

Swedish Tax Agency

Suzanne Lindblom
Lennart Wittberg

Strategies for small businesses

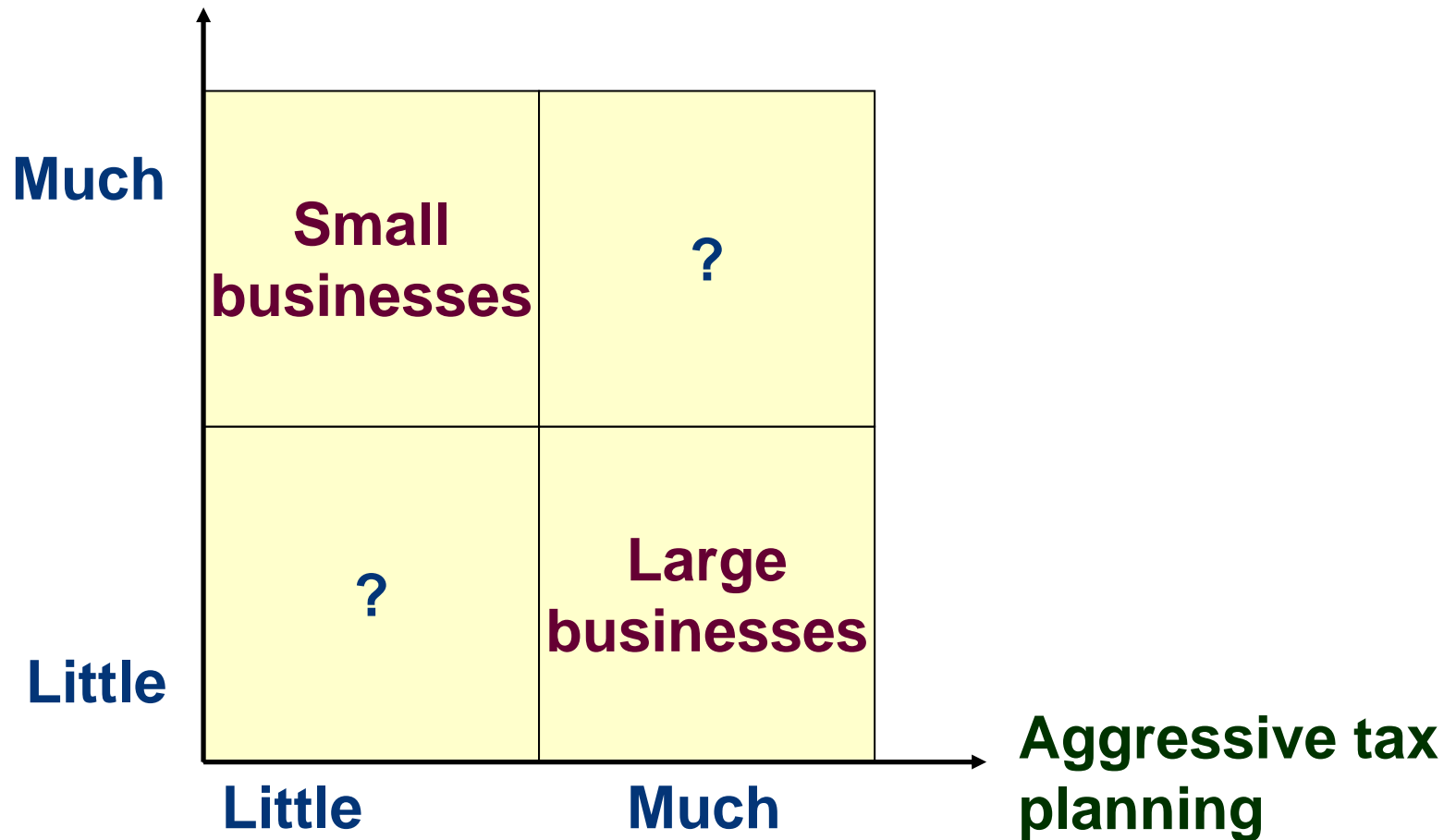
**ITD Global Conference on Taxation of SMEs
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Small businesses are important

- **They account for a big part of the tax gap (and informal sector)**
- **They have high compliance costs**
- **They are many**
- **They bring high administrations costs for the tax agency**
- **They are becoming multinational**

Risks?

Informal economy



Informal sector in Sweden

- **The informal sector represents about 60 % of the total tax gap**
- **800 000 people participate in the sector (out of a population of 9 Million)**
 - **Equivalent to 66 000 full time employed**
 - **13 % of the work force**
 - **25 % of students**
 - **Biggest group is craftsmen (266 000)**
- **The sellers in the informal sector tend to be young, male and low-income earners**
- **The buyers in the informal sector tend to be middle-age, male and high-income earners**

Informal sector in Sweden

- **A lot of the work is carried out in the household sector**
 - Animal care, 0.7 Euro/hour
 - Cleaning, 7 Euro/hour
 - Construction work, 13 Euro/hour
- **A big part of the work in the household sector is carried out by friends and relatives with no payment in cash**
- **20 % of the households have bought some kind of services**
 - Average cost of 700 Euro

Report on informal sector in Sweden

In English

www.skatteverket.se

**Report 2006:4B, Purchasing and performing
undeclared work in Sweden**

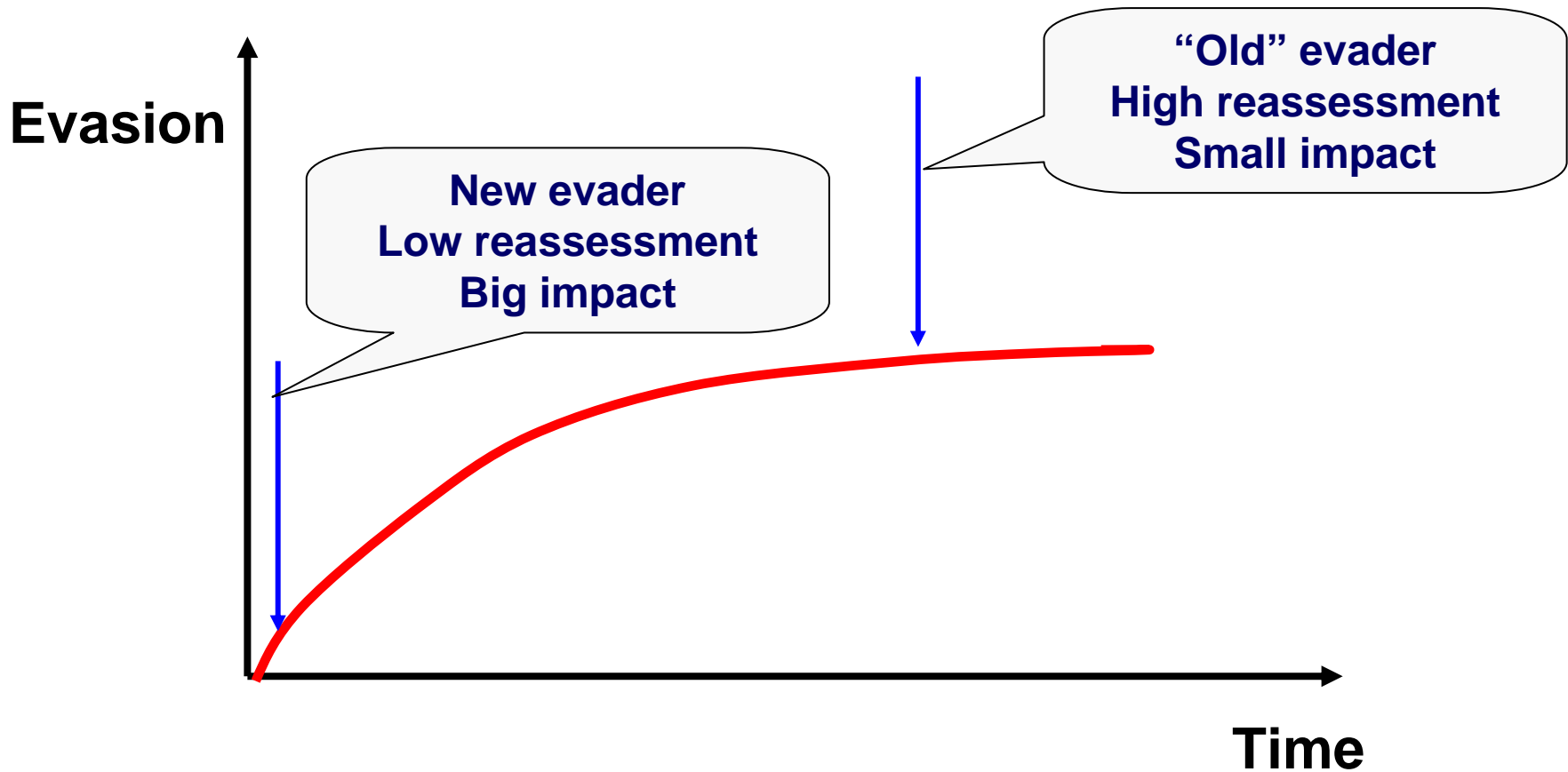
Basic strategy for small businesses

Increase the willingness to comply

- **Provide service and information**
- **Try to simplify procedures**
 - e-services
- **Suggestions to the government regarding changes of legislation**
- **Increase number of field visits and audits**
- **Cooperation with trade organisations**

Examples

Effective audits?



It is more important to change the behaviour of the taxpayer than to collect as much money as possible from audit activities

Focus on proactive measures

- **Right from the start is our goal**
- **It is the behaviour of the taxpayer that is interesting, not money from audit activities**
- **We try to have contact with most of the new businesses**
 - Personal visits *or*
 - Information meetings

New legislation from 2007

Register of employees

Example

- **Every restaurant and hairdresser need to keep an constantly updated register of all employees**
- **Inspections are carried out to check that the registers exists and that all present employees are included**
 - If not, a fine will be issued

During 2006: a comprehensive study of small businesses

- Interviews, focus groups and surveys

- Result:

Two kinds of businessmen:

1. Interested in the work and customers, no self image as a businessman (2/3)

2. Interested in developing a business, a clear self image as a businessman, acting professional (1/3)

- Different incentives for running a business
- Different needs for support
- Different demands on the Tax Agency

During 2006: a comprehensive study of
small businesses

An example:

“Do you find it difficult to do your tax return”

Type 1: **34 %** Yes

Type 2: **26 %** Yes

1. Interested in the work and customers, no self image as a
businessman (2/3)

2. Interested in developing a business, a clear self image as a
businessman, acting professional (1/3)

Thank you for your attention