



European Platform Undeclared Work

Tax relief for domestic service work (ROT and RUT)

Sweden

	<p>Summary</p> <p>ROT (repairs, conversion, and extensions) and RUT (cleaning, maintenance and laundry) are tax relief schemes for consumers on the labour costs of domestic services, which aim to increase declared work and boost employment.¹</p> <p>ROT deductions cover home repairs, conversions and extensions and reduce the cost of labour for these services by 30 %. RUT deductions cover cleaning, maintenance and laundry and reduce labour costs by 50 %.</p>
<p>Title of the practice in original language</p>	<p><i>ROT-avdrag; RUT-avdrag</i></p>
<p>Name(s) of authorities/bodies/organisations involved</p>	<p>Swedish Tax Agency (<i>Skatteverket</i>)</p>
<p>Sectors</p>	<p>Maintenance and cleaning</p>
<p>Target groups</p>	<ul style="list-style-type: none"> • Individual customers who hire a company to carry out domestic services (directly targeted); • Registered businesses providing domestic services; they may be self-employed or companies with employees (directly targeted).
<p>Purpose of measure</p>	<p>Prevention</p>

	<p>Aims and objectives</p> <p>The objective of the schemes is to reduce undeclared work by encouraging demand for declared work in domestic services through tax incentives and subsidy from the government. This also helps to increase employment opportunities in the sector.</p>
<p>Background context</p>	<p>Domestic services, such as cleaning, gardening or home repairs are often performed by workers who do not declare this income to authorities. In 2005 it was estimated that 30 million hours of domestic services were undeclared in Swedenⁱⁱ. In July 2007 the Swedish Government introduced a tax deduction on household services (RUT) which covers cleaning, laundry, moving services, gardening, childminding and care services.</p>



	<p>The tax relief on home repair services (ROT) was implemented in December 2008. The scheme encompasses repair and maintenance, including conversions and extension services. This scheme has been considered since the 1990s, when it was designed to boost employment in the construction sector.</p>
Key objectives of the measure	<p>General objective:</p> <ul style="list-style-type: none">• ROT and RUT tax deductions aim to reduce undeclared work by incentivising declared domestic work.• By reducing the price of domestic services, the tax deductions seek to increase demand for domestic services and to create employment opportunities, especially for those with low educational attainment.
Main activities	<ul style="list-style-type: none">• RUT services must be carried out in the customer's home (or their parent's home, provided that the client pays for this). The work cannot be performed by a relative.• ROT can be used by everyone who owns a household or apartment (used as their residence) where the work is carried out.• To be entitled to ROT and RUT tax deductions, the customer must have:<ul style="list-style-type: none">- Been liable for tax during the tax year (income year for tax purposes);- Reached the age of 18, as a minimum, by the end of the tax year; and- Incurred expenses for ROT and/or RUT work.• For both schemes, both the customer and company or individual agree to use ROT or RUT deductions. For RUT services, this is up to EUR 2 500 per year and for ROT services up to EUR 5 000 per year.• Labour costs and the ROT or RUT deduction then need to be calculated and specified on every invoice.• Once the work is complete and payment is received from the customer, the company can request the remaining payment from the Swedish Tax Authority no later than 31 January in the year after the service was carried out. In order to obtain the payment, the person/company supplying the service must provide information on the following:<ul style="list-style-type: none">- Number of hours worked;- Type of work carried out;- Price charged for materials;



	<ul style="list-style-type: none"> - Price charged for other items than ROT or RUT work and materials, such as travel expenses. <p>The amount compensated by the Tax Agency is the difference between the actual payment received from the consumer and total labour costs, including VAT.</p>
Funding/organisational resources	There are around 5 million applications per year and a total amount of around EUR 1.5 billion is paid out annually to companies by the Swedish Tax Agency.

	<p>Outcomes</p> <p>In the short term, the ROT and RUT tax reductions provide a sufficient financial incentive for consumers of domestic services to use declared work instead of undeclared work. However, this can be expensive for public finances and creates an expectation which can be challenging to reverse. Over the longer term the two schemes have also changed public attitudes towards declared domestic services.</p>
Achievement of objectives	<ul style="list-style-type: none"> • Based on sample interviews with customers of RUT and ROT services, the Swedish Tax Agency estimated that the number of households buying services which are not declared has decreased by 10% since 2005. • ROT or RUT schemes have changed the public's attitude towards undeclared work. In interviews with the public, the Swedish Tax Agency found that acceptance of purchasing declared services has increasedⁱⁱⁱ. • The schemes have created around 30 000 jobs (out of which, 23 000 people were previously unemployed)^{iv}. It also created employment opportunities for people who face challenges entering the labour market, such as refugees or citizens from other EU countries.
Lessons learnt and success factors	<ul style="list-style-type: none"> • The schemes allow the Tax Agency to identify fraudulent businesses by cross-checking companies' annual revenue with the tax deductions received. • The claim procedure is user-friendly and quick because there is only one agency involved - the Swedish Tax Agency. The schemes created a new market for businesses in the sector. Therefore, most businesses accept that there are additional administrative tasks and a delayed reimbursement of some of the labour costs. • However, it takes time to create a system that works well. In Sweden, after 10 years there are still ongoing improvement, such as clarifications



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	<p>concerning which jobs fall under the schemes or ways to facilitate the reimbursement of businesses.</p> <ul style="list-style-type: none">• In a wider context, once additional tax income is taken into account, every euro spent on the scheme is considered to have been returned in the form of additional tax revenue that would not have been received if the rate of undeclared work had continued as previously.• While this type of scheme can be very popular with the public it can also be costly for the government and could be politically challenging to limit or discontinue.
Transferability	<p>Aspects for transferability to consider include the following:</p> <ul style="list-style-type: none">• Adapting legislation which regulates the domestic service sectors, as well as other legislation, for example, tax or labour law;• Ensuring sufficient political support and public finances to support the scheme in the short and long term;• Clearly defining the applicable sector and services;• Being transparent about how and what can be deducted;• Piloting the scheme in sectors where undeclared work is prevalent before being introduced as a mainstream measure.

Further information	
Contact	<p>Swedish Tax Authority https://www.skatteverket.se/ Email: please click here Phone: + 46 8 564 851 60; + 46 771 567 567</p>
Useful sources and resources	<p>Legislation regulating the deductions Lag (2009:194) om förfarandet vid skattereduktion för hushållsarbete https://www.riksdagen.se/sv/dokument-lagar/dokument/svensk-forfattningssamling/lag-2009194-om-forfarandet-vid-skattereduktion_sfs-2009-194</p>

ⁱSee <https://www.skatteverket.se/servicelankar/otherlanguages/inenglish/businessesandemployers/declaringtaxesbusinesses/rotandrutwork.4.8dcbbe4142d38302d793f.html>

ⁱⁱ The Swedish Tax Agency (2006), Purchasing and performing undeclared work in Sweden.



ⁱⁱⁱ The Swedish Tax Agency (2011), Om RUT och ROT och VITT och SVART.

^{iv} Almega - the Employers' Organisation for the Swedish Service Sector (2018), available at: <https://www.almega.se/2018/01/rut-2017/.a>