

Benefit taxation of Healthcare Insurance

Benefit taxation of healthcare insurance paid for by the employer has been adjusted to 60 percent

In a ruling of 10 June 2019, the Swedish Tax Agency has made an adjustment and clarified that the taxable benefit of healthcare insurance paid by an employer is set at 60 percent.

When an employer pays the premium for healthcare insurance for an employee, the Swedish Tax Agency considers that the employee receives a benefit on which he/she is to pay tax. The new ruling means that 60 percent of the insurance premium constitutes the taxable amount while 40 percent of the premium is a tax-free benefit. The rate of taxation on the taxable portion was previously 70 percent.

DKV Health welcomes the fact that the Swedish Tax Agency has made a new ruling and we stand behind the agency's judgement. The insurance industry and the Swedish Tax Agency have collaborated closely to reach agreement on the value of the benefit. DKV Health and the insurance industry's position on the issue has been somewhat more conservative in relation to that of the Swedish Tax Agency and we are therefore very pleased with the joint assessment of 60 percent.

What does the change mean for the employee?

There will be no changes to the product or terms and the premium is the same as before. For the employee, the resulting taxation will depend on the premium and the employee's salary and level of taxation. With the new calculation rate of 60 percent, the employee's tax will be marginally lower than before.

See the two calculation examples below:

With a monthly premium of 550 SEK, 60 percent, that is to say 330 SEK, will be taxed. If the person insured pays 35 percent in tax, the tax on the benefit will be 115.50 SEK per month.

With a monthly premium of 800 SEK, 60 percent, that is to say 480 SEK, will be taxed. If the person insured pays 35 percent in tax, the tax on the benefit will be 168 SEK per month.

What does the change mean for the employer?

No changes will be made other than the adjustment of the taxable percentage of the benefit. The company is to pay employer contributions on the taxable portion of the premium, i.e. 60 percent. 100 percent of the premium and employer contributions is at the same time deductible just as before. The net effect for companies that pay corporation tax will ultimately be a marginally lower cost.

The Swedish Tax Agency's decision applies retroactively from 1 July 2018. This means that the company is free to implement the 60 percent tax rate from such point in time as is practicable, but at the earliest as of 1 July 2018. If you have any questions concerning the new ruling, please contact the Swedish Tax Agency.

The adjustment will entail no changes as regards any co-insured persons. If the employer pays the premium for any co-insured persons, it is the insured person, i.e. the company's employee, who is liable for taxation at 100 percent for the co-insured person's premium. The entire premium is at the same time deductible for the company and employer contributions are paid on the entire premium.

Our Health Insurance (rehabilitation insurance) is not subject to benefit taxation.

Do you have any questions?

If you have questions about the adjustment to the taxable benefit, employer contributions or how accounting changes are to be carried out in practice, please contact the Swedish Tax Agency on 0771-567 567 or via www.skatteverket.se.

If you have any questions about our healthcare insurance – please contact DKV's customer service on 08-619 62 00 or through your insurance adviser.