whose business does not oblige them to invoice VAT, but which are still entitled to a refund of output VAT. Such companies must be registered in order to receive a refund.

You must always register if you are liable to charge VAT, irrespective of the amount of your sales. Your application should be submitted 14 days before you start trading. Start of trading is usually regarded as when you start selling goods or services. If you delay in submitting your application, you may have to pay interest on late payment of VAT.

Under special conditions, your business may be considered as having started as soon as you had expenses for the business. You can apply to be registered for VAT before you expect any income. This is usually described as applying for registration during the **establishment phase**. If you wish to use this option, you must state as much in your registration application.

## How do I register for VAT?

### Electronically

You can use electronic identification on the websites [www.verksam.se](http://www.verksam.se) and [www.foretagsregistrering.se](http://www.foretagsregistrering.se) to apply for VAT registration and make certain other notifications and applications to the authorities. On [www.verksam.se](http://www.verksam.se) this at present applies only to natural persons business activities. You can also obtain advice on your enterprise and help in choosing the right corporate form.

### Tax and payroll tax application form

You can also register by sending in the form "Skatte- och avgiftsanmälan" (Tax and Payroll Tax Application, SKV 4620) to the Tax Agency. The form is in the brochure "Så fyller du i skatte- och avgiftsanmälan" (How to fill in the Tax and Payroll Tax Application Form, SKV 418). The brochure contains instructions for filling in the form. You can also obtain help without electronic identification on [www.foretagsregistrering.se](http://www.foretagsregistrering.se) in filling in a form that you then sign and send in by post.

**Foreign traders** must submit a special notification of registration (SKV 4632) to register for VAT. This form is found in the brochure "Skatteanmälan för utländska företagare" (Tax reporting for foreign traders, SKV 419).

## Should I charge my customers VAT?

All four conditions below must be fulfilled for you to be liable to charge VAT to your customer.

- You **turn over** (sell or self-supply) goods or services
- The turnover of the goods or services are **liable to VAT**
- The turnover takes place as part of **commercial activities**, and
- The turnover takes place **in Sweden**.

The conditions can be illustrated using the "VAT Cat" below. The cat must stand on all four legs to meet the **VAT liability** requirements, i.e. be obliged to charge its customers VAT.



1. There must be a **turnover**. You turn over (sell) goods if you deliver them for payment. A service is sold if it is provided for payment. You also sell goods and services if you **self supply** them without payment.
2. The turnover must be **liable to VAT**. The main rule is that turnover of goods and services is liable to VAT, but there are a number of exceptions (see page 10).
3. Turnover must take place as part of **commercial activities**. Your activities are considered commercial if they are regarded as a business operation under the National Income Tax Act. Other activities can also be deemed commercial if the turnover exceeds SEK 30 000.
4. Turnover must take place **in Sweden**. If you trade with another country, you may be obliged to report VAT in that country.

Read more about the conditions in the section "When must I charge VAT?" on page 8.

## Purchaser reports and pays VAT

In some cases your customer must report and pay the VAT. This is called reverse charge liability. You must invoice as usual but without VAT. You must instead make an addendum to the invoice making it clear that the purchaser is to pay the VAT and the reason for this. The **reverse charge liability** affects neither your right to deduct nor your customer's. The purchaser has a right to deduct in accordance with the general provisions for the VAT the purchaser himself/herself calculates and reports. Read more in the section "Reverse charge of VAT" on page 12.

## How do I calculate VAT?

You must calculate VAT on the compensation (payment) you receive for goods or services. It makes no difference whether you are paid in money or in goods or services. **Discounts** and bonuses will normally reduce the amount on which you charge VAT.

If you sell **travel services** or used goods, in certain cases you can use **profit margin taxation**. In this case, you will charge VAT calculated on your profit margin.

Read more in the section "How do I calculate VAT?" on page 22.

## What VAT rate should I use?

The standard tax rate is 25 per cent of the price before VAT. There is also two reduced tax rates, 12 and 6 per cent.

The tax rate is **12 per cent** for:

- **Foodstuffs.**
- Sale of own **works of art by the artist or the artist's estate.**
- **Import of works of art, collectors' items** and antiques.
- Letting of rooms in **hotel** and boarding-house businesses.
- Letting of camping sites in **campsite businesses.**

The tax rate is **6 per cent** for:

- **Books, newspapers, magazines** etc.
- **Passenger transport.**
- Entrance fees to **concerts** and **performances** at circus, cinemas or **theatres.**
- Entrance fees to zoos.
- Some services in the field of sporting activities.
- Granting or transfer of rights to certain copyrighted works.

Read more about VAT rates in the section "Reduced VAT rates" on page 25.

## VAT rates and margin per cent

The VAT rate is stated as a markup in per cent of the **taxable basis**, i.e. the sales price excluding VAT. Sometimes it can be useful to be able to calculate the VAT on the price including VAT. The percentage for this calculation is called the margin per cent. The ratio between these two is described in the table below.

VAT rate	Margin per cent
25 %	20 %
12 %	10,71 %
6 %	5,66 %

## When can I deduct VAT?

If you charge your customers VAT, you are entitled to deduct the VAT that you pay to your suppliers. You may only deduct VAT that is related to your activities liable to VAT. You may deduct VAT on goods that you buy to sell, and on equipment and overhead costs. You deduct VAT in the year of purchase, even if you claim for depreciation over several years in your income tax returns. Your **right to deduct** is not affected by the fact that you charge VAT at the lower rates of 6 or 12 per cent.

## Deductions not allowed

There are special regulations about deductions that are not allowed and limitations on rights to make deductions. These apply to **passenger cars**, permanent residences and business entertainment. Read more under "Deductions not allowed" on page 15 and in the section "Vehicles" on page 30.

### Employee benefits – no deduction for VAT

If you pay an expense that is unconnected with the business for an employee, such as lunch, you may not deduct VAT since this is not regarded as an acquisition for the business. Purchases that lead to benefit tax for employees are generally not regarded as being made for the business, but for the employee. For this reason you may not deduct VAT in such cases either.

## Mixed business activities

If you sell some goods or services that are liable to VAT and others exempt from VAT, you are said to have a "mixed business". You are then entitled to deduct VAT on purchases related to your sales liable to VAT. If you make purchases used in business activities liable to and exempt from VAT, you must separate the VAT. Read more under "Combined activities liable to and exempt from VAT" on page 14.

## Corrections of previously deducted VAT

If you make a large investment, you may later be forced to **adjust** the deduction you made at the time of purchase. Adjustment is made when the use of the asset changes so that you use it to a greater or lesser extent in the business liable to VAT as compared with the time of purchase. Adjustment may also be necessary when you sell an asset. Read more in the section "Adjustment" on page 33.

## Reporting and paying VAT VAT and PAYE return or income tax return?

If your taxable amount excluding intra-community purchases and imports is calculated to be higher than SEK 1 million you must report the VAT in a VAT and PAYE return.

If your taxable amount is calculated to be not more than SEK 1 million you may report the VAT in a VAT appendix to your income tax return. You can always request instead to be allowed to declare the VAT in a VAT and PAYE return.

**Partnerships** and those who do not have to submit their own income tax return must always report VAT in a VAT and PAYE return.

When a VAT and PAYE return is mentioned in the brochure this usually also includes the VAT appendix to the income tax return.

## Which accounting period must I have?

The accounting period is also governed by your calculated taxable basis but you have certain scope for choosing your own accounting period.

<i>Taxable basis</i>	<i>Accounting period</i>	<i>Alternative</i>
Max. SEK 200 000*	1 tax year in VAT and PAYE return	1 or 3 months in VAT and PAYE return
Max. SEK 1 million	1 tax year in income tax return	1 or 3 months in VAT and PAYE return
Max. SEK 40 million	3 months in VAT and PAYE return	1 month in VAT and PAYE return
More than SEK 40 million	1 months in VAT and PAYE return	None

## When must I submit the tax return and pay the VAT?

The VAT and PAYE return and the payment must have reached the Tax Agency not later than the 12th (in January and August the 17th) of the second month after the accounting period.

In the case of large companies (taxable basis more than SEK 40 million) the 26th of the month after the accounting period applies.

You must pay VAT that you declare in the income tax return as a part of the "F" tax or special "A" tax that you pay every month.

Read more in the section "When shall I report and pay VAT?" on page 18.

\* Applies only to enterprises and partnerships that may not submit an income tax return of their own.

# When must I charge VAT?

This section explains in more detail the four conditions that must apply for you to charge VAT to your customers.

## Turnover

### Sales

“Turnover” primarily means that goods are delivered, or services supplied, for payment. It does not matter if the payment is received in money or in other ways, such as the exchange of goods or services, known as bartering.

By **goods** is meant material objects, e.g. raw materials, semi-manufactures, consumer goods, **real property** and **gas**. **Heat, cooling** and **electricity** are also counted as goods. By **services** is meant everything that is sold in commercial activity and that is not goods. If you sell books, music etc. that you supply **electronically**, e.g. over the Internet, you are selling services. Transfer or assignment of different rights is also regarded as supply of services.

### Self-supply of goods and services

You also turn over goods or services if you supply them without payment. This is usually called “self-supply” from the business. In this case, you must report VAT in spite of the fact that you have not received any payment. This is called “**self-supply taxation**”, aimed at taxing goods and services for which you have deducted VAT, but do not later use in your business liable to VAT.

The following are examples of self-supply for which you must report VAT:

- You take goods from the business and use them privately.
- You transfer goods without payment.
- You transfer goods from a part of the business liable to VAT into a part that is wholly or partly exempt from VAT.
- You carry out a service for yourself or your staff for private or other non-business purposes for no payment.
- You use, or let another person use, an asset that belongs to the business, for private or other uses that are not related to the business liable to VAT.

One condition for self-supply taxation with regard to use of an asset is that the value of the use itself exceeds SEK 500, not including VAT.

There are special rules for **vehicles**. Read more in the section “Vehicles” on page 30.

### Self-supply of work on own real property

Self-supply taxation of work on your own properties must be applied by those who:

- Own business premises (e.g. an apartment building).
- Are not liable to VAT for that property.
- Allow employees to carry out certain types of work, such as construction and installation work, repair and maintenance, planning, drawing, designing, cleaning, window cleaning, waste disposal or other property management.
- Have wage costs for employees who carry out work exceeding SEK 300 000 during one tax year, including payroll charges.

Wage costs also include sickness pay and wage subsidies. Accounting and administrative work are not included in this taxation on self-supply.

With the exception of certain services taxation of self-supply applies to right of tenancy and tenant-owners’ rights on the same conditions as to real property. The services excepted are cleaning of premises, window-cleaning, waste disposal and other property management.

### Self-supply in building activities

If you run a construction business, i.e. supply **building** services to others, then self-supply taxation may also apply to you. Self-supply taxation will apply if you carry out **building services** on a property, right of tenancy or tenant-owner’s right of your own that is not used for activities liable to VAT. Self-supply taxation in building activities does not apply to cleaning of premises, window-cleaning, waste disposal and other property management. There is no limit to the amount for this self-supply taxation.

If you supply **building services** on properties that you do not own, you must charge the customer VAT in the normal way.

### Grants

If you accept a grant, you must judge whether it is “purely” grant with no requirement for you to do something in return. If you receive a grant without having transferred goods or supplied services, then no turnover has taken place and VAT will not be charged on the grant.

If the grant involves some recompense this may be classed as turnover and you must then report VAT on the grant. An example of circumstances indicating that the grant is to be regarded as payment for services rendered is where there is a specified assignment, and that the payer is entitled to monitor or

check services performed for the grant. There must also be a clear connection between services rendered and payment received.

## Damages

A payment that you receive as damages (i.e. as compensation for an injury) is not considered to be a taxable supply. If you provide a service in return for the payment however it will be considered a taxable supply and be a subject to VAT even if the payment is called damages.

If a previous agreement is amended so that the taxable basis is affected, both the vendor and the purchaser must, unless otherwise agreed, adjust their VAT reporting.

## Liable to VAT or exempt from VAT?

### VAT liability is the main rule

Unless exempted in the VAT Act, all goods and services are liable to VAT. If you sell goods and services that are exempt, then you do not charge VAT, nor will you be entitled to deduct VAT. There are, however, a few exceptions to this rule. If you sell certain specially listed goods or services, you do not charge VAT but you are still entitled to deduct VAT on your costs. Legally this is called being entitled to a refund. In practice, it is a deduction that you make in your VAT and PAYE return, so such refunds are called deductions in this brochure.

### Goods and services exempt from VAT

There is a list of exemptions from VAT liability for goods and services on page 11. If there is a reference to another page in the brochure, the goods or services may be exempt under certain conditions.

In addition to the exceptions listed on page 10, there are a number of situations when you do not charge VAT, regardless of the goods or services being sold. You do not charge VAT when you:

- Sell assets other than **current assets** (usually **fixed assets**), if you were not entitled to deduct input VAT for the purchase. See page 29, under “Sale of non current assets”.
- Transfer all (or part) of the business. See page 30, under “Transfer of a business”.
- Supply goods to countries outside the EU (exports) or to VAT-registered customers in other EU countries. Read more under “Sale of goods to other countries” on page 10.
- Supply certain services to customers in other countries. Read more under “Sale of services to other countries” on page 10.
- Sell goods that are kept in special warehouses, called “**tax warehouses**”, as well as services

related to goods kept in such warehouses. Read more under “Tax warehouses” on page 32.

- Sell goods or services to employees of EU institutions and bodies or international organisations with head offices in other EU countries, on condition that the buyer presents a special certificate. Read more under “Sales to EU institutions and bodies”, on page 32.

If your sales include goods and services both liable to VAT and exempt from VAT, it may be difficult to determine how much VAT you should charge. Sometimes the entire sale is considered to be either liable to VAT or exempt from VAT. In other cases, the payment is divided between the two categories. In such cases, you must make the division on reasonable grounds. Read more under “Dividing up compensation” on page 23.

## Commercial activities

In most cases, activities are commercial if they are business operations under the National Income Tax Act. A sale is considered to take place in commercial activities if the following conditions are fulfilled.

- The activities are run on a long-term basis.
- The activities are run on an independent basis. This means that the business you are running is your own. If you are employed in someone else's business, then your business is not considered independent. You must also work independently: for example, you have a number of customers and determine your own working hours.
- The activities are run with the object of making a profit or are at least economic activities of not insignificant scope.

The state and municipalities are regarded as conducting commercial activities even if they do not seek a profit. That part of the activity that constitutes exercise of public authority is, however, commercial only if it would lead to significant distortion of competition if it were not considered commercial. Therefore VAT is not usually charged on activity that constitutes the exercise of public authority or a stage in the exercise of public authority.

Activities conducted by associations, foundations and **religious communities** are considered commercial under the same conditions as for corporations and sole traders. Public-interest **non-profit associations** and registered **religious communities** are, however, subject to special rules stating that the activity is not commercial if their income is exempt from tax under the National Income Tax Act. More information about associations is found in the brochure “Skatteregler för ideella föreningar och stiftelser” (Tax regulations for non-profit associations and foundations, SKV 324).

The following sales are also regarded as commercial activities, even though the conditions for commercial activities set out above are not fulfilled:

- Sale of goods or services from a private housing property or from a **property** owned by a private housing company if the annual sales exceed SEK 30 000. This could be, for example, sales of apples, **timber concessions** or rights to remove stones or earth.
- Granting of timber concessions or sale of forest products when the income is treated as a single payment for income tax purposes, covering all future granting of rights.
- **Staff restaurants** in businesses that are not otherwise liable to VAT, if the value of the food provided in the business exceeds SEK 30 000 per annum.
- Activities that you carry out as a hobby may under certain circumstances be professional (commerce-like forms). According to European Union law, you may carry out financial activities and be liable to VAT even if the activities are not classified as commercial under income tax legislation. When turnover from commerce-like hobby activities exceeds SEK 30 000 per year, the activities are normally professional. Read more in "Handledning för mervärdesskatt" (Guidance on VAT, SKV 553).

## Turnover within Sweden

Swedish VAT regulations only apply to turnover in Sweden. For business with parties in another country, or when the business concerns goods or services sold in other countries or between countries, it can be difficult to determine where the turnover is considered as having taken place.

If a sale is regarded as made abroad, you may have to apply another country's VAT legislation. You may, in some cases, be obliged to register for VAT in another country.

### Sale of goods to other countries

If you deliver goods to other countries you should not normally charge any VAT. This applies if

- the goods are delivered outside the EU (export)
- the purchaser is in another EU country and quotes a valid VAT registration number. In that case you must also give particulars of the sales in EC sales list.

If a purchaser in another EU country is a private individual or a person who does not quote a valid VAT registration number you must charge Swedish VAT as the goods are then considered supplied in Sweden.

If you deliver goods, by distance selling, from Sweden to customers in another EU country, who are not registered for VAT and the total amount of such distance selling exceeds the threshold value of that country for distance selling, the place of supply will be considered to the other country. You then have a duty to be registered for VAT in that country and to pay that country's VAT. The minimum threshold value is about 35 000 euro.

Sales in Sweden to visitors from other countries is regarded as turnover within Sweden. In certain circumstances, the sale can be considered afterwards as export. Read more under "Sales to tourists etc.", on page 32.

### Sale of services to other countries

If you supply services you must under the main rule charge VAT to non-business customers. The services are considered supplied in Sweden.

If you supply services to a business customer the main rule is that you should not charge VAT. The services are considered to be supplied in the country where the customer is established. If your customer is established in another EU country you must as a rule also give details of the value in an EC sales list. To be able to do this you must have the customer's VAT-registration number.

### Exceptions

- Property services are considered supplied in the country where the property is located.
- Cultural, educational, sporting, scientific and similar services are considered to be supplied in the country where the service is performed.
- Restaurant and catering services are considered supplied in the country where the service is performed.
- Short-term hire of means of transport is considered supplied in the country where the means of transport is made available to the customer.
- Passenger transport provided entirely in Sweden is considered supplied in Sweden. Passenger transport between Sweden and other countries is supplied abroad.

If you supply to non-business customers special provisions apply to agency services, transport services and transport-related services, work on, or valuation of, goods that are movable property and to "other services", e.g. electronic services.

You can read more on the VAT regulations applicable to foreign trading and on EC sales lists in the brochure "Moms vid utrikeshandel" (VAT and foreign trading, SKV 560).

## Goods and services exempt from VAT

<b>Actor</b> , presentation of a copyrighted literary or artistic work.	
<b>Adult education activities</b> supported by the state or a municipality and provided by an educational association, such as a "study circle".	
<b>Advertising and the acquisition of advertisers<sup>1</sup></b> in members' bulletins, staff magazines, organisation magazines, programmes and catalogues exempt from VAT.	See page 29
<b>Aircraft<sup>1,2</sup></b> for commercial goods or passenger transport and related goods and services.	See page 29
<b>Archive activity</b> which is supported on an ongoing basis to a significant extent by the state or a municipality.	
<b>Aviation petrol and jet fuel<sup>1,2</sup></b>	
<b>Banking services</b>	See page 28
<b>Banknotes</b> that are legal tender with the exception of those that are <b>collectors' items</b> .	
<b>Catalogues<sup>1</sup></b> for in-house activities exempt from VAT.	
<b>Coins<sup>1</sup></b> that are legal tender, with the exception of coins that are <b>collectors' items</b> .	
<b>Cultural education work</b> run by municipalities, such as arts colleges and music schools.	
<b>Dental care</b>	See page 28
<b>Education</b> at compulsory and upper secondary school level and higher education.	See page 28
<b>Entrance fees</b> to sporting events arranged by the state, a municipality or a non-profit association.	
<b>Financing services</b>	See page 28
<b>Gold<sup>1,2</sup></b> which is delivered to Sveriges Riksbank and investment gold.	
<b>Grave-digging or tending of graves<sup>1</sup></b> offered as a service by the principal or owner of a public cemetery.	
<b>Human blood</b>	
<b>Human breast milk</b>	
<b>Insurance</b> and insurance agency work.	
<b>Leaseholds</b> and other rights to property. There are several exceptions.	See page 27
<b>Letting</b> of property (e.g. buildings and apartments).	See page 27
<b>Library activity</b> which is supported on an ongoing basis to a significant extent by the state or a municipality.	
<b>Lotteries</b> , betting and other types of gambling.	
<b>Medical care</b>	See page 27
<b>Members' bulletins<sup>1</sup></b>	See page 29
<b>Motor vehicles<sup>1,2</sup></b> sold to foreign diplomatic missions and their staff.	
<b>Museum activities</b> supported on an ongoing basis to a significant extent by the state or a municipality	
<b>Organisation magazines<sup>1</sup></b>	See page 29
<b>Performing artist's</b> (such as an actor or other performing artist) presentation of a copyrighted literary or artistic work.	
<b>Performing artist's</b> (actor, musician, dancer, artist) performance of a copyrighted literary or artistic work.	
<b>Pharmaceuticals<sup>2</sup></b> supplied on prescription, or sold to hospitals.	
<b>Presentation of a copyrighted literary or artistic work</b> if presented by a performing artist, e.g. an actor or other performing artist..	
<b>Printing<sup>1,2</sup></b> and other production and distribution of members' bulletins, staff magazines and organisation magazines on the assignment of the publisher.	See page 15
<b>Programmes<sup>1</sup></b> for in-house activities exempt from VAT.	
<b>Property</b> . Sale, rental, leaseholds and other rights to property.	See page 27
<b>Radio programmes</b> , production and broadcasting if the activity is mainly financed by government grants.	
<b>Ships<sup>1,2</sup></b> for commercial shipping or fishing and related goods and services.	See page 29
<b>Social care</b>	See page 28
<b>Sporting events and sporting activities</b> , charges for entry and participation if the fee is levied by the state, a municipality or a non-profit association.	See page 28
<b>Staff magazines<sup>1</sup></b>	See page 29
<b>Trade in securities</b>	See page 28
<b>TV programmes</b> , production and broadcasting if the activity is mainly financed by government grants.	
<b>Vessels<sup>1,2</sup></b> for towing or salvage and related goods and services.	See page 29

<sup>1</sup> You must issue an invoice under the provisions of the Value Added Tax Act unless it is a non-business customer.

<sup>2</sup> If you supply goods or services you may have a right to refund (deduct).

# Reverse charge of VAT

## What is reverse charge?

When reverse charge (reverse VAT liability) is applied, it is the purchaser and not the vendor that is liable to VAT. In this case, as purchaser you may be obliged to report and pay VAT to the state when you have purchased goods or services. As a vendor you transfer liability to the purchaser to report and pay VAT to the state.

## When should I use reverse charge?

Reverse charge liability must only be used in certain specific cases. You cannot in other words choose whether to allow the purchaser to report VAT or not. Conversely you as the purchaser must report VAT when reverse tax liability applies.

### Exceptions

In the case of **foreign traders** reverse charge liability applies as the main rule in sale to tax-liable purchasers of goods and services related to properties that are situated in Sweden. The foreign trader may however ask to be liable for tax on such sale.

### In Sweden

Reverse charge liability applies to trade in Sweden in the following cases:

- when performing most **building services** between companies in the construction sector. Read more under the heading “Reverse charge in the construction sector”.
- In certain circumstances when selling **investment gold**.

### Purchase of goods from another EU country

When you are registered for VAT and buy goods from another EU country you will be taxed in Sweden. You must yourself calculate and report Swedish VAT in your VAT and PAYE return (reverse charge liability). The vendor may refrain from charging the other country's VAT if you give your Swedish VAT-registration number. However you must report Swedish VAT even if the vendor has charged VAT in his/her country. Contact the vendor if the vendor has charged VAT incorrectly.

### Purchase of services from abroad

Services are normally considered supplied in Sweden when you as a trader purchase them from abroad. In the case of services it is immaterial whether you purchase the service from an EU country or a country outside the EU. There are a number of exceptions to the main rule, which you can read on page 10.

## Reverse charge for vendors

When reverse charge applies you don't charge your customer VAT. You must instead state on the invoice that the purchaser is to report the VAT. Read more under the heading “Exemption from VAT and reverse charge liability” on page 17.

In the **VAT and PAYE return** you must report sale within Sweden in box 41. In the case of sale to other countries there are separate boxes under the heading “Sale etc which is exempted from VAT” in the VAT and PAYE return.

Although you do not report any output VAT, you have the **right to deduct** tax in accordance with the general regulations.

## Reverse charge in the construction industry

### What services fall under reverse charge?

Reverse charge liability applies primarily to the construction industry. The following services will be covered by reverse charge liability:

- Land and foundation work (e.g. demolition of houses and land investigations).
- Construction and plant work (e.g. construction of houses, erection of other buildings and road construction).
- Construction installation work (e.g. electrical installation and insulation and water and ventilation work).
- Completion work on buildings (e.g. rendering and facade work, carpentry, floor and wall coverings and painting and glazing work).
- Clearing after construction.
- Leasing of construction and plant machinery with operators and leasing of personnel for services stated above.

Section F (main group 45) in the Swedish Standard Industrial Classification (SNI 2002) may give guidance when you have to decide whether a service is to be covered by reverse charge liability.

### When do I pass on VAT liability to the purchaser?

Reverse charge liability applies when you provide any of the above services to a taxable person who also supplies construction services more than temporarily.

Reverse charge liability also applies when you provide the above services as an intermediary.

## Reverse charge for purchasers

You must calculate how much VAT you report if you are liable to tax as a purchaser. You must have received an invoice on which it states “reverse charge” or otherwise states that you are liable to VAT or that the purchaser must pay VAT. In your VAT and PAYE return you must report the purchase in one of the boxes under the heading “purchases liable to VAT where the purchaser is taxable”. The output VAT, which you must calculate, must be reported in one of the boxes under the heading “Output VAT on purchases in boxes 20–24”. Which box you use depends on which tax rate you report.

For VAT which you calculate yourself and report in your VAT and PAYE return, you have **deduction rights** according to the general regulations. This means that the VAT will not affect your tax account if

you have full **right to deduct** (may deduct the full VAT). You may not carry out any “silent write-off”. You must report both output and input VAT in your tax return. The input VAT is reported in box 48.

If the vendor has stated on the invoice that reverse charge liability applies and you as the purchaser consider that the vendor is mistaken you must contact the vendor to obtain a new invoice.

### Example: Reverse VAT liability

Purchase of consultancy services from Norway

Invoiced amount SEK 10 000

Calculated output VAT SEK 2 500

Calculated input VAT SEK 2 500

If you do not have full rights to deduct VAT, the input VAT you may deduct will be less than SEK 2 500.

## Example: How to fill in your VAT and PAYE return using reverse charge

A and B are both company owners in the construction sector. A sells **construction services** to B for SEK 100 000. A has had costs for these building services and the VAT on these costs is SEK 5 000. B must report and pay VAT on the services. The **construction services** that B pur-

chases are completely included in the contract carried out by B. B is therefore entitled to deduct the VAT which he will calculate and report. Even though A does not report any output VAT, he may deduct SEK 5000 as input VAT on costs for services sold under reverse charge.

### A's VAT and PAYE return

A fills in SEK 100 000 in box 41 *Sales when purchaser is taxable in Sweden.*

A fills in SEK 5 000 in box 48 *Input VAT to deduct.*

The form is a 'Skattedeclaration' with the following sections and fields:

- 01** Deklarationsdag
- 02** Person-Organisationsnummer
- Momsregistreringsnummer (VAT-nummer)
- Bankgiro, plusgiro och referensnummer (OCR), se andra sidan.
- Deklarationsadress
- Moms att deklarerar för**
  - A. Momspliktig försäljning eller uttag exklusive moms**
    - 05: Momspliktig försäljning som inte ingår i annan ruta nedan
    - 06: Momspliktiga uttag
    - 07: Beskattningsunderlag vid värtmätning/arbetsvärdering
    - 08: Hyresinkomster vid frivillig skattskyldighet
  - B. Utgående moms på försäljning eller uttag i ruta 05 - 08**
    - 10: Utgående moms
    - 11: Utgående moms
    - 12: Utgående moms
  - C. Momspliktiga inköp där köparen är skattskyldig**
    - 20: Inköp av varor från annat EG-land
    - 21: Inköp av tjänster från annat EG-land
    - 22: Inköp av tjänster från annat EG-land
    - 23: Inköp av varor i Sverige
    - 24: Inköp av tjänster i Sverige
  - D. Utgående moms på inköp i ruta 20 - 24**
    - 30: Utgående moms
    - 31: Utgående moms
    - 32: Utgående moms
  - E. Försäljning m.m. som är undantagen från moms**
    - 35: Försäljning av varor till annat EG-land
    - 36: Försäljning av varor utomför EG
    - 37: Mellanmans inköp av varor vid trepartshandel
    - 38: Mellanmans försäljning av varor vid trepartshandel
    - 39: Försäljning av tjänster när köparen är skattskyldig i annat EG-land
    - 40: Övrig försäljning av tjänster omsatta utom landet
    - 41: Försäljning när köparen är skattskyldig i Sverige
    - 42: Övrig försäljning m.m.
  - F. Ingående moms**
    - 48: Ingående moms att dra av
  - G. Moms att betala eller få tillbaka**
    - 49: Moms att betala eller få tillbaka
- Beräkna din betalning** (frivilliga uppgifter, registreras ej)
  - Moms att betala/återfå
  - Arbetsgivaravgift
  - Avdragen skatt
  - F- eller SA-skatt
  - Att betala/få tillbaka

### B's VAT and PAYE return

B fills in SEK 100 000 in box 24 *Purchase of services in Sweden.*

B fills in SEK 25 000 in box 30 *Output VAT 25 %.*

B calculates the tax at 25 % of the purchase price of the services.

B fills in SEK 25 000 in box 48 *Input VAT to deduct.*

# When am I entitled to deduct VAT?

## Business purchases – not for private consumption

You may deduct input VAT on purchases that you make for your activities liable to VAT. You may not deduct VAT on private purchases, even if they are made using your company's money. If, for example, you pay for an employee's lunch and it is not classified as **business entertainment**, you may not deduct the VAT on the lunch since you have not had business expenses, only expenses for the employee's private consumption. In the case of business entertainment, the deduction is limited to that part of the cost that you may deduct under income taxation.

Purchases that involve benefit tax for employees on income tax are usually not regarded as being made on behalf of the business, but on behalf of the employee. For this reason you may not deduct VAT on such purchases. On the other hand, you may make deductions for costs related to personnel care and gifts of a low value on condition that the benefits are exempt from tax in their income taxation. Examples of such costs are health care and coffee.

## Combined activities liable to and exempt from VAT

If you sell goods or services both liable to VAT and exempt from VAT, called having a "**mixed business**", there are some limitations on the right to make deductions:

### You may deduct the full amount of VAT

- For purchases for the portion of the business liable to VAT.
- For purchases for activities liable to VAT and exempt from VAT which are more than 95 per cent to the activity liable to VAT.
- For a purchase for business activities if more than 95 per cent of the business is liable to VAT and the input VAT for the purchase does not exceed SEK 1 000.

### You may not deduct VAT

For purchases for the part of the business exempt from VAT.

### You must divide up input VAT

If you buy something that is to be used in activities both liable to VAT and the exempt from VAT, then you may make a deduction that corresponds to use in the activity liable to VAT.

With respect to ongoing **running costs**, the relationship between turnover liable to VAT and exempt from VAT is often used as a basis for determining what is reasonable. If you have a total turnover that is 60 per cent liable to VAT, then you may not deduct more than 60 per cent of the VAT. The point is that you must try to find reasonable grounds for the division. Turnover can be misleading, in which case other grounds for the division might be more appropriate.

**TIP:** Tell the Tax Agency what grounds for division you have used and how you have calculated VAT.

If you invest in machinery, fixtures and fittings, property etc., you should make a more careful assessment instead of using the same division as for ongoing running costs. You should try to assess how each separate investment will be used.

In the case of somewhat larger investments in machinery, fixtures, fittings, real property and suchlike, you may have the opportunity to, or be obliged to, make an **adjustment** to the original deduction that you made at the time of purchase. This is the case if you change the use of the asset so that you use it to a greater or lesser degree in activities liable to VAT than was the case at the time of acquisition. You may also need to carry out adjustment on the sale of such an asset. Read more in the section "Adjustment" on page 33.

## Special rules for certain fixed assets

For goods which you normally use over a longer time period and for which you deduct depreciation, in certain cases you may have some freedom of choice regarding VAT at the time of purchase. This applies in cases where activities are liable to VAT and you will use the goods both privately and in your commercial activities. In addition to dividing the input VAT at the time of purchase you have two other options.

- You can fully attribute the goods to your activities liable to VAT and deduct all of the VAT. You may do this even if the goods will be used privately to some extent. Read more under the heading "Self-supply" on page 23.
- You can fully attribute the goods to your private assets. You do not deduct any VAT on the purchase and you can later sell the goods without VAT.

If you have combined commercial activities, i.e. some sales liable to VAT and some not, you may not deduct all the VAT. Instead you must make a division of the input VAT.

## Deductions not allowed

You may not make deductions for input VAT regarding:

- **A permanent residence.** You may not deduct input VAT on expenses for a permanent residence even if you use the residence for activities liable to VAT (e.g. offices or **staff housing**). Deductions are not allowed for expenses in the building (decoration, repairs etc.) or living expenses (water and sewage installations, etc.).

You may, however, deduct input VAT for an **agricultural lease**, and for the part of the lease that applies to the dwelling. No VAT deductions are allowed on other costs for housing on a farm.

A “permanent residence” is a building or part thereof that is designed for living. You may not, for example, deduct VAT on expenses for the repair of the office space in your home. In some cases, such as commercial letting of rooms, the use or other special circumstances may be important in assessing whether you may deduct VAT or not. This may also be the case if part of a permanent residence is used in a business and it is clearly separate from the rest of the house and has been specially adapted to the commercial activities carried out.

- **Purchase of passenger vehicle**

*Exceptions:* You are entitled to deduct VAT if the vehicle is to be used for

- re-sale in a **car dealership**
- hiring in a car-hire business
- taxi traffic
- transport of deceased persons
- driving instruction.

Read more about cars in the section “Vehicles” on page 30. There is also a section there about hire (leasing).

- Expenses for **business entertainment** for which no deduction is allowed in income taxation.

## Right to deduct VAT without charging VAT

You do not usually have the right to deduct VAT unless you charge VAT when you sell goods or services. When selling certain goods and services, however, you are entitled to deduct VAT on your purchases for the sale, despite the fact that you do not charge your customers VAT.

If you sell the following goods and services in Sweden, you are entitled to deduct input VAT despite not charging VAT on your sales:

- **Production** (e.g. printing), distribution or other services that have a natural link to the production of **periodical members’ bulletins, staff magazines or organisation magazines**. See page 29.
- **Ships** for commercial shipping or fishing, **ships** for towing or salvaging and **aircraft** for transporting passengers or goods, and certain services and spare parts for such ships and aircraft. See page 29.
- Lifesaving vessels. See page 29.
- **Pharmaceuticals** supplied on prescription or sold to hospitals.
- Aviation petrol and jet fuel.

If you sell goods or services to other countries that are subject to VAT when sold in Sweden, then you may in the following cases deduct input VAT despite not charging VAT to your customers:

- You sell the goods and services to a country outside the EU, i.e. export goods and services.
- You sell goods or services on which VAT is to be charged in another EU country. For you to be able to deduct VAT in Sweden, what you are selling must be subject to VAT both in Sweden and in the country in which the VAT is to be charged.

## Verifying the right to deduct with an invoice

You must be able to verify the input VAT that you deduct with an invoice. If, for any reason, you have not received an invoice from the vendor, you cannot verify your right to make a deduction and you may not deduct input VAT. The same applies if the invoice you have received from the vendor lacks necessary information. See next section “You must issue an invoice”.

# You must issue an invoice

## Sale to legal entities and traders

Regardless of the amount you must under the provisions of the Value Added Tax Act issue an invoice when you sell goods or services liable to VAT to legal entities and businesses. The obligation to invoice also applies to payments in advance and on account.

### Exceptions

The VAT Act does not require you to issue an invoice for conveyance of passengers to and from foreign countries.

Nor need you issue an invoice if you sell goods or services exempt from VAT or when the sale is exempt from VAT in Sweden.

There are some exceptions to this:

You must, for example, issue an invoice if you

- sell assets on which you could not deduct the VAT on purchase
- transfer a business or part of
- sell goods to VAT registered buyers in other EU countries
- sell certain goods and services. The table on page 11 shows which these are.

## Sale to private individuals

There is no invoicing requirement in the Value Added Tax Act if you sell to private individuals.

### Exceptions

You must also issue an invoice if you sell to private individuals when you are selling

- building and installation services
- **new means of transport (cars, motorcycles, boats and aircraft)** which is to be taxed in another EU country.

## You must always have a basis for the bookkeeping

Even if you do not have a duty to invoice under the Value Added Tax Act you must always have a basis for your bookkeeping. This means that you must have a voucher for every business transaction. What the voucher must show is governed by Chapter 5 of the Accounting Act.

## When must I issue an invoice?

You must issue invoices relating to building and installation services not later than at the end of the second month after the month when you supplied the services.

You issue other invoices within the time that may be regarded as good business practice for the sector concerned.

## Self billing

You may allow your customer to issue an invoice on your behalf. This is called self-billing. You may only transfer the invoicing to your customer if

- there is a pre-arranged agreement on self-billing between you and the buyer
- it is clear that the invoice was issued by the purchaser
- the purchaser and you have procedures for approval of issued invoices.

There are no special requirements on the type of contract that you and the purchaser agree to prior to self-billing. This means that a spoken agreement between you is sufficient. If as a vendor you do not object to an invoice issued by the purchaser, this may be sufficient grounds for approval. It may be wise to put your agreement in writing. Customers must also have a separate number series for their invoices.

As vendor you are always responsible for the correct content of the invoice issued. That responsibility may never be transferred to anyone else.

## Can a third party issue the invoice?

Invoicing may be carried out by a third person in the vendor's name and on the vendor's behalf. There are no formal requirements in such cases either. It is always possible to transfer the administration of invoicing someone else, but the vendor always remains responsible for correct invoices being issued.

Any person or entity that invoices on behalf of another must have a separate sequence of consecutive numbers for each vendor. There is nothing to prevent invoicing being carried out for several vendors in the same document. Required information must be stated for each vendor if the document is to be considered as an invoice. Information on each vendor must also be clearly separated so that there are no ambiguities regarding what information refers to a particular vendor.

# What information must the invoice include?

## Information in all invoices

For a purchaser to be entitled to deduct the VAT on his purchases for the business, the right to deduction must be verified by an invoice. The following information must be stated on the invoice:

- Date of issue (date of invoice).
- A unique serial number for each invoice, based on one or more series.
- The vendor's VAT registration number.
- The customer's VAT registration number. The number need only be given if the customer is obliged to pay tax on the acquisition (known as reverse charge) or if a purchaser in another EU country quotes his VAT registration number to obtain the consignment without VAT.
- The names and addresses of the vendor and purchaser.
- The amount and type of goods or the scope and type of services.
- The date when the sale of the goods or services took place or was completed. For payments in **advance** or on **account**, the date of payment must be shown – if it can be established, and if it deviates from the invoice date.
- The taxable basis for each **VAT rate** or exemption, the unit price excluding VAT, and any price reduction or **discount** not part of the unit price.
- The **VAT rate** applied.
- The VAT payable. If you use profit margin taxation, you do not state the amount of VAT.

## Exemption from VAT and reverse charge liability

If you supply goods or services with reverse charge liability for the customer, there must be a reference on the invoice to either

- the relevant regulation in the VAT Act
- the relevant regulation in the VAT Directive, or
- other information showing that the turnover is exempt from tax or that the purchaser is liable to VAT.

If you do not know which regulation is relevant you may state in plain text the reason for the supply being VAT-free. For example you can write "VAT-free printing of members' bulletin". Where there is reverse charge liability in the building sector you may for example write "Reverse charge liability for building services". In other words it is not enough to write that the supply is VAT-free.

## Profit margin taxation

In cases of profit margin taxation there must be a reference to

- Chapter 9a of the VAT Act (for **travel services**, Chapter 9b)
- Articles 311–325 in the Value Added Tax Directive 2006/112/EC (for travel services articles 306–310) or
- other information showing that profit margin taxation has been applied.

## New means of transport within the EU

On delivery of a new means of transport within the EU, information required to determine whether the goods are a new means of transport (car, motorcycle, boat, aircraft) must be stated. Read more under "New means of transport" on page 21 and 32.

### The right name must be on the invoice

It is important that the invoice is addressed to the person who will claim deduction of the VAT. If the name is incorrect the purchaser himself/herself may alter it provided that it is still possible to determine who the purchaser is and that the invoice is correct in other respects. If the incorrect name is the name of another existing company, e.g. a company in the same group, you must first ask for a certificate from the supplier showing that the name is incorrect and what the correct name is.

## Simple invoices

In some cases, it is sufficient to issue a **simple invoice**. You may do this if the sale amounts to less than SEK 2 000 including VAT. You may also use a simple invoice if trading practice in the sector, administrative practice or the technical circumstances of invoicing make it difficult to issue a complete invoice. Examples of when a simple invoice may be permitted are the sale of petrol from automatic pumps or the sale of train or bus tickets. You may not use simple invoices in sales to other countries.

A simple invoice must show

- the date of issue (date of invoice)
- the vendor's identity
- an identification of what type of goods has been delivered or what services have been provided
- the VAT to be paid, or information enabling the calculation of the VAT.

## Summary invoices

If you sell goods with separate deliveries, you may invoice the deliveries in a summary invoice. You may also use the summary invoice if you supply several services.

The same requirements apply to summary invoices as to other invoices, but you need not give separate serial numbers for the different sales (deliveries).

## Credit notes

You must issue a credit note when, for example, you give a **cash discount** or other reduction of price after sale, or if you take goods back.

The credit note must show

- an unambiguous reference to the original invoice
- the adjusted amount of VAT.

If the original invoice applies to a sale that was subject to reverse charge, this must be shown on the credit note.

## Currency in invoices

Regardless of which currency you invoice in, you must show the VAT in Swedish kronor (SEK).

### Exceptions

If the Euro is your accounting currency, you may show the Swedish VAT in Euros.

You must also state what **currency exchange rate** you used in reconvert to Swedish kronor. The currency exchange rate is the latest selling price registered at **the time the VAT liability occurred**. This is usually the time of delivery of goods or supply of services.

## Electronic invoicing

You may use electronic invoicing if the buyer approves. There are no other special requirements for you to be able to use electronic invoicing. The same requirements, however, apply to an electronically issued in-

voice as a paper invoice. If several electronic invoices are sent at the same time to the same customer, you need only state information once that applies to all these invoices. There is nothing to stop an incomplete paper invoice being supplemented with electronic information to give a complete invoice. The connection between the two must be clearly stated, however. If you sell goods and services to other countries, you may need to find out what regulations apply to electronic invoicing in the country in question.

There are also regulations in the Bookkeeping Act on electronic invoicing. See also the recommendations and guidelines of the Accounting Standards Board at [www.bfn.se](http://www.bfn.se).

## Storing invoices

If you are obliged to issue invoices, you are also obliged to store invoices. The storage obligation applies to all invoices that you are obliged to issue and which you receive. The storage obligation also applies to those invoices that a customer issues through **self-billing** or which are issued by a third party on your behalf. Traders who are not obliged to issue an invoice but who receive invoices are also covered by these rules. The storage obligation means that you must ensure all invoices are stored.

You may store invoices both in paper form and electronically. When invoices are stored electronically, you must ensure that the information in the invoice is readable and unchanged during the entire period of storage. In some circumstances, electronic invoices can be stored in another EU country.

If you are obliged to keep account books, but not obliged to issue invoices, the Bookkeeping Act contains regulations about the obligation to store invoices.

# When shall I report and pay VAT?

If you are obliged to charge VAT, you must also report and pay VAT to the state, regardless of the size of your sales. The obligation to report also applies to those who are registered for VAT and have the right to make deductions (right to repayment) despite not needing to charge VAT.

You must either report the VAT in the VAT appendix to your income tax return, or in a VAT and PAYE return. You also report employer's fees and employee taxes in the return.

## Reporting in your VAT and PAYE return

**Partnerships** and limited partnerships must always report VAT in VAT and PAYE returns. The same is true for those required to report VAT but not obliged to submit their own income tax returns, e.g. bankruptcy estates and foreign companies.

In the following situations, you must also report VAT in your VAT and PAYE return.

- Your taxable basis (the amount on which you calculate VAT) is calculated to be more than SEK 1 million per year. You should not include intra-community purchases and imports. However you must include the taxable value in cases of reverse charge liability in Sweden, e.g. as applies in the construction sector.
- You have opted to pay tax on **letting of commercial premises**.
- The Tax Agency has registered your business for VAT during the **establishment phase**, i.e. before you have had sales liable to VAT.
- The Tax Agency has judged that there are other special reasons for such accounting.

There are also other cases in which you can request to report VAT in a VAT and PAYE return. The Tax Agency's decision to allow you to report VAT in your VAT and PAYE return applies for at least two tax years.

### Accounting periods

The accounting period is three months (a calendar quarter). If you so request, the Tax Agency will decide that the accounting period should be one month. If there are special reasons the Tax Agency will decide that you must report VAT every month without your requesting it.

If the accounting period is changed from one to three months or vice versa the new accounting period will normally apply from the next calendar quarter. A decision on monthly accounting will apply, unless there are special reasons, for at least two years.

A party which is not obliged to submit its own income tax return, e.g. a partnership, may, subject to a decision by the Tax Agency, submit a VAT and PAYE return for the full tax year. This applies provided that the taxable basis, exclusive of intra-community purchases and imports, is not estimated to exceed SEK 200 000 during the year.

### VAT and PAYE return and payment days

The return must be submitted so that it is received by the Tax Agency no later than the 12<sup>th</sup> of the second month after the return period. Payment must be registered in the Tax Agency's postal or bank giro account on that day. The return for the January return period must be received by the Tax Agency no later than 12 May. In January and August, the final date is the 17<sup>th</sup>. If you submit a return for a whole tax year, the return must be received by the Tax Agency no later than the 12<sup>th</sup> of the second month after the end of the tax year. The 17<sup>th</sup> applies for January and August in this case too.

After application to the Tax Agency, you are entitled to report VAT no later than the 26<sup>th</sup> of the month after the return period. For those who are often repaid excess VAT this may be an advantage, since you will receive the VAT and PAYE return form during the return period instead of in the middle of the month after the period. If you make an application for the 26<sup>th</sup> of the month after the return period to be the date of your return, you must submit the return no later than the 26<sup>th</sup> in order to avoid financial penalties.

#### Electronic VAT and PAYE return

If you submit your return with the Tax Agency's electronic service, you can choose to submit your return between the 1<sup>st</sup> of the month after the return period and the 12<sup>th</sup> of the second month after the return period.

Large businesses must always report and pay VAT on the 26<sup>th</sup> of the month after the return period. "Large businesses" here means companies whose taxable basis, exclusive of intra-community purchases and imports, during a year is estimated to exceed SEK 40 million.

### Reporting in your income tax return

If you do not have to report VAT in a VAT and PAYE return, then you must report VAT in the VAT appendix (SKV 2168) to your income tax return. This means that you report the VAT for a whole tax year. The date of the VAT and PAYE return is the same as your income tax return.

There are no specified days for paying VAT for those reporting VAT in the income tax return. The VAT that you must pay is included in the calculation of the F tax (corporation tax) or special A tax (taxation at source) that you pay each month.

### When should VAT be entered in the books and reported?

The main principle is that you must report VAT in the return period during which you entered a sale in the books, or should have done so. Similarly, you are entitled to make deductions in the period in which you have booked a purchase. Since the reporting of VAT must follow bookkeeping, there are two reporting methods for VAT. If you enter your invoices in the books on an ongoing basis, you must use the **invoicing method**. If you wait until the end of the year before you enter unpaid invoices into the books, you must use the **final-accounts method**. This method means that you base the VAT reporting only on ingoing and outgoing cash payments in all return periods, apart from the last of the tax year.

## Invoicing method or final accounts method?

If you are obliged to draw up accounts and an annual report, you must report business transactions on an **ongoing** basis. You will then use the **invoicing method**.

An annual report must be drawn up by:

- Limited liability companies
- Co-operative associations
- **Partnerships** in which one or more of the partners is a legal entity.
- Companies covered by the Act on Annual Accounts in Credit Institutions and Securities Companies or the Act on Annual Accounts in Insurance Companies.
- Foundations that must keep financial records under the Bookkeeping Act.
- Companies which over both of the last two financial years fulfil at least two of the following criteria:
  - More than 50 employees on average
  - More than SEK 25 million in reported balance-sheet total
  - More than SEK 50 million in reported net turnover
- Companies which are parent companies in a group and which over both of the last two financial years fulfil at least two of the following criteria:
  - More than 50 employees on average in the group
  - More than SEK 25 million in the reported consolidated balance-sheet total
  - More than SEK 50 million in the reported consolidated net turnover.

If you are not obliged to draw up an annual report and your normal turnover is at most SEK 3 million, you may **wait to enter** your business transactions until you pay or have received payment. At the end of the financial year (closing of the books) you must enter all unpaid claims and debts. If you wait until you pay or have received payment to enter your transactions, you must use the **final accounts method** when reporting VAT. This means that you base your VAT report only on cash received and paid in all the reporting periods except the last one of the fiscal year.

Companies that are obliged to submit annual accounts may also wait to enter invoices until payment has been made. There may only be a small number of invoices in the business and claims or debts related to these may not amount to considerable sums.

In **cash transactions**, you must report VAT for the return period in which you pay or are paid when using either method.

If you are not obliged to keep accounts, you must report VAT in the return period in which you sell goods or provide a service. You may deduct the VAT during the period in which you have made a purchase or paid import VAT.

## When shall I report VAT if I use the invoicing method?

Output VAT is reported during the return period in which client invoices are entered in the books, or should have been according to accepted accounting practice. Input VAT is reported during the return period in which purchase were entered in the books, or should have been. You must report VAT when you issue or receive an invoice, in other words.

You can choose to enter VAT in the books and report it in the return period in which supply took place, even if you have issued or received an invoice in a later return period. This applies as long as you do it consistently, i.e. you do so routinely for purchases and sales.

For advance payments (payment prior to delivery) in which it is clear which goods or services are referred to, you must report VAT in the return period in which you pay or receive payment. An example of **advance payment** is rent that is paid before the end of the rental period. Sales of gift vouchers and other documents of value that refer to goods or services ordered are included under advance payments. Accordingly, you must report VAT when you receive payment if you sell lunch coupons which can only be used at a certain restaurant. If, on the other hand, you sell debit cards that may be used as payment for different goods or services, you need not report VAT when you receive payment in advance. The VAT in this case is reported by the vendor of the goods or services when the card holder pays by card. Examples of **advance payment** for which you need not report VAT are payments for lunch vouchers, telephone cards and gift vouchers.

VAT that you pay on imports – **import VAT** – may not be deducted before you receive the VAT bill from **Tullverket** (the Swedish Customs). It is not sufficient to have submitted your customs declaration and been notified how much import VAT you must pay.

If you employ a forwarding agent, you may be entitled to deduct import VAT even if you have not received a bill from the Customs by requesting a deduction on the basis of the invoice you received from the forwarding agent. The invoice must show how much import VAT you are to pay and on what date you may make the deduction.

## When shall I report VAT using the final-accounts method?

For each return period, you must report VAT on:

- Cash payments.
- Payments in the form of goods or services.
- **Advances or payments on account** for goods and services ordered.
- The value of any self-supply.

In the return that refers to the last period of the year, you must also report VAT on unpaid invoices. Payment thus governs when you report VAT, apart from **at the annual closing**. In order to avoid reporting the above VAT in the coming year too, you must mark these invoices so that you do not enter any VAT in the books when you pay during the coming year.

## Change of reporting method

If you use the invoicing method (general regulations) when reporting VAT, you must apply\* to the Tax Agency before changing to the final accounts method. There must be special reasons for such an application to be approved. Examples include a business being divided between different partners, or original financial activities no longer being carried out and a completely different type of business activity starting.

## Special rules for reporting VAT

There are special rules about when VAT must be reported, e.g.

- EU trade
- Some sales on credit with right of repossession.
- Building and installation services.
- Self-supply.
- Business transfer.
- Winding up a business.

### EU trade

When you purchase goods from another EU country (box 20 in the VAT and PAYE return) you become liable to tax when the goods are delivered. You must report the intra-Community acquisition (purchase) and the output VAT in the accounting period stated by the vendor on the invoice. If the vendor is late in issuing an invoice you must still report the purchase and the output VAT in the accounting period that includes the 15<sup>th</sup> day after the month of delivery. The input VAT on intra-Community acquisitions may be deducted in the same period as you report the output VAT.

When you supply goods to another EU country (box 35 in the VAT and PAYE return) you must report the supply in the same accounting period as you issue the invoice if that is the same month you deliver the goods or the month after. If you issue the invoice later

than that you must nevertheless report the supply in the accounting period that covers the fifteenth day after the month of delivery.

## Purchase on credit with right of repossession

If you have purchased goods on credit with a reservation of the vendor's right of repossession under the Credit Sales Between Undertakings Act etc (1978:599), you may always deduct the input VAT for the accounting period in which you have received the invoice.

## Building and installation services

If you supply building and installation services and use the invoicing method for VAT accounting the following special rules apply to invoicing and reporting of VAT:

- You must invoice the VAT during the period in which you invoice the services and goods that you sell in connection with the services.
- If you are paid before you have issued an invoice you must report the VAT in the period in which you are paid.
- If you have neither issued an invoice nor received payment you must report the VAT for a service carried out not later than during the period covered by the second month after you supplied the service.
- You may deduct input VAT in the period when you receive the invoice.

The rules apply both to individual building services and for whole contracts and regardless of whether you have already carried out the services or payment is being made in advance or on **account**.

More information on accounting and payment of VAT may be found in "Skattedeklarationsbroschyren" (VAT and PAYE return brochure, SKV 409).

## Special tax return

### New means of transport

If you are liable for VAT only because you have bought new means of transport from another EU country (car, motorcycle, **boat** or aircraft), you must report VAT in a special tax return. An application form (SKV 5934) is included in the brochure "Moms på nya bilar, motorcyklar, båtar och flygplan" (VAT on new cars, motorcycles, boats and aircraft, SKV 556).

### Incorrectly charged VAT

If you state in an invoice that an amount is VAT without it being VAT you must nevertheless report the amount in your VAT and PAYE return or in the VAT appendix to your income tax return. If you are not registered for VAT the amount must be declared in a special tax return (SKV 4702),

\* If you have an e-identity you may apply electronically on the joint Tax Agency and the Companies Registration Office (Bolagsverket) website [www.foretagsregistrering.se](http://www.foretagsregistrering.se).

# How do I calculate VAT?

You must report VAT on **sales** for which you receive compensation (payment) and on **self-supply** from the business. The amount on which you calculate VAT is called the **taxable basis**. Thus VAT is not included in the taxable basis.

## Sale for compensation

When selling goods or services liable to VAT, you must base your calculation of the **taxable basis** on the payment without VAT. Payment means the agreed price. The value of bartered goods, services in return and all additions to the price, apart from interest, are also to be considered. Interest here refers to interest calculated on the client's debt to you, e.g. penalty interest and interest on hire-purchase.

Sales in which you exchange goods or services with someone else are invoiced at gross, but you can of course offset payment.

If state taxes other than VAT are included in the price, such as **advertising tax** and other excise duties or fees such as Customs and scrapping fees, then you must also calculate VAT on such amounts. The same applies to freight and postage costs, cash-on-delivery fees, insurance premiums, invoicing and handling fees, travelling expenses, travelling time and subsistence allowances.

## Sale on credit

For sale on credit, the **taxable basis** is the price without VAT that you and the buyer have agreed and that you invoice the buyer. The price must include instalment charges, financing charges and all other supplements to the price, apart from interest on credit granted which will be paid by the customer according to the agreement.

## Bad-debt losses

If you have supplied goods or services and reported VAT for these, and it is clear that you will not be paid, then you may reduce your output VAT by the VAT charged on the amount you have not received. This must take place in the return for the month when you can see that you will not be paid.

It may be clear that you are not going to receive payment under a composition or in the case of bankruptcy without dividend. The loss may also concern a receivable that is older than the normal credit period and where you have made efforts to collect without success or you have otherwise shown it to be probable that the person who is to pay lacks assets. The fact that a claim is doubtful is not therefore sufficient for you to reduce the output VAT. It is not certain that you will be allowed to reduce your output VAT even if you are allowed to make a deduction for a bad debt loss in your income tax assessment.

## Cash discounts

You must not charge VAT on reductions in price given because your customer pays before the due date (cash discounts). The **taxable basis** in such cases is the price minus the discount. If your customer takes advantage of a cash discount, you must issue a **credit note**, see page 18 under "Credit notes".

## Bonuses, discounts, rebates

If you award a bonus, discount or refund to your customer after a sale, you must reduce the output VAT by the VAT on the amount credited to the customer. The same VAT rate must be used as on the original invoice. A reduction of output VAT must be based on a credit note. The credit note also means that your customer is obliged to reduce his input VAT.

If a vendor pays a bonus or discount in **advance**, the payment itself is not compensation for the service liable to VAT. Neither the purchaser nor the vendor will report the VAT on the advance. When you, the vendor, later deduct the advance against any earned bonus you must decrease the **basis for taxation** and, as a result, the output VAT.

You and your customer can agree that bonuses, discounts and refunds must be included in the basis for taxation. The price reductions will then not affect your output VAT or your customer's input VAT.

## Repossession

If you repossess sold goods with the support of the Consumer Credit Act or the Act on Hire Purchase Transaction between Tradesmen, you may correct your output VAT by the VAT you credit to the buyer. This applies on the condition that you can show that the buyer had no right whatsoever to make deductions for VAT for the goods purchased. If you have repossessed goods from a customer who was entitled to make deductions for input VAT, it does not affect either your or your customer's reporting of VAT.

## Grants and subsidies

Grants must be included in the **taxable basis** in certain circumstances. This applies if there is a direct connection between the grant and the price of the goods or services. It does not matter who has paid the grant. This means that state, local authority and EU grants, as well as grants from private individuals, can be payments that must be included in the **taxable basis**.

## Re-invoicing

If you buy goods or services on behalf of someone else, for example to make use of **discounts**, you must **enter** the purchase in your own books and then send an invoice with VAT. There is nothing to prevent

your reporting VAT on sales that are not part of your main activity. You may not deduct the VAT yourself and re-invoice the net cost, i.e. the invoice amount without VAT, since you are then not considered to have made a purchase for your business.

## Outlays

You must not charge VAT when you invoice outlays that you have had on behalf of a client. To be classified as an outlay and not, for example, re-invoicing, the following conditions must be fulfilled:

- The client is to have the responsibility for paying the supplier.
- You may not add any profit margin. The customer must pay the same amount to you that you paid the supplier.
- The sum must be treated as an outlay in your **bookkeeping**. It must be entered in a clearing account and not in an account that affects your profit or loss.

Outlays that meet these conditions are sometimes called liquid outlays. You may not deduct VAT, but your customer may have the right to make a deduction. You should therefore attach a copy of the invoice for the outlay when you invoice the cost to your customer. Examples of outlays are when a forwarding agent pays import VAT to **Tullverket** (the Swedish Customs) on behalf of a customer, or when a debt collection company pays the application fee to the Enforcement Administration.

Other charges in your invoice to your customer are not regarded as outlays for VAT purposes. All compensation that you receive for expenses incurred in fulfilling your assignment must be included in the amount on which you charge VAT. This applies to tools and books that you needed for the assignment, phone calls, postage, travel and subsistence allowances.

## Dividing up compensation

A sale may contain several clearly separate parts, such as letting of premises exempt from VAT, and hiring of machinery which is liable to VAT. The payment that you receive in such cases must be divided up. You may only charge VAT on that which is liable to VAT. You must make the corresponding division if what you sell is taxed at different VAT rates. Examples of situations where divisions must be made are **hotels** that charge 12 per cent VAT on accommodation but 25 per cent VAT on meals.

If there are no clearly distinguishable parts of what you sell, then the taxation will be determined by the major part. This means that goods or services actually requested by customers determine how the entire sale will be taxed, i.e. if there is VAT liability or not, what VAT rate must be used, and in what country the performance is to be taxed. So if you sell books for example, you must charge 6 per cent VAT on the

postage. If you sell goods with different VAT rates, freight costs must be divided up between the different goods.

## Profit margin taxation

If you sell second-hand goods, works of art, collectibles or antiques you may in certain cases choose to calculate VAT on the difference between your sales price and your purchase price, instead of on the sales price only. This method is called profit margin taxation (PMT). One condition for using PMT is that the vendor does not charge VAT when you purchase the goods.

If you trade in used cars and motorcycles and wish to use PMT, you must be able to prove the identity of the vendor. You must also be able to prove that the vendor is not a trader, or that it was a trader who had the right to use PMT when selling goods to you.

You may not use PMT in sales of

- berries and mushrooms
- property
- certain gold objects
- unmounted gemstones.

Travel companies may also use PMT for the sale of goods and services which the company purchases from other companies or is an agent using its own name. A travel company may not use PMT for services and goods which the company produces itself.

## Self-supply

“Self-supply of goods” means that you use goods privately or transfer them to someone else for no compensation. Transfer of goods from a business liable to VAT to one that is not at all, or only partly liable to VAT is also classified as self-supply.

“Self-supply of services” means that you supply services to yourself for private purposes or for other purposes that are not part of your VAT-liable activity – at no payment or at a payment that is less than the cost of carrying out the service.

This means that the payment cannot be used to calculate the VAT that you must report for self-supply. The regulations for how VAT is calculated in **self-supply taxation** are different for goods and services.

## Self-supply of goods

You must generally calculate VAT on the purchase value excluding VAT for the goods or similar goods. If there is no such value, then you must instead calculate what it would have cost to manufacture the goods at the time of the self-supply (cost price). You may not calculate VAT on a value higher than the **market value** when you supply yourself with the goods.

### Example

You bought goods for SEK 3 750, of which SEK 750 is VAT that you were entitled to deduct. One year later, you take the goods out of your business for private use. The market value is now SEK 5 000, of which SEK 1 000 is VAT. For self-supply, you must calculate the VAT on the purchase price of SEK 3 000 and report SEK 750 as output VAT.

If at the time of self-supply the goods have fallen in value to 2 000 SEK, of which SEK 400 is VAT, then you must calculate the VAT on the value excluding VAT, i.e. SEK 1 600. The output VAT that you must report for the self-supply is then 25 per cent of SEK 1 600 = SEK 400.

## Self-supply of services

In self-supply taxation of services, you must calculate the VAT on what it cost to carry out the service at the time of self-supply. You must include all fixed and variable costs that are related to the service carried out. Costs that are not liable to VAT, such as wage costs, are also included in the sum for which you calculate output VAT.

### Example

You arrange for employees of your company to paint your private residence without invoicing the cost. For self-supply taxation, you must calculate the VAT on all costs that can be regarded as related to the work. These costs include wages and wage-related costs, materials from your own stores and materials purchased for the work. You must also calculate a reasonable proportion of your fixed costs.

## Overpriced and underpriced transactions between related parties

To prevent tax evasion you must in certain circumstances in carrying out certain transactions with related parties calculate the taxable basis from the market value instead of the payment (price paid). Even in cases where the price is higher than the market value you must in certain cases use the market price when calculating the output VAT.

## The purchaser does not have full right to deduct

You must proceed from the market value when you calculate the taxable basis for intra-community purchases of goods and for sales other than self-supply, if the following conditions are satisfied:

- The payment is lower than the market value.
- The purchaser does not have full right to deduct for input VAT.
- You and the purchaser are connected.
- You cannot show probability that the payment is based on market considerations.

## The vendor does not have full right to deduct

You must proceed from the market value when you calculate the taxable basis for turnover other than self-supply, if the following conditions are satisfied:

- The payment is lower than the market value and relates to a sale that is exempt from liability for tax or the payment is higher than the market value.
- You do not have full right to deduct for input VAT.
- The amount of your deduction is determined by relating that part of your annual turnover that involves liability for tax or right of refund to the total annual turnover.
- You and the purchaser are connected.
- You cannot show probability that the payment is based on market considerations.

The vendor and the purchaser are regarded as connected if there are family ties or other close personal ties between them. Such other ties may be organizational, proprietorial, financial or based on membership or employment. There may also be other legal ties.

## How do I calculate the market value

You must calculate the market value as the amount that a purchaser of the goods or service would have to pay to an independent vendor in Sweden. If it is not possible to make such a comparison you may calculate the market value as an amount that is not lower than the purchase price for the goods or for similar goods. If there is no purchase price you may calculate the market value as the cost price at the time of the transaction. For services you may calculate the market value as an amount that is not lower than your cost for carrying out the service.

# Reduced VAT rates

The general VAT rate is 25 per cent. For goods and services described below, the tax rate is 12 per cent or 6 per cent. The tax rate you apply depends on what you supply to your customer. It does not reflect what VAT you paid for the goods or services. As a consultant, you must charge 25 per cent VAT on the whole price even though payment for travel is included and you have already paid 6 per cent on the travel. In some cases, you may make outlays on behalf of a customer - see under "Outlays" on page 23.

## 12 per cent VAT rate

The VAT rate is 12 per cent for:

- Foodstuffs.
- Sale of works of art by the **artist or the artist's estate**.
- Import of **works of art, collector's items** and antiques.
- Letting of rooms in hotel and boarding-house businesses.
- Letting of camping sites in **campsite businesses**.

## What are foodstuffs?

Foodstuffs include all substances or products intended to be eaten or that can reasonably be expected to be eaten by people. It is irrelevant if the substances or products are processed, partly processed or unprocessed. Substances intentionally added to foodstuffs during production, preparation or treatment are also categorised as foodstuffs. Drinks and chewing gum are regarded as foodstuffs.

## Exceptions

The following are not categorised as foodstuffs:

- feedstuffs for animals
- live animals, if they have not been treated to be released on the market as foodstuffs
- plants before harvesting
- **pharmaceutical products**
- cosmetics
- tobacco and tobacco products
- narcotics or psychotropic substances
- residual substances and contaminants.

For the above exceptions, the tax rate is 25 per cent. The definition means that plants intended as human food are considered as foodstuffs directly after harvest, while animals are not normally classified as foodstuffs until they are slaughtered. A farmer who sells grain to a mill must charge 12 per cent VAT. The

same goes for sales of milk to a dairy. The VAT rate on sales of animals to be slaughtered is 25 per cent. Oysters and shellfish sold live to consumers in fishmongers are considered to be released on the market as foodstuffs. They are therefore sold at the lower VAT rate of 12 per cent.

**Water**, including drinking water from tap water, is classified as a foodstuff. The lower VAT rate of 12 per cent is only applied to drinking water in bottles or other packages intended for sale.

**Spirits, wine and beer** are classified as foodstuffs. The lower VAT rate of 12 per cent is only applied to low-alcohol beer sold in normal food shops.

If you **serve** food and drink that is consumed at a restaurant, café or similar, you are providing a service. The tax rate is then 25 per cent. If customers take away food and drinks, you are selling goods. The VAT rate is then 12 per cent.

## Sale of works of art

As an **artist**, you must charge 12 per cent VAT when you sell your own works of art.

## Exceptions

When sold by someone other than the artist, e.g. a company (including the artist's own), the VAT rate is 25 per cent. The artist's sale may be exempt from VAT. See the brochure "Moms inom kulturområdet" (VAT in the Culture segment, SKV 562).

## Letting rooms in a hotel business

The reduced tax rate of 12 per cent applies to letting of rooms in hotels, guest-houses, hostels or similar. The tax rate of 12 per cent also applies to certain other services linked to the letting of rooms, e.g. parking, phone, fax, pay-TV, bathing and sauna and laundry.

## Exceptions

Hotel breakfast is not regarded as an integral part of letting rooms. The VAT rate for hotel breakfast is 25 per cent.

**Arranging of conferences** is regarded as a service liable for VAT at the rate of 25 per cent even if it is a hotel that is providing the service. By arranging of conferences is meant that someone makes premises available and also offers services that are normally included in a conference. This may for example mean help with administration, technical equipment, meals and refreshments. Accommodation for conference participants is to be taxed separately at a tax rate of 12 per cent.

**Letting of premises** that cannot be regarded either as letting in a hotel business or arranging of conference is not liable for VAT. Read more under “Property” on page 27.

## Camping business

You only charge VAT if you run a campsite on a commercial basis (otherwise it is regarded as letting of property and is exempt from VAT). The tax rate is 12 per cent for letting of sites for caravans or tents, or chalets with a basic standard. You also charge 12 per cent VAT on electricity, showers and other comforts that are integral parts of a camping business.

### Exceptions

The tax rate for guest harbours is 25 per cent since they are not classified as campsites.

## 6 per cent VAT rate

The tax rate is 6 per cent for:

- Books, brochures, pamphlets and such works, including single leaflets.
- Newspapers and magazines regardless of subject matter (such as news magazines and weekly magazines).
- Picture books, drawing books and colouring books for children.
- Sheet music
- Maps, such as atlases, wall maps and topographic maps.
- Passenger transport (travel), including taxis, trains and domestic flights.
- Entrance fees to **concerts** and **circuses, cinemas, theatres, ballet or opera performances** and similar.
- Library and museum activities.
- Entrance fees and guiding fees for animal parks.
- Services in the field of sports, such as fees for participating in **sports** or entrance fees to sporting events.
- **Grant or transfer of rights** to certain copyrighted works. The 25 per cent tax rate is, however, to be applied to grants or transfers regarding photographs, advertising work, information films, computer systems and computer software.
- Grant or transfer of the rights to sound or image recordings of an **artist's** or actor's performance of a literary or artistic work.
- **Programmes and catalogues** issued for information about activities are taxed at 6 per cent.

## Books, magazines, newspapers etc.

The 6 per cent VAT rate is applied to the sale of books, magazines and so on, provided that these are not wholly or mainly devoted to **advertising**.

The VAT rate is also 6 per cent for cassette tapes, CDs or other technical media that reproduce in speech the contents of books or magazines covered by the 6 per cent VAT rate.

### Exceptions

The VAT rate is 25 per cent for:

- Audio books that also contain music, games, search functions etc.
- Calendars, notebooks and jotters.
- Play books. Examples of play books are books in which more than half the pages are intended to be cut out.
- Aerial photographs, relief maps and globes.
- Maps to illustrate certain activities, e.g. schematic maps showing train or bus routes.
- Textiles with printed maps for decoration purposes.
- Printed cards for personal messages, e.g. Christmas cards and congratulation cards.
- Recipes for food, and instructions for knitting, sewing, building and assembly.

The sale of some newspapers and magazines is exempt from VAT, see page 29.

### Travel

The VAT rate of 6 per cent applies to domestic **passenger transport**, e.g. trains, flights, buses and taxis.

### Exceptions

Amusement attractions such as merry-go-rounds, roller-coaster rides, pony rides, tours of amusement parks, vehicle tracks and similar are not regarded as passenger transport and are taxed at 25 per cent. The transport function is regarded as subordinate in such cases.

### Sporting activities

The VAT rate is 6 per cent if the fee is charged by someone other than the state, a municipality or a **non-profit association**, see under “Sporting activities” on page 28. If the fee is charged by the state, a municipality or a non-profit association, it is exempt from VAT.

### Library and museum activities

If an activity is run by a public body, or is routinely supported to a significant extent by a public body, it is exempt from VAT.

### Cultural activities

The VAT regulations for **artists**, actors, musicians, authors and other cultural workers are dealt with in the brochure “Moms inom kulturområdet” (VAT in the Culture segment, SKV 562).

# Exemptions from VAT

There are a number of goods and services that are exempt from VAT. Refer to list on page 11. Some **exemptions from VAT** only apply to certain given situations. There are sometimes exceptions to the exemptions. Goods or services are then liable to VAT.

## Property

As a rule, you do **not to charge VAT** on the sale, letting or other grant of property. Right of use may be a **leasehold**, tenant-ownership, or site leasehold. Letting exempt from VAT also includes gas, water, electricity, **heating** and network equipment for receiving **radio and TV programmes** when the actual letting of the property is exempt from VAT. If you are voluntarily liable to VAT for **letting business premises** (see below), you must add VAT to items included in the rent.

**Property** in a VAT context is everything included in the property as stated in the Land Code. A building on someone else's land also counts as property. Something added to a property is generally classed as property (**building accessories**) if it is intended for lasting use and is related to the general function of the building.

**Industrial accessories** are not classed as property. Industrial accessories are machinery, equipment or special interior fittings acquired to be directly used in activities in a building wholly or partly equipped for industrial use.

## Liable to VAT

You must charge VAT for the grant of use (e.g. letting) of:

- **Rooms** in **hotel businesses** or similar.
- **Premises** and **arenas for sports activities**, in short-term rental.
- **Parking spaces** in parking businesses.
- **Camping sites** in campsite businesses.
- **Buildings** or **land** for animals.
- **Harbours** for ships or **airports** for aircraft (airships). Read more under "Ships, aircraft etc.", on page 29.
- **Storage lockers**.
- Space for **advertising** on properties.
- **Roads, bridges, tunnels** or **tracks** for traffic.
- **Terminals** for bus and train traffic to traffic operators.

In other cases of letting out property, you must only charge VAT on the rent if you have received a decision from the Tax Agency stating that you are liable to tax for letting commercial premises (voluntary tax liability).

You must also charge VAT in granting the right of use or transferring (selling) the right to:

- **Agricultural leases**.
- **Timber concessions** and other comparable rights.
- **Hunting and fishing rights** (fishing permits) and **grazing**.
- **Business accessories**.

**Business accessories** comprise other machinery, equipment or interior fittings other than industrial accessories, i.e. objects acquired to be used directly in a non-industrial business. Examples of business accessories are shelves, counters and display window equipment in shop premises, benches in meeting premises and equipment in catering kitchens. Business accessories are liable to VAT in compliance with a special regulation, while industrial accessories (see above) are liable to VAT because they are not classified as property.

You must also charge VAT when selling a **growing forest or other plant growth** where there is no transfer of land.

## Voluntary VAT liability

If you, as a landlord, do not add VAT to the rent you are not entitled to deduct any VAT. The input VAT will be an expense for you, and indirectly for your tenants. You can ask to be voluntarily registered as liable to VAT on the **letting of premises** in order that any tenants registered for VAT can deduct input VAT on their costs for premises.

Before you can add VAT to the rent and deduct VAT for your expenses, you must obtain a decision from the Tax Agency. In the brochure "Frivillig skattskyldighet för moms vid uthyrning av lokaler" (Voluntary VAT liability in letting premises, SKV 563), you can read more about the regulations that apply and how you apply for voluntary VAT liability.

## Medical care

**Medical care** and related services that are exempt from VAT liability are:

- Measures for the prevention, investigation and medical treatment of diseases, physical defects and injuries and healthcare related to childbirth if the measures involve care at a hospital.
- Same services as above when supplied by a person with special authorisation to practise a profession in the healthcare sector. Such authorisations are held by pharmacists, occupational therapists, audiologists, midwives, biomedical analysts, dieticians, chiropractors, speech therapists, doctors, naprapaths, opticians, psychologists, psychothera-

pists, dispensers, radiology nurses, physiotherapists, hospital physicists, nurses, dental hygienists and dentists.

- Medically-required chiropody.
- Check-ups and analyses of samples taken as part of medical care.
- Ambulance transport.
- **Eye examinations** carried out by a registered optician.

Goods and services provided to a patient as part of the medical care are also exempt from VAT.

Orthopaedic engineers may also have special authorisation to practice their profession within medical care, but their sales of goods and services are not exempted from VAT.

### Liable to VAT

You must charge VAT if you sell:

- Beauty care
- General recreation services
- General **dietary advice**
- Optical aids, such as glasses
- Assessments and statements, for example for driving licences or pension issues.
- Care of animals.

### Dental care

Dental care exempt from VAT refers to measures to prevent, investigate and treat diseases, physical defects and injuries in the oral cavity. **Dental technical products** and services are also exempt from VAT when sold to dentists, dental technicians or patients.

### Social care

Social care exempt from VAT refers to care that is individually means-tested by the municipality:

- Child care and elderly care.
- Support and service for the disabled.
- Other comparable social care.

### Education

Education exempt from VAT comprises:

- **Compulsory schooling, upper secondary and higher education** provided by the state, municipality or county council or by a recognised education provider.
- Other education that **entitles the student to study assistance** under the Study Assistance Act or to certain government grants.
- Goods and services provided as part of the education.

Examples of recognised education providers are independent schools or supplementary schools that offer education as part of the public provision of education.

An education provider responsible for education exempt from VAT may engage a subcontractor to provide some of the education. In that case the educational service of the sub-contractor is also VAT-free.

### Liable to VAT

The following services and goods are liable to VAT:

- Contract education, i.e. education where the commissioning party decides which persons must be trained (such as staff training) regardless of the content of the training or who is providing it.
- Training subject to a decision of the County Labour Board and which entitles the student to a training grant. This applies to all those who work on contracts to the County Labour Board or the Employment Office, irrespective of the educational level in question.
- Study materials for self-tuition.

### Banking and financing services

Examples of banking and financing services exempt from VAT are:

- Borrowing and lending
- Payment service
- Currency trading
- Credit service and credit guarantees

### Liable to VAT

The following services are liable to VAT:

- Trust department services
- Debt collection services
- Administrative services related to factoring
- Letting of safe deposit boxes

### Trading in securities

Securities trading liable to VAT include:

- Sale and transfer of shares and other securities.
- Management of investment funds according to the Mutual Funds Act.

### Sporting activities

Sporting activities exempt from VAT include:

- Entrance fees for access to sporting events.
- Charges for practising sporting activity.
- Services that are directly related to the sport exempted from VAT, such as access to equipment and hire of bathing suits, towels, skates and rackets.

For sport to be exempt from VAT the fee must be charged by the state, a municipality or a **non-profit association**. There is no definition of what is classified as a sporting activity. Activities affiliated to the Swedish Sports Federation may be regarded as sport. The following are also regarded as sports, without being affiliated to the Swedish Sports Federation: strength training, jazz dance, aerobics, workout and various martial arts.

### Liabile to VAT

Activities that have purposes other than exercise or competition are liable to VAT. Examples of these are baby swimming, water play for children, visits to adventure pools, pony-riding at amusement parks, billiards in restaurants and go-carts at fairgrounds.

Sale of equipment is liable to VAT even if its rental is exempt from VAT.

## Members' bulletins and staff magazines

Members' bulletins and staff magazines are exempt from VAT if they

- are supplied free of cost
- are supplied to a publisher, member or employee at a price
- are issued at least four times a year
- are members' bulletins published by an organisation or society and intended for the members or organisations with which members are affiliated. The main object must be to distribute information about the association or the ideas it wishes to promote.

If publications are sold to people other than members and employees, VAT must be charged on that part of the edition.

## Organisation magazines

Both Swedish and foreign organisation magazines are exempt from VAT if they are issued at least four times a year according to their publication schedules.

An organisation magazine is a publication that is not a public newspaper, a members' bulletin or a staff magazine, and which is essentially the organ of a society whose main purpose is to support religious, temperance-promoting, party-political, environmental, sporting or defence ideals, or to represent members with functional or occupational disabilities.

## Production of VAT-exempt publications

The technical production, distribution and other services relating to the production of VAT-exempt publications are exempt from VAT. This applies if the services are performed on the instructions of the publisher.

Production here means services of a technical nature. This means that journalistic and editorial work is liable to VAT.

## Advertising

Advertising is exempt from VAT in members' bulletins, staff magazines, organisation magazines, **programmes and catalogues** that are exempt from VAT.

## Ships, aircraft etc.

Sales, import, hiring and chartering are exempt from VAT for:

- Ships used in commercial shipping or commercial fishing.
- Ships for towing or salvaging.
- Aircraft (airplanes etc.) for commercial conveyance of passengers or goods.

Ships are defined as vessels whose hull has a length of at least twelve metres and a beam of at least four metres. Other vessels are called **boats**.

Exemption from VAT also applies to repairs, maintenance work or other services related to the craft itself, such as the provision of a harbour for ships. Spare parts, accessories and equipment for vessels can also be sold without VAT being charged to the owner or to the person using the vessel on a lasting basis.

Lifesaving vessels and spare parts, accessories, equipment and fuel for such vessels sold or rented to the Swedish Sea Rescue Society are also exempt from VAT. The same applies to maintenance, repair and other services related to such vessels or spare parts, accessories or equipment for such vessels.

### Exceptions

Exemption from VAT does not apply to ships for which transport is of subordinate importance to their main function. Thus, fire-extinguishing vessels, pontoon cranes, floating docks and other comparable vessels are liable to VAT.

## Sale of non current assets

You may not charge VAT when you sell assets other than current assets, i.e. **fixed assets**, if you did not have the right to deduct VAT when you bought the asset. This applies both when an asset is bought to be used in an activity exempt from VAT and when VAT to deduction is not allowed. As a result, you do not charge VAT when you sell a passenger car if you did not have the right to deduct VAT when you purchased it.

You may not sell goods VAT-free if you bought it from a vendor who used profit margin taxation or didn't charge VAT because it was a non-business vendor. However, if certain conditions are fulfilled you may apply profit **margin taxation** in such cases.

## Exceptions

VAT exemption does not apply when an insurance company sells assets that have been taken over in relation to the adjustment of a claim, despite the insurance company not deducting VAT for the asset. The same applies to the sale by a financing company of assets repossessed under the terms of a purchase agreement (most often a hire purchase contract).

## Transfer of a business

You may not charge VAT if you sell a whole business (assets and liabilities) or a delimited part of a business, and the buyer continues to keep run the busi-

ness and would have the right to deduct input VAT. This also applies when a business has been transferred through merger or similar process. In this context, it is irrelevant whether or not the assets are liable to VAT.

You may not choose to charge VAT if the conditions for transfer without VAT are fulfilled. The assets are exempted from VAT even if you transfer the business to someone who, without running business activities, transfers it to another party who operates the business. One condition is that business activities are continued without any breaks.

# Vehicles

Special rules apply to vehicles. For businesses in general, the right to make deductions is limited, but is in some cases extended by standard rules. Vehicles are divided into different categories in the Road Traffic Definitions Act: passenger cars, goods vehicles and buses. Some vehicles may be registered as goods vehicles or buses but are still passenger cars for VAT purposes. Before you make any deduction of input VAT, you must ensure that you are allowed to deduct it for the vehicle you have purchased. The rules are often misunderstood.

## What defines a goods vehicle?

In the context of VAT, goods vehicles are those registered as such in the Vehicle Register and which:

- weigh more (total weight) than 3 500 kg (heavy goods vehicle)
- weigh at most (total weight) 3 500 kg (light goods vehicle) and have a body in which the driver's cab is separate from the van.
- have a loading platform (irrespective of weight).

For a vehicle to be registered as a light goods vehicle and not a passenger car, it must be roadworthy if the van body is removed. In other words, there must be a gap between the driver's cab and the van body. The vehicle registry body code for such cars is 30. There may be older vans, however, (pre-1995) that have separate body units and one of the body codes between 20–29.

## What defines a bus?

A bus is a vehicle designed to carry more than eight passengers, excluding the driver. A bus with gross vehicle weight not exceeding 3 500 kg falls into the category of a passenger car for VAT purposes.

## What defines a passenger car?

A passenger car for VAT purposes is generally a vehicle registered as such in the Vehicle Register. A car with a van body may be registered as a goods vehicle but is still a passenger car for VAT purposes. This applies to all vehicles whose total weight is less than 3 500 kg that do not fulfil the above conditions for goods vehicles.

In summary then, passenger cars for VAT purposes are:

- Vehicles that are defined as passenger cars according to the Road Traffic Definitions Act.
- Vans registered as goods vehicles with van body (body codes 20–29) without separate driver's cabs and with a gross vehicle weight under 3 500 kg.
- Buses and minibuses with a gross vehicle weight of under 3 500 kg.

### VAT deductions not allowed

In most cases you may not deduct VAT when you buy a passenger car or motorcycle. A car registered as a goods vehicle or bus in the Vehicle Register may be defined as a passenger car for VAT purposes.

## No deduction on purchase of passenger cars

You may not deduct VAT on the **purchase** of a passenger car. The cost of various **optional extras** selected at the time of the purchase are regarded as being included in the car's purchase price. This means that you may not deduct VAT on such costs either. Optional extras include, for example, seat covers, special paint, sunroof, climate control units or safety equipment, i.e. equipment that is often added in the factory.

## Buying out a leased car

Buying out a leased car is equivalent to buying a car. The VAT you pay when you redeem a leasing contract is therefore VAT on the purchase price of the car and not VAT on the leasing fee (hire). VAT deductions are therefore not allowed as in other car purchases.

## Exceptions

You may deduct VAT on the **purchase** of a passenger car if you use the car for:

- re-sale in a **car dealership**
- hire in a car hire business
- taxi traffic
- transport of deceased persons
- driving instruction.

## Extra equipment

If you buy any equipment other than optional extras (see page 30) for a company's car, such as a communications radio, extra lights or a roof box, you may make VAT deductions according to the general VAT regulations. The right to deduct is not affected by whether you buy the equipment when you purchase the car or later. If your business is only partially liable to VAT, or if you sometimes use the equipment privately, you must divide the input VAT in proportion to use. Refer also to information under the heading "Special rules for certain fixed assets" on page 14.

## 50 per cent deduction on hire (leasing) passenger cars

You may deduct 50 per cent of the input VAT if you hire (lease) a passenger car. To make this deduction, the car must be used significantly (about 1 000 km per year or more) for business activities liable to VAT. There are no other requirements as to how much the car must be used in the business. Even if you hire a car for a short time on a business trip, you may deduct 50 per cent of the VAT.

## Exceptions

You may deduct the full amount of VAT on the **hire** of a passenger car if you use the car for:

- hire in a car hire business
- taxi traffic or other commercial **passenger transport**
- transport of deceased persons
- driving instruction.

If, for example, you rent a car for taxi traffic and for transporting goods, the right to make deductions is limited in proportion to use.

## Running costs

If the car is a **fixed asset** (an asset item) or has been **rented** for use in activities liable to VAT, then you may deduct VAT for **all running costs**. The car need only be partly used in the activities liable to VAT. You may deduct VAT on running costs even when the car

is used privately. Running costs include costs for petrol, service, repairs, maintenance and safety inspections or testing.

If the car is a **current asset** (intended to be sold), you may **only** make deductions for VAT on running costs entered in your accounts when the car is used in business liable to VAT. The same applies if you do not own the car or have hired it for activities not liable to VAT.

## VAT on car benefit

You must report VAT on a car benefit if you have been allowed to make a deduction for **VAT on purchase** of the car or **the full amount of VAT on hire**. Private use must be taxed for self-supply in the following way:

- For **passenger cars**, you must report output VAT at 20 per cent of the value of the car benefit. (The car benefit value includes VAT, so you must report 20 per cent even though the tax rate on cars is 25 per cent). You must report VAT on the year's car benefit in the year's last VAT and PAYE return, or in the income tax return if you report VAT there.
- For **vehicles other than passenger cars** (such as light goods vehicles with loading platforms), you must report VAT as self-supply of a service. This means that you must report VAT on the variable costs of the vehicle that relate to private use, and a calculated proportion of the fixed costs. If you report VAT once a month, you must report VAT on self-supply every month that the benefit is used.

## VAT when I sell the car?

If you were not permitted to deduct VAT when you bought the car, you are not allowed to deduct VAT when you sell it. One condition for you not deducting VAT on sale is that the car is an asset item in the business, i.e. is not a current asset. A car dealer must therefore charge VAT, even on cars bought from private individuals. The car dealer may then apply profit margin taxation, see page 23.

If you were permitted to deduct VAT on the purchase, you must charge VAT when you sell the car. Special regulations apply if you sell the car abroad.

## Motorcycles and snowmobiles

The same regulations as apply to the purchase or hire of a motorcycle in the business as for cars. A "motorcycle" includes four-wheeled motor vehicles under 400 kg (550 kg for transport vehicles) and a maximum engine power of 15 kW. For electrically-powered vehicles, the battery is excluded from the weight.

Mopeds (included four-wheeled) and snowmobiles (off-road machines) are not classed as motorcycles and do not fall in to the category of no VAT deductions.

# Special VAT issues

## Self-supply of goods for business entertainment

In the case of self-supply of goods from the business to employees, you must normally pay VAT through **taxation on self-supply**, see page 23. You do not, however, report tax for self-supply if you can deduct the corresponding expense as **business entertainment** in your income tax return.

## Tax warehouses

The sale of certain goods kept in special warehouses, called **tax warehouses**, is exempt from VAT. This applies primarily to raw materials such as metals, cereals and oils, and only when the sale is not intended for final use or consumption.

Services related to goods held in a tax warehouse are also exempt from VAT.

Exemption from VAT ceases as soon as the goods are moved from the warehouse. The person or company removing the goods from the warehouse is obliged to pay VAT.

## Sales to EU institutions and bodies

Sales to employees at EU institutions or bodies in other EU countries are exempt from VAT if the buyer supplies the vendor with a special certificate (SKV 5929). The certificate must show that the sale is exempt from VAT in the country where the institution or body is located. The certificate must be kept in the vendor's accounts.

## Sales to tourists etc.

When selling to visitors from other countries, you as the vendor must charge VAT, just as you do when selling to Swedish private persons. If the buyer lives in a state outside the EU (a "third country"), you may under certain circumstances subsequently regard the sale as an export, and repay VAT to the customer.

Sales to visitors living in another EU country may not be classified as export.

## Conditions for repayment of VAT

The buyer must be able to prove that the purchaser is domiciled outside the EU by a passport or equivalent identity document. A Swedish purchaser is considered to be domiciled outside the EU if the buyer can show that he/she will be spending at least 12 months there. The buyer can prove this by submitting a residence permit or an employment contract for that country.

If the buyer lives in a country outside the EU (other than Norway or Åland), the following conditions must be fulfilled for the purchaser to receive a VAT refund:

- The price of the goods must exceed SEK 200 including VAT.

- The goods must have been moved out of the EU before the end of the third month after the month in which the goods were purchased.

If the buyer lives in Norway or on Åland, the following conditions must be fulfilled for the purchaser to receive a VAT refund:

- The price of the goods must exceed SEK 1 000, excluding VAT.
- The goods were taken to Norway or Åland within 14 days of purchase, and VAT was paid there.

The limit, SEK 1 000 excluding VAT, is also be applied to a group of goods that is normally a unit, such as a dinner service.

## How is the VAT repaid?

The buyer can have the VAT refunded if you, the vendor, are affiliated with an approved certifier. Affiliated shops usually have a sign, "**TAX FREE Shopping**". When the person leaves the EU, the certifier will check that the purchased goods are taken out of the country and will refund the VAT to your customer, minus a deduction for commission. The certifier will give you a document showing that the goods have been moved out of the EU VAT area.

You can also refund the VAT yourself afterwards, but there is no obligation for you to apply that system. If you want to use this possibility, the purchaser must show the goods at the Customs office where the goods are moved out of the EU. The Customs office must stamp the invoice or a comparable document. The purchaser then sends this document to you.

Whether or not you engage a certifier or repay the VAT to the customer, you must be able to prove that you had the right to consider the sale as an export. You must have documents in your accounts that prove:

- the purchaser lives outside the EU
- the goods have been exported (moved outside the EU) or imported to Norway or Åland.

## The goods are sent to a country outside the EU

The purchaser may also give you the task of sending the goods to an address outside the EU. Regardless of the price of the goods, this is considered as ordinary export and you do not charge VAT.

## New means of transport

You may sell new means of transport VAT-free to a private individual who intends to take it with him/her to another EU country. The same applies if the purchaser is a legal entity who is not liable for VAT. You must send a copy of the invoice to the National Tax Agency (address Skatteverket, 771 83 Ludvika). You can read more in the brochure "Moms på nya bilar, motorcyklar, båtar och flygplan" (VAT on New Cars, Motor Cycles, Boats and Aircraft, SKV 556). See also purchases of new means of transport on page 21.

# Adjustment

If you have made large investments and change their use, under certain circumstances you must adjust the deductions you made for input VAT that you made at the time of purchase. This is called adjustment. Adjustment means that the VAT deduction for the asset is not only dependent on the circumstances at the time of the purchase, but also the future use in activities liable to and exempt from VAT.

## For what investments should I adjust?

### Machinery and asset items

For machinery, asset items and so on, adjustment regulations apply if the VAT on the investment was at least SEK 50 000. You must make an assessment of whether the limit is exceeded per machine or per asset item. You may not combine all investments of this type during one year.

### Property

Special adjustment rules apply for investments in property, and only when the VAT per property is more than SEK 100 000 per year. See the brochure "Frivillig skattskyldighet för moms vid uthyrning av lokaler" (Voluntary VAT liability in letting premises, SKV 563).

## How long does the adjustment obligation apply?

For machinery, asset items and so on, you must make an adjustment if a change in use takes place within five years of purchase (correction period). The correction period is ten years for property.

## In what cases should I adjust?

Within five years of the purchase of machinery, asset items and so on, you should adjust if:

- The use of an asset in activities liable to VAT have increased.
- The use of an asset in activities liable to VAT has decreased or ceased.
- You sell an asset and charge VAT but were only allowed to deduct part of the VAT.

The assessment of whether the use of goods has changed is determined by conditions at the end of the financial year.

If use in activities liable to VAT has increased, you must increase the deduction for input VAT. You may, through adjustment, make deductions for input VAT even though you have not previously made any deductions during the correction period.

If the use in activities liable to VAT has fallen, you must reduce the deduction for input VAT, providing that you have previously deducted input VAT.

## Exceptions from adjustment

It is only if the use changes by **5 percentage units or more** in relation to the time when you made the investment that you must adjust. If the use is changed by less than 5 percentage units, you are neither obliged nor entitled to adjust. Nor may you adjust if you have been taxed for self-supply for sales or changed use of an asset.

## How do I calculate the adjustment?

### After changed use

After changed use, you must adjust for each year during the whole of the remaining correction period. If you change the use of an asset in and activities liable to VAT from 40 per cent to 50 per cent, i.e. by 10 percentage units, then you must increase the deduction for input VAT by one fifth (1/5) of the change, i.e. by 2 per cent of the VAT on the investment for each year that remains of the correction period.

### Calculation model

$$\frac{\text{VAT on investment} \times (\text{current percentage deduction} - \text{original percentage deduction})}{5} = \text{annual adjustment amount}$$

### Example

You have bought a machine. The VAT was SEK 100 000. On purchase, you deducted 40 per cent of the VAT, i.e. SEK 40 000. The third year after purchase, you change the use so that the machine is used for 60 per cent of the time in your activity liable to VAT. The conditions for adjustment are fulfilled. The annual adjustment amount can be calculated using the above model:

$$\frac{\text{SEK } 100\,000 \times (60\% - 40\%)}{5} = \text{SEK } 4\,000$$

You may increase the VAT deduction by SEK 4 000 for year 3. If the same circumstances apply in years 4 and 5, you increase the VAT deduction by SEK 4 000 for these years also.

The effects of the adjustment in the example can be shown in the following table:

	VAT deducted	Total VAT deducted
Year 1	SEK 40 000	SEK 40 000
Year 2	SEK 0	SEK 40 000
Year 3	SEK 4 000	SEK 44 000
Year 4	SEK 4 000	SEK 48 000
Year 5	SEK 4 000	SEK 52 000

## After sale

You may need to adjust deductions made when selling machinery, asset items or property. If you sell a machine, or fixture or fitting, you may need to adjust the deduction so that further deductions are allowed.

## In which VAT and PAYE return should I make the adjustment?

After changed use of an asset, you adjust (change input VAT) each year in the first return period of the

coming financial year during the correction period. If your financial year is the same as the calendar year, the adjustment is made in the return for January.

## Income tax return

Adjustment of VAT can affect your income tax. The most usual case is that the basis of depreciation must be increased or decreased.

# What happens if I make a mistake?

## Submit a new return

If you discover that you have made a mistake in a VAT and PAYE return that you have already submitted, you must not make a correction in a return for a later period. You should instead request a new return from the Tax Agency for the period that you have reported wrongly. You must submit a new, complete return for the period.

## Describe what you did

If you are uncertain whether your return is correct, you can describe in detail, for example, what your deductions for VAT relate to in a letter to the Tax Agency. You can send the letter to your Tax Office. Do not send it together with the VAT and PAYE return. By openly reporting what you have done, you avoid the risk of a tax surcharge.

## If you submit the return too late

If your VAT and PAYE return has not been received by the Tax Agency in time, you risk financial penalties for late submission. The penalty is currently SEK 500, and in the event of repeated late submissions, or if the return is not submitted, SEK 1 000. You may incur a penalty for delay even if there is no tax to pay. If you report VAT in your income tax return, the penalty regulations for late submission of income tax returns apply.

## If you do not submit a return

If you do not submit a VAT and PAYE return, the Tax Agency will set the tax at an amount that is considered reasonable. You will also have to pay a penalty for delay, and a tax surcharge.

## If you have submitted incorrect information

If you report too little output VAT or too much input VAT, the Tax Agency may decide that you must pay a tax surcharge. The tax surcharge is 20 per cent of the tax that you would have paid or received if the incorrect information had been accepted. In some cases, the tax surcharge is lower.

## Periodisation errors

If you report VAT on sales too late or VAT on purchases too early, the Tax Agency can decide that you should pay a tax surcharge. The tax surcharge is 2 or 5 per cent of the tax that you would have paid or received had your return been approved.

## Risk of prosecution

If you deliberately, or due to gross negligence, submit incorrect information, the Tax Agency is obliged to make a report to the Public Prosecutor.

## Reassessment and appeal

If the Tax Agency decides not to approve your VAT and PAYE return and you do not share the Agency's view, you are entitled to request a reassessment of the decision within six years of the end of the financial year for the VAT and PAYE return. You may also appeal against the Tax Agency's decision in the same period. If you appeal against the decision, the Tax Agency must first reconsider its decision before the matter is sent on to the Administrative law.

There are no charges for requesting a reassessment or to appeal the Tax Agency's decision. If you have to employ a tax expert, you can in some cases receive compensation for your expenses from public funds. One condition for your receiving compensation is that you win the case wholly or partially, or that the issue is one of importance for legal developments.

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## Information in Swedish about VAT

All brochures may be downloaded on [www.skatteverket.se](http://www.skatteverket.se). Brochures and forms that have a number for direct selection may be ordered on the Tax Agency service phone. You cannot download forms for tax returns or EC Sales List but you can submit the information using the Tax Agency's electronic services. All other VAT forms can be downloaded.

### Service Phone

1. Ring 020-567 000.
2. Wait for a reply.
3. Then key the direct code.

Information on...	Direct line
Blankett för skattedeklaration – moms och arbetsgivaravgifter (SKV 4720) (Form for VAT and PAYE return)	6805
Blankett för periodisk sammanställning (SKV 5740) (EC sales list/recapitulative statement)	6804
Skattedeklarationsbroschyren (SKV 409) (VAT and PAYE return brochure)	7702
Så fyller du i "Skatte- och avgiftsanmälan" (SKV 418) (How to fill in the tax and payroll tax application)	7605
Skatteanmälan för utländska företagare (SKV 419) Tax application for foreign entrepreneurs	
Momsbroschyren (SKV 552) (VAT brochure)	7607
Moms på nya bilar, motorcyklar, båtar och flygplan (SKV 556) (VAT on new cars, motorcycles, boats and aircraft)	7914
Moms vid utrikeshandel (SKV 560) (VAT and foreign trading)	7608
Moms inom kulturområdet (SKV 562) (VAT in the Culture segment)	
Frivillig skattskyldighet för moms vid uthyrning av lokaler (SKV 563) (Voluntary VAT liability on letting of premises)	7611
How to recover value added tax on goods bought in Sweden (SKV 559) (Hur du får tillbaka moms på varor inköpta i Sverige). The brochure also contains text in Swedish, French, Polish, Spanish, German, Russian, Chinese and Japanese.	

### Self-service round the clock:

Website: [www.skatteverket.se](http://www.skatteverket.se)  
Customer Service Line: 020-567 000

### Personal service:

Call for tax information,  
From Sweden: 0771-567 567  
From abroad: +46 8 564 851 60  
Opening hours of tax information:  
Monday–Thursday, 8 a.m.–7 p.m.,  
Friday 8 a.m.–16 p.m.



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