

Guidelines on Entertainment, Gifts and Certain Benefits in Kind



**Karolinska
Institutet**



Table of Contents

1.	Introduction	1
2.	General points of departure	1
2.1	Restraint	1
2.2	Alcohol	1
2.3	Tips	2
2.4	Expenses for social events of a personal nature	2
3.	External representation	2
3.1	General	2
3.2	Business gifts	3
3.3	Promotional gifts	3
4.	Anniversaries and inaugurations	3
5.	Internal representation	3
5.1	General	3
5.2	Internal courses and conferences	4
5.3	Staff parties	4
5.4	Meals in conjunction with information meetings, etc.	5
6.	External courses and conferences	5
7.	Benefits in kind	5
7.1	Light refreshments	5
7.2	Gifts to employees	6
7.3	Long-service awards	6
7.4	Christmas presents	6
7.5	Anniversary gifts	6
7.6	Other recognition	7
8.	Verification requirements	7
9.	Other taxation on benefits in kind	7
10.	Decisions regarding entertaining	7
11.	Dispensation	8
12.	Bribes	8

Appendix 1

Summary of Monetary Limits

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1. Introduction

These guidelines are intended for employees who utilise funds belonging to Karolinska Institutet (KI) for entertainment, gifts and certain benefits in kind. The guidelines do not cover students, affiliates or others who are not employed by KI. KI does not permit entertainment aimed at students. These guidelines apply to the entire organisation irrespective of financing and whether entertainment takes place in Sweden or while travelling abroad on business.

The purpose of the guidelines is to clarify the difference between external and internal representation and when and to what extent business entertainment is appropriate. The policy stated in these guidelines shall be applied regardless of how an activity covered by the guidelines is designated or entered into the accounts.

As a public authority, KI is required to manage public funds in a responsible manner. This particularly applies to entertainment, gifts and benefits in kind.

2. General points of departure

All entertainment at KI shall have a direct connection to KI's operations, both in terms of the time and place at which entertainment is offered and those taking part. With regard to timing, entertainment shall be offered in direct conjunction with the activity to which it relates. Those taking part in entertainment shall have a direct connection to the activity in question.

2.1 Restraint

Entertainment shall be offered with restraint and frequent entertainment of the same guest or group of guests is to be avoided.

Entertainment shall not be lavish but must be, and be perceived as, justified, moderate and in keeping with the occasion.

2.2 Alcohol

Entertainment solely in the form of offering alcoholic beverages is not permitted. Restraint shall be observed when serving alcohol as an accompaniment to meals – meaning no more than two standard glasses of wine or beer per person. The cost of alcohol shall be accommodated within the monetary limit for entertaining. Non-alcoholic alternatives must always be offered. Spirits are not permitted, although exceptions may be made when entertaining guests visiting from overseas. Entertaining that involves serving alcohol must be conducted in such a way that it does not damage KI's reputation.

2.3 Tips

KI does not pay for tipping in conjunction with entertaining in Sweden. In certain countries outside the Nordic region, gratuities or service fees and not included in the prices stated on pricelists, menus, etc.; in which case, tips may be included in expenses.

2.4 Expenses for social events of a personal nature

The term *entertainment* does not encompass expenses incurred for social events of a personal nature or extending personal hospitality. Entertaining in the home shall therefore be avoided.

Personal celebrations – for example, 50th birthdays – may be marked by gestures such as flowers or light refreshments. It is not permitted to offer entertainment to mark an employee's birthday, work anniversary, etc.

3. External representation

3.1 General

The term *external representation* refers to entertaining natural or legal persons who are not employed by KI. The purpose of external representation is to create, maintain and develop good relations with various external stakeholders such as representatives of government agencies, companies, higher education institutions and other organisations, both within Sweden and abroad.

Entertainment and similar expenses are only deductible when they are directly related to KI's business operations. The requirement for a direct relationship is intended to highlight that expenses for social events of a personal nature are not deductible. A direct relationship is deemed to exist when the sole object of entertainment is to initiate or maintain a business relationship or the like. In order for entertainment in conjunction with business negotiations to be deemed to have a direct relationship to KI's business, it should take place as part of the negotiations.

Friends or relatives (e.g. spouses or partners) who are not employees of KI or one of KI's business partners cannot be considered to have a direct relationship to a business negotiation.

In the event that hospitality is to be extended over several days, each day constitutes a separate entertainment occasion. The number of internal participants shall be reasonable in relation to the number of external guests and the purpose of entertaining.

Deductions for entertainment shall not exceed what may be considered a reasonable amount. There is no unequivocal definition of a reasonable amount. What can be considered reasonable in a given situation depends on the

circumstances of the individual case. The following monetary limits apply to external representation at KI.

- Lunch, dinner or supper: SEK 1,000 including VAT per person/occasion.
- Associated costs (e.g. venue or theatre tickets) SEK 450 per person including VAT.

3.2 Business gifts

Gifts shall generally be presented in connection with business undertakings, overseas visits or the like; i.e., there shall be a direct relationship with KI's business operations. It is therefore not permitted to give gifts in conjunction with, for example, Christmas or birthdays. The Swedish Tax Agency considers SEK 300 to be the highest acceptable amount. Luxury business gifts are not permitted.

3.3 Promotional gifts

While expenditure on promotional gifts does not actually belong in the area of business entertainment and gifts but to advertising and PR, as it can prove difficult to define what constitutes a business gift it is common practice to describe promotional gifts in this context to avoid confusion. KI only permits promotional gifts of negligible value.

Promotional gifts shall be simple, inexpensive and more or less mass-produced items. The products available in the KI shop bearing KI's name and logo are typical examples of promotional gifts.

4. Anniversaries and inaugurations

Anniversaries and inaugurations are somewhat special forms of external representation, primarily for marketing purposes, that involve KI stakeholders such as staff, partners, suppliers and, for example, representatives of the mass media. Anniversary celebrations are one entertainment expense deemed to have a direct relationship to KI's business operations even though the purpose is not to initiate and maintain a business relationship. Expenses associated with anniversary celebrations often consist of simple promotional gifts.

In the case of inaugurating facilities, the facility in question must be of considerable significance to the organisation.

5. Internal representation

5.1 General

Internal representation is aimed at KI's employees and is intended to promote internal operations, thereby contributing to creating good working conditions within the public authority.

The following types of event are considered to be internal representation:

- Internal courses and conferences
- Staff parties
- Information meetings, etc.

One precondition for internal conferences and the like to be considered entertainment is that they must last for at least one day (a minimum of six hours of a normal eight-hour working day) and no more than one week. Other requirements are that they are not held regularly or too close together (once a week or once a fortnight would be considered too often) and that common dining arrangements are made.

5.2 Internal courses and conferences

Expenses for internal courses, conferences and similar events are operating costs, not deductible entertainment costs. Operating costs – for example, staff training, travel and accommodation expenses, etc. – are fully deductible, even if part of the cost consists of meals and entertainment for the staff involved. This also means that VAT can be reclaimed.

Meals served at internal courses and conferences are tax-free for staff, as such arrangements are considered to be entertainment from a benefits perspective.

Preconditions for the tax-free status of benefits are that:

- it is largely an internal event;
- the gathering lasts at least one day with a minimum of six hours work;
- the gathering does not last more than one week and is not a regular event or held at brief intervals (e.g. weekly or fortnightly); and
- common dining arrangements are made.

For a conference trip to be considered as an internal conference, the majority of working hours (at least 75%) must be devoted to work; i.e., no more than two hours may be set aside for recreation and entertainment. In order to be able to prove what activities have been conducted during an internal conference, it is recommended that KI saves the course programme, travel itinerary and any other relevant documents.

5.3 Staff parties

Lavish or frequent staff parties may result in staff being taxed on benefits in kind. According to the Swedish Tax Agency, a maximum of two staff parties per year can be considered reasonable; otherwise, staff will be liable to taxation for benefits in kind.

The cost of staff parties is not deductible for the employer. Travel and entertainment activities associated with staff parties are examples of benefits in

kind and are therefore taxable. An employee is not liable to tax on benefits in kind for travel and accommodation in conjunction with staff parties if the trip includes one or two overnight stays. The monetary limits for staff parties, such as Christmas and summer parties, are as follows:

- Lunch, dinner or supper: SEK 800 including VAT per person/occasion.
- Associated costs (e.g. venue or theatre tickets) SEK 450 per person including VAT.

5.4 Meals in conjunction with information meetings, etc.

If the employer provides staff with meals in conjunction with routine work-related meetings, the value of the meal is taxable as a benefit in kind. This is regardless of how often or seldom the meetings take place. Meals served in conjunction with separate and important information meetings are not however taxable, as long as they do not take place more than once a month.

6. External courses and conferences

Employees attending conferences on business, whether in Sweden or abroad, are not normally taxed on the value of such a trip. This applies as long as the purpose of the trip is purely to attend the conference or when, while there are some recreational events or entertainment involved, these are a negligible part of the trip as a whole. Should recreation and entertainment have a more prominent role during the trip, then tax on benefits in kind cannot be ruled out.

One significant factor here is the division of time between studies/conferences and other activities during the trip. In order to be considered a study or conference trip, the trip must include a not insignificant proportion of effective work. As a rule of thumb, the conference or study should encompass a minimum of 30 hours evenly distributed across the week.

Meals served at external courses, conferences, congresses, etc. are tax-free if they are included in the package price for the conference or course.

7. Benefits in kind

The basic principle is that benefits in kind that result in a saving on the cost of living for the employee or their family are taxable.

7.1 Light refreshments

KI is permitted to pay for light refreshments on special occasions.

Light refreshments means coffee, tea, sandwiches, pastries, cake, fruit or similar fare. The Swedish Tax Agency has defined SEK 60 including VAT per head as

the monetary limit. Alcoholic beverages can never be considered as light refreshments.

7.2 Gifts to employees

The general attitude to gifts to employees shall be one of great restraint. As a rule, gifts from employers are equivalent to remuneration for work carried out and the recipient is therefore liable for tax. Certain gifts, such as Christmas presents, anniversary gifts and long-service awards, are tax-free.

This tax exemption does not apply to gifts of money, including other means of payment such as gift vouchers that can be redeemed for cash.

7.3 Long-service awards

Long-service awards are presented to individual employees to mark a given period of service or the termination of a long period of employment. For this purpose, a long period of service is considered to be a combined period of employment of at least six years.

Long-service awards are tax-free as long as they are not presented on more than one occasion in addition to the termination of employment. The Award for Zeal and Integrity in the Kingdom's Service (NOR) is counted as such an occasion. An employee with sufficiently long employment is therefore permitted to receive a maximum of two long-service awards including an NOR award. Long-service awards shall not be presented in conjunction with birthdays. KI has set a maximum value of SEK 2,000 for long-service awards.

The Award for Zeal and Integrity in the Kingdom's Service is presented after a period of employment with the state of not less than 30 years (or 25 years in exceptional circumstances) when employment is terminated due to retirement. The general rule is that only employment by the state in the strictest sense is counted; i.e., employment with a government agency, state-owned enterprise, the Riksdag or an authority or board under the Riksdag. NOR awards are regulated in a separate ordinance (SFS 1974:225). The Swedish Agency for Government Employers has also issued specific advice to state employers regarding the terms and conditions for the award and its administration.

7.4 Christmas presents

Christmas presents to employees are tax-free if their value does not exceed SEK 450 including VAT.

7.5 Anniversary gifts

Anniversary gifts are presented to employees to mark 25th, 50th and 75th anniversaries and centenaries at KI. The value of an anniversary gift may not exceed SEK 1,350 including VAT. Entertainment in conjunction with anniversaries shall follow the existing deduction framework.

7.6 Other recognition

Recognition in the form of flowers – for example, to mark major birthdays, the defence of doctoral theses, illness and the termination of employment – is classified as staff welfare and is tax-free for the employee. KI has defined the monetary limit at SEK 500 including VAT (excluding delivery).

8. Verification requirements

The following should be attached to expense documentation (invoices or receipts) for entertainment:

- The purpose of entertaining.
- The programme for internal courses and planning conferences.
- List of participants, including their function and the organisation/company they were representing.
- Original receipts and restaurant bills.
- Any dispensation granted by the University Director.

9. Other taxation on benefits in kind

If KI funds private costs on behalf of employees – for example, meals with no purpose to represent or entertain on behalf of KI – any such expenditure is not an entertainment cost but a taxable benefit. The same applies to internal conferences or trips that include too large an element of entertainment and/or recreation.

How one chooses to define a given cost is irrelevant; it is the actual circumstances that determine whether it constitutes a taxable benefit in kind.

When entertaining and representing the institution externally, the question of taxable benefits does not normally arise. Naturally, for guests being entertained this does not arise as there is no employment relationship between the company/authority and guests.

The principal rule for taxable benefits is that the recipient shall be taxed for the market value of the benefit in question.

10. Decisions regarding entertaining

Entertaining requires approval or a direct assignment from the competent manager.

11. Dispensation

As a point of departure, all entertaining at KI shall be exercised in accordance with these guidelines and within the stated monetary limits. Exceptions to the stated monetary limits may be granted at the discretion of the University Director.

Applications for dispensation should be completed, signed by the head of department and submitted to the HR Office's legal counsel for processing before any decision by the University Director. For Central Administration, applications for dispensation shall be signed by the head of office.

Approval must be obtained before the entertainment takes place. Any exceptions to these guidelines without prior approval may result in the employee to whom the decision relates being held personally liable for the excess sum.

12. Bribes

In order to safeguard confidence in KI as an institution, it is of the utmost importance that KI's employees do not allow themselves to be unduly influenced, or attempt to influence others, by the offer of unwarranted benefits. Any such behaviour not only damages confidence in KI but may also be interpreted as the giving or taking of bribes and therefore a criminal act. Any offer to entertain shall be characterised by transparency and moderation and conducted without undue influence.

For this purpose, benefits refers to all types of gifts, rewards and other material or immaterial benefits.

The risk of a benefit being deemed impermissible increases as the connection to the recipient's duties weakens. It is therefore relevant whether the benefit has a clear link to and is a natural and useful part of the recipient's work; for example, it involves the discussion of work-related matters over a meal or a business trip in which work-related programme points constitute an essential element.

*Appendix 1***Summary of Monetary Limits**

All amounts include VAT, see cost centre guide for deductible VAT.
The monetary limits established by the Swedish Tax Agency are indicated by the suffix “SKV”, while the limits established by KI are indicated by “KI”.

<u>Entertainment form</u>	<u>Monetary limit per person/occasion</u>
<i>External representation</i>	
Lunch, dinner or supper	SEK 1,000 (KI)
Expenses other than meals	SEK 450 (KI)
<i>Internal representation</i>	
Staff party twice a year (e.g. summer and Christmas parties)	
Lunch, dinner or supper	SEK 800 (KI)
Expenses other than meals (e.g. venue)	SEK 450 (KI)
<i>Benefits in kind</i>	
Christmas present	SEK 450 (SKV)
Long-term service award (on retirement)	SEK 2,000 (KI)
Anniversary gift	SEK 1,350 (SKV)
Funeral wreath	SEK 2,500 (KI)
Other recognition (major birthdays, defence of dissertation, illness or termination)	SEK 500 (KI)