Guidelines on Entertainment, Gifts, and Certain Staff Benefits at Karolinska Institutet

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Karolinska Institutet

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Updated amounts for internal and external representation, as well as clarifications regarding representation for affiliates.

1. Introduction

Karolinska Institutet (KI) must, as a public authority, manage state funds responsibly. This applies particularly to representation, gifts, and staff benefits. These guidelines are directed at employees who use funds for representation, gifts, and certain staff benefits. The guidelines do not apply to students or other individuals who are not employed at KI; for affiliates, exceptions apply according to the current regulations for affiliation. Representation directed toward students is not permitted at KI. The guidelines apply to all activities regardless of funding and location of the representation, both within Sweden and during business trips abroad. What is stated in these guidelines shall be applied regardless of how an activity covered by the guidelines is designated or accounted for.

2. Purpose

The purpose of the guidelines is to clarify the distinction between external and internal representation, as well as when representation is appropriate and its scope.

3. General principles

All representation at KI (Karolinska Institutet) must be based on a direct connection to KI's activities in terms of the location and timing of the representation as well as the participants involved. Regarding the timing, the representation should be conducted in direct conjunction with the relevant activity. The individuals participating in the representation must have a direct connection to the activity.

4. Restraint

Representation should be exercised with restraint, and frequent representation toward the same person or group of persons should be avoided. Representation should also not be luxurious but should be perceived as justified, moderate, and adapted to the occasion.

5. Alcohol

Representation solely with alcohol is not permitted. The presence of alcohol as a meal beverage must be characterized by restraint, corresponding to a maximum of two standard glasses of wine or beer per person. The cost of alcohol must fit within the total cost limit for representation. Non-alcoholic options must always be offered. Strong spirits are not permitted, except in cases of visits by foreign guests. Representation with alcohol must not damage KI's good reputation.

6. Tips

KI does not cover tips in Sweden. In some countries outside the Nordic region, service or serving charges are sometimes not included in the prices listed on menus or similar. In such cases, tips may be included in the cost.

7. Expenses for social life of a personal nature

The concept of representation does not include expenses for social life of a personal nature or personal hospitality. Representation should therefore not take place at home. On personal occasions, such as a 50th birthday, congratulations may be extended with flowers and simple refreshments. Representation for an employee's personal milestone is not allowed.

8. External Representation

8.1 General

External representation refers to representation aimed at physical or legal entities outside of KI (Karolinska Institutet). The purpose of external representation is to establish, maintain, and develop good relations with various external stakeholders, representatives of authorities, organizations, companies, universities, and colleges, both within Sweden and in other countries.

For expenses related to representation or similar activities to be deductible, they must have a direct connection to KI's activities. The requirement for a direct connection is intended to clarify that deductions do not include costs for personal social activities. A direct connection is deemed to exist when the sole purpose is to initiate or maintain business relationships or similar engagements. For representation during business negotiations to be considered directly connected to the activity, it should form part of the negotiations.

Close relations, such as a spouse, partner, or friend (unless they are affiliated with KI or employed by a partner organization), cannot be regarded as directly related to a business negotiation.

If the representation spans several days, each individual day constitutes a separate occasion for representation. The number of internal participants must be reasonable in relation to the number of external participants and the purpose of the representation.

Deductions for representation must not exceed what can be deemed reasonable. There is no definitive definition of a reasonable amount; it depends on the circumstances of each case. The following cost limits apply to external representation at KI:

- Lunch, dinner, or supper: SEK 1,250 per person, including VAT, per occasion.
- Additional costs (such as venue rental or theater tickets): SEK 450 per person, including VAT.

8.2 Representation Gifts

Representation gifts should generally be provided in connection with business relationships, international visits, or similar. They cannot be given, for example, during Christmas or birthdays. According to the Swedish Tax Agency, the maximum amount for such gifts is SEK 375 including VAT. Luxurious gifts are not allowed.

9. Promotional Gifts

Expenses for promotional gifts are technically not part of representation but rather fall under advertising and PR. Since it is difficult to define what constitutes a representation gift, the guidelines include descriptions of promotional gifts to distinguish them. Promotional gifts at KI should be of minor value, such as simple present items often associated with fairs. Examples include products from the KI shop featuring the KI name and logo.

10. Anniversaries and Facility Inaugurations

Anniversaries and inaugurations are special forms of external representation primarily carried out for marketing purposes and involve KI's stakeholders, such as staff, partners, suppliers, and media representatives. Expenses for anniversaries are considered representation costs with a direct connection to operations but do not aim to initiate or maintain business relations. Often, anniversary costs include promotional gifts like simple present items. For facility inaugurations, the event must pertain to a significant facility for operations.

11. Internal Representation

11.1 General

Internal representation is directed toward KI employees and aims to promote internal operations and contribute to creating good working conditions within the organization. Types of arrangements considered internal representation include:

- Internal courses and conferences
- Staff parties
- Information meetings and similar events

For internal conferences and similar events to be classified as representation, they must last at least one day (a minimum of 6 hours of a standard 8-hour workday and a maximum of one week). Additionally, they must not occur too frequently or regularly, and common meal arrangements must be included.

11.2 Internal Courses and Conferences

Costs for internal courses, conferences, and similar events are not considered representation expenses for tax deduction purposes but rather operational expenses. Operational expenses are fully deductible, including costs for staff training, travel, accommodation, and related meal and entertainment expenses. This also means that compensation for input VAT can be requested.

Meals during internal courses and conferences are tax-free for employees as these events are considered representation for tax purposes. To avoid taxation, the following conditions must be met:

- It is primarily an internal event
- The event lasts at least one day (minimum 6 hours of work)
- The event lasts no more than one week and does not occur frequently
- Common meal arrangements are included

For a conference trip to qualify as an internal conference, at least 75% of the working hours must be spent on work-related activities. Up to two hours may be used for recreation or leisure. To substantiate the activities during an internal conference, KI recommends keeping course programs, travel itineraries, and similar documentation.

11.3 Staff Parties

Excessively expensive or frequent staff parties can result in taxable benefits for employees. According to the Swedish Tax Agency, a maximum of two staff parties per year is reasonable; otherwise, taxation of benefits applies. Costs for staff parties are not deductible for the employer. Travel and entertainment activities in connection with staff parties may be classified as benefits and thus taxable. Employees are not taxed for travel and accommodation associated with a staff party if the trip includes one or two overnight stays. Cost limits for staff parties, such as Christmas or summer parties, are as follows:
- Lunch, dinner, or supper: SEK 1,250 per person including VAT per occasion.
- Other expenses (e.g., venue or theater ticket): SEK 450 per person including VAT.

11.4 Meals at Information Meetings and Similar Events

If meals are provided by the employer during routine work-related meetings, the value of the meal must be taxed as a benefit. This applies regardless of the frequency of such meetings. Meals at occasional and important information meetings do not need to be taxed as benefits, provided they occur no more than once per month.

11.5 External Courses and Conferences

Employees participating in a conference trip as part of their job, whether within or outside the country, are generally not taxed for the value of the trip, as long as it is a purely professional conference or business trip. If entertainment and leisure activities play a significant role during the trip, taxation of benefits may apply.

The time allocation between studies/conferences and other activities during a trip is an important factor. For a trip to be classified as a study or conference trip, a significant portion of the time (at least 30 hours evenly distributed over the week) must be devoted to effective work. Meals included in external courses, conferences, congresses, and similar events are tax-free if they are part of the package price.

12. Staff Benefits

The general principle is that benefits resulting in cost savings for the employee or their family are taxable.

12.1 Light Refreshments

KI may cover the cost of light refreshments on special occasions. The maximum amount for light refreshments is SEK 200 per person including VAT per occasion. The tax deduction limit for simple refreshments is SEK 60 excluding VAT. If this limit is exceeded, no deduction is allowed, and the full cost is covered by the organization. Light refreshments include coffee, tea, sandwiches, pastries, cake, fruit, or non-alcoholic beverages. Alcoholic beverages are never considered light refreshments.

12.2 Gifts to Employees

In general, great restraint should be exercised with gifts to employees. The main rule is that gifts from employers are considered equivalent to compensation for work performed and are thus taxable for the recipient. Under certain conditions, however, Christmas, anniversary, and commemorative gifts are tax-free. Tax exemption does not apply to gifts given in cash, including other forms of payment such as gift cards that can be exchanged for cash.

12.3 Long-service awards

A commemorative gift is a gift of symbolic value given to long-term employees in connection with an extended period of service or upon termination of employment. For commemorative gifts, an employee is considered long-term if they have been employed for at least six years in total.

Commemorative gifts are tax-free if they are given no more than once, in addition to when employment ends. The award of "Diligence and Honesty" (NOR) counts as one such occasion. An employee may thus receive a maximum of two commemorative gifts, including NOR, if their employment has lasted long enough. Commemorative gifts are not awarded for birthdays. At KI, the value of a commemorative gift may not exceed SEK 2,000.

The NOR award is given after at least 30 years of state employment, or 25 years in exceptional cases, if employment ends due to retirement. Generally, only state employment in the strict sense counts, including employment at government agencies, public enterprises, and the parliament and its authorities.

12.4 Christmas Gifts

A Christmas gift for an employee is tax-free if its value does not exceed SEK 550, including VAT.

12.5 Anniversary Gifts

An anniversary gift is a gift to an employee when KI celebrates a 25th, 50th, 75th, or 100th anniversary. The value of the gift may not exceed SEK 1,500, including VAT. Representation in connection with anniversaries must adhere to the established deduction limits.

12.6 Other Acknowledgements

Acknowledgements, such as flowers for milestone birthdays, dissertations, illness, or the end of employment, are classified as staff care and are tax-free for the employee. KI has set a limit of SEK 550, including VAT (excluding delivery costs), for such acknowledgements.

13 Verification Requirements

For verification (invoice or expense claim) of representation, the following must be attached:

- The purpose of the representation
- Program for internal courses and planning conferences
- Participant list with roles and organization/company
- Receipts and original restaurant bills
- Any decision regarding exemption by the University Director

14 Taxation of Benefits

If KI finances personal expenses for employees, such as meals that have no actual representation purpose, these are not representation costs but taxable benefits. The same applies to, for example, internal conferences or trips where the entertainment and leisure component is too significant. The naming of a specific cost does not matter; the actual circumstances determine whether taxation of benefits applies.

For external representation, taxation of benefits generally does not arise. For those targeted by the representation, it is not applicable, as there is no employment relationship between the companies/agencies and the guests. The main rule for taxable benefits is that the recipient must be taxed on the market value of the benefit.

15 Decision on Representation

To be approved, representation must be decided or assigned by an authorized manager.

16 Dispension

The principle is that all representation at KI must adhere to these guidelines, and the specified cost limits must apply. Exceptions to cost limits can be granted upon decision by the University Director. An exemption application must be completed and signed by the head of the department before the University Director can make a decision. For the joint operational support division, the application must be signed by the head of the division before being submitted to the University Director for decision. Approval must be obtained before the representation takes place. Failure to comply with the guidelines without approval means the individual concerned risks personal financial liability for the excess amount.

17 Bribes

To maintain trust in KI's operations, it is crucial that KI employees do not allow themselves to be influenced by undue benefits or offer any benefit to influence others in a certain direction. Such actions are not only damaging to trust but may also constitute a criminal offense involving the giving or receiving of bribes. Representation should be characterized by transparency and moderation and conducted without undue influence.

A benefit includes all kinds of gifts, rewards, and other advantages of both material and immaterial nature. The risk that a benefit is considered impermissible increases the weaker its connection to the recipient's job responsibilities. It is, therefore, important that the benefit has a clear connection to and is a natural and useful part of the recipient's work, such as discussing work-related matters over a meal or during a business trip where work-related activities constitute a significant component.

Appendix:

Summary of Cost Limits

All amounts are inclusive of VAT. Refer to the accounting guide for deductible VAT. Cost limits set by the Swedish Tax Agency are marked with "SKV," and those set by KI are marked with "KI."

Representation Types and Cost Limits per Person/Occasion:

External Representation:
- Lunch, dinner, or supper: SEK 1,250 (KI)
- Other expenses (e.g., venue or theater ticket): SEK 450 (KI)

Internal Representation:
- Staff party (max 2/year, e.g., summer and Christmas party):
- Lunch, dinner, or supper: SEK 1,250 (KI)
- Other expenses (e.g., venue): SEK 450 (KI)

Staff Benefits:
- Christmas gift: SEK 550 (SKV)
- Long-term service award: SEK 2,000 (KI)
- Anniversary gift: SEK 1,500 (SKV)
- Funeral flowers: SEK 2,500 (KI)
- Other acknowledgements (e.g., milestone birthdays, dissertation, illness, end of employment): SEK 550 (KI)