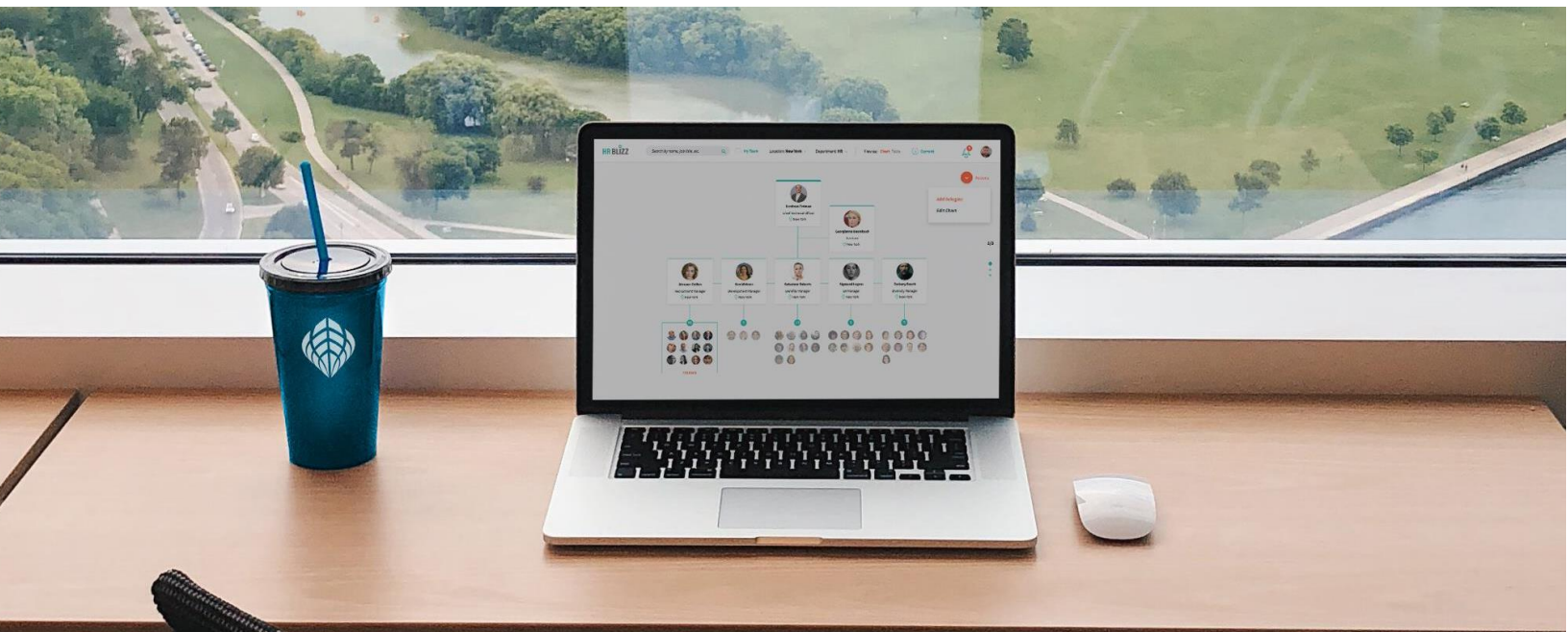




Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2020 Global Payroll Country Guide for Sweden



SWEDEN



May 26, 2020



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Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.



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Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.



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Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesaar™ and our hiring experts help to screen, select, attract the right candidates for your organization, and populate your pipeline of prequalified talents.



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Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.



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Mercans at a Glance

140+

Countries

20

Years of Success

500+

Specialists

5k+

Customers Worldwide

97%

Client Retention Rate

1.5X

Annual Revenue Growth

25k+

Largest Single Payroll

2.5M+

Pay Slips per Annum

0

Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certifications.

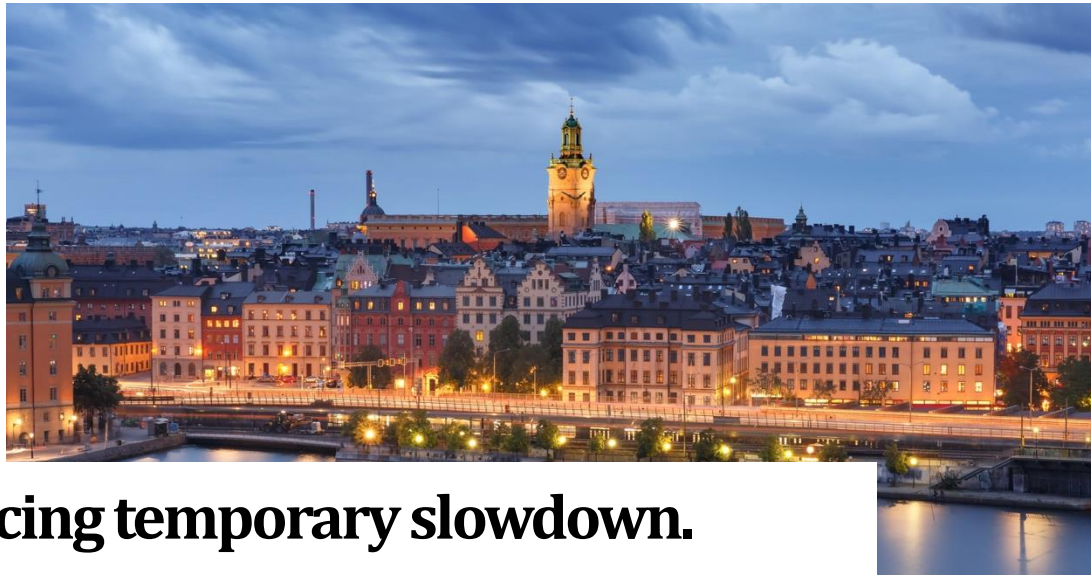




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Sweden – facing temporary slowdown.

Exposed to external impacts due to its dependence on international trade, the Swedish economy contracted during the global financial crisis and Eurozone crisis. The economy rebounded in 2016-18; however, growth lost momentum in 2019 as global slowdown has once again slowed exports whereas low wage increases and consumer confidence weighed on private consumption. According to the updated IMF forecasts from 14th April 2020, due to the outbreak of the COVID-19, GDP growth is expected to fall to -6.8% in 2020 and pick up to 5.2% in 2021, subject to the post-pandemic global economic recovery.

Sweden's among rare advanced economies to show both a current account surplus and low public debt in Europe. Gross debt was forecast to have fallen to 36.9% in 2019 and is expected to continue its decline in the next couple of years, reaching 35.4% in 2020 and 33.8% in 2021. This allows the government to maintain a strong expansionary fiscal position as it has already introduced tax cuts for high-level income households. The 2020 budget also included higher social, health and education expenditure as well as support for green investment. IMF estimates the 2019 budget deficit at 0.1%, expecting it attain the perfect balance in 2020 and 2021.

Job creation slowed in 2019, with unemployment rising to 6.8% from 6.3% a year earlier. At the same time, wage rises remained modest and unemployment rate among low-skilled migrants, while decreasing considerably in recent years, continues to be higher than that of local population. The government introduced "entry agreements" to allow migrants and low-skilled population in general to integrate the job market faster by combining work and training at reduced cost to employers. The IMF expects however the unemployment trend to be heavily affected by the negative economic impact of the COVID-19 pandemic, the rate being currently estimated to increase to 10.1% in 2020 and decrease slightly to 8.9% in 2021.

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Doing Business in Sweden

Sweden is located in Northern Europe on the Scandinavian Peninsula bordering Norway and Finland. It is the third largest country in Western Europe covering 450,000 sq. km of which 53% is forests and 9% is lakes and rivers.

The total population of Sweden is about 9.5 million, one fifth of whom are immigrants or have at least one foreign-born parent. The largest immigrant groups are from Finland, Serbia and Montenegro, Bosnia-Herzegovina, Iran, Norway, Denmark, and Poland.

Sweden's capital city is Stockholm. Sweden's official language is Swedish, which is a Germanic language related to Danish and Norwegian. Five minority languages are Finnish, Meänkieli, Sami, Romani and Yiddish but English is by far the leading foreign language. In 1995, Sweden joined the European Union but in a 2003 consultative referendum, Swedish citizens declined to adopt the Euro and the currency of Sweden remains the Swedish Krona (SEK).

The official head of the country is the king but the duties of the Swedish monarch as head of state are today purely representative and ceremonial and the country is governed by a popularly elected parliament and government.

Sweden's economy is highly developed and the country has a high standard of living. The major economic resources are from fisheries, wood, high-grade ore mining, hydroelectric power, and also a strong tourism industry. The most important export goods are electrical and telecom equipment, machinery, crude oil, passenger cars, paper, pharmaceuticals, foodstuffs, textile products, footwear, iron and steel.

Sweden has one of the world's highest life expectancies and one of the lowest birth rates. There is an extensive social welfare system, which provides for childcare and maternity and paternity leave, old-age pensions, and sick leave, among other benefits and there is a ceiling on health care costs. These services are paid for by taxation, which is thought to be one of the highest in the world. In terms of income, the wealth distribution in Sweden is one of the world's most equal ones.



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Basic Facts

Official State Name	Kingdom of Sweden
Population	10.3 million
Capital	Stockholm
Major Languages	Swedish, Finnish, Sami, Romani and Yiddish
Currency	Swedish krona (SEK)
Main Industries & Export Articles	Timber, hydropower, engineering, telecommunications, automotive and pharmaceuticals.
GDP Growth	0.9% (2019)
Internet Domain	.se
International Dialing Code	+46
Dates & Numbers	YYYY-MM-DD 999 999 999,00

Incorporation Requirements

The various legal entity types that are available in Sweden and their respective incorporation processes have been summarized below.

Sole Trader

The sole trader runs and is responsible for the business as a private person. As a sole trader (self-employed) the person needs to register your business with the Swedish Tax Agency. They can, but do not have to register with the Swedish Companies Registration Office unless you want to protect their company name.

Tax registration

When starting up as a sole trader, the persons need to apply for F-tax and VAT registration and, where relevant, register as an employer with the Swedish Tax Agency (Skatteverket). The sole trader can use an online service to apply for this permit. The sole trader's business is identified by their Swedish personal identity number. If the sole trader does not have a personal identity number, they must apply for registration by submitting the SKV 4620 form.



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Business Name Registration (optional)

As a sole trader, the entrepreneur can register a name for their business with the Swedish Companies Registration Office (Bolagsverket). This is not a requirement, but is a good idea, as it gives the, exclusive rights to the name in the county where they will be operating. The sole trader can use an online service to register.

Limited Company

A limited company can be started by one or more natural persons or legal entities. When starting a limited company, the founders must have at least SEK 25,000 in share capital. They need to register their business with the Swedish Companies Registration Office and the Swedish Tax Agency.

The most common form of business vehicle used in Sweden, including by foreign investors, is the limited liability company (aktiebolag) (LLC). An LLC can be either private or public, and the private LLC is by far the most common form. The reasons for the popularity of the LLC are several, and include:

- That shareholders generally bear no personal liability for the LLC's obligations.
- That an LLC is easy to establish.

Two other commonly used business vehicles in Sweden are the general partnership (handelsbolag) and the limited partnership (kommanditbolag).

A limited liability company (LLC) is formed by one or more natural or legal persons (founders). Since 1 August 2014, there are no requirements relating to the founders' legal domicile.

The following are the main measures that must be taken to form an LLC:

- The founders must prepare a draft memorandum of association.
- One or more founders must subscribe and pay for all the shares in the LLC.
- The founders must prepare, date and sign the memorandum of association.
- The board of directors must apply for registration of the LLC with the Swedish Companies Registration Office (Bolagsverket).

The LLC is formed when the memorandum of association has been signed, but the formation lapses if registration does not take place within six months from the signing date.

The processing time for registering a new LLC is usually short. For current processing times, see www.bolagsverket.se/en/us/about/processing-times.

The company name must be distinct from other previously registered names in the companies register or the branch register that are still in force.

The company's name must include the Swedish word Aktiebolag or the abbreviation "AB". A public company's name must also be accompanied with the abbreviation "publ" unless the company's name contains the word publikt.

For more information on registration and formation requirements, see www.bolagsverket.se/en.



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Trading Partnership

A trading partnership is an alternative if at least two natural persons or legal entities wish to start a business together. The founders need to register a trading partnership with the Swedish Companies Registration Office and the Swedish Tax Agency.

The standard legal entity incorporation steps for Portugal have been summarized below:

No.	Procedures	Time to Complete
1	<p>Obtain a written statement from a Swedish bank certifying that the total cash amount to be paid for shares has been deposited in an account</p> <p>Agency: Bank</p> <p>Bank certificate may be issued by a bank, a credit company, or a credit institution within the EEA. It should be written in Swedish stating (i) the deposited amount, (ii) that the amount is payment for shares in the company which is being formed, (iii) the date on which the shares were paid, (iv) number of the account, and (v) whether withdrawals have occurred and, if so, when.</p> <p>The bank certificate can be submitted as an original or online. To be able to submit the bank certificate online, the bank must have an approved organization certificate (Server ID) and electronic identity legitimization. The founder submits the information required to set up a company online including the banker's contact information. The banker subsequently receives a message and creates a bank certificate online signing it with the electronic identity legitimization. When bank certificate is finalized, which usually takes between 1-3 days, the founder signs with the electronic identity legitimization and submits the application online.</p>	1 day
2	<p>Submit the application to the Swedish Companies Registration Office (Bolagsverket) and obtain the registration certificate</p> <p>Agency: Bank</p> <p>Business founders must open a bank account and obtain a Bank Identification Number (IBAN).</p>	1 day
3	<p>File the declaration of commencement of activity with the Tax Authority and register for VAT</p> <p>Agency: Swedish Companies Registration Office</p> <p>To register a company relevant application documents, have to be filed with the Swedish Companies Registration Office. The Companies Registration Office and the Swedish Tax Agency also administer a joint website (www.verksamt.se) for "one stop shop" registration of businesses. It is possible both to register the company in the Companies Register and to apply for tax registrations (income</p>	5 days



and VAT), employer registration and to file a preliminary tax return at the joint web site (i. e. all registrations generally required to start up a business). Registration forms are available both at this web site and at the web sites of the Companies Registration Office (www.bolagsverket.se) and the Tax Agency (www.skatteverket.se). Forms can be downloaded, printed out or ordered by telephone, free of charge, to be signed by hand and sent by ordinary mail. Application and registration forms can also be filled in and filed entirely electronically. Electronic signing however requires an electronic identity verification issued by an authorized entity specified on the web site www.e-legitimation.se

Registration must be applied for within six months from the date of signing the deed of foundation. The application must be signed (by hand or electronically) by a board member or by the managing director and be accompanied by a verified copy of the deed of foundation, a bank's (or accountant's in case of non-cash contributions) certificate concerning the paid-in capital. The uniqueness of the proposed name of the company is checked against the Companies Register.

The application must be accompanied by an original or a verified copy of the deed of foundation and a bank's (or accountant's in case of non-cash contributions) certificate concerning the paid-in capital. The application must also be accompanied by a copy of the adopted articles of association and an original or a verified copy of the share subscription list (this information may be included in the deed of foundation)

Upon approval, the Registration Office assigns the company an organization identity number and publishes a notice in the Official Gazette (Post- och Inrikes Tidningar). The notice includes the name, mailing address and the identity of the board members, directors and all other authorized signatories.

4 Register with the Swedish Tax Agency (Skatteverket)

1 day

Agency: Swedish Tax Agency (Skatteverket)

Any employer or a company subject to VAT and intending to do business in Sweden must register with the Swedish Tax Agency. The registration is a prerequisite for a company to deduct VAT and to receive payment for services without deducting preliminary tax (F-tax registration). An employer must withhold social security tax for employee salary and account for such charges in the monthly returns. F-tax registration is a prerequisite to require payment for services rendered without the customer having to withhold preliminary income tax.

Barring any unusual circumstance, companies should register with the Swedish Tax Agency 2 weeks before starting business activities. All application forms can be downloaded (as Adobe Acrobat files) from the Swedish Tax Agency Web site (www.skatteverket.se). They can also be ordered and received by postal mail, free of charge.



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5	File information about beneficial owners with the Swedish Companies Registration Office (Bolagsverket)	1 day
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Agency: Bolagsverket

Starting from August 1, 2017, newly registered companies and associations must register beneficial ownership information within four weeks from their registration date. The company must be registered before it can send in an application for registration of beneficial ownership.

A legal entity is obliged to submit reliable information regarding their beneficial owners and the nature and extent of the beneficial owner's interest in the legal entity to the Swedish Companies Registration Office. In addition to basic information, such as the company name, address and proof of incorporation, the notification should provide information regarding name, personal identity number, citizenship and country of domicile of the beneficial owners.

It is compulsory to register beneficial ownership information online using the website of Bolagsverket. It costs SEK 250 and payment is by invoice.

Management

Every private limited liability company (LLC) must have a board of directors comprising one or more members. The board of a private LLC can appoint a managing director. The board of directors of a public LLC must have at least three members and a managing director must be appointed.

If the board of directors consists of more than one member, one of the members must serve as chairman. Where the board of directors has less than three members, there must be at least one alternate.

In the private sector, local employee organizations bound by collective bargaining agreements with the LLC can appoint:

- Two employee board members (with two alternates) in companies with 25 or more employees.
- Three employee board members (with three alternates) in multi-sector companies with 1,000 or more employees.

The employees' right to board representation must not result in the number of employee board members exceeding the number of other board members.

A legal person cannot be a member of the board. The managing director of a public company cannot concurrently hold the position of chairman of the board. A person who does not intend to participate in the activities incumbent on the board of directors cannot be appointed to the board of directors without an acceptable reason.

A majority of the directors, as well as the managing director, must be resident within the EEA, unless an exemption is granted by the Companies Registration Office.

The following cannot serve on the board or as managing director:



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- A minor.
- A bankrupt.
- A person for whom a guardian has been appointed.
- A person who has been prohibited from trading.

Reporting Requirements

An LLC must file an annual report (in Swedish) with the Companies Registration Office within seven months of each financial year-end. If the annual report is incomplete or filed too late, late filing penalties can be issued.

The annual report must include the following:

- A profit-and-loss account.
- A balance sheet.
- Notes on the accounts.
- A directors' report.

Depending on the type and the size of the LLC, additional information may be required to be given in annual report.



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Banking

Swedish banking sector is dominated by "Big Four" domestic banks, operating as universal banks. There are also a number of foreign-controlled banks, and regional savings banks. The "Big Four" Swedish banks have prominent presence in other Scandinavian Countries and Baltic States.

The major banks in Sweden are Handelsbanken, Swedbank, Nordea Bank and Skandinaviska Enskilda Banken (SEB) with branches nationwide. Internet banking is very popular and is free of charge.

Swedish bank branches are generally open Monday to Friday from 9:00 a.m. to 3:00 p.m. On Thursdays banks usually close at 6:00 p.m. All banks are closed on weekends and on public holidays.

Working Week

According to the Working Hours Act, regular working hours may not exceed 40 hours per week. Where the nature of work or working conditions generally so demand, working hours may amount to an average of 40 hours per week for a period of no more than four weeks. Where an employee is demanded to be at the employer's disposal at the workplace in order to carry out work if necessary, on-call hours may not be more than 48 hours over a four-week period or 50 hours over a calendar month. Deviations from certain regulations in the Working Hours Act can be made by collective bargaining agreement, but not in individual employment agreements.

Overtime

Overtime comprises working hours in excess of regular working hours and on-call hours. Where additional working hours are required, overtime hours may not exceed 48 hours over a period of four weeks or 50 hours over a calendar month, subject to a maximum of 200 hours per calendar year.

Statutory law does not contain regulations regarding overtime pay. Overtime pay is normally provided for in collective bargaining agreements. In general, employees may choose to receive overtime pay in terms of money or compensatory leave. If no collective bargaining agreement exists, the employee is not entitled to overtime pay unless agreed upon. If a collective bargaining agreement exists and provides a right to overtime pay, it may contain provisions making it possible for the employee to waive the right to overtime pay and instead get compensation in the form of compensatory leave. However, such waiver usually only applies to employees who have flexible working hours or if special reasons are at hand.



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Tax & Social Security

Corporate Income Tax

Resident legal entities are liable for tax on their worldwide income unless tax treaties or special exemptions apply. Non-resident entities are taxed on income that is deemed to have its source within Sweden.

Taxable income is subject to corporate tax at a flat rate of 21.4% applying from 1 January 2019, and is to be decreased to 20.6% in 2021. Until 31 December 2018, the corporate tax rate was 22% (applying from 2013).

All income of corporate entities is treated as business income.

Personal Income Tax

Employment income is taxed at the following rounded taxable income amounts (2020):

Annual Taxable Income (SEK)		National Income Tax (%)	Municipal Income Tax (%) *
More Than	Less Than		
0	509,300	0	32
509,300		20	32

* Average rate

Non-residents working in Sweden for a Swedish employer or a foreign employer with a permanent establishment (PE) in Sweden are taxed a flat rate of 25% at source. The same rate applies when a pension is paid by a Swedish source to a person not tax-resident in Sweden.

Non-residents working in Sweden for a non-Swedish employer without a PE in Sweden are not taxed in Sweden, provided that the individual does not spend more than 183 days in Sweden in a 12-month period.

Tax Residence

The following criteria can individually trigger taxable residence and taxation on the individual's worldwide income:

- Permanent stay/domicile.
- Continuous stay exceeding six months.
- Essential connection if the individual previously has been a Swedish tax resident.

Swedish citizens, as well as foreigners who have been resident in Sweden for at least ten years, are deemed resident in Sweden for tax purposes until they can prove that all important ties with Sweden



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have been broken. Five years after a taxpayer leaves Sweden, the burden of proof is reversed and the tax authorities must prove that ties still exist between the individual and Sweden.

Swedish residents who have been assigned to work abroad or who have taken up employment abroad with a planned duration of at least six months are not liable to Swedish income taxes on income from this employment, provided the income is taxed in the country of employment and the individual does not spend more than six days per month or a maximum of 72 days per 12-month period in Sweden. Part of a day counts as a full day in Sweden when counting the six days per month. Any income that is not taxed in the working country is normally taxed in Sweden. If the income is exempt from taxation in the working country under domestic legislation, the income can be tax exempt in Sweden if the stay abroad lasts for at least one year.

Pension Premiums

Personal pension insurance premiums and contributions to restricted pension savings accounts are deductible within certain limits, but only if the employee is not included in an employer funded company pension plan.

Personal Allowances

From the aggregate taxable income, a basic allowance of SEK 13,900 to SEK 36,500 (2020) is granted. One-twelfth of the SEK 13,900 basic allowance is granted per month if the individual has been resident in Sweden part of the year.

Employment Expenses

In principle, all expenses incurred during the fulfilment of the employment agreement are deductible (e.g. travel expenses, automobile expenses, living allowances on business trips, necessary literature, tools of the trade). The deduction related to cost-of-living allowances is, however, limited.

Expenses for travel between home and place of work are deductible based on the cheapest means of public transport or, if a private car or a company car is used, on a fixed amount per kilometer. Only the part of the cost exceeding SEK 11,000 is deductible. The employee must fulfil certain criteria for the deduction (e.g. save at least two hours per day by using a private car instead of public transportation).

Expenses incurred due to double accommodation and home travel during temporary assignments away from one's ordinary place of work may be deductible for a period of two years for single individuals and up to five years for married individuals (applicable to Swedish accommodation and home travel within the EU/EEA only). Home travel may be deducted separately for an even longer time.

Mandatory home country employee social security charges are deductible (for EU/EEA only).

Employment Income

All remuneration from employment, whether in cash or in kind, is treated as taxable income. Director's fees, bonuses, commissions, pensions, annuities, allowances, tax equalization payments, and incentives (e.g. stock options, share programs) are considered as employment income. A housing benefit, a company car, and free meals are the major taxable benefits in kind. Compensation is normally taxed when paid out (cash principle). Specific rules apply for incentives that are subject to restrictions.



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Premiums to employer pension plans, which do not qualify as tax favorable pension plans under Swedish law, may be considered taxable income for the employee.

Loans from an employer to an employee at low or no interest are deemed to generate a taxable benefit. The taxable benefit is deductible as an interest cost. Note that members of management and shareholders may not be allowed to lend money from the employer due to the Swedish financial assistance rules.

Employee stock options trigger taxation as employment income when exercised. The value of the benefit should be determined as the difference between the fair market value and the exercise price.

Favorable rules regarding qualified employee stock options are implemented in 2018. The rules apply to a very restricted type of small companies under very specific circumstances.

Income Tax Administration

Individuals file a tax return for the calendar year.

The filing date is normally 2 May of the year after the calendar year, or the following Monday if 2 May occurs on a Saturday or Sunday. An extension of the filing date may be available upon application.

The tax authorities assess income taxes by applying the appropriate tax rates to the aggregate taxable income from the various sources. Spouses are taxed separately.

The tax assessments are issued during June-December of the same year the tax return is filed.

Preliminary taxes must be withheld by a resident employer. In the case of a non-resident employer, tax payment must be submitted to the tax authority by the employees themselves.

Income taxes not covered by the preliminary taxes withheld must be paid by the individual 90 days after the final tax bill is issued.

Interest is payable if the taxes withheld do not cover the final tax liability. In order to avoid interest being levied, the individual may pay the taxes to their tax account by 12 February of the year after the income year.

Tax Payments

Preliminary taxes must be withheld by a resident employer. In the case of a non-resident employer, tax payment must be submitted to the tax authority by the employees themselves.

Income taxes not covered by the preliminary taxes withheld must be paid by the individual 90 days after the final tax bill is issued.

Interest is payable if the taxes withheld do not cover the final tax liability. In order to avoid interest being levied, the individual may pay the taxes to their tax account by 12 February of the year after the income year.



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Social Security

Employers pay Swedish employer social security contributions on compensation paid to employees who are covered by the Swedish social security system.

Social security contributions are levied at 31.42% of the total taxable remuneration (no cap) in cash and in kind paid by a Swedish employer or a foreign employer with a PE in Sweden. Foreign employers who do not have a PE in Sweden must register for the payment of social security contributions or may enter into an agreement with the employee that the employee pays and reports the contributions on a monthly basis. Different rates apply depending on which solution is used.

A pension fee of 7% of gross earned income, up to SEK 538,700 (i.e. a maximum fee of SEK 37,000), is payable by the employee, but the fee is normally fully tax creditable on the employee's tax return.

Except for insurances included in the mandatory employer social security contribution, there is no obligation under the law for the employer to provide the employees with different insurances. However, employers that are bound by collective bargaining agreements are obliged to take out certain insurances, such as, group life insurance (TGL) or work injury insurance (TFA), in addition to the insurances included in the employer social security contributions.



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Payroll

A foreign employer is not required to have a permanent establishment in Sweden to hire employees. However, if the employees are going to perform work in Sweden, the Foreign Employer is normally obligated to pay taxes in Sweden, as well as to register as an employer in Sweden. The employer will also need to pay social security contributions on the locally hired employee's salary. It is possible to enter into an agreement with the locally hired employee wherein the employee will report and pay the social security contributions and in such cases, the employee, instead of the foreign employer, should register with the Swedish Tax Agency. However, if the employee is working as a dependent representative in Sweden, the foreign employer will typically be seen as having a permanent establishment in Sweden. In order to facilitate the payment of taxes, the foreign employer will, in practice, need to register a branch office or a company in Sweden.

There are no provisions regarding minimum salary in Swedish law. However, provisions regarding such matters are often found in the collective bargaining agreements.

Employees must be issued with a payslip every pay-date, and payroll records must be kept for at least 7 years.



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Employment Law

Swedish employment law is regulated by statutes and case law, as well as by collective bargaining agreements concluded with trade unions. Collective bargaining agreements are of great importance and they often contain regulations deviating from statutory provisions to better suit the type of business where they apply. Regulations regarding employment protection are found in the Employment Protection Act. Employees whose duties and conditions of employment are such that they may be deemed to occupy a managerial or comparable position are excluded from the Employment Protection Act. The Co-Determination Act contains the general provisions governing the relationship between employers and trade unions in such areas as right to association, information, negotiations, industrial actions and labor market stability obligations. Other essential statutes are, for example, the Discrimination Act, the Annual Leave Act, the Personal Data Act, the Parental Leave Act, the Working Hours Act, the Work Environment Act and the Sick Pay Act.

The main laws regulating employment relationships are the:

- Employment Protection Act (1982:80). This provides most employees with extensive protection.
- Co-Determination Act (1976:580). This sets out rules on collective bargaining agreements (CBAs), and negotiation and information requirements between employers and trade unions.

CBAs play an important role in the Swedish labor market.

Provisions in an employment agreement will not be valid, to the extent that they revoke or restrict rights and obligations under the Co-Determination Act, or an employee's rights under the Employment Protection Act. Certain exemptions apply with regard to CBAs.

The above laws generally do not apply to Swedish employees working abroad for non-Swedish companies. National or EU legislation on the posting of workers applies when Swedish employers send Swedish employees to the EEA/Switzerland, or when foreign employers send employees to Sweden.

Employment Agreements

An employment agreement does not have to take any specific form. However, Sweden has implemented the directive on an employer's obligation to inform employees of the conditions applicable to the contract or employment relationship. As such, an employer must provide certain information in writing to the employee concerning the principal terms of the employment. This information must be provided to the employee within one month of the commencement of the employment.

The information shall include the following:

- name and address of the employer and the employee;
- commencement date;
- place of work;
- duties and title;
- whether employment is fixed or for an indefinite term;
- the length of the probationary period;



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- periods of notice;
- payment and other employment benefits;
- length of paid annual leave;
- length of normal work day or work week; and
- applicable collective bargaining agreements.

The general rule is that an employment agreement is for an indefinite period, unless otherwise agreed. The Employment Protection Act allows a general fixed-term employment when the employer is in need of fixed-term employees. A fixed-term employment agreement may also be concluded for a temporary substitute employment, for a seasonal employment and after the employee has reached the age of 67. If, during the past five years, an employee has been employed in a fixed-term employment for in aggregate more than two years the employment is transformed into an indefinite- term employment.

The Employment Protection Act permits probationary employment for a period of no more than six months. If the employment is not terminated before the expiry of the probationary period, the employment will automatically become employment for an indefinite term.

An employer must provide a prior notice of termination before dismissing an employee. Further, the employer must observe certain formal rules set out in the Employment Protection Act when serving a notice of termination to an employee. Notices shall always be made in writing and must state the procedure to be followed by the employee in the event the employee wishes to claim that the notice of termination is invalid or to claim damages as a consequence of the termination. The notice shall also state whether or not the employee enjoys rights of priority for re-employment. Statutory notice periods vary between one and six months, depending on the length of the employment term.

- 1 month if the length of the employment term is less than 2 years
- 2 months if the length of the employment term is at least 2 years but less than 4 years
- 3 months if the length of the employment term is at least 4 years but less than 6 years
- 4 months if the length of the employment term is at least 6 years but less than 8 years
- 5 months if the length of the employment term is at least 8 years but less than 10 years
- 6 months if the length of the employment term is at least 10 years

The length of the notice period may be extended by virtue of collective bargaining agreements or individual contracts. During the notice period the employee is obliged to perform work for the employer and is entitled to salary and all other employment benefits. It is possible for an employer to release the employee from the duty to perform work during the notice period.

The provisions in the Employment Protection Act regarding termination of employment are mandatory; however, the employer and the employee may agree to terminate the employment. Accordingly, it is possible to reach a separation agreement stipulating payment in lieu of notice and other terms and conditions that shall apply in connection with the separation.

Working Conditions

There are mandatory rules concerning minimum working conditions in Swedish law that must be observed by the employer. For example, there are regulations regarding working hours, work environment and non-discrimination. However, the terms and conditions are mainly regulated in the individual employment agreement and/or, if applicable, in the collective bargaining agreement.



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Overtime

Overtime comprises working hours in excess of regular working hours and on-call hours. Where additional working hours are required, overtime hours may not exceed 48 hours over a period of four weeks or 50 hours over a calendar month, subject to a maximum of 200 hours per calendar year.

Statutory law does not contain regulations regarding overtime pay. Overtime pay is normally provided for in collective bargaining agreements. In general, employees may choose to receive overtime pay in terms of money or compensatory leave. If no collective bargaining agreement exists, the employee is not entitled to overtime pay unless agreed upon. If a collective bargaining agreement exists and provides a right to overtime pay, it may contain provisions making it possible for the employee to waive the right to overtime pay and instead get compensation in the form of compensatory leave. However, such waiver usually only applies to employees who have flexible working hours or if special reasons are at hand.

Health & Safety

Sweden has extensive legislation providing guiding principles regarding the work environment. The Work Environment Authority's task is to supervise employers' compliance with the Work Environment Act and its regulations. The Work Environment Act contains regulations concerning the obligations of employers and others responsible for safety, to prevent ill health and accidents at work. There are also regulations as regards the cooperation between employer and employee, for example rules about the activities of safety representatives at the workplace. The work environment encompasses all factors and relationships at work: technical, physical, organizational, social and work content. The employer is responsible for the work environment and must take all necessary measures to prevent ill health and accidents, instruct and inform employees on how to avoid risks, have an organization for rehabilitation and adaptation activities and have recourse to the occupational health care that is needed. Employers should investigate, implement and monitor activities so that ill health and accidents at work are prevented and a satisfactory work environment is achieved, by carrying out risk assessments, investigating ill health, accidents, serious incidents, implementing measures, controlling measures and allocating work environment assignments.

Leaves

Annual Leave

Vacation entitlement is regulated by the Annual Leave Act, which distinguishes between unpaid and paid vacation, and between a "vacation year" (1 April to 31 March) and a "qualifying year" (the 12-month period prior to the vacation year). An employee earns his or her entitlement to paid vacation during the qualifying year and is entitled to use his or her paid vacation during the vacation year. The basic vacation entitlement is 25 paid days per year. Collective bargaining agreements or employment agreements normally contain rules entitling employees to a longer period of annual leave, in particular for white-collar employees not entitled to overtime pay. Employees are entitled to take a continuous four-week vacation during the period June to August, unless there are circumstances justifying other arrangements. Employees who have been given a notice of termination of less than six months cannot be required to take their vacation entitlement during the notice period, unless they agree to do so. Furthermore, it is possible for employees to carry over their entitlement to paid, but not unpaid, vacation days to the next vacation year, but only if the employee has earned more than 20 days of paid vacation, and only for those days that exceed 20 days. Deviations from certain regulations in the Annual Leave Act can be made by collective bargaining agreement.



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Maternity & Paternity Leave

The employee may be on parental leave until the child is 18 months. Thereafter, the employee is entitled to leave for as long as he or she receives compensation from the state. In addition to the parental leave, the mother can start drawing parental allowance 60 days prior to the expected birth of the child. The father of the child may also be on paternity leave for 10 working days in connection with the child's birth. Compensation is paid by the state for a total of 480 days per child. The compensation may be paid until the child reaches the age of twelve years, but only 96 days may remain when the child reaches the age of four years. This entitlement of parental days is divided equally between the parents, but they have the right to transfer their entitlements to each other, with the exception of 90 days. These 90 days will be forfeited if they are not transferred to the other parent, hence, one parent may use a maximum of 390 days. For 390 days the allowance is capped at 80 percent of the employee's salary, though, the allowance can be SEK 942 per day as a maximum. For the remaining 90 days, the compensation is SEK 180 per day. If a collective bargaining agreement applies, the employee may be entitled to certain compensation from the employer in addition to the compensation from the state.

Sick Leave

The employee is entitled to mandatory sick pay payable by the employer, provided that the employment is expected to continue for more than 1 month or if the employee has been working for more than 14 consecutive days. From 1 January 2019, sick pay is paid by the employer during days 1-14 at 80 % of salary, but the employer is entitled to make a deduction (Sw. karensavdrag) of approx. 20 % of the employee's employment benefits during a week. Prior to 1 January 2019, the employee is entitled to 80 % of salary and benefits during days 2-14 of the sick leave and no compensation is paid for day 1 (Sw. karensdag). If the employee falls ill again within 5 days, the previous sick leave period will continue. As from day 15, the employee may be entitled to compensation payable by the state. The entitlement to such compensation is based on strict rules and is decided by the Swedish Social Insurance Agency. There is no obligation for the employer to provide any supplementary sick pay, unless a collective bargaining agreement is in place.

Disability Leave

Disability leave is not recognized as being any different from sickness leave. However, a partial or full disability may entitle the disabled person to activity compensation or sickness compensation paid by the state.

Trade Unions

The "Swedish model" of industrial relations is characterized by a high degree of organization even though trade union density is currently falling. The system is based on the principles that law and collective bargaining agreements together shall provide a comprehensive framework. There are approx. 110 different trade unions and employer's organizations on the Swedish labor market. The parties have agreed on more than 650 collective bargaining agreements. Almost one out of ten employers in Sweden are members of an employers' organization and approx. 70 percent of the employees in Sweden are members of a trade union.

The employer is, through the membership in an employers' organization, bound by the collective bargaining agreements applicable for that organization. The employer is obliged to apply the terms and conditions of the collective bargaining agreement also to employees that are not members of a trade union.



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The high level of unionization on the labor market is the foundation to the co-determination between employees and trade unions on the one hand, and employers and employers' organizations on the other hand. The individual employee and employer are granted the right to join and become members of associations and engage in activities through these without hindrance from the other side. The Co-Determination Act contains the general provisions governing the relationship between the employers and the unions in such areas as association, information, negotiations, industrial actions and labor stability obligations.

According to the Co-Determination Act, an employer has certain consultation and information obligations towards the trade unions. For example, prior to any decision to reorganize the business and prior to any decision to terminate employment contracts, the employer must call for and conduct consultations with the trade unions under the applicable collective bargaining agreements (both at a local and a national level, if applicable). Even if the employer is not bound by any collective bargaining agreement, the employer is obliged to consult the planned reorganization and potential redundancies with any trade union of which a concerned employee is a member.

The act also, to the benefit of the trade unions, contains certain interpretation regulations. Generally, these rules give the trade union the right to interpret the collective bargaining agreement until the matter has been finally decided by court, and, hence, are important in the case of disputes.

Terminations

Employers may dismiss employees either with or without notice. A dismissal with notice must be based on objective grounds. Objective grounds are not defined by statute or case law, but can be either for objective reasons or subjective personal reasons. Objective reasons are dismissals based on redundancy, re-organization or the economic situation of the employer, while subjective personal reasons are all dismissals that relate to the employee personally, such as the employee's conduct or performance.

An overall assessment of all the factors involved must be made when determining whether objective grounds for dismissal are at hand. A dismissal with notice will never be considered as based on objective grounds if there were other alternatives available to the employer, such as relocating the employee elsewhere within the business. Thus, before notice of termination is given, the employer must investigate whether there are any vacant positions within the employer's business that the employee can be offered. Dismissals that are considered discriminating according to the Discrimination Act are prohibited. Furthermore, several other regulations protect employees from unfair dismissals. For instance, an employee may not be dismissed on grounds related to parental leave or leave of absence for educational purposes.

Collective Dismissal

The Co-Determination Act does not recognize the term "collective redundancies". In contrast to many other European countries where the obligation to consult collectively is triggered only if there are several redundancies, the provisions on obligations to consult according to the Co-Determination Act are applicable even if the redundancy concerns only one employee.



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A notification to the Swedish Public Employment Service shall be made if at least five employees are affected by a decision on terminations due to a redundancy situation. This also applies if the total number of notices of termination is expected to be 20 or more during a 90-day period.

When the labor force has to be made redundant owing to objective reasons, the basic principle to be applied is that the employee with the longest aggregate period of employment with the company should be entitled to stay the longest. The employer must select those to be dismissed on a “last in, first out” basis. A condition for continued employment is that the employee has sufficient qualifications for one of the available positions that may be offered.

The procedure for dismissing employees is laid down in the Employment Protection Act and varies to some extent depending on whether the termination is due to objective reasons or subjective personal reasons. Prior to terminating an employment agreement owing to objective reasons, the employer may be obliged to conduct consultations under the Co-Determination Act if the employer is bound by a collective bargaining agreement or if the employee is a member of a trade union.

Individual Dismissal

Negligent performance, serious misconduct, theft, disloyalty or other aggravating circumstances relating to the employee and his/her individual performance may constitute objective grounds for termination due to personal reasons. The employer has the burden of proof in this regard and it is often very difficult to present sufficient evidence to support the ground of termination of an employee for personal reasons. Further, the employer has an obligation to provide support to the employee to improve through, e.g., education or performance improvement plans. Dismissal without notice is lawful only where the employee has committed a fundamental breach of the employment agreement, such as gross misconduct by disloyalty in working for competitors, and should be implemented only in exceptional cases.

Prior to terminating an employment agreement for subjective personal reasons, the employer must notify the concerned employee in writing and, if the employee is a union member, the trade union, two weeks in advance. If an employer wants to summarily dismiss an employee without notice, the information must be given one week before the dismissal. The employee or the trade union may, within one week from receiving the information, request consultations with the employer concerning the dismissal. According to Swedish law, no prior approval from a government agency is required for dismissing employees.

Severance

There are no statutory provisions regarding severance pay. However, an employee may be entitled to severance pay in accordance with an employment agreement, a collective bargaining agreement or a separation agreement.



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Immigration

Generally, citizens of countries outside the EU must have a work permit to work in Sweden. In order for a person to get such a permit the employer must have prepared an offer of employment and advertised the job in Sweden and the EU for 10 days (this applies to new recruitments). It is also required that the terms of employment are equal to or better than those provided under a Swedish collective bargaining agreement or customary for the occupation or sector. The employee must also earn enough from the employment to be able to support himself or herself, the gross salary should be at least 13,000 Swedish kronor per month and the relevant trade union must have been given the opportunity to express an opinion on the terms of employment.

EU and EEA citizens do not need a visa and they have the right to work in Sweden without work and residence permits. People who have a residence permit in an EU country, but are not EU citizens, can apply to obtain the status of long-term resident in that country. They thereby enjoy certain rights that are similar to those of EU citizens. Furthermore, the Posting of Workers Act applies to posted workers in Sweden.

Work Permit

In order to obtain a work permit the following requirements must be met:

- The employee must have a valid passport
- The employee must be offered terms of employment that are at least on par with those set by Swedish collective agreements or which are customary within the occupation or industry
- The employee must be offered a salary that is at least on par with that set by Swedish collective agreements or which is customary within the occupation or industry
- The employee must be offered a position that will enable the employee to support themselves. In order to satisfy this support requirement, the employee needs to work to an extent that will result in a salary of at least SEK 13,000 per month before taxes
- The employer must provide the employee insurance covering health, life, employment and pension when the employee begins to work.

Additional information regarding the residency permit application process can be found on the website of Swedish Migration Agency website at <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Employed/How-to-apply.html>



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