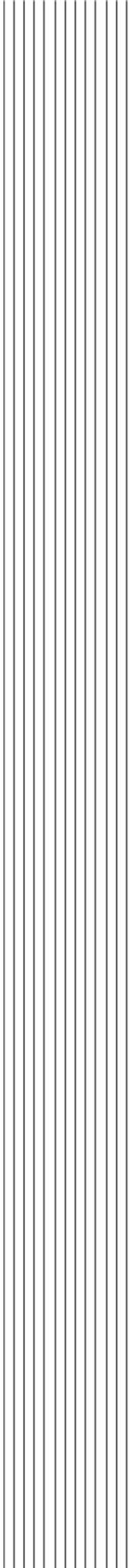


# Budget Statement





# 1 Budget Statement

## Introduction

Sweden should be a society characterised by freedom, community, cohesion and respect for the life choices of the individual. In changing times, Sweden is now being led by a broad coalition, which with the capacity to act and a long-term approach, using the January Agreement as the foundation, is taking on social challenges such as unemployment, climate change, growing welfare needs, the gap between urban and rural areas, inadequate integration, learning outcomes in schools, and crime.

Following a few years with high growth rates, a slowdown is now taking place in the global economy and in Sweden, although resource utilisation in the Swedish economy remains higher than normal. At the same time, several of the risks around the world highlighted in recent years have increased. This includes the risk of an escalation in the trade conflict between the United States and China, and the risk of the United Kingdom leaving the EU without a deal.

Sweden is well equipped. Our public finances are in good order, and the central government debt-to-GDP ratio is the lowest since 1977. The employment rate is high and the percentage of people relying on social insurance and other income security is low.

Strong public finances mean that Sweden can both address the economic slowdown and conduct reform policies to resolve societal problems.

The fiscal policy framework agreement must be safeguarded to ensure long-term sustainable public finances.

More people will find work and experience the freedom that comes with a job and an income.

Our welfare will be secured by high employment levels among both women and men, strong incentives to work and better conditions for enterprise, innovation, exports and job creation, and with the sustainable use of our natural resources. Education and labour market policies will be developed to address employers' demand for skilled labour. Entry Agreements will be introduced, including for companies without collective agreements and in recruitment agencies, to enable more newly-arrived immigrants and long-term unemployed to obtain work. More people will be given the chance to develop, change direction and try new approaches throughout their working life. A Skills Development Programme will be introduced. The economic slowdown will be addressed with measures to maintain a high level of employment. The business sector's overall competitiveness requires more innovative and growing companies. The welfare-creating forces will create jobs throughout the country. More people will be able to start and run companies, and companies will have better opportunities to grow. Tax on work and on employment will be reduced, partly by abolishing the upper bracket for central government income tax and introducing a labour market entry deduction. This will strengthen the overall competitiveness of the business sector and Sweden's export opportunities.

Conditions will be improved for newly-arrived immigrants to become established in Swedish society. Women and men, regardless of background, should encounter the same expectations and opportunities to support themselves through employment. In recent years, new-arrivals immigrants have managed to find employment more quickly, but substantial

problems still remain. Labour force participation among foreign-born people has increased, especially among women, and the difference in relation to those born in Sweden has declined. Although the employment rate among foreign-born people has increased, the employment gap between those born abroad and those born in Sweden is still too large. The pace of newly-arrived immigrants' establishment on the labour market must be increased, especially among women, and their knowledge of Swedish must be improved. Investments will be made in Swedish language teaching. Racism and discrimination in the labour market must be countered.

Sweden should take the lead and show that a fossil-free world is possible and can be combined with a higher standard of living. The target set by the Riksdag – that Sweden will have net zero greenhouse gas emissions by 2045 at the latest – must be achieved. Economic policy instruments will be used to move society in a more environmentally friendly direction and enable more people to make climate-smart choices in their everyday lives. Environmentally harmful subsidies need to be phased out, both in Sweden and globally. A robust green tax shift will be implemented. Society's climate investments are increasing, contributing to jobs and entrepreneurship throughout the country. Economic policy must promote the achievement of Sweden's environmental objectives. An action plan for a substantial reduction in emissions will be produced. Sweden continues to play a leading international role in implementing the Paris Agreement and the 2030 Agenda. Sweden will also take the lead internationally in being able to tax fossil jet fuel.

Support for climate investments will be strengthened, improved and developed. The support for a climate transition in the industry will be increased to enable important technology transitions and strengthen future competitiveness. Sweden is to be a leader in climate transition, with regard to both reduced emissions and the development of green technology. The Government is increasing the investment in the Green Industry Leap and the support for developing technology for negative emissions. Furthermore, measures will be taken to create better conditions for self-generated renewable energy through the extension of the investment subsidy for solar panels. The resources to protect valuable natural

environments and improve marine environments will be increased. The protection of endangered species and valuable natural environments for future generations will go hand in hand with strengthened ownership rights and legal security for landowners and companies.

The welfare system must be strengthened. A universal and tax-financed welfare system based on a high level of employment contributes to equity and gender equality, and paves the way for improved life chances for everyone. At a time when an increasing number of Swedes are living longer, extensive resources are required to maintain a high level of quality in health and medical care. The increase in general subsidies to the local government sector are continuing at a steady pace, which is an effective means of addressing an economic slowdown. A universal welfare system is the most important force for redistribution in our society. Freedom of choice for the individual is a central part of the Swedish welfare model.

The healthcare waiting lists will be shortened with an updated 'waiting list billion' and access to primary care will increase. At the same time, there will be a targeted investment in continuing education and career posts for nurses. Everyone who is entitled to the assistance allowance must also receive it. The waiting lists to child and adolescent psychiatry must be shortened, with the aim of having no queues at all.

All those who have worked and paid tax in Sweden during their whole professional life deserve a secure old age. A strengthened basic security in the general pension and an increased housing supplement will improve the financial conditions for elderly people who experience financial difficulties. The tax gap between salary and pension will be reduced and removed.

Sweden is to be a prominent knowledge nation. All schools should be good schools, characterised by order, peace and a calm study environment, with a focus on knowledge, and equity. Reforms will be implemented to improve equity between schools. The teaching profession will be strengthened by employing more teaching assistants in schools and the implementation of the first stage in establishing a teacher profession programme.

The whole of Sweden must thrive and grow. Better opportunities to live, study and work throughout the country will ensure that the whole of Sweden's potential is put to good use.

The development of rural areas is crucial for the whole of Sweden. Swedish food production will be reinforced through a farming package. The food strategy will be reinforced. The central government presence will be extended; proximity to commercial services in sparsely populated areas will be safeguarded and the expansion of digital infrastructure will be taken further. Road and rail maintenance in rural areas will be reinforced. Special funding will be allocated to municipalities that have received large numbers of newly arrived immigrants in relation to their population. A tax reduction aimed at sparsely populated areas, particularly in northern and western Sweden, will be introduced.

Housing construction is still at high levels, but the pace is now slowing down. There is still a considerable housing shortage and mobility in the housing market is inadequate. More housing needs to be built, the housing segregation trend needs to be broken and young people must be given better opportunities to move into their own homes. The support for housing construction will be made more efficient and fit-for-purpose. The ceiling for deferred capital gains when selling a home will be raised permanently. Climate declarations must be submitted when erecting new buildings.

Sweden's migration policy must be humane, legally secure and effective. The act that temporarily limits the possibility for asylum seekers to obtain a residence permit in Sweden has been extended. A cross-party committee is to decide Sweden's future migration policy. Persons eligible for subsidiary protection will be given the same right to be reunited with their families as refugees. Funding will be allocated for detention centre places and to the faster processing of asylum cases in court. The deductions for refugee reception costs within the development assistance framework will be reduced.

The fight against crime and its causes will be intensified. Society must be strong enough to protect people from everything from petty crime to terrorism. The Swedish Police Service will be given additional resources. Work on employing 10 000 more people in the Police by 2024 will continue to strengthen the Police's capacity to better fight serious organised crime, for instance. As the number of court cases is increasing and a larger number of criminals are being sentenced, the Swedish courts and the Swedish Prison and Probation Service will be allocated additional

resources. The capacity to combat welfare crime and money laundering will be improved. The Swedish Prosecution Authority, the Swedish courts and Swedish Customs will be strengthened. Honour-related violence and oppression will be made visible, pre-empted, prevented and punished. The whole of society must play its part in combating and preventing crime.

An increase in defence capabilities is required to enhance security in Sweden and stability in our neighbourhood. The Government therefore intends to allocate SEK 5 billion to military defence in 2022 and a further SEK 5 billion annually during the remainder of the defence policy period, in line with the Defence Commission's proposals. Furthermore, the Government will put forward a defence policy bill in autumn 2020. The overall content of the Defence Commission's proposal will be implemented in accordance with allocated funds. The reinforcements give the Swedish defence authorities good planning conditions.

Tax on work will be reduced to contribute to jobs and sustainable growth. The upper bracket for central government income tax will be abolished, which is expected to lead to a higher number of hours worked, a labour market entry deduction will be introduced to facilitate entry into the labour market for young people and newly arrived immigrants, taxes on fuel will be adjusted and income tax reduced in certain sparsely populated areas. The ceiling for deferred capital gains when selling a home will be raised permanently to increase mobility in the housing market, and the R&D deduction will be strengthened to facilitate continued investment by the Swedish business sector in new technology and high knowledge content. Tax for people over 65 will be cut. This will close the gap in taxation between salary and pension that existed prior to 2019.

The Budget Bill for 2020 is based on a political agreement between the Social Democratic Party, the Centre Party, the Liberal Party and the Green Party.

In response to a difficult parliamentary situation and using the January Agreement as the foundation, we are resolving societal challenges and creating the conditions for a society where cohesion and security go hand in hand with people's freedom and opportunities. This is how we will move Sweden forward.

**Table 1.1 Reforms and financing in the Budget Bill for 2020***Impact on general government net lending*

SEK billion	2020	2021	2022
<b>Reforms</b>			
<b><i>More people in work</i></b>			
Labour market policy measures	1.09	1.09	1.09
Skills Development Programme	0.22	0.60	1.00
Active business policy	0.39	0.39	0.39
Measures for better introduction	0.19	0.35	0.31
<b><i>Sweden to become a fossil-free pioneer</i></b>			
Reinforcement of the Climate Leap	1.16	1.14	1.16
Reinforcement of the Green Industry Leap incl. negative emissions	0.30	0.30	0.30
Measures for and protection of valuable natural environments	0.60	0.60	0.60
Safeguard forest ownership rights	0.05	0.05	0.05
Measures for clean seas and water	0.39	0.39	0.39
Solar panel subsidy	0.30		
Green and safe communities	0.05	0.15	0.20
Adjustment of limit for climate bonus	0.13	0.28	0.34
Other environmental and climate investments	0.25	0.30	0.33
<b><i>Strengthened welfare system</i></b>			
Equal schooling throughout Sweden	1.39	2.73	2.73
More teaching assistants	0.50	0.50	0.50
The profession programme and skills development for employees in schools	0.22	0.49	0.44
Other investments in the field of education	0.12	0.12	0.11
Improved basic protection for pensioners	1.38	1.38	1.38
Increased access to culture	0.20	0.21	0.21
Increased support for people with disabilities	0.10	0.15	0.15
Reinforcement of child and adolescent psychiatry	0.30	0.30	0.30
Career posts and better continuing education opportunities for nurses	0.20	0.20	0.20
Compensation to county councils for healthcare VAT	0.21	0.21	0.21
<b><i>Growth throughout the country</i></b>			
A living countryside	0.35	0.13	0.13
Broadband expansion	0.15	0.20	0.30
Enhanced maintenance of roads and railways	0.22	0.22	0.22
Investment subsidy housing	0.60	0.15	1.45
Subsidies to municipalities and areas with socioeconomic challenges	0.50	0.25	0.25
Service offices throughout the country	0.05	0.11	0.11
Night trains to Europe. Jämtland and Upper Norrland	0.05	0.17	0.17
Subsidies to municipalities with a high level of refugee reception	0.08		
Other reforms for the entire country to grow	0.14	0.14	0.15
<b><i>Security is to increase and democracy to be safeguarded</i></b>			
Reinforcement of the Swedish Prison and Probation Service	0.13	0.56	0.72
Reinforcement of the Swedish Courts	0.28	0.28	0.28
Reinforcement of the Swedish Police Authority	0.12	0.12	0.12
Reinforcement of the Swedish Prosecution Authority	0.06	0.06	0.06
Reinforcement of other authorities in the judicial system	0.17	0.15	0.13

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SEK billion	2020	2021	2022
Detention centre places	0.13	0.20	0.20
Swedish systems in good order	0.14	0.18	0.17
Initiatives to promote gender equality and combat honour-related violence and oppression	0.16	0.17	0.17
Safeguard democracy	0.13	0.09	0.06
Reduced offsets for development aid	0.37	0.36	0.25
Reinforced defence			5.00
Other reforms for increased security	0.09	0.24	0.32
<b>Tax amendments for jobs and sustainable growth</b>			
Abolished upper bracket for central government income tax	6.12	6.12	6.12
Labour market entry deduction – reduced social security contributions	1.67	4.77	6.22
Tax cuts for people over 65	4.33	4.33	4.33
Tax reduction in subsidy area A and B <sup>1</sup>	1.35	1.35	1.35
Tax cuts within the scope of the green tax shift		3.48	3.48
Higher ceiling for tax deferral when selling private residence	0.50	0.90	1.00
Higher R&D deduction	0.50	0.67	0.67
Adjusted fuel tax	0.90	0.81	0.81
Other tax cuts	0.62	0.44	0.27
<b>Total reforms</b>	<b>29.61</b>	<b>38.57</b>	<b>46.89</b>
<b>Financing</b>			
<b>Revenue increases</b>			
Tax on plastic carrier bags	2.08	2.76	2.76
Tax on waste incineration	0.24	0.42	0.53
Financial employer concept for temporary work in Sweden		0.70	0.70
Bank tax			5.00
Other revenue increases	0.13	0.42	0.38
<b>Expenditure reductions</b>			
Redistribution of grants in the field of education	2.12	3.77	3.43
Extension of the temporary asylum act incl. effects on offset of development aid	-0.32	0.29	1.43
More effective industrial policy	0.28	0.28	0.28
Allocation of funds to countryside bill	0.65	0.30	0.30
<b>Total financing</b>	<b>5.18</b>	<b>8.93</b>	<b>14.80</b>
Other (net)	0.42	-0.40	0.25
<b>Impact on public finances</b>	<b>-24.01</b>	<b>-30.04</b>	<b>-31.83</b>

<sup>1</sup> The tax reductions apply to people living in municipalities that are located in full in support area A or B.  
Source: Own calculations.

**Table 1.2 Increases in appropriations announced earlier**

	2020
More resources for Swedish Police	1.8
Reinforced defence	2.9
Capital injections for municipalities and county councils	5.0
Shorter health care queues	1.3

Source: Own calculations.