

Sweden – VAT in health- & social care

Anna Sandberg Nilsson
Advisor VAT Policy

anna.sandberg.nilsson@svensktnaringsliv.se

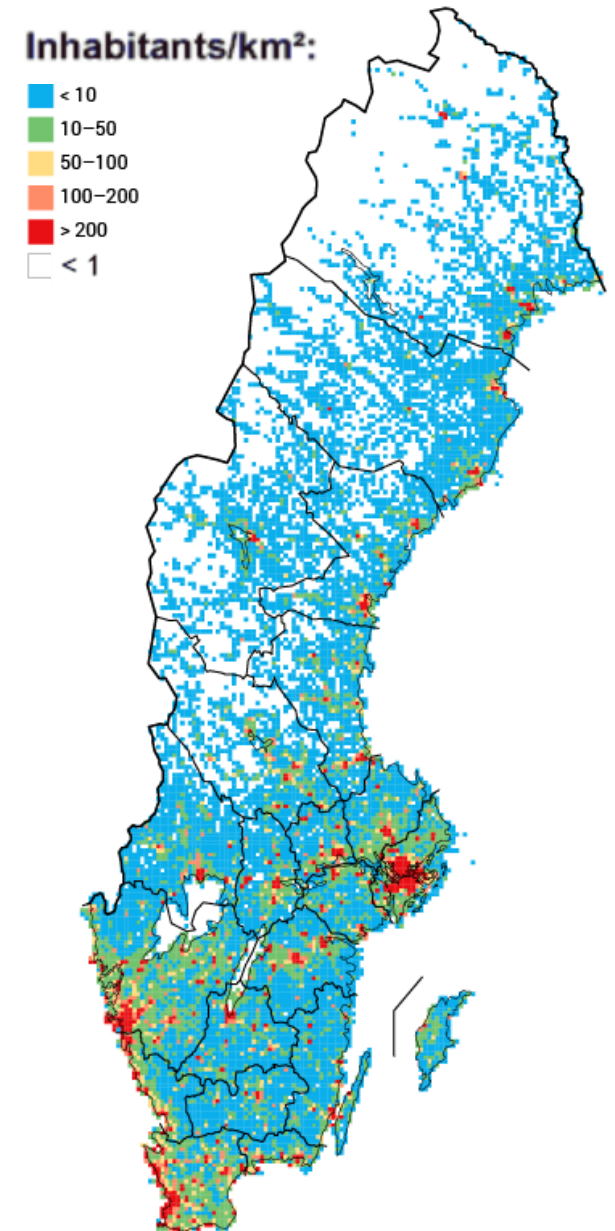
Confederation of Swedish Enterprise

- a non-profit association
- 60,000 companies
- 50 industry and employer organizations



Swedish challenges

- 10 million inhabitants
- Land area 450 000 km² - distance north-south 1 600 km
- 3 levels of government: national, regional & local
- 21 counties – responsible for health care
- 290 municipalities – responsible for social/elderly care
- Public financed health/social care
- Mainly supplied by public sector, growing number companies & others: 38% health care, 19-24% social/elderly care
- Cost of health care estimated increase 30% by 2050
- For elderly care estimated increase more than twice as much
- Demand for elderly care: 289 retirement homes until 2026, 418 until 2030 = 3 units / week



VAT rates & VAT compensation

Standard VAT rate 25%, reduced rates 12, 6 & 0 %

VAT compensation system for counties & municipalities –
purpose: Remove the VAT factor in the choice between do it
yourself or a supply from a subcontractor

- VAT-compensation for charged input VAT + a standard calculated % of hidden input VAT with the subcontractor
- Financed collectively through reduced government subsidies
- ✓ stimulates public sector to buy from private companies
- ☐ Complex rules, neither neutral nor transparent
- ☐ Hidden input VAT stays with companies and others with exempted supplies

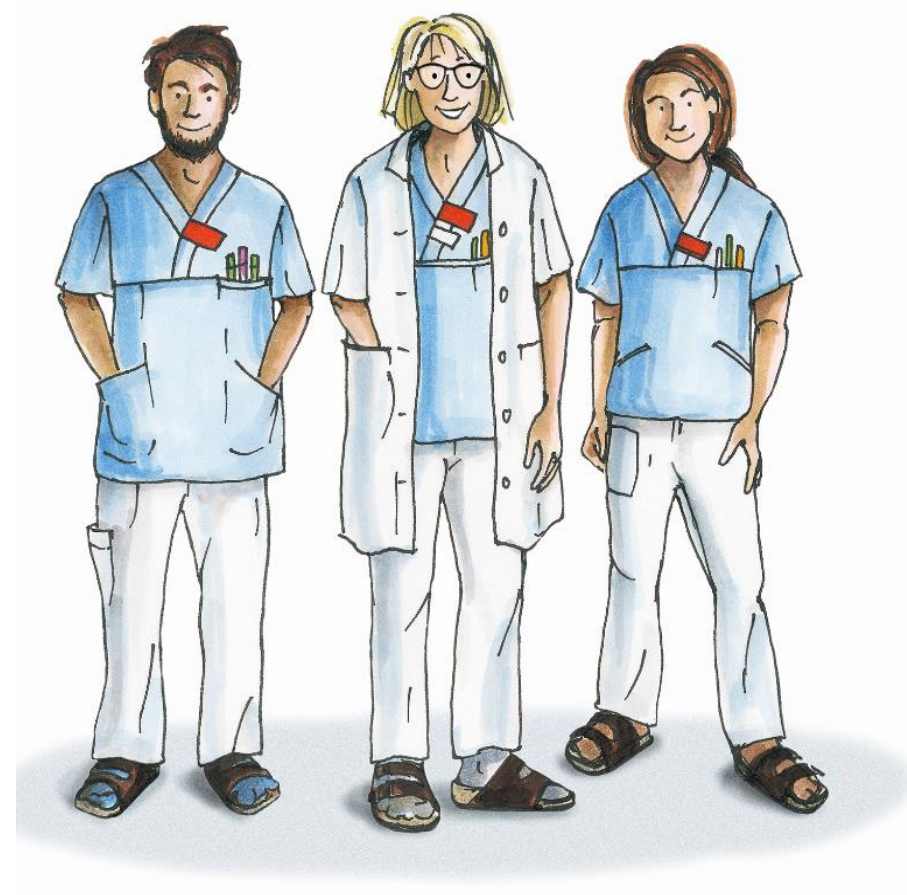


Hidden VAT & healthcare personnel

- Many supplies considered as supply of staff not exempt health/social care - Swedish Courts interpret ECJ
- 25% hidden VAT compared to employment
- Small companies need flexible staffing, especially important in the countryside
- Covid-19: an urgent need for all kind of additional staff, from cleaning to specialists

Effects

- Increase in costs due to hidden VAT
- Companies choose to do it themselves instead of using a competent subcontractor



Hidden VAT & premises

1. Expansion/building units entail 25% hidden VAT for private companies with exempt supplies
 2. Option to tax leasing & letting - a landlord may charge and deduct VAT if the tenant provides taxable supplies or is public sector, 10 years adjustment rules
- Covid-19: problems finding land or premises for field hospitals, temporary vaccination rooms etc.

Effects

- Private companies with exempted supplies often excluded from premises, despite empty premises (utilization rate 10-40%)
- Can stop construction of new nursing and retirement homes
- Negative effects on sustainable use, maintenance and investments



Hidden VAT & healthcare technology

- Major increase in costs for health/social/elderly care in the coming decades
- eHealth is an important part of the solution
- Investments in broadband, connections, R&D, IT-systems and different technical products
- Covid-19: X-ray-services, respirators, robots, digital healthcare contacts, translation apps, alarms and digital surveillance etc.

Effects

- delay in digitalization and innovation



Conclusions

- VAT exemptions are not "VAT free"
- VAT exemption has become a disadvantage
- The effects are neither in line with the principles & purpose of VAT in general nor the purpose of the VAT exemption
- We need simple, neutral rules that encourage sustainable investments & digitalization
- Why not a social VAT rate instead of a social VAT exemption?

