

Following a decision by parliament on May 16, 2018, new regulations relating to the benefit value of the private medical insurance premium came into effect on July 1, 2018. Below you will find some of the frequently asked questions regarding the regulations and calculation of the taxable portion of the premium.

1. What does the parliamentary decision mean?

The decision in parliament means that the tax exemption status is being terminated for any healthcare benefit in Sweden that is not publicly financed. At the same time, the prohibition on employers being able to deduct such expenses from business expenses has been lifted.

Link: Riksdag website: Parliament's decision of May 16, 2018: Report of the Committee on Taxation 2017/18:SkU20: Termination of tax exemption status for healthcare benefits (opens in new window)

https://www.riksdagen.se/sv/dokument-lagar/arende/betankande/slopad-skattefrihet-for-forman-av-halso-och_H501SkU20

2. When do the new regulations take effect?

Taxing the benefit value of the premium for private medical insurance paid for by the employer came into effect on July 1, 2018. This means that the employee shall pay tax on the benefit value of the portion of the premium relating to healthcare. The private medical insurance policies currently provided in the Swedish insurance market have had a similar structure since 2013.

3. How is the apportionment calculated?

Euro Accident is one of the insurance companies that carried out the analysis together with Insurance Sweden and developed the method underlying the statement of the Swedish Tax Agency "Calculation of private medical insurance benefit value" (no. 202 259391-19/111). The background to the development of the method included the difficulty of apportioning costs and thus the premiums between preventive treatment, rehabilitation and healthcare. This difficulty did not arise with the change in the law on 1 July 2018; it existed even prior to this.

The premium for private medical insurance is based on technical insurance factors. The premium is adjusted and applied to the collective insurance as a whole, and is not therefore determined individually. When setting the premium, there is no reason to distinguish between the different elements of the insurance.

As one of the insurance companies, Euro Accident has concluded together with Insurance Sweden that the private medical insurance policies that were analysed and taken as the basis for the Swedish Tax Agency's statement "Calculation of private medical insurance benefit value" have had a similar structure since 2013. It is therefore the view of Insurance Sweden and Euro

Accident, applying the aforementioned method, that the premium for the private medical insurance policies consisted up to 40 percent of preventive treatment or rehabilitation.

A tax expert or the Tax Agency should be consulted regarding the effect of the tax.

Link: Riksdag website: Parliament's decision of May 16, 2018: Report of the Committee on Taxation 2017/18:SkU20: Termination of tax exemption status for healthcare benefits (opens in new window)

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Link: Swedish Tax Agency website: Statement: Calculation of private medical insurance benefit value

<https://www4.skatteverket.se/rattsligvagledning/377241.html?date=2019-06-10>

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 benefit value forms part of the basis for the employer's deductions. The entire premium can be deducted by the employer.

A tax expert or the Tax Agency should be consulted regarding the effect of the tax.

5. What should I do as an employer?

Employers need to inform their employees who are or may be covered, for example new employees, about the regulations, since they affect 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.

6. 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.

7. What does it mean that the Tax Agency has published a statement?

Before the law came into effect, the insurance industry organisation Insurance Sweden produced a joint preliminary assessment of the procedure and diagnoses codes in private medical insurance which should be exempted from benefit taxation. Neither the new law nor the Tax Agency provided any clear guidance, nor were there any standard practices, tax definition or preliminary decision to go by.

Following this, at the request of Insurance Sweden, the Swedish Tax Agency published a statement on June 10, 2019 clarifying that the taxable benefit value of private medical insurance shall be calculated at 60%.

- For PrivatAccess Bronze private medical insurance, this means that 60% instead of 83% of the premium is taxable.
- For PrivatAccess Silver private medical insurance, it means that 60% instead of 71% of the premium is taxable.
- For PrivatAccess Gold private medical insurance, it means that 60% instead of 68% of the premium will be taxed.

A tax expert or the Tax Agency should be consulted regarding the effect of the tax.

Link: Swedish Tax Agency website: Statement: Calculation of medical insurance benefit value

<https://www4.skatteverket.se/rattsligvagledning/377241.html?date=2019-06-10>

8. 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.

9. How much will the benefit tax be for my employees?

All employees who have a private medical insurance policy where the premium is paid entirely by the employer must pay tax on the benefit. However, the effect of the 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.

Link: Calculation assistance (Excel): Taxation of benefit, PrivatAccess medical insurance (xlsx, 29.2 kB)

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

If the employer also pays the premium for a co-insured family member, 100% of the premium is taxable.

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

An employee who wants to terminate their insurance should notify their employer. The employer will then remove the employee from the insured group in the same way as when an employee terminates employment by submitting a personnel change list to the insurance intermediary or Euro Accident. Termination of a mandatory insurance contract always takes effect on the last day of the month in which Euro Accident receives the personnel change list.

An employee cannot contact Euro Accident directly to terminate their insurance.

12. 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.

13. What happens if an employee has ongoing care needs 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.

14. What happens if an employee who has terminated their insurance changes their mind and decides to re-enter?

The employee may sign up for a new insurance policy with a qualifying period of 12 months, regardless of the prior rules.

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

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

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

17. How do the regulations affect sole proprietorships and partnerships?

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

18. Will the regulations affect the private medical insurance tax bracket?

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

19. Are there any other insurance options that are exempt from benefit taxation?

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

20. What are the benefits of keeping private medical insurance when it is benefit taxed?

The tax situation does not affect the content of our private medical insurance. For employees, it is reassuring 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 appointments with specialists in our authorized network. We can offer an appointment 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 an employee's 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.