

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

You will find more detailed information about VAT at the Swedish Tax Agency's website 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 VAT returns and EC sales lists/recapitulative statements.

VAT rates

25 %

12 %

6 %

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News for January 2015

The Swedish Tax Agency takes over import VAT from the Swedish Customs (Tullverket)

With effect from 1 January 2015, businesses registered for VAT in Sweden, must report and pay import VAT directly to the Swedish Tax Agency instead of the Swedish Customs. If you are not registered for VAT, or if you are VAT registered but are importing a product only for private use, you should refer to the Swedish Customs.

New rules for digital services

On January 1 2015 there was a change in the VAT rules for the sale of digital services to private individuals within the EU. Digital services refer to electronic-services, telecommunications and broadcasting services. The change in the rules means that the services will be taxed in the country where the consumer is domiciled instead of the country where the seller is registered for VAT. This change applies only to sales to private individuals within the EU.

MOSS – the e-service for digital services

If you sell digital services to private individuals in other EU countries the services will be taxed in the country where the customer is domiciled. As the seller

you have to pay VAT in these countries. In order to facilitate the accounting and paying of VAT to these countries a new e-service is being introduced. The service is voluntary and is called Mini One Stop Shop (MOSS). In order to use MOSS you must be registered. The registration is carried out via the e-service. You can read more about digital services, and how MOSS can help you, in the brochure VAT on foreign trade (SKV 560).

Upper limit for simplified invoices increased

The upper limit for issuing a simplified invoice is now increased to SEK 4,000. This amount relates to the invoiced amount including the VAT. The raised upper limit applies to simplified invoices issued after 31 December 2014.

Changed rules for dental technical products

The rules on exemption from VAT on the sale of dental technical products and the services that relate to such products have now changed. With effect from 1 January 2015, sales are exempt from VAT only where the product or service is sold by a dental technician or dentist.

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 **economic 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 are registered for VAT then you must also account for, and pay, VAT to the **Swedish Tax Agency** when importing products for your business.

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.

Digital services = generic term for e-electronic services, telecommunications services and broadcasting services.

Economic activity = Production of or trade in goods or services, including agriculture, mining and similar. Also the use of tangible or intellectual property rights to earn a continuous income.

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 of 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 taxable person = Taxable person whose economic activity does not have its registered office or fixed establishment in Sweden and whose habitual residence is not in Sweden either.

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 EU.

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-EU 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 charge liability = Reverse VAT liability.

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.

Taxable person = Legal or natural person independently carrying on economic activity.

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

Tax year = Corresponds to the financial year in the case of VAT reporting.

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-return = value added 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 before you start trading.

How do I register for VAT?

Electronically

You can use electronic identification on the website www.verksam.se to apply for VAT registration and make certain other notifications and applications to the authorities. 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 brochure “Företagsregistrering” (Registering a business, SKV 418) contains instructions for filling in the form. The form and the brochure can be downloaded at www.skatteverket.se or ordered from the Swedish Tax Agency Customer Service Line. Please refer to the last page of the brochure for further details.

Foreign taxable persons must submit a special registration notification (SKV 4632) in order to be registered for VAT. You can download the form at www.skatteverket.se.

Should I charge my customers VAT?

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

- You **turn over** (sell or self-supply) goods or services
- The turnover of the goods or services are **liable to VAT**
- That turnover occurs as part of an **economic activity**, which is the same thing as it being done by a taxable person in this capacity
- 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 be done by a taxable person. You are regarded as a taxable person when you independently carry on economic activity. You carry on economic activity if, for example, you produce or trade in goods or services. Economic activity is also the use of tangible or intellectual property rights to earn a continuous income.
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 7.

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. Instead, you must indicate reverse charge on the invoice. 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 11.

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.

When you import goods for your business you must also account for VAT. Import VAT is calculated on the total value of the customs value in SEK (value of goods for customs purposes/customs value in monetary terms), other taxes and charges as well as incidental expenses.

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 about import and the profit margin calculation in the section “How do I calculate VAT?” on page 24.

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:

- **Restaurant and catering services** with the exception of that part of the service that relates to spirits, wines and high-alcoholic beers (starköl).
- **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 27.

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 following table.

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 33.

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 36.

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 economic 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.

There are special rules for **vehicles**. Read more in the section “Vehicles” on page 33.

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 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 10. 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 32, under “Sale of non current assets”.
- Transfer all (or part) of the business. See page 32, 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 9.
- Supply certain services to customers in other countries. Read more under “Sale of services to other countries” on page 9.
- Sell goods that are kept in special warehouses, e.g. **tax warehouses**, as well as services related to goods kept in such warehouses. Read more under “Tax warehouses” on page 35.
- 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 35.

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 25.

Taxable person

A legal person, e.g. a company, or a natural person is a taxable person if it/she/he independently carries on an economic activity, irrespective of where and for what purpose it is carried on, and regardless of its results.

An activity is economic when it is carried on to produce or trade in goods or services, including agriculture, mining and similar. Economic activity is also the use of tangible or intellectual property rights for the purpose of earning a continuous income.

There is no lower limit for the size of turnover required in order for an activity to be regarded as economic. Typically, an activity is economic when it consists of continuously providing goods or services against payment.

The activity is carried on independently. This means that the activity you carry on must be your own. Your activity is not regarded as independent if you are employed in someone else’s activity. You must also work independently, e.g. by having several customers and determining your own working hours.

The assessment of whether an activity is economic is done irrespective of the activity’s purpose or result. This means that it is the character and not the purpose of the activity which is important. However, you must have the lasting intention of carrying out transactions that are taxable. In this context, taxable transactions include those transactions which are exempt from tax.

Transactions that you carry out as a private individual, e.g. the sale of private assets, are not regarded as economic activity.

Economic activity for public non-profit associations and registered religious communities

Activities carried on by associations and religious communities are economic under the same conditions that apply for companies and private firms. However, special rules apply for non-profit associations and registered religious communities to the effect that such activities are not to be regarded as economic if

their receipts are tax exempt under the Income Tax Act.

Please note that non-profit associations and registered religious communities are, nevertheless, in certain situations regarded as taxable persons. This applies in respect of the purchase of services covered by the main rule on sales made from abroad. Even where the association or religious community is tax exempt under the Swedish Income Tax Act, they are considered to be taxable persons in the event of making such purchases. Where the association or religious community makes such a purchase of services, the sale is accordingly made in Sweden and the VAT on the purchase of services must be paid by the buyer. A non-profit association or registered religious community that is not a taxable person may also, in certain cases, become liable to pay VAT when the products are bought from another EU country.

Read more about the rules on foreign trade in the brochure VAT on foreign trade (SKV560).

More information about such associations is found in the brochure, Taxation rules for non-profit associations (SKV324).

The state and municipalities

The state and municipalities are regarded as carrying on economic activity. However, that part of their activity which constitutes the exercise of public authority is only regarded as economic if not doing so would lead to a significant distortion of competition. Normally, VAT is therefore not to be charged for activities which constitute the exercise of public authority or an element of such exercise.

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 located and registered for VAT in another EU country. 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**, you must charge Swedish VAT as the goods are then considered supplied in Sweden.

Under certain conditions, sales to visitors from other countries may subsequently be considered as exports. Read more under "Sales to tourists etc.", on page 35.

If the buyer is not in Sweden and the goods have been sent by you to another EU country, via, e.g., mail order, you may instead be obliged to register for and pay VAT in that country. This applies if the sale to an EU country exceeds a certain value (threshold value) which varies from country to country, but has a minimum level of ca 35 000 euro.

Sale of services to other countries

The main rule for the sale of services is that you must charge VAT if the buyer is a non-taxable person, e.g. a private individual. The services are considered to have been supplied in Sweden.

When services are sold to a taxable person, the main rule is that you do 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.
- Admission to events that are cultural, sporting, scientific or similar is considered to be supplied in the country where the event is held.
- 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, no part of which is undertaken in another country, is supplied in Sweden, while such transport between Sweden and other countries is supplied abroad.

In respect of sales to non-taxable persons, services other than admission to events in conjunction with cultural activities etc. are also supplied in the country where such an activity takes place. Furthermore, special regulations apply to intermediary services, transport services and transport-linked services, work on or valuation of goods that are movable property, long-term hire of pleasure boats and other means of transport, digital services and so called miscellaneous services e.g. legal and insurance services.

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

Goods and services exempt from VAT

Actor , presentation of a copyrighted literary or artistic work.	
Adult education activities supported by the state or a municipality and provided by an educational association, such as a "study circle".	
Advertising and the acquisition of advertisers¹ in members' bulletins, staff magazines, organisation magazines, programmes and catalogues exempt from VAT.	See page 31
Aircraft^{1, 2} used by airline companies that mainly operate commercial air traffic on international routes, and related goods and services.	See page 31
Archive activity which is supported on an ongoing basis to a significant extent by the state or a municipality.	
Aviation petrol and jet fuel^{1, 2}	
Banking services	See page 30
Banknotes that are legal tender with the exception of those that are collectors' items .	
Catalogues¹ for in-house activities exempt from VAT.	
Coins¹ that are legal tender, with the exception of coins that are collectors' items .	
Cultural education work run by municipalities, such as arts colleges and music schools.	
Dental care	See page 30
Education at compulsory and upper secondary school level and higher education.	See page 30
Entrance fees to sporting events arranged by the state, a municipality or a non-profit association.	
Financing services	See page 30
Gold^{1, 2} which is delivered to Sveriges Riksbank and investment gold.	
Grave-digging or tending of graves¹ offered as a service by the principal or owner of a public cemetery.	
Human blood	
Human breast milk	
Insurance and insurance agency work.	
Leaseholds and other rights to property. There are several exceptions.	See page 29
Letting of property (e.g. buildings and apartments).	See page 29
Library activity which is supported on an ongoing basis to a significant extent by the state or a municipality.	
Lotteries , betting and other types of gambling.	
Medical care	See page 29
Members' bulletins¹	See page 31
Motor vehicles^{1, 2} sold to foreign diplomatic missions and their staff.	
Museum activities supported on an ongoing basis to a significant extent by the state or a municipality	
Organisation magazines¹	See page 31
Performing artist's (such as an actor or other performing artist) presentation of a copyrighted literary or artistic work.	
Performing artist's (actor, musician, dancer, artist) performance of a copyrighted literary or artistic work.	
Pharmaceuticals² supplied on prescription, or sold to hospitals.	
Presentation of a copyrighted literary or artistic work if presented by a performing artist, e.g. an actor or other performing artist..	
Printing^{1, 2} and other production and distribution of members' bulletins, staff magazines and organisation magazines on the assignment of the publisher.	See page 15
Programmes¹ for in-house activities exempt from VAT.	
Property . Sale, rental, leaseholds and other rights to property.	See page 29
Radio programmes , production and broadcasting if the activity is mainly financed by government grants.	
Ships^{1, 2} for commercial shipping or fishing and related goods and services.	See page 31
Social care	See page 30
Sporting events and sporting activities , charges for entry and participation if the fee is levied by the state, a municipality or a non-profit association.	See page 31
Staff magazines¹	See page 31
Trade in securities	See page 31
TV programmes , production and broadcasting if the activity is mainly financed by government grants.	
Vessels^{1, 2} for towing or salvage and related goods and services.	See page 31

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

² 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

For **foreign taxable persons** reverse charge liability is the main rule in sales to tax-liable buyers of goods and services connected to properties situated in Sweden. However, the foreign taxable person may ask to become liable for tax on certain such sales.

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 the case of sale of gold material or semi-finished products with at least 325 parts per thousand purity.
- In the case of sale of investment gold when you as a vendor are voluntarily subject to VAT for turnover. Despite the fact that you as vendor are voluntarily subject to VAT, it is the purchaser who must report and pay VAT.
- In the case of trade in waste and certain scrap metals. For further information, see under “Reverse VAT liability in the case of trade in waste and certain scrap metals” on page 12.
- In the case of trade in emission permits for greenhouse gases.
- When a foreign taxable person sells goods and certain real estate services to VAT-registered buyers in Sweden, and has not asked to become liable for tax on the sale.

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 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.

If you are a taxable person or a legal person that is not registered for VAT, you must, in certain cases, report Swedish VAT on purchases from another EU country. Further details are contained in the brochure “VAT on foreign trade” (SKV 560B) [Moms vid utrikeshandel].

Purchase of services from abroad

Services are normally considered supplied in Sweden when you as a taxable person 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 9.

Reverse charge for vendors

When reverse charge applies you don't charge your customer VAT. You must instead state on the invoice “reverse charge liability”. Read more under the heading “Reverse VAT liability” on page 18.

In the **VAT 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 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.

At www.skatteverket.se there is a list of construction services that are subject to 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 VAT liability in the case of trade in waste and certain scrap metals

Reverse VAT liability applies for deliveries between taxable persons that take place on 1 January 2013 or later.

The waste and scrap covered by the reverse VAT liability are metals and galvanic elements, batteries and electric accumulators that have specific CN-numbers in accordance with the EU customs tariff in force on 1 January 2012. (For more information on the EU customs tariff and CN-numbers, see www.tullverket.se.)

The products according to the EU customs tariff are:

- iron and steel (CN no starting with 7204)
- copper (CN no starting with 7404)
- nickel (CN no starting with 7503)
- aluminium (CN no starting with 7602)
- lead (CN no starting with 7802)
- zinc (CN no starting with 7902)
- tin (CN no starting with 8002)
- other non-noble metals (CN no starting with 8101–8113), or

- waste and scrap of galvanic elements, batteries and electric accumulators (CN no starting with 854810).

The customs tariff defines waste and scrap as metal waste from production (e.g. metal shavings and metal residue) or scrap that is sold on after mechanical processing (e.g. cutting, crushing or sorting) and metal products that are definitively unusable for their original purpose due to damage, partition, wear and tear or other reasons. Metal waste that has been processed and thereafter cast into ingots for further sale does not fall under the scope of the rules on reverse VAT liability.

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 liability”. In your VAT 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 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 VAT return. The input VAT is reported in box 48.

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

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

A and B are both businesses. They need to report a sale and purchase covered by reverse VAT liability. A has had expenses for providing goods or services. Although A does not report any output VAT, A is allowed to deduct the input VAT pertaining to the costs for that which has been sold under reverse VAT liability.

B must report and pay VAT on the purchase. In this example we are assuming that B's purchase is wholly a part of the VAT-liable activity. B can therefore make a full deduction against the VAT that B calculates and reports.

Deklarationen ska finnas hos Skatteverket senast på deklareringsdagen

Bankgiro och referensnummer (OCR), se andra sidan

Skickas till

Mervärdesskattedeklaration

01 Deklarationsdag 02 Person-/Organisationsnummer

Momsregistreringsnummer (VAT-nummer)

Moms att deklarerar för

Ange endast kronor, ej ören

A. Momspliktig försäljning eller uttag exklusive moms

Momspliktig försäljning som inte ingår i ruta 06, 07 eller 08

05

Momspliktiga uttag

06

Beskattningsunderlag vid vinstmarginalbeskattnin

07

Hyresinkomster vid frivillig skattskyldighet

08

B. Utgående moms på försäljning eller uttag i ruta 05 - 08

Utgående moms 25 %

10 +

Utgående moms 12 %

11 +

Utgående moms 6 %

12 +

C. Momspliktiga inköp vid omvärd skattskyldighet

Inköp av varor från ett annat EU-land

20

Inköp av tjänster från ett annat EU-land enligt huvudregeln¹

21

Inköp av tjänster från ett land utanför EU²

22

Inköp av varor i Sverige som köparen är skattskyldig för³

23

Övriga inköp av tjänster i Sverige som köparen är skattskyldig för

24

D. Utgående moms på inköp i ruta 20 - 24

Utgående moms 25 %

30 + 5

Utgående moms 12 %

31 +

Utgående moms 6 %

32 +

H. Import

Beskattningsunderlag vid import

50

I. Utgående moms på import i ruta 50

Utgående moms 25 %

60 +

Utgående moms 12 %

61 +

Utgående moms 6 %

62 +

F. Ingående moms

Ingående moms att dra av

48 - 2 6

G. Moms att betala eller få tillbaka (ifylls alltid)

Moms att betala eller få tillbaka

49 +/- =

E. Försäljning m.m. som är undantagen från moms

Försäljning av varor till ett annat EU-land⁴

35

Försäljning av varor utanför EU

36

Mellanmans inköp av varor vid trepartshandel

37

Mellanmans försäljning av varor vid trepartshandel⁴

38

Försäljning av tjänster till näringsidkare i annat EU-land enligt huvudregeln^{1,4}

39

Övrig försäljning av tjänster omsätta utanför Sverige

40

Försäljning när köparen är skattskyldig i Sverige

41 1

Övrig försäljning m.m.

42

00 15 01 L 14-10

Samtida enligt SFS 1982:668 har skett med Näringslivets Registermynd. Statistiska centralbyrån (SCB) använder uppgifterna i skattedeklarationen för framställning av statistik.

A:s VAT return

- 1 A states the invoiced amount in box 41
Försäljning när köparen är skattskyldig i Sverige [Sales when purchaser is taxable in Sweden].
- 2 A states the VAT for costs in box 48
Ingående moms att dra av [Input VAT to deduct].

B:s VAT return

- 3 B states the amount paid for the purchase in box 23 if it pertains to goods. (Gold, waste and certain scrap metals and, in certain cases, purchase of goods from a foreign taxable person.)

- 4 If the purchase concerns services, box 24 should instead be used. (Construction services, emission rights for greenhouse gases and, in certain cases, real property services from a foreign taxable person.)
- 5 B states the output VAT in box 30,
Utgående moms 25 % [Output VAT 25 %].
B calculates the VAT of the purchase price for the goods or services .
- 6 B states the input VAT that may be deducted in box 48, Ingående moms att dra av [Input VAT to deduct].

When am I entitled to deduct VAT?

Business purchases – not for private consumption

You may deduct input VAT on purchases and imports that you carry out for your business activities that are subject 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 event of business entertainment activities, the deduction entitlement is limited.

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 joint purchases for activities liable to VAT and exempt from VAT which are more than 95 per cent to the activity liable to VAT.
- For joint purchases 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 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 36.

Special rules for certain fixed assets, except property

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 economic 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 25.
- 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 economic 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, e.g. letting of rooms in an economic activity, 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 economic 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 (only applies to passenger cars)
- transport of deceased persons
- driving instruction.

Read more about cars in the section “Vehicles” on page 33. There is also a section there about hire (leasing).

- **Business entertainment**

Where **business entertainment activities** are concerned, the deduction entitlement is limited. The size of the deduction you may make per participating person depends on what kind of business entertainment it is and what is included. More extensive information on the scope of the business entertainment deduction limitations is to be found at www.skatteverket.se.

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 31.
- **Ships** for commercial shipping or fishing, **ships** for towing or salvaging and **aircraft** used by airline companies that mainly operate commercial air traffic on international routes, and certain services and parts for such ships and aircraft. See page 31.
- Lifesaving vessels. See page 31.
- **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

When do Swedish invoicing rules apply?

The following chapter describes the Swedish invoicing rules. Normally, these rules apply to sales by Swedish businesses. However, in some cases other countries' invoicing rules are applicable.

The Swedish rules apply in the case of

- domestic sale of goods or services
- sale of goods to another EU country (box 35 in the VAT return)
- sale of services to a taxable person in another EU country in accordance with the general rule (box 39 in the VAT return). The Swedish invoicing rules do not apply however, if it is the purchaser who issues the invoice (self-billing)
- export of goods or services (boxes 36 and 40 in the VAT return)
- a taxable person with a registered office or establishment in Sweden that in other situations turns over goods or services in another EU country, if the purchaser is liable for VAT in the other EU country.

The Swedish invoicing rules **do not** apply, *inter alia*, in the case of:

- goods and services supplied in Sweden by a foreign taxable person from their establishment in another EU country, if you as purchaser are liable for VAT (reverse VAT liability). Swedish invoicing rules do apply however, if the purchaser in such a situation is the one who issues the invoice (self-billing).
An example of such a situation is if you as purchaser are liable for VAT on the purchase of services that fall within the scope of the main rule (box 21 in the VAT return) and the services have been provided from a taxable person's establishment in another EU country. In such a case, the other EU country's invoicing rules apply, unless you issue the invoice in your capacity as purchaser (self-billing), in which case the Swedish invoicing rules are to be applied.
- intra-EU acquisition of goods (box 20 in the VAT return), where you as purchaser are liable for VAT. In such cases the other EU country's invoicing rules apply, regardless of whether it is the vendor or you as purchaser that issues the invoice (self-billing).
- Distance sales from Sweden to private individuals in another EU country, if the goods are supplied in the other EU country.

For further reading on different international transactions, consult the brochure "VAT on foreign trade" (SKV 560B).

Sale to legal persons and taxable persons

Regardless of the amount you must under the provisions of the Value Added Tax Act issue an invoice when you sell goods or services to legal persons and taxable persons. 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 are you obligated to issue an invoice when you sell goods or services within the country, if the sale is exempted from VAT.

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 10 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.

Those who sell goods to private individuals in Sweden from another EU country (distance sales) must also issue an invoice.

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.

Invoices relating to intra-EU supply of goods to taxable person in another EU country (box 35 in the VAT return) must be issued at the latest on the 15th day of the month following the month during which the goods have been delivered.

Invoices relating to the sale of services to a business in another EU country in accordance with the general rule (box 39 in the VAT return) must be issued at the latest on the 15th day of the month following the month during which the service has been provided.

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
- 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.

In an invoice that you as a purchaser issue on behalf of the vendor, you must always indicate “Self-billing”.

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.

Self-billing

When you as a purchaser issue an invoice on behalf of the vendor, you must indicate “self-billing” on the invoice. You can find further information on self-billing under the heading “Self billing”.

Exemption from VAT liability

In the case of sales within the country where you do not charge VAT because of an exemption from VAT liability, there must be a reference 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 VAT liability.

If you do not know which regulation is relevant, you can state e.g. “Exemption from VAT liability”.

Reverse VAT liability

If the purchaser is liable for VAT, you must indicate “Reverse charge liability” on the invoice.

Naturally, in the case of reverse VAT liability, you should not state the applied VAT rate or amount of VAT on the invoice. The invoice must however contain the taxable amount for the goods or services with reference to the quantity and nature of goods sold or the extent and nature of the services rendered.

Margin scheme

When using margin scheme in accordance with Ch. 9 a of the VAT Act (sale of second-hand goods, works of art and collectors' items and antiques), you must indicate one of the following on the invoice, depending on the type of goods sold

- margin scheme for second-hand goods
- margin scheme for works of art
- margin scheme for collectors' items and antiques.

When using margin scheme in accordance with Ch. 9 b of the VAT Act (travel services), you must indicate “Margin scheme for travel agents” on the invoice.

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 23 and 35.

Simplified invoices

In some cases, it is sufficient to issue a **simplified invoice**. You may do this if the sale amounts to less than SEK 4 000 including VAT. You may also use a simplified 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 simplified invoice may be permitted are the sale of petrol from automatic pumps or the sale of train or bus tickets. You may also issue a credit note in the form of a simplified invoice.

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.

If it is a credit note, it must also contain a separate and unequivocal reference to the original invoice.

Note that a simplified invoice may not be used in the case of cross-border trade with other EU countries. Foreign taxable person may not use a simplified invoice if you as purchaser are liable for 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

- the changes made to the original invoice
- a separate and unequivocal reference to the original invoice.

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.

When converting the amount of VAT to Swedish kronor, you must use one of the following exchange rates

- joint mid-price, established by Nasdaq OMX Stockholm AB, which is published at e.g. the Riksbank website, www.riksbank.se
- the exchange rate announced by the European Central Bank.

Electronic invoicing

An electronic invoice is an invoice that is issued and received in an electronic format.

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 invoice 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 electro-

nic information to give a complete invoice. The connection between the two must be clearly stated, however.

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.

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. Foreign taxable persons 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. You must ensure the authenticity of its origin and make sure that the information contained in the invoice is readable and unchanged from the moment of issuing and throughout the time of storage. Authenticity of origin means establishing the identity of the supplier, provider or issuer of the invoice. 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.

What is said above concerning the storage of invoices applies regardless of whether the invoice falls under the scope of Swedish invoicing rules or those of another EU country.

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.

Those who are liable to report the VAT may engage a representative to do this on their behalf. Further details about representatives are to be found in the “VAT and PAYE returns” brochure (SKV 409B) [Moms- och arbetsgivardeklarationer].

Reporting in your VAT return

You report the VAT in a VAT return. The easiest way to do this is to submit your VAT return online but you can also submit your VAT return on a printed form that the Swedish Tax Agency sends to you.

Accounting periods

The accounting period is a calendar month if the taxable amount, excluding intra-EU acquisitions and imports, is estimated to exceed SEK 40 million for the tax year.

The accounting period is three months (a calendar quarter) if the taxable basis excluding intra-EU acquisitions and imports is estimated to total a maximum of SEK 40 million for the tax year.

The accounting period is an entire tax year if the taxable basis, excluding intra-EU acquisitions and imports, is estimated to exceed SEK 1 million for the tax year.

If you so request, the Swedish Tax Agency shall decide that the accounting period should be one calendar month instead of a calendar quarter. If the accounting period should be an entire tax year, you may request to be allowed to report VAT once per calendar month or once per calendar quarter. Normally, such a decision will apply for at least twenty-four consecutive calendar months.

If there are special reasons, the Swedish Tax Agency shall decide that you must report VAT every calendar month or calendar quarter without your having requested this.

If the accounting period is changed at your request from one to three months or vice versa, the new accounting period will normally apply from the next calendar quarter. Should a change be made from or to an entire tax year, this will normally begin to apply from either the start or the end of the current tax year. This means that previous accounting periods that have already expired shall not be changed.

Which accounting period must I have?

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

Taxable basis	Accounting period	Alternative
Max. SEK 1 million	Tax year	Calendar month or calendar quarter
Max. SEK 40 million	Calendar quarter	Calendar month
More than SEK 40 million	Calendar month	None

VAT return and payment days

The return must be submitted so that it is received by the Tax Agency no later than the 12th of the second month after the return period. Payment must be registered in the Tax Agency's bank giro account on that day. E.g. the VAT return for the January–March return period must be received by the Tax Agency no later than 12 May. In January and August, the final date is the 17th. If you submit a VAT return for a tax year, the return must be received by the Tax Agency no later than the 26th of the second month after the end of the tax year. If this day falls in December, the return and the payment must have been received no later than the 27th of that month.

Sole traders and estates that submit VAT returns for a tax year, submit income tax returns and do not have any trade with other EU countries must report and pay VAT on 12 May of the year following the tax year. However, if the firm or estate has assistance in filing returns it is eligible for a respite in reporting and paying VAT, until 26 June at the latest. This known as a bureau respite.

Others who submit VAT returns for a tax year, submit income tax returns and do not have any trade with other EU countries must report and pay VAT in connection with submitting their income tax return. The dates for submitting returns and paying are determined by the end of the financial year and whether VAT reports are submitted electronically or on paper. For financial years ending

- January – April, VAT is reported and paid on 12 November (paper) or 12 December (electronically)
- May – June, VAT is reported and paid on 27 December (paper) or 17 January (electronically)
- July – August, VAT is reported and paid on 12 March (paper) or 12 April (electronically)
- September – December, VAT is reported and paid on 12 July (paper) or 17 August (electronically).

If you submit a VAT return for a tax year but are not obliged to submit an income tax return, or engage in

trade with other EU countries, the return and payment must have been received by the Tax Agency no later than on the 26th day of the second month after the end of the accounting period, except if the month is December, in which case the return and payment must have been received by the 27th.

If your accounting period is per calendar month you can apply to submit your return on the 26th of the month following the accounting period instead of on the 12th of the second month following the accounting 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 26th of the month after the return period to be the date of your return, you must submit the return no later than the 26th in order to avoid financial penalties.

Electronic VAT return

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

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

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**.

Invoicing method or final accounts method?

If you are obliged to keep accounts and have a turnover that annually exceeds SEK 3 million, your economic transactions must be **recorded on an ongoing basis**. In this case, **the invoicing method** must be used to report VAT.

If 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.

The final accounts method cannot be used by financial companies.

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.

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.

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 concerning the time of 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 return) you become liable to tax when the goods are delivered. You must report the intra-EU acquisition (purchase) and the output VAT in the accounting period stated by the vendor on the invoice, assuming the goods have been delivered. 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 15th day after the month of delivery. If you have received an invoice before delivery (advance invoice), you must report the purchase and the output VAT in the month of delivery. The input VAT on intra-EU acquisitions may be deducted in the same period as you report the output VAT, if you have deduction rights according to the general regulations. Read more under the heading “When am I entitled to deduct VAT?” on page 14.

When you supply goods to another EU country (box 35 in the VAT return) you must report the supply in the same accounting period as you issue the invoice. This applies if you issue the invoice in connection with or after delivery, but before the end of the time limit for invoicing. An invoice must be issued at the latest on the 15th day of the month following the

month of delivery. 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. If you, for instance, deliver a product on 5 April and issue the invoice on 20 April, then you must report the turnover in April. If, on the other hand, you deliver the product in May and issue the invoice in April (advance invoice), then you must report the turnover in May.

In the case of sales of services to taxable persons in another EU country in accordance with the general rule (box 39 in the VAT return) you must report the turnover when you have supplied the service. For practical purposes you may report the service when you invoice the customer, provided that the invoicing takes place in close connection with the provision of the service. However, if you have received payment in advance, you must report the sale when you have received the advance payment.

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. The above applies only if the product has been delivered

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.

Those who purchase building and installation services and use the invoicing method to report VAT may deduct input VAT in the period in which they receive the invoice. If you run a construction business and are therefore liable for the VAT on the purchase, you must report the output and input VAT in the period in which the invoice is dated.

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**.

Imports

Regardless of whether you use the invoicing or final accounts method, the same rules apply when you are importing goods. The output VAT shall be reported in the period when the Swedish Customs have issued the customs invoice or customs receipt. Where customs liability has arisen in another EU country, it is essential that the output VAT shall be reported when the customs authority in the other country has issued a customs invoice or receipt or a similar document.

Input VAT deductions may be carried out in the same accounting period as you have reported the output VAT for the import transaction.

More information on accounting and payment of VAT may be found in the brochure "VAT and PAYE returns, SKV 409B" [Moms- och arbetsgivardeklARATIONER].

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 return. If you are not registered for VAT the amount must be declared in a special tax return (SKV 4702).

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 because the customer lacks the financial means to do so, 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 regarded as clear that you are not going to be paid in the case of a composition or a 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.

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 building company, on behalf of a client, pays land acquisition and property formation costs or compensation for land reserved for streets or when a debt collection company pays the application fee to the Swedish Enforcement Authority.

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 **restaurants** that charge 12 per cent VAT on accommodation but 25 per cent VAT on alcohol.

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.

Imports

When you import goods for economic activities you must report the import in your VAT return. If you carry out the import transaction solely for private use of the item, however, you must not include it in the VAT return. Instead, you must report and pay the VAT to the Swedish Customs.

The taxable basis is calculated as the total value of:

- the customs value in SEK (the value of the goods for customs purposes/customs value in monetary terms) stipulated by the Swedish Customs or in certain cases by another customs authority in the EU
- customs duties and other state taxes or charges (except the VAT that you shall calculate)
- incidental expenses such as commission (brokerage), packaging, transportation and insurance costs to the known place of destination where the goods are to be transported.

The known place of destination refers to the first destination in Sweden, or the last place in Sweden or in another EU country as specified in the international shipping documents. Where information on a destination in Sweden is wholly lacking in the shipping documents, then the place in Sweden where the first transshipment is made is deemed to be the known place of destination.

All incidental expenses shall be included that relate to the imported goods and that arise after the goods in question have arrived at the place of importation, but before, and up to, the goods arriving at the last place of destination that appears in the shipping documents.

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 either not a taxable person, or a taxable person entitled to apply PMT on the sale to you. You are also entitled to apply PMT on the sale of a passenger car that you have bought from a taxable person in this country who sold you the car without VAT because they did not have the right to deduction

on the purchase due to deductions not being allowed for passenger cars, see p 15.

You may not use PMT in sales of

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

Travel companies may also use PMT when selling travel services in which the company has purchased goods and services from other companies, or has mediated the travel service in 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 and materials from your own stores. 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-EU 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 25.

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.
- **Restaurant and catering services** with the exception of that part of the service that relates to spirits, wines and high-alcoholic beers (starköl).
- 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.

Sale of works of art

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

Exceptions

Only applies to works of art specified in the VAT Act. Does not apply to applied art and commodities. 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.

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 and breakfast in

conjunction with 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 29.

Camping business

You only charge VAT if you run a campsite as an economic activity (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**. This also applies to the sale of these products by printing shops.

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.

The sale of some newspapers and magazines is exempt from VAT, see page 31.

Passenger transport

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 31. 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 10. 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).
- **Storage lockers**.
- Space for **advertising** on properties.
- **Roads, bridges, tunnels or tracks** for traffic.
- **Terminals** for bus and train traffic to traffic operators.
- Space for equipment on a mast or similar construction to a mobile network operator.

For other letting of property, you must only charge VAT on the rent if you have chosen to become voluntarily liable for VAT on letting of business premises (voluntary VAT 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. To allow your VAT-registered tenants to deduct input VAT for costs for premises, you can choose to become voluntarily liable for VAT on **letting of business premises**.

In order to become voluntarily liable for VAT you must be a property owner, holder of a tenant-ownership, or have a first or second-hand rental contract. You can become voluntarily liable for VAT on letting or granting use of shop premises, office premises, industrial premises etc. and entire buildings to a tenant using the premises or property for VAT-liable activities.

The brochure "Voluntary tax liability for VAT on letting premises" (SKV 563) has more information about what rules apply and how you become voluntarily liable for VAT.

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 practice 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, psychotherapists, dispensers, radiology nurses, remedial exercise trainers, hospital physicists, nurses, dental hygienists, dentists and physiotherapists.

- 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 that is VAT-exempt refers to measures taken to prevent, examine and treat disease, physical deformities and injuries in the oral cavity (mouth). Moreover, dental technical products and services that relate to such products are exempt from VAT when sold by a dentist or dental technician.

Social care

Social care exempt from VAT refers to public and private activities in child and elder care, support and service to functionally disabled people and other comparable care. The VAT exemption applies to services of a social nature carried out by the state, municipalities or county councils, or by companies recognised as entities of a social nature.

The VAT exemption also applies to services closely related to social services, if they are carried out by a recognised entity of a social nature.

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 Investment Funds Act (2004:46) and special funds according to the Alternative Investment Fund Managers Act (2013:561).

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.

Liable 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.) to be used by airline companies that mainly operate international air traffic services against payment.

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 business 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. The Act on Road Traffic Definitions divides vehicles into the categories Class 1 and Class 2 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.

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 is principally a car which has been registered as a passenger car in the Vehicle Register. However, in the assessment of deduction rights in connection with the purchase or hiring of a passenger car, and taxation on self-supply, a Class 2 passenger care (a motorhome) is not regarded as a passenger car if its gross weight exceeds 3 500 kg or the driving cab is separate from the rest of the body.

In summary then, passenger cars for VAT purposes are:

- Vehicles defined in the Act on Road Traffic Definitions as passenger cars. In respect of deduction rights, this does not include Class 2 passenger cars whose gross weight exceeds 3 500 kg or whose driving cab is separate from the rest of the body.

- Vans registered as goods vehicles with van body 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 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 assets except property" 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 or in activities exempt from VAT. 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 car benefit in your VAT return; if you report VAT several times a year, the VAT on your car benefit is reported in the last VAT return of the year.

- 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. VAT on the benefit is to be reported in every reporting period in which it is provided.

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 25.

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. However, deduction is not allowed for the purchase of motorbikes for use in any kind of personal transportation. The general limitation on the right to make deductions applies in the case of hire of a motorcycle for personal transportation. If the motorcycle is used to more than what is considered a small extent (around 1,000 km/year) in an activity liable to VAT, a deduction amounting to 50 per cent of the input VAT on the rental may be made.

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 25. 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 VAT exempt if the tax warehouse is located in Sweden.

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 is resident in a country outside of 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 23.

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 VAT 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 return that you have already submitted, you must not make a correction in a VAT 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 VAT 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 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 return has not been received by the Tax Agency in time, you risk financial penalties for late submission. The penalty is currently SEK 500. If the Swedish Tax Agency in a special communication (demand) requests you to submit a VAT return, the late fee is 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 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 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 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. Brochures and forms that have a number for direct selection may be ordered on the Tax Agency service phone. You cannot download forms for VAT 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
Moms- och arbetsgivardeklaration (SKV 4720) (VAT and PAYE return)	6805
Blankett för periodisk sammanställning (SKV 5740) (EC sales list/recapitulative statement)	6804
Moms- och arbetsgivardeklarationer (SKV 409, broschyr) (VAT and PAYE returns, brochure)	7702
Företagsregistrering (SKV 418) (Business registration)	7605
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)	
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.	

* This brochure is only to be found as a pdf-file at www.skatteverket.se.

Self-service round the clock:

Website: 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



Swedish Tax Agency