

Mutual Learning Programme Database of National Labour Market Practices

Sweden - Tax control in the road haulage industry for hire and reward

This database gathers practices in the field of employment submitted by European countries for the purposes of mutual learning. These practices have proven to be successful in the country concerned, according to its national administration. The European Commission does not have a position on the policies or measures mentioned in the database.

Source of national practice	Swedish Ministry of Employment
Title of the policy or measure (Original language)	Utredning av åkeriverksamhet i Sverige 2015
Title of the policy or measure (English)	Tax control in the road haulage industry for hire and reward
Country	Sweden
Name of the responsible body	The Swedish Tax Agency (Skatteverket)
Geographical scope of the responsible body	National
Name(s) of other organisations involved (partners/sub-contractors)	none
Start year of implementation	2014
End year of implementation	Ongoing
EU policy relevance	The experienced problems for the industry are linked to hauliers from other EU countries with lower payroll, and problems with undeclared work.
National labour market context	The transport industry has reported problems with foreign drivers and staffing companies that are increasingly hired, which means that taxation is done incorrectly or not at all. Companies in the road haulage industry with employed drivers have reported that they are finding it increasingly difficult to cope with competition and to stay in the market. The police have reported frequent violations of driving and rest periods, violations of cabotage rules (domestic transports by foreign lorries in Sweden), but also other crimes along the roads in the form of theft of both loads and diesel.
Policy area	Labour market functioning and segmentation, Social security systems

<p>Specific policy or labour market problem being addressed</p>	<p>The Swedish Tax Agency has picked up signals about problems and tax evasion in the road haulage sector. Based on this the Tax Agency chose to look deeper into parts of the sector in order to map and correct errors that are detected and determine whether it is unconscious or conscious error as well as reviewing investigative methodologies, system measures and the need for regulatory changes.</p> <p>The default position of the Swedish Tax Agency is that most haulage companies manage their taxes and fees. However, in the companies selected for review, different designs have been identified that aim at minimising the cost of employed labour. They therefore have the opportunity to take transport missions, which on paper do not seem to be profitable, push down prices and compete with other haulage companies that want to do the right thing.</p>
<p>Aims and objectives of the policy or measure</p>	<p>The purpose of the initiative is to report on controls carried out on selected companies in the road haulage industry where there has been suspicion of errors in terms of taxes.</p> <p>The purpose is to find methods and suggestions for regulatory change in order to:</p> <ul style="list-style-type: none"> • prevent and combat various forms of undeclared work in the road haulage industry including bogus self-employment and illegal and improper use of staff; • disseminate information and knowledge of rules on taxes and social security contributions among the players in this market; and • collect unpaid taxes and correcting tax rates for haulage companies / employers who unknowingly or deliberately fail to comply with taxes and social security charges, and in the same way to collect unpaid income taxes among drivers as well.

Main activities/actions underpinning the policy or measure	<p>The project started on a broad basis. Initially, the Swedish Tax Agency looked at haulage companies in which the turnover had increased, at the same time as the employed labour force had been reduced.</p> <p>Regarding foreign hauliers, the Swedish Tax Agency concentrated on hauliers who applied for large value added tax (VAT) refunds. In cases where the VAT for their diesel costs covered, in principle, their driving, the Swedish Tax Agency could assume that they had driven in Sweden only, and thus an inquiry was made whether they should have declared income taxes and/or VAT in Sweden. The control concerned whether or not they declared the workforce they used, and if so, whether they made tax deductions from the drivers' remuneration, and paid payroll tax. Regarding companies registered abroad, which the Swedish Tax Agency considered as posted workers, the Agency checked if they were registered at the Swedish Work Environment Authority in accordance with the Swedish Act on Posting Workers (2013:351) and the so-called Enforcement Directive (2014/67/EU).</p> <p>In relation to drivers, who acted as nominally self-employed sub-contractors, the control measures concerned whether they had Swedish F-tax certificates (showing that they paid their own payroll tax). Regarding foreign drivers, the Swedish Tax Agency also checked if they had valid A1 forms (showing in which country they were socially insured). Moreover, the Swedish Tax Agency controlled how long the drivers had worked in Sweden to estimate whether they were obliged to pay Swedish income tax.</p>
Geographical scope of policy or measure	National
Target groups	Other

Outputs and outcomes of the policy or measure	<p>According to the Swedish Tax Agency, the project achieved its main objectives. It informed the hauliers about their legal obligations, as well as the drivers' legal rights and obligations (for example the social rights that genuinely employed workers are entitled to).</p> <p>The main outcomes of the initiative are as follows:</p> <ul style="list-style-type: none"> • The project revealed considerable problems with tax evasion. 39 of the 49 haulage companies that were subject to the special investigation and control failed the test. This meant that the Swedish Tax Agency had to increase the tax rate with 44 million SEK in total for these companies. • The project spread information and knowledge in society about the problem of undeclared work in the road haulage sector, including various measures used to circumvent existing fiscal and social laws and regulations in order to reduce labour costs. • It is reasonable to assume that the information and knowledge provided by the project may have contributed to a Government Bill in December 2016 on mandatory monthly tax declarations for employers for each individual employee (Governmental Bill 2016/17:58, cf. the Nacka Project). • The project may also have contributed to a directive from the government to the Swedish Transport Administration (Trafikverket) to look at the possibilities to increase the purchasers' responsibility for fair freight transport services. Has entailed a new law for foreign workers working for any Swedish contractor in any part. Income tax will then be paid from the first krona (SEK). The law will be introduced on 1 January 2019.
Management and implementation arrangements	<p>The project was managed and implemented by the Swedish Tax Agency.</p>
Key challenges	<p>The main challenges that have to be tackled are: "</p> <ul style="list-style-type: none"> • privacy issues that mean that authorities cannot share information; • difficulties in knowing whether a worker in fact is socially insured due to false A1 certificate • difficulties in knowing where lorries and drivers are active as they can easily "go under the radar" between countries; and • trouble checking cabotage transports and how long a lorry/ driver works in the country.

Key conditions for success	<p>An important lesson learnt is the importance of understanding the complex social and economic relationships involved in the practice of various forms of undeclared work in the road haulage industry in order to circumvent national and supra-national (EU) laws and regulations. For example, the use of disguised employment and long subcontracting chains, the use of staffing companies as goalkeepers, and the use of foreign hauliers and the complex relationships behind the use of drivers from countries with lower taxes and social security fees.</p> <p>It is necessary to make in-depth analyses of these complex relations to understand the problems in the industry. In order to understand what is really the reason for the tax fraud, close cooperation with the industry is required.</p>
Method of assessment	Internal evaluation
Type of assessment	Qualitative assessment
Duration and frequency of the assessment	Ad hoc
Further information on the assessment	
Links to the website, background information and assessment material	<p>Government Bill 2016/17:58. 'Uppgifter på individnivå Arbetsgivardeklarationen'.</p> <p>Karlsson, Ulrika and Herding, Inger (2016) Åkeriverksamhet i Sverige 2015. Dnr. 410-115937-16/123. Stockholm: Skatteverket. Svenska Dagbladet 13.12.2016.</p> <p>'Finansministern vill kunna spåra utländska fordon'. (Sandra Johansson).</p> <p>Sternberg H, Filipiak M, Hofmann E et al. (2015) Cabotagestudien: A study on trucking deregulation in Scandinavia and beyond. Report. Packaging Logistics, Lund University.</p> <p>Thörnquist, Annette (2013) False (Bogus) Self-Employment in East-West Labour Migration: Recent trends in the Swedish construction and road haulage industries. TheMES, Themes on Migration and Ethnic Studies, No. 41. Linköping: Linköping University Electronic Press</p>
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