



SUPPORT TO BUSI- NESSES DURING THE CRISIS

A summary of government stimuli to support Swedish companies



SW469341/3

A COLLABORATION BETWEEN

Contentor.

skandia:

 **SETTERWALLS**

Summary of measures taken to battle the impacts of COVID-19

The COVID-19 outbreak has already had a major impact on people, companies and society, and it will continue to have significant consequences in the future as well. To respond to the negative economic effects, the government has presented a number of support measures. Below is a summary of some of the most important actions businesses can take from a practical perspective. The summary has been prepared by the law firm Setterwalls Advokatbyrå, and is presented as a unique collaboration between Skandia, as the distributor, and Contentor, which has made the summary available in English, Arabic, Persian, Serbo-Croatian and Polish.

Note: The content is a general statement of informative nature and does not form legal advice in the assessment of an individual case. The situation is constantly changing and the information below is current as of 11 May 2020.

Content

- Adjustment of preliminary tax
- Temporary respite from taxes and fees
- Reduction of employer's contributions
- Support based on loss of turnover
- Increased allocation to tax allocation reserve
- Short-time work allowance to reduce personnel costs
- Temporary discount on rental costs in particularly vulnerable industries
- Increased responsibility for the government in relation to sick leave costs
- Loan guarantee programme to provide new borrowing opportunities for small and medium-sized enterprises
- Support to culture and sports

Adjustment of preliminary tax

Eligibility?

Companies expecting decreased profits due to COVID-19 may request an adjustment of their preliminary tax and thus receive a refund of preliminary tax payments already made, as well as a reduction of the payments for the remaining part of the financial year. A request for adjustment of preliminary tax may be submitted by sole traders (egenföretagare), limited liability companies (aktiebolag) and part-owners in general partnerships (handelsbolag) or limited partnerships (kommanditbolag).

How?

Preliminary tax is adjusted by means of submitting a new preliminary tax return to the Swedish Tax Agency (Skatteverket) via their online e-service or by submitting a form.

Payment respite of taxes and fees

Eligibility?

Companies who face difficulties to timely pay taxes and fees due to COVID-19 may apply for a respite for paying of VAT, employer's contributions and withholding tax on salary payments. Sole traders, limited liability companies and general and limited partnerships are eligible to apply for a respite.

What's covered?

The payment respite is maximised to the full withheld preliminary tax on salaries for the relevant period, and to the amount reported in the employer's PAYE return and VAT return for the respite period covered by the application. Respite can be granted for up to one year. Companies can apply for respite for up to three accounting periods in relation to the employer's contributions and withheld preliminary tax on salary payments, as well as VAT if the company declares VAT monthly. For companies declaring VAT annually or quarterly, the respite application may cover one accounting period.

How much does it cost?

A tax-deductible interest of 1.25% (on the respite amount) applies during the first 6 months, after which a respite fee of 0.2% per month also applies. If the respite is utilised for one year, then the deductible interest adds up to 3.1% per annum.

How?

Applications for payment respite shall be submitted via the Swedish Tax Agency's online e-service, or on form SKV 4839. Respite applications may be submitted retroactively from 27 December 2019 in relation to VAT returns filed on an annual basis, and from January 2020 in relation to employer's contributions, withheld preliminary tax on salaries and monthly and quarterly declared VAT.

Reduction of employer's contributions

Eligibility?

All businesses that are registered employers are now entitled to a reduction of employer's contributions for a maximum of 30 employees per company (regardless of the number of employees in the company). The reduction means employers only pay an old-age pension contribution (10.21%) on salaries up to SEK 25,000, which may result in tax relief of up to SEK 5,300 per employee and month. The reduction applies to employer's compensations paid from 1 March 2020 up to and including 20 June 2020. Sole traders, limited liability companies and general and limited partnerships are eligible for the reduction.

How?

The employer can request reduced employer's contributions by ticking box 062 "Reducerad avgift för först anställd" on form SKV 4788 Arbetsgivardeklaration Individuppgift (employer's contributions return, employee details). Companies employing more than 30 staff will make their own selection as to which employees the request covers.

Support based on loss of turnover

Eligibility?

Eligibility applies to businesses with F-tax, which have had a turnover of at least SEK 250,000 during the last financial year and a loss of turnover of at least 30% during March – April 2020 compared to March – April 2019. Sole traders, limited liability companies and general and limited partnerships can apply for the support.

What's covered?

The size of the support will depend on how large a loss of turnover a business has had and may vary between 22.5% and 75% of the business' fixed costs during March and April 2020. The maximum support amount is set at SEK 150 million per company.

How?

The proposal is expected to come into effect on 1 July 2020. More details, including how to apply for the support, will be available in due course.

Increased allocation to tax allocation reserve

Who is eligible and to what extent?

Sole traders and natural persons who are part-owners in Swedish general or limited partnerships can make a provision to the tax allocation reserve corresponding to 100% of the profit for 2019, or a maximum of SEK 1 million.

Limited liability companies and other entrepreneurs with a profit exceeding SEK 3,333,333 may use the normal rules and make a provision to the tax allocation reserve of 30% of their profit.

What does it mean?

A provision to a tax allocation reserve means that tax on profit in 2019 is deferred and allow companies to get a refund of already paid preliminary income tax. The profit must be added back to income no later than six years after the provision was made. However, it can be added back earlier, for example, to be set off against any possible losses in 2020.

How?

Provisions to a tax allocation reserve is normally done in the 2019 tax return. Refund of any preliminary tax is paid once the tax office has concluded the final tax assessment. To speed up the process, the company can submit a new preliminary tax return for 2019 through the Swedish Tax Agency's online e-service or by submitting a paper form.

Short-time work allowance to reduce personnel costs

What does it mean?

With the new rules on short-time work allowance, companies can reduce their staff expenses without having to lay off employees. Short-time work means the employee reduces their work hours by 20, 40 or 60%. As of May 2020, employees may reduce their working hours by 80%. The employee receives between 88 and 96% of their salary depending on the reduced working hours, and the government provides a contribution by paying 75% of the cost caused by the reduction in work hours.

Eligibility?

The support is available to sole traders, limited liability companies and general and limited partnerships that are registered as employers in Sweden and have temporary and serious financial difficulties due to COVID-19. Sole traders (with no other employees) and part-owners in general and limited partnerships are not considered to be employees and are thus not eligible for the support.

How much does it cost?

The allowance applies to a maximum salary of SEK 44,000 per employee and the employer pays 1-8% of the cost caused by the reduced working hours. This means the employer gets a 19% reduced salary cost when the working hours are reduced by 20%. At 80% reduced working hours, the employer has 72% lower salary costs for the employee. If the employee's salary is higher than SEK 44,000 then the employer may incur higher costs.

How?

At present, employers can apply for contribution for 20-60% reduced working hours through the Swedish Agency for Economic and Regional Growth (Tillväxtverket). For 80% reduced working hours, the contribution can be applied from 1 June 2020.

The Swedish Agency for Economic and Regional Growth has published clear application instructions in Swedish and English. An important condition for short-time allowance is that the employer is bound by a collective bargaining agreement (CBA) or, if the employer is not bound by a CBA, that a minimum of 70% of the employees in the workplace accept and participate in the short-time work.

Temporary discount on rental costs in particularly vulnerable industries

Eligibility?

Property owners who agree to provide rent reductions to tenants within certain industries from 1 April 2020 to 30 June 2020, are eligible to apply for compensation from the government for part of the rent reduction. Companies within specific exposed industries, such as hotels, restaurants and retail, should discuss the possibility of obtaining rent reductions with their landlord.

What's covered?

Compensation to property owners is capped at 50% of the reduced fixed rent (the rent reduction) and at 25% of the original fixed rent. Consequently, if a property owner agrees to a rent reduction of SEK 50,000 on a fixed rent fee of SEK 100,000, the property owner may receive SEK 25,000 in compensation from the government. The property owner applies for the compensation retroactively by submitting an application to Länsstyrelsen (County Administrative Board). Property owners should note that applications can be submitted to Länsstyrelsen no earlier than 1 July 2020 and no later than 31 August 2020.

Increased responsibility for the government in relation to sick leave payments

Eligibility?

The government temporarily assumes the full cost of all the employer's sick pays during 1 April 2020 to 31 May 2020. This measure applies to all employers. Sole traders are compensated via the sickness payment (sjukpenning).

How?

Employers pay sick leave pay to their employees as per normal and are subsequently compensated by the Swedish Social Insurance Agency (Försäkringskassan) through a payment to the employer's tax account. The Swedish Social Insurance Agency makes a decision on the compensation as soon as the employer's PAYE tax return has been filed with to the Swedish Tax Agency. The first reimbursement will thus be made after 12 May 2020.

Loan guarantee programme to provide new borrowing opportunities for small and medium-sized enterprises

In order to promote lending to small and medium-sized companies, the government will issue guarantees to credit institutes, which in turn will lend money to companies experiencing reduced turnover due to COVID-19. Companies may apply for a loan by contacting a bank or other lenders. The government-guaranteed loans are primarily targeted to small and medium-sized companies, including sole traders, limited liability companies and general and limited partnerships.

There are also opportunities to obtain credit from Almi Företagspartner, which has secured additional funds to increase their lending to small and medium-sized companies. Almi has announced that it is currently offering a 12-month bridging loan with an individual interest rate of not more than 4.95%. Loan applications can be made directly via Almi's website.

Loans are also available for Swedish export companies through the Swedish Export Credit Corporation (SEK). SEK's credit framework has been increased from SEK 125 billion to SEK 200 billion and can be used to provide both state-supported and commercial credits to Swedish export companies. The Swedish Export Credit Agency's (EKN) guarantee framework has been increased to SEK 500 billion and the maximum guaranteed portion of each loan has also been increased to provide more opportunities for export companies to obtain credits.

Support for culture and sports

The government has promised to provide support, to be granted to cultural activities that lose revenue as a result of COVID-19. All forms of cultural organisations will be able to receive support.

Sport associations that organise sporting events and lose revenue as a result of COVID-19 may receive extra support from the government.

In need of legal advice for your business?

To develop our competencies and follow developments, as well as provide integrated support to the market, we at Setterwalls have established a dedicated working group for legal and strategic matters relating to the impacts of the COVID-19 outbreak. Matters are often urgent and of critical strategic nature. At Setterwalls, we have extensive experience in helping our clients in this type of work. Are you in need of legal advice for your business? Please feel free to contact the experts at Setterwalls.

Andreas Ödman

andreas.odman@setterwalls.se

+46 70 343 04 23

Marc Tullgren

marc.tullgren@setterwalls.se

+46 70 324 97 84

Skandia builds security for generations through higher pensions, a healthier work-life and sustainable investments. We offer superannuation schemes with preventive health insurances to allow our clients to set the foundation for secure retirement and stay healthy on the way there. We also offer mortgages and investment opportunities and we simplify our clients' investments by providing our advice services. Learn more by contacting our advisors via skandia.se.

Contentor are experts in translations and content creation, primarily for e-commerce and web services. Based on the unique online demands, such as fast deliveries, search engine optimised (SEO) texts, automation and a high level of sophistication, Contentor supports hundreds of customers with content and translations. Learn more and contact us at contentor.com.