

Amendments to the law of private medical insurance benefits

Frequently asked questions

On May 16, 2018 the parliament voted in favor of a government proposal. Amongst others, the benefit value of the premium for private medical insurance – paid in its entirety by the employer - will be higher after the change. Below you will find some of the frequently asked questions regarding the decision.

1. What does the parliamentary decision mean?

The decision in parliament entails that the tax exemption status will be terminated for any healthcare benefit in Sweden that is not publicly financed. As a consequence, the decision will now allow employers to deduct healthcare expenses from business expenses.

[Parliament's decision >](#)

2. When do the new regulations take effect?

The new regulations will come into effect on July 1, 2018 and apply for premiums paid after June 30, 2018. Premiums paid before the new regulations come into effect for insurance periods from July 1, 2018 and onwards, are not covered by the new regulations.

[Parliament's decision >](#)

3. How will the decision be affected if there is a change of government after the upcoming elections?

The conservative parties have made an explicit statement to declare these new regulations null and void depending on their majority status after the fall elections.

4. How does the decision affect the employer?

The employer deducts taxes from the employee's salary for healthcare benefits in the same way other benefits are handled. The healthcare benefit value will be included in the social security contributions of the employee. The entire premium can be deducted by the employer as a business expense.

5. What should I do as an employer?

Employers need to inform their employees about the new regulations, since it affects their tax situation. An employee who no longer wishes to be insured shall notify their employer, who in turn will inform Euro Accident that the insurance should be terminated. If the employer chooses to pay the remaining annual premium before July 1st, the new regulations will only apply after the next annual renewal of the insurance.

6. As an employer, if I would like to pay the premiums for my employees before July 1st - what should I do?

The new regulations apply for premiums paid after June 30, 2018. Premiums paid before July 1st for insurance periods after the regulations are in effect are not covered by the new rules.

The premium for Euro Accident Private Medical Insurance can be paid monthly, quarterly, semiannually or annually; based on the employer's (policyholder's) decision.

If desired, the premium for the remaining contract period may be paid before July 1, 2018. In such cases, contact the insurance broker as soon as possible. Euro Accident must receive the request for early payment by June 10, 2018.

If the insurance policies are administered by an insurance broker, for example billing services, the insurance broker can answer if it is possible to change the payment term.

7. Will the entire premium be taxed as a benefit for the employee?

No, only those parts of the private medical insurance which are related to healthcare will be taxed. The parts relating to preventive treatment and rehabilitation in the insurance remain tax-free.

Excerpt from the proposition:

"For insurance covering not only, healthcare but also other activities that are still tax-exempt for the employee, the benefit assessment shall be based on a proportion of the insurance components, not on assessments of each individual benefit that may be utilized during the tax year. If an insurance, for example, is structured with half of it being healthcare and the other half exempt from taxation, only half the value is a taxable benefit. This remains true even when all the claims are related to healthcare."

The insurance industry has made a joint assessment of the procedure and diagnoses codes which should be exempted from personal income tax, since neither the new law nor the Tax Agency currently gives any clear guidance. As of now there are no standard practices, tax definition or preliminary decision to go by.

Euro Accident's preliminary assessment finds 83% of the PrivatAccess Bronze premium, 71% for PrivatAccess Silver and 68% for PrivatAccess Gold will be taxed. These percentages are meant to provide an indication of the potential implications of the new regulations and can be subject to change based on different interpretations from the Swedish Tax Agency. The tax implications of the regulations on premiums paid after July 1st will only apply once the Swedish Tax Agency has published their position. We recommend that you consult with a tax expert or the Tax Agency for more information.

[The Swedish Tax Agency's website >](#)

8. What does it mean that the interpretation is preliminary?

Since it is not possible to obtain an advance ruling from the Swedish Tax Agency, we can only provide preliminary percentages. The Swedish Tax Agency has informed the Swedish Association of Insurance Companies that they intend to publish a statement that will clarify the boundaries between taxable healthcare and tax-free rehabilitation. Our percentages can be subject to change based on the Swedish Tax Agency's position, thus it will only apply to premiums paid after the Tax Agency's position has been published.

[Swedish Tax Agency's Communication to Swedish Insurance 2018-05-22 \(in Swedish\) >](#)

9. Why do the percentages differ between the insurance companies?

The insurance industry has made a joint assessment of the procedure and diagnoses codes which should be exempted from personal income tax. However, since insurance policies differs to some extent, the percentage will differ as well, regardless of the joint assessment.

10. Can we change our insurance contract from a mandatory to a voluntary?

Yes, if it takes place without interruption of the contract. The premium, however, will be different, usually higher since the voluntary insurance is age-differentiated.

11. What does the decision mean for your employees?

All employees who have a private medical insurance where the premium is paid entirely by the employer will receive higher social security contributions than before. However, the effect of the new law is different depending on the individual's income level and tax rate.

We have developed an Excel spreadsheet which can be of help to calculate the effect.

[Calculation Assistance \(Excel\) >](#)

12. What if the employer also pays the premium for a co-insured family member?

The administration of the benefit related to the relative's family member has not been changed by the new law. However, the portion of the premium to be taxed as a benefit will change in the same way as for the employee / insured (see question 7 above).

13. What happens if one of my employees wants to cancel the insurance?

An employee who wants to terminate their insurance because of the new regulations should notify their employer as soon as possible. In turn, the employer will remove the employee from the insured group (similar to a removal from the insured group when an employee terminates employment) by submitting a personnel change list to the insurance intermediary or Euro Accident. An employee cannot contact Euro Accident directly to terminate their insurance.

14. Can my employees terminate their insurance themselves?

No, because it is a group insurance facilitated by the employer, the termination must be through the employer.

15. What happens if an employee has an ongoing care when the insurance is terminated?

The employee has no valid insurance from the date the policy is terminated. Booked visits and operations will not be reimbursed after that date.

16. What happens if an employee has terminated their insurance and has decided to re-enter?

The employee may sign up for a new insurance with a pre-existing condition clause, regardless of the prior rules.

17. How is private medical insurance paid through gross salary deductions?

Employers applying gross salary deductions for their employees should contact a tax expert or Tax Agency to review the benefit in relation to the new legislation.

[The Swedish Tax Agency's website >](#)

18. Can I as an employer compensate my employees for the increased cost?

Yes, it may be an opportunity to give employees a higher salary or other compensation, however regarding the tax effect of the new law, we recommend consulting a tax expert or the Tax Agency.

[The Swedish Tax Agency's website >](#)

19. How do the new regulations affect sole proprietorships (Enskild firma) and partnerships?

Regarding the tax effect of the new law, we recommend consulting a tax expert or the Tax Agency.

[The Swedish Tax Agency's website >](#)

20. Will the new regulations affect the private medical insurance tax bracket?

No, health insurance will continue to be K-rated.

21. Are there any other insurance options that are exempt from this new tax?

There are no private medical insurance policies that are completely exempt from the new tax. However, there are other insurance policies that includes preventive and rehabilitative elements which are tax exempt. The company's insurance broker can provide more information about these options.

22. What are the benefits of keeping a private medical insurance?

The parliament decision does not affect the content of our private medical insurance. For employees, it is comfortable to know that they can quickly and easily get professional help when needed. Euro Accident has nurses and psychologists who provide professional advice and book time with specialists in our authorized network. We can offer time with a specialist within 7 working days and surgery within 14 working days.

Private medical insurance is still an effective solution to ensure that employees do not need to be absent from work longer than necessary. A sick day is estimated to cost at least 10 percent of the monthly salary. Add to that the hidden costs of employees who have limited productivity due to an ongoing physical or psychological condition. Private medical insurance is an effective way to get healthier employees, lower costs and reduced risk of production loss.