

Fair and square

– Information for foreign construction companies conducting operations in Sweden

Fair and square

– how we build Sweden on a fair and decent basis

Population growth and free movement of people and services is fundamentally good for Sweden. It means more jobs, increased tax revenue and new opportunities to ensure a sustainable green conversion. But there are risks. When much needs to be constructed in a short time, there is always a risk that criminal or less than serious actors are drawn to our industry. We as an organisation are firmly committed to rooting out these elements.



The Swedish Construction Federation has a zero-tolerance policy towards criminality, deliberate circumvention of rules and undeclared work. Swedish rules and regulations are to be implemented throughout all stages of a construction process.

Meanwhile, the exploitation of labour is a growing problem in the shadow economy of the urban planning sector – where foreign labour is most often affected.

In this information document we address construction companies from outside the Swedish borders, intending to conduct operations in Sweden. In the document you will find information about, among other things, collective agreements, corporate taxation, bookkeeping obligations, and rules applying to identification at the construction site.

The Swedish Construction Federation is an organisation for fair and decent builders. Our vision is a sustainable, world-class construction industry. For this to become a reality, the construction and civil-engineering industry should assume social responsibility and be an attractive, fair and safe industry. We do not compromise on the inherent value of foreign workers and of people in general. It is the companies that circumvent rules that need to be stopped, not the freedom of movement.



2. The construction sector in Sweden

In 2020, Swedish trade and industry consisted of 1,261,337 companies. 110,832 of these were active in the construction industry. This means that approximately 9 per cent of the total number of companies operated in the construction sector. Most construction companies in Sweden are small - 87 per cent of the companies had no more than 4 employees.

Broken down by area of activity, the Swedish construction sector is made up as follows: 29,000 building and construction contractors; 16,400 demolition firms and firms for land improvement and foundation work; 21,400 construction installation firms (electrical, water and sanitation etc.) and 32,300 firms for final treatment of buildings (carpentry, flooring, painting, glazing and so forth). 11,800 companies are defined as "other specialised building and construction contractors", such as sheet metal contractors, drilling, roofing companies, diving contractors, etc.

The construction sector is largely local and operates within Swedish borders. However, international competition has increased in recent years. This applies to the entire construction chain, from property ownership and consulting services across the building materials industry, to construction contractors.

3. Collective agreements on the Swedish market

Collective agreement constitutes the main source of general rules for the relationship between employer and worker, in addition to legislation. In Sweden, collective agreements have a special position, as civil agreements, in many cases replacing legislation.

A collective agreement is a written agreement between a trade union and an individual employer (local collective agreement) or an employer association (central collective agreement) on terms and conditions of employment. Examples of terms and conditions that may be governed in a collective agreement are the following:

- *the lowest allowed wage,*
- *the length and planning of working hours,*
- *holidays and other types of leave from work, such as reduction in working hours and different types of leave,*
- *forms of employment and priority rules in case of termination of employment due to redundancy, and*
- *other compensation than wages, such as compensation for travel, daily allowance for expenses, inconvenient working hours and overtime work.*

There are more than 680 collective agreements concerning wages and general terms and conditions of employment in force between employer's organisations and employee organisations, within private industry as well as within governmental, municipal and country council segments. Apart from regulation of terms and conditions of employment, a collective agreement provides industrial peace, which means that industrial action (such as strikes) may not be taken during the period of agreement in which a collective agreement applies. Due to this, collective agreements are considered to reduce the number of conflicts in the labour market.

It is voluntary for companies to sign collective agreements. However, a trade union may initiate industrial action to secure a collective agreement, and for this reason this voluntariness is not always real. In the absence of a collective agreement, any kind of working conditions whatsoever do not apply, since the rules of the law then apply.

Nine out of ten employees in both the public and the private sectors are currently covered by collective agreements. The companies with no collective agreements are usually very small and the employees often consist of the owner and his/her family members.

An employer can become bound by a collective agreement in two ways, either through membership in an employer association or by entering into a local collective agreement with a trade union. When an employer has entered into a collective agreement, the agreement must be applied to all employees (within the agreement area of the respective collective agreement), thus the collective agreement must also be applied to workers who are not members of an employee organisation.

If an employer breaches a collective agreement, liability may arise to pay general damages to the employee organisation and general and/or financial damages to the employees.

Trade unions have a strong position in the Swedish labour market, and the construction sector is no exception. The largest trade unions for skilled workers in the construction sector are the Swedish Building Workers' Union (Byggnads), the Swedish Union for Service and Communications Employees (SEKO), the Swedish Painters' Union (Målarna), the Swedish Electricians' Union (Elektrikerna). Collective agreements for salaried employees active in the construction sector are signed by, among others, the trade unions Unionen, the Swedish Association of Graduate Engineers and Ledarna.

4. Issues relating to the company's business agreements

4.1 Introduction

Sweden's economic system is based on free competition and free pricing: Companies are free to produce and decide price levels for their products and services. Generally, there is no need for a formal permit to conduct business in Sweden. However, when hiring subcontractors, there may be certain obligations to negotiate with trade unions. (More on this below).

4.2 Contracts for building and civil engineering projects in Sweden

Construction contracts may be either oral or written. At the Swedish Construction Federation, we recommend that you always enter into written agreements with your opposing parties. Clear, written agreements reduce the risk of misunderstandings and facilitate execution. There is no specific legislation for construction contracts, except when the buyer is a consumer (private person). Instead, there is a long tradition of applying standard form agreements within the construction sector.

Construction contracts are signed for contract work; consulting contracts are signed for planning and design work. There are also specific forms of agreements for renting machinery, sheds and other equipment as well as purchase agreements for goods and materials. At the top of the contract chain is the developer who is often the employer (purchaser). The employer (purchaser) can enter into several agreements depending on the type of procurement and type of contract. Other actors also sign agreements as purchasers in relation to their subcontractors and material suppliers.

4.3. Type of procurement – who contracts with whom?

There are two types of procurement types in Sweden: divided contract and general construction contract. A divided contract means that the employer (purchaser) procures and enters into separate agreements with every contractor. When the procurement type general construction contract is used, the employer (purchaser) procures a single contractor, the general contractor. The latter in turn procures a number of subcontractors. These are treated as parallel contractors.

4.4 Type of contract – who is responsible for what?

There are two basic types of contracts. The difference between these is the allocation of responsibility regarding planning, design, execution and function. In the case of a **performance (execution) contract** the contractor is responsible for the performance and the employer (purchaser) is responsible for planning, design and function. In the case of a **design and construct (turnkey) contract** the contractor is responsible for planning and design, performance and function.

4.5 Type of compensation

Compensation to the contractor is often paid at a fixed price or according to cost plus overheads and profit accounting. The parties can agree on an index-linked price (predetermined index, for example tender index for buildings and civil engineering works). This is often used for cost adjustment of building and civil engineering contracts. It is also possible to combine different types of compensation.

4.6 Standard form agreements and other agreement terms within the construction sector

The different actors in the construction sector have agreed on standard form agreements (general conditions), with standardised terms and conditions. The standard form agreements are negotiated by party representatives, balancing risk between the parties. For performance contracts, there are General Conditions of Contract for Building and Civil Engineering Works and Building Services, **AB 04**. For design and construct (turnkey) contracts, there are General Conditions of Contract for Design and Construct Contracts for Building, Civil Engineering and Installation Works, **ABT 06**. The standard form agreements become applicable between the parties through a reference in the contract. They can be ordered from Svensk Byggtjänst, www.byggtjanst.se English translations are available.

There are supplementing provisions to **AB 04** and **ABT 06** for sub-contracts; **AB-U 07** and **ABT-U 07**, respectively. These are negotiated by the Swedish Construction Federation and several subcontractor associations. **AB-U 07** and **ABT-U-07** are available in Swedish and English and may be downloaded from the Swedish Construction Federation's website, www.byggforetagen.se

In addition to the above standard form agreements there are agreements for consulting assignments, such as planning and design and material purchases: General Conditions of Contract for Consulting Agreements for Architectural and Engineering Assignments, **ABK 09**, and General conditions for the purchase of goods intended for commercial construction activities, **ABM 07**. These standard form agreements are available in Swedish and English and can be ordered from Svensk Byggtjänst, www.byggtjanst.se

There are several types of specific agreements for special contracts, such as tiling, masonry, piling and loose filling. Some of these are available for download from the Swedish Construction Federation's website, www.byggforetagen.se

Besides above-mentioned standard form agreements it is also important to be aware of the AMA reference system¹ and the special contract terms UE 2021²

4.7 Procurement

Building and civil engineering projects are procured by both private sector and public sector actors. Public actors are obliged to follow public procurement legislation when making purchases. The Swedish National Agency for Public Procurement's website contains information on public procurement in Sweden, www.upphandlingsmyndigheten.se.

¹ For procurement of construction contracts, the AMA reference system is often used when a project is governed by AB 04 or ABT 06. AMA is not a standard form agreement. However, it is commonly used. The AMA instructions are divided according to a strict code system. The administrative instructions of AMA, AMA AF 12, are organized according to the chapter structure in AB 04 and ABT 06 and are intended to contain the project-specific administrative contract instructions.

² UE 2021 contract terms are used as a separate agreement supplementing the construction contract and are published by the Swedish Construction Federation. They govern requirements applying to collective agreements in certain situations when a contractor hires a subcontractor or staffing company. Contract terms UE 2021 can be used together with the form and first-time registration UE 2021. Hiring companies should then use the form for control of intended subcontractors regarding special terms and conditions under collective agreements. (More information below, under the heading "To hire and be hired as a subcontractor - the collective agreements' regulations" below).

5. Corporate taxation in Sweden

5.1 Tax information for foreign companies operating in Sweden

When a foreign company operates in Sweden the following questions must be considered:

- *If you have a permanent establishment in Sweden, and therefore are obliged to pay Swedish income tax*
- *If you want to/should apply for approval for Swedish F-tax*
- *If you must register for VAT in Sweden*
- *If you want to/should register a branch in Sweden*

If you have employees, there are additional tax issues that need to be addressed, (more below under the employer section).

5.2 Swedish income taxation for foreign companies

When a foreign company operates in Sweden, it is under certain circumstances obliged to pay Swedish income tax. For instance, profits generated by operations within Swedish borders are subject to income tax. However, this is only applicable if the company has a permanent establishment in Sweden.

The permanent establishment assessment must be done on a yearly basis (fiscal year). It is up to the individual company to assess whether a permanent establishment exists or not. The Swedish Tax Agency can subsequently check and question this assessment.

Whether or not your company has a permanent establishment in Sweden depends on the specific circumstances in your case. It is important to check what is stated in the current tax treaty effective between Sweden and the country of domicile of your company. Below, you will find an overview of regulations regarding permanent establishments.

A permanent establishment is defined as a permanent place of business operations from which the business is wholly or partly conducted. The assessment is based on three basic conditions:

- there is a fixed **place of business**
- the place is used **permanently** and
- **the business operations** are wholly or partly conducted from the place.

An example of what can constitute a permanent establishment is a construction site. Normally, the business activity needs to proceed for at least six months. Sometimes a period of twelve months is required for construction operations (this is stated in the relevant tax treaty), and sometimes a permanent establishment arises even when operations have lasted for less than six months. Information on what applies to your specific company or operations are found in the applicable tax treaty. More information about permanent establishment is available here: www.skatteverket.se

If you have a permanent establishment in Sweden, you need to submit a tax application to the Swedish Tax Agency.

Register here: www.skatteverket.se

You must submit a preliminary income tax return to the Swedish Tax Agency. The Agency then determines the preliminary tax level. You also need to submit an income tax return in Sweden for the tax year(s) when your company has a permanent establishment in Sweden. Foreign equivalents to Swedish limited liability companies are taxed with Swedish corporation tax, while sole traders with a permanent establishment are taxed in the income category business activity (taxed in the same way as employment income).

5.3 F-tax

In Sweden it is not mandatory for all companies to be certified for F-tax in order to conduct operations. However, it is strongly recommended. From 1 January 2021, there are new rules stating that if the hired company does not hold a Swedish F-tax certificate, the hiring company must withhold 30 per cent preliminary tax when paying the invoice (i.e., 30 percent of the invoice amount). This money is paid to the Swedish Tax Agency. The hired company can later request a refund from the Swedish Tax Agency. Normally, a refund is granted when the Swedish Tax Agency can see that the company has paid relevant Swedish taxes and fees.

F-tax certified companies are responsible for paying their own preliminary tax and social security contributions. If the company lacks F-tax certification, the principal may be held responsible for paying preliminary tax and employer's contributions for work performed.

To be granted F-tax certification, the following is required:

- *The company conducts business activity or intends to conduct business activity in Sweden, and*
- *has filed tax returns and paid taxes and other fees in the country of domicile, and in Sweden if the company already conducts operations here.*

More information about F-tax and how you as a foreign company can register can be found here: www.skatteverket.se

5.4 Value added tax (VAT) on construction services in Sweden

5.4.1 Generally

A foreign company that conducts operations in Sweden may be under obligation to report and pay Swedish VAT. This applies regardless of whether the business is conducted by a natural person (sole trader) or by a legal person (for example a limited liability company). However, in the case of sales of construction services between companies in the construction sector, reverse charge applies (see below). This means that construction companies do not have to charge VAT on their invoices to other construction companies.

5.4.2 *The reverse charge mechanism in the construction sector*

The reverse charge mechanism means that it is the buyer, not the seller, who is obliged to report and pay VAT to the State. The special provisions that apply for reverse charge in the construction sector are described below.

In most cases, reverse charge applies to companies which are active in the construction sector and sell construction services in Sweden to other companies in the construction sector or to a company that only sells services onwards. The company that sells services to an end customer must charge VAT. In certain cases, companies must also use reverse charge in connection with sales to the end customer, e.g. when the end customer is a construction company.

Reverse charge is mandatory under the following circumstances:

1. The company sells specially specified construction services (more information here in Swedish: www.skatteverket.se), construction cleaning services or leasing of personnel for these services, in Sweden.
2. The buyer of the services is a business which under certain circumstances sells such construction services.

It may be difficult to find out whether or not the customers are covered by the provisions. If you are uncertain about whether you should use reverse charge, you should ask the buyer (your principal) if they sell construction services. Many companies must have routines in order to invoice both with and without VAT.

5.4.3 *VAT registration in Sweden*

If you as a foreign construction company intend to provide services to the Swedish market, and perform services at properties in Sweden, you should register for VAT here. This applies if you intend to provide services to private persons and companies that do not conduct construction operations.

If you only sell construction services to Swedish construction companies³ as a subcontractor, and do not purchase services from other companies, normally you don't become registered for VAT in Sweden. This is because there is no output VAT to report. The VAT is reported by the buyer of the service (reverse charge). If you are not registered for VAT in Sweden, you need to apply for a refund of any input VAT from the international tax office in Stockholm or in Malmö.

More information about reverse charge is available here (in particular, see page 12): www.skatteverket.se

6. Swedish branches and the requirement to maintain bookkeeping records

6.1 *What is meant by a branch?*

A branch is a foreign company's local office in Sweden. It has its own administration and corporate identity number. A foreign company may only have one branch in Sweden.

The branch is not a separate legal entity, but a part of the foreign company. The branch does not have a separate share capital and its assets and liabilities are a part of the foreign company's total assets.

The branch is subject to Swedish law and public authorities' decisions on legal matters arising in connection with operations in Sweden.

A foreign company conducting business activities in Sweden is often covered by the Swedish Foreign Branch Offices Act (the Branches Act). If this is the case, accounting records must be kept for the branch, which must be held separate from the accounting records of the foreign-based company. This applies regardless of whether the branch has been registered in the branch register or not. A Swedish or foreign citizen who lives abroad but conducts business activity in Sweden, according to the Branches Act, is required to maintain bookkeeping records in Sweden for the operations.

6.2 *Information on invoices etc. from branches*

On the branch's invoices, order forms and websites, the following must be stated:

- ***the branch's company name***
- ***the branch's corporate identity number and in which Swedish register the branch is registered, for example "Registered in Swedish Companies Registration Office's branch register"***
- ***the foreign company's legal form and registered office***
- ***which register the foreign company is registered in, and the corporate identity number the company has in the register.***

If this information is missing, a fine may be imposed.

To qualify for membership of the Swedish Construction Federation, a foreign company is required to have a registered branch and fulfil these obligations.

More about how to register a branch and what obligations this includes can be found here, www.bolagsverket.se

³ Also, foreign construction companies that conduct operations in Sweden

7. To hire and be hired as a subcontractor - the collective agreements' regulations

According to the Swedish Co-determination in the Workplace Act (MBL), an employer, before allowing anyone to perform work on his/her behalf, shall negotiate with the employee organisation which has a collective agreement for the work the hiring relates to. Subcontractors are common within the building and construction industry: The Swedish Construction Federation has therefore agreed on a simplified procedure for negotiation with Byggnads and SEKO regarding work within the Construction Agreement (Appendix D) and the Road and Rail Agreement (Chapter 38). These rules apply when hiring a subcontractor and/or a staffing company.

The simplified procedure means that companies that through membership of the Swedish Construction Federation are bound by the Construction Agreement or the Road and Rail Agreement can

- hire other companies, Swedish as well as foreign, which are also members of the Swedish Construction Federation without special negotiating measures, and
- hire companies bound by local collective agreements with Byggnads/SEKO and sole traders/one man-firms through a simplified procedure (first-time registration through the UE 2021 form).

The simplified procedure means that the hiring company automatically meets its duty to negotiate in relation to Byggnads/SEKO through ensuring that the intended subcontractor meets the collective agreement conditions according to the collective agreement and submitting the correctly completed UE 2021 form to Byggnads/SEKO.

This procedure must be used the first time a subcontractor/staffing company is hired ("first-time registration"). Byggnads/SEKO then confirms the receipt of the form and adds the subcontractor to the hiring company's Subcontractor list. This procedure means that the duty to negotiate according to the Co-determination in the Workplace Act and the collective agreement is fulfilled. The form and further information on how it should be used can be found in our Employer Guide.

A company bound by the Construction Agreement or the Road and Rail Agreement is also obliged to keep a list of subcontractors and staffing companies bound by local collective agreements hired by the company after first-time registration to the trade union concerned. The company shall, together with Byggnads/SEKO, revise and update the list once a year in a manner determined between the company and Byggnads/SEKO. Members of the Swedish Construction Federation do not need to be included in the list.

If a company that does not have a collective agreement is to be hired, and it is not a one-man firm/sole trader, the hiring company shall negotiate with Byggnads/SEKO in accordance with Sections 38–40 of the Co-determination in the Workplace Act, so-called primary negotiation. The same applies to companies operating in Sweden with support of a so-called posting agreement (see further information below under the heading Posting). Thus, companies that lack a collective agreement for the work in question or compa-

nies that operate in Sweden with support of a posting agreement are not covered by the simplified procedure in the relevant collective agreements, but then the obligation to primary negotiate according to the Co-determination in the Workplace Act applies.

Subcontracting is easiest if both parties are bound by the Construction Agreement/Road and Rail Agreement, given that the work to be performed falls under the scope of one of the agreements.

The Swedish Construction Federation provides a folder with further information regarding hiring subcontractors which can be found here www.byggforetagen.se

8. Employer issues for foreign companies operating in Sweden

8.1 Introduction

Being a Swedish Employer comes with a large number of duties and responsibilities: such as wages, pensions, taxes and work environment. Below you will find a brief review of some key issues, which you as an employer need to address when operating in Sweden. Depending on your specific circumstances there may be other issues, such as different kind of permits etc.

8.2 Work environment

It is the employer's responsibility to ensure that the work environment is safe, and that no one becomes ill, gets injured or feels unwell due to the work. Investigations and improvements of the work environment must be carried out frequently and must be included in the company's routines.

Safe Construction Training is the construction industry's introductory training in the work environment area. Starting from 1 July 2021, the training is mandatory for members of the Swedish Construction Federation.

The course serves as an excellent safety introduction for companies and organisations of all sizes. It is available in ten different languages and is relevant to everyone active in the industry. The online training is free of charge. Read more here, www.buc.se

Read more about Swedish work environment rules here: www.av.se

8.3 Posting

If an employer established in another country sends a worker to perform a service in Sweden during a limited period, it may constitute "a posting". There are three typical situations when this may be the case:

- **An employer sends workers to Sweden based on an agreement with a service recipient in Sweden**
- **An employer sends workers to Sweden, to work in a company within the employer's own concern.**
- **An employer lends out or makes an employee available to a user company in Sweden.**

A contract can be defined as a posting when an employer hires out workers to another company, a so-called user company, which in turn sends the workers to Sweden under conditions corresponding to a posting according to what is stated above, and neither the employer nor the user company has its registered office in Sweden.

On 30 July 2020, new rules on posting entered into force. The purpose of the legislative changes is to ensure that workers who are posted in Sweden shall obtain stronger protection and working conditions which are more similar to those that apply to other workers in the country. The changes shall also ease the work of employee organisations and public authorities in ensuring that the rights of posted workers are respected.

The most important new aspects of the law can be summarised as follows. The trade unions right to take industrial action to demand certain working and employment conditions through collective agreements is extended in such a way that more types of conditions can be demanded than before, e.g. an employee organisation through the change in the law has the right to take industrial action for wages in accordance with a collective agreement. Previously the right was limited where industrial action could only be taken for a minimum wage. Furthermore, almost all working and employment conditions applying to workers who are employed in Sweden shall also be apply to long-term posted workers.

Under these rules, an employer posting a worker must notify the posting to the Swedish Work Environment Authority no later than the first day of the posting and appoint a contact person in Sweden (previously postings that lasted no more than five days did not need to be notified). The regulations also involve a new requirement applying to service recipients of the posted labour. The service recipient must have documentation that the notification to the posting register has taken place within three days of the start of the employment. If such documentation has not been received, it must be reported to the Swedish Work Environment Authority. Read more about the new rules on posting here, [arbetsgivarlytt](#) (only for members).

The Swedish Work Environment Authority has more information about posting and how notification to the posting register shall occur, [www.av.se](#)

A posting employer can sign a collective agreement with a Swedish employee organisation or become member of a Swedish employer organisation, and thereby become bound by a Swedish collective agreement. The employee organisations have the right to take industrial action in order to compel posting employers to sign collective agreements.

A foreign employer can also sign a posting agreement with the trade union concerned, which is a collective agreement applying to posted workers in particular. The following are the current posting agreements for the collective agreements signed by Swedish Construction Federation.

Posting agreement Byggnads

Posting agreement SEKO

Posting agreement the Swedish Association of Graduate Engineers and Ledarna

8.4 Tax issues for employers

8.4.1 Introduction

There are several tax issues connected to having employees:

- ***In which country are the employees' tax liable for the wages they receive from working in Sweden? If the employees shall be taxed in Sweden, you need to register as an employer with the Swedish Tax Agency. The employees also need to be registered for tax and be given a coordination number. The employees may also need to apply for special income tax (SINK).***
- ***Are social security contributions to be paid in Sweden or in the country of domicile?***
- ***Is a staff register required for the performed work, and are the employees able to manage the staff register according to the regulations?***
- ***Should you connect to ID06?***

Below you will find brief information about tax issues relevant to employers. More information can be found in the links and on the Swedish Tax Agency's website, [www.skatteverket.se](#)

8.4.2 Shall the employees' wage income be taxed in Sweden?

Foreign residents, not staying permanently in Sweden but who work here, shall as a rule pay Swedish income tax on their wages. This applies if the person is, or is deemed to be, employed by a Swedish company. Swedish income tax should also be paid if the wage is paid out by a foreign company that has a permanent establishment in Sweden.

However, wage income is not taxable in Sweden if the so-called 183-day rule is applicable. For this exemption to apply, it is required that:

- i) the employee is resident abroad, and is not staying permanently in Sweden,
- ii) there is an employer who is domiciled abroad,
- iii) the foreign employer does not have a permanent establishment in Sweden, and
- iv) the foreign worker does not spend more than 183 days in Sweden during a period of twelve months.

Starting from 1 January 2021, the 183-day rule is no longer applicable to outsourcing of personnel⁴ in connection with temporary work in Sweden. If an outsourcing situation arises, the principal in Sweden is regarded as the economic employer. This means that tax on wage income must be paid in Sweden.

In the assessment of whether there is a case of outsourcing or not, it is important to consider who bears **the responsibility and risk of the result** of the employee's work. It is the actual circumstances that are decisive, not what the parties/foreign company call the arrangement. In other words, the legislation can be applied even if the parties have named their agreement "construction contract". The following circumstances are of importance in the assessment:

- **Who has the authority to instruct the worker on how the work is to be performed**
- **Who is in control of, and responsible for, the actual workplace/construction site**
- **Whether the worker's compensation is invoiced directly from the formal employer to the contractor or not**
- **Who provides work tools and materials to the worker**
- **Who decides on the number and necessary qualifications of the workers**
- **Who has the right to choose the workers and terminate the service agreements**
- **Who has the right to impose disciplinary sanctions concerning the work of the employee**
- **Who decides on holidays and work schedules for the worker**

To determine who is to be regarded as the economic employer, an assessment of the above circumstances is required in each individual case. More information about the economic employer concept is provided here, www.skatteverket.se

8.4.3 Is the employee subject to limited or unlimited taxation in Sweden?

If the foreign worker is to be taxed in Sweden, the next question will be to determine how much tax the employee shall pay.

To assess the applicable tax rate, it must be determined whether the employee is subject to limited or unlimited taxation in Sweden. A person who has limited tax liability in Sweden is only liable to pay tax on certain income here and may be subject to special income tax (SINK). A person who has unlimited tax liability in Sweden is liable to pay tax on all his/her income here and is taxed in accordance with the Swedish Income Tax Act⁵.

A foreign resident who has not previously been resident in Sweden, can be subject to unlimited taxation in Sweden if he/she resides permanently in Sweden. For a stay in Sweden to be regarded as

permanent, it is required to last for at least six consecutive months. Short interruptions in the stay, for example, to visit the home country, does not break the stay. To handle the employees' tax correctly, you as an employer are required to know how long the employees have stayed in Sweden during the latest twelve-month period, even if they have not been employed by you all the time. More about tax liability can be found here, www.skatteverket.se

Provided that the employee is subject to limited taxation in Sweden, the income may be subject to special income tax (SINK). This tax is levied at 25 percent on wage income, and income tax returns do not have to be submitted in Sweden. To be able to apply SINK, it is required that the employee (or you as an employer, on behalf of the employee) applies for SINK, and that the Swedish Tax Agency approves the application. Information about applying for SINK can be found here, www.skatteverket.se

8.4.4 Preliminary tax

In Sweden, the employer has an obligation to withhold preliminary tax, and pay this tax to the Swedish Tax Agency on behalf of the employees. Preliminary tax shall be deducted from compensation for work that the employer pays the employee. Deducted preliminary tax is reported in the PAYE tax return which is submitted monthly, and the preliminary tax is paid to the Swedish Tax Agency.

If your employees are subject to taxation on their wages in Sweden, you must register as an employer and report and pay preliminary tax to the Swedish Tax Agency every month.

8.4.5 Employer's contributions for foreign companies

The employer's contributions are calculated for the total gross wages and benefits paid. A foreign company shall pay Swedish employer's contributions on compensation that an employee has received for work that he/she has performed in Sweden. This applies irrespective of whether the company has a permanent establishment in Sweden.

If the work in Sweden is performed during a limited period, there are exemptions from the obligation to pay Swedish employer's contributions. Contributions shall not be paid on compensation to persons who work in Sweden, but who remain in the home country's social security system. The employee who is sent out must then have a certificate showing that he/she remains in the home country's social security system. In the EU this is called an A1 Certificate. Application for an A1 certificate must be made before departure to Sweden. The certificate must be valid and contain correct information about the employment relationship, information about the certificate holder's employer and workplaces in the country of work, etc.

Foreign companies that are liable to pay in employer's contributions in Sweden must register as an employer with the Swedish Tax Agency. You can find more information about the registration here:

www.skatteverket.se and www.skatteverket.se

⁴ Outsourcing is when a worker is hired out by his or her formal employer to carry out work under the direction and management of another employer or client. This includes staffing, loaning out etc.

⁵ However, the tax liability may be limited by tax treaties.

8.4.6 PAYE tax return

You must declare the preliminary tax you deduct from employees' compensation for work in Sweden by filing a monthly PAYE tax return. If you pay employer contributions in Sweden, you must also declare these in your PAYE tax returns. You submit the PAYE tax returns the month after you have paid wages or other compensation for work. If you have not paid out compensation or paid out benefits, then the declaration shall be submitted with zeros. The vast majority must submit their PAYE tax return no later than the 12th of the following month. The remuneration you pay out in February must therefore be reported in the PAYE tax return submitted on 12 March. Employer's contributions and deducted tax shall be paid into the company's tax account no later than the last due date if you have a turnover of not more than SEK 40 million. More information about PAYE tax returns can be found here, www.skatteverket.se

8.5 Staff register in the construction industry

In Sweden, those conducting construction operations must maintain an electronic staff register. A staff register is a list of individuals who conduct construction work at the construction site and the time they have started and finished each work period. The data must be entered in direct connection with the work performed – not in advance or subsequently. The data must also be linked to the person's identification information. The obligations linked to the staff register differ depending on whether the company is the developer/main contractor or contractor at the construction site.

The Swedish Tax Agency can make inspections at the construction site, and the developer (or main contractor) must be able to show the overall staff register for the entire construction site. In addition, each individual contractor must be able to show the company's staff register containing all information, including changes and additions.

More information about staff register is available here, www.skatteverket.se

8.6 Coordination number

A coordination number is an identity designated for persons who are not or have not been registered in the Swedish Population Register. The purpose of coordination numbers is to enable public authorities and other societal functions to identify persons, even if they are not registered in the Swedish Population Register. The coordination number shall be used when communicating with the Swedish Tax Agency and for example be stated on the PAYE tax return.

Who is eligible for a coordination number?

- ***If a person resides abroad but stays in Sweden for less than one year, he/she may need a coordination number when communicating with different public authorities.***

- ***If a person resides abroad and stays in Sweden for at least 6 months, but less than one year, he/she will normally be subject to limited taxation in Sweden. If he/she performs work during all or part of that period, the income shall be taxed in Sweden. In this case, the Swedish Tax Agency is the public authority that orders a coordination number for the person in connection with being registered for tax.***

More information about coordination numbers and registration for tax can be found here, www.skatteverket.se

8.7 ID06

ID06 was launched in 2006 by the Swedish Construction Federation to promote fair competition and workplace safety in the construction industry. It is an identification system for persons at the construction site, connecting each employee to an employer.

ID06 has several areas of application, such as registration of presence in the electronic staff register, digitization of education certificates and access- and lock-functions.

The ID06 system is based on three fundamental principles:

- 1. Companies in the ID06 system shall meet legal requirements for business activity.**
- 2. Individuals in the ID06 system shall have one, and only one, validated identity.**
- 3. The employer connection between company and individual must be ensured.**

Today, most developers and main contractors require that the companies hired must be connected to ID06, and that all workers who are present at the construction site must have an ID06 card. The ID06 cards can also be used to register in the staff register.

More information about ID06, connecting and the ID06 card is found here, www.id06.se

9. What is required to become a member of the Swedish Construction Federation?

The Swedish Construction Federation is the construction industries and employers' organisation for approx. 3,800 building, construction and specialist companies operating in the Swedish construction market. We work to improve the conditions for both our own member companies and for the building and construction industry in general. Our vision is a sustainable world-class built environment. For this to become a reality, the construction and civil-engineering industry should be characterised by social responsibility and be attractive, fair and safe. An industry for the future that is continuously developing and of good repute.

Membership means access to advice on issues relating to collective agreements, the work environment and construction law. Member companies also gain access to several digital tools such as the Employer guide and business services. In addition, members of the Swedish Construction Federation receive a number of member discounts, on everything from Fora insurance to fuel.

To become a member of the Swedish Construction Federation, the member company is required, among other things, to share our vision and otherwise meet and act in accordance with the organisation's statutes, membership criteria, code of conduct and prevailing collective agreements. It is incumbent on a company that applies for membership to show that the criteria are met and that the right conditions are in place to become a member.

Read more about the membership and what is required here, www.byggforetagen.se

Further information that you as a foreign company need to be aware of and consider:

Information on the collective agreements' regulations regarding occupational pensions and insurance: www.avtalat.se

Work permits etc www.migrationsverket.se

General information about conducting operations and building in Sweden: www.verksam.se and www.boverket.se

BYGGFÖRETAGEN

The Swedish Construction Federation

www.byggforetagen.se