

Newsletter March 2020

Support for companies in connection with the current outbreak of coronavirus (COVID-19) pandemic in Sweden.

Short-time working

Short-time working means that employers can reduce their employees' working hours and receive financial support from the central government to compensate for a significant part of the costs for retaining the employee. The short-time work allowance programme will remain in effect throughout 2020.

Starting 7 April, it will be possible to apply for the financial support, however it will be retroactively applied to as early as from 16 March.

This is how the costs for a reduction in pay and working hours are apportioned:				
Level	Reduced working hours	Reduced wages	Reduced employer costs	State support
1	20 %	-4 %	-19 %	15 %
2	40 %	-6 %	-36 %	30 %
3	60 %	-7,5 %	-53 %	45 %

Companies that can show temporary and serious financial difficulties in coping with the challenges that have arisen in the wake of the COVID-19 pandemic. Thus the difficulties must have been caused by a relationship outside of the employer's control and specifically negatively impacting the company's business operations. A fundamental precondition for being eligible to apply for support for the short-term work allowance is that at the time of filing the application the employer is not in bankruptcy/insolvent, nor subject to an obligation to prepare a Balance Sheet for liquidation purposes according to the Company Act, nor undergoing restructuring

All employers, with the exception of certain governmental entities, may receive support in the event of short-time work if the requirements for the support are fulfilled. Everyone except owners of a sole proprietorship are encompassed within the possibility of applying for support. The owners/employers are encompassed within the programme, and this includes limited liability companies, partnerships, charitable/non-profit associations and foundations

Respite for taxes and fees

Companies that are financially affected by coronavirus can apply for a payment respite. This means that you postpone the payment of your tax and pay it later. There are two kinds of payment respites:

- Temporary payment respite with payment of employer contributions, deducted tax and VAT
- Payment respite for other types of taxes.

Companies that are financially affected by coronavirus can apply for temporary payment respite of employer contributions, deducted tax and VAT. Payment can be postponed for one year from the date of the decision. The respite is valid for up to three accounting periods between January and September 2020. Companies can also apply for payment respite for other types of taxes, such as excise duties.

As a general rule, the Swedish Tax Agency will not apply for representative liability against a representative for unpaid taxes and fees which are subject to the rules for payment respite. Exceptions are made for companies that have obviously exploited the possibilities, completely contrary to the purpose of the respite provisions.

Reduction of employer contributions

The Swedish government has proposed a time-limited reduction of employer's social security contributions and the general payroll tax. The rules are proposed to enter into force on 6 April 2020. In order to avoid unnecessary reassessments, employers wishing to have a reduction should therefore wait to submit the PAYE tax return until the rules have come into force. PAYE tax returns for the month of March must have reached the Tax Agency by 14 April this year.

Central government loan guarantee programme for small and medium-sized enterprises

The proposal means that central government will guarantee 70 per cent of any new loans that banks provide to companies experiencing financial difficulties due to the COVID-19 virus. The guarantee will be issued to banks, which in turn will provide guaranteed loans to companies.

To take part in the programme, the COVID-19 virus must have adversely affected the company's finances. The Government expects that the guaranteed loans will not be used for bonuses or variable remuneration to senior management, or for profit distribution other than what is comparable with regular salary withdrawals.

Temporary discount for fixed rental costs in vulnerable sectors

The Government has proposed a temporary discount for fixed rental costs in vulnerable sectors to mitigate the economic impact of the COVID-19 virus outbreak. In its additional amending budget, the Government is allocating support to reduce fixed rents for vulnerable sectors such as durable consumer goods, hotels, restaurants and certain other activities.

Under this initiative, landlords who reduce fixed rents for tenants in these vulnerable sectors during the period of 1 April to 30 June will be able to apply for support to compensate part of the rental reduction. The compensation provided will be at most 50 per cent of the reduction in fixed rent, but at most 25 per cent of the original fixed rent.