

Rules governing payments/grants to non-employees

Valid from 15 April 2006



**Karolinska
Institutet**



President

Rules governing payments/grants to non-employees

The activities of Karolinska Institutet – education, research, postgraduate education and collaboration with society at large– are normally carried out by KI employees, for whom questions of payment are regulated by agreements and regulations of various kinds.

There are occasions, however, when cash payments or grants to other than employees can contribute to the development of KI's activities.

In order for such payments to be handled correctly, including from a tax point of view, rules for payments/grants to non-employees have been drawn up, as shown in the appendix below. The rules have been approved and come into force on 15 April 2006.

A decision in this matter has been taken by the President, Harriet Wallberg-Henriksson, in the presence of the University Director, Rune Fransson, following a presentation by Head of Administrative Development, Marie Tell.

Also taking part in the preparations were Salary Manager Anne-Marie Hagberg, acting Head of Financing Ingrid Palmér and KI's internal auditors. In addition, the expertise of the Swedish National Tax Board has been consulted.

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Appendix: Rules governing payments/grants to non-employees

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Issued by:

Karolinska Institutet

University Administration, Personnel Department

Questions regarding these rules will be answered by the salary manager

The rules were approved by the President and come into force on 15 April 2006.

1 Basic conditions

The administration of payments and grants to private individuals depends, among other things, on whether preliminary tax and national insurance contributions need to be paid. The internal rules of Karolinska Institutet are thus governed by tax legislation.

What determines the way in which handling takes place from a tax point of view is whether the payment or grant relates to

- an activity that forms part of KI's business
- a payment based on work performed or on other grounds

and whether

- the person in question is permanently resident in Sweden or abroad

1.1 Activity that forms part of KI's business

KI's mission is to engage in undergraduate education, research and graduate education and to collaborate with society at large. These activities are normally carried out by KI employees, for whom payments are regulated by agreements and internal regulations.

There are occasions, however, when cash payments or grants to other than employees can contribute to the development of KI's business. They may involve, for example, supporting the internationalisation of undergraduate studies through a *travel grant* to students or a *short-stay grant* to individuals in connection with an exchange of knowledge with other countries.

1.2 Payment for work performed or on other grounds?

The definition of "work performed" is bound up, according to the tax legislation, with the activity in which the organisation engages. This means, for example, that if supervising a graduate student at KI amounts to work, the same applies when a visitor to KI supervises a graduate student at KI.

1.3 Resident in Sweden or abroad?

For work performed, financial payments made to persons permanently resident in Sweden are to be regarded as liable for tax and KI must pay national insurance contributions.

With regard to payment for work performed made to persons who are permanently resident abroad, KI must apply for SINK tax. This tax involves the replacement of preliminary tax by a fixed tax of 25%, in some cases 0%. The individual need not make a tax return in Sweden. Full social insurance contributions must be paid by KI.

A more detailed description of SINK tax can be found in paragraph 3.

2 Payments to non-employees resident in Sweden who perform work for KI

2.1 Travel expenses generally

What determines the way in which travel expenses for external lecturers, experimental/trial subjects etc. are handled from a tax point of view is whether the person performs or will perform work for KI and where the person is considered to have his or her place of work. Claims for payment should always be substantiated with an accurate and approved travel claim/out-of-pocket expenses. See also KI's regulations.

2.2 Non-employees whose activities take place at KI

This category includes persons who are not employed at KI, but who have research funds administered by KI, e.g. SLL (Stockholm County Council) employees, professors emeriti etc.

In order for an activity to be carried out at KI, an agreement must be drawn up between the person in question and the department. (For access to IT resources etc., an "Affiliation decision" is also required.)

Such persons are subject to the same rules as employees regarding payments for travel expenses and out-of-pocket expenses.

2.3 External lecturers

2.3.1 Place of work where they live

Independent/hired lecturers are considered to have their place of work where they live, provided that most of their work, such as preparation and the production of material, takes place there. Payments for travel expenses and any per diem allowances in connection with travel and the performance of duties at KI are then free of tax and employer's contributions according to the same rules as for employees.

2.3.2 Place of work at KI

Independent/hired lecturers are considered to have their place of work at KI, provided that most of their work in connection with the performance of their duties at KI takes place there. Travel to and from KI is then regarded as travel to and from work and any payments for this to the lecturer are taxable and subject to employer's contributions by KI. Any per diem allowances are treated in the same way as salary.

2.3.3 Place of work at another university, authority or the like

In the case of external lecturers from other universities, authorities or organisations/companies etc., KI should make an agreement regarding invoicing by the organisation in question. In this way KI need not decide where the person concerned is considered to have his or her place of work from a tax point of view.

2.4 External members of boards and committees

External members and members of KI's boards and committees are considered to have their place of work where they live since most of their work in the form of preparation takes place there. Payments for travel expenses and any per diem allowances in connection with the performance of their duties at KI are thus free of tax and employer's contributions.

2.5 External examiners and experts

External examiners (*opponenter*) and experts are considered to have their place of work where they live, provided that most of their work, such as preparation etc., is not carried out at KI. Payments for travel expenses and any per diem allowances in connection with the performance of their duties at KI are thus free of tax and employer's contributions.

2.6 Test subjects

The place of work of experimental/trial subjects is normally considered to be KI. Payments to subjects for travel to and from KI are thus taxable and KI is liable to pay employer's contributions. Any per diem allowances are treated as salary.

Exceptions

- If subjects are asked to attend at a place other than KI and KI carries out the test there, their place of work is considered to be where they live. In this case there is no obligation to pay either tax or employer's contributions in respect of travel expenses.
- Provided that no other payment is made, travel expenses are free of tax and employer's contributions in connection with a journey to where the test takes place.
- In the case of persons who provide samples (e.g. of tissue), payments such as travel expenses and any per diem allowances are free of tax and employer's contributions as this is not treated as work performed from a tax point of view (unlike answering a questionnaire, carrying out a work test etc.).

2.7 Persons accompanying subjects

Persons accompanying subjects are not normally considered to have KI as their place of work, provided that KI has not required them to accompany the subject. Payments for travel expenses and any per diem allowances are thus normally free of tax and employer's contributions.

3 Payments to non-employees resident abroad who perform work for KI

3.1 Payments of expenses to persons resident abroad

Persons permanently resident abroad who are to carry out work for KI are treated differently for tax purposes, depending on how long their stay in Sweden is.

3.1.1 Stays of less than 6 months

A person resident abroad who is to stay in Sweden for less than 6 months is covered by the rules governing *special income tax for foreign residents* – SINK.

SINK is a fixed tax of 25% deducted at source which, apart from salary/fees, must also be applied to payments for travel expenses and per diem allowances for business travel (see the exceptions below, however). In certain cases, following a ruling by the tax authority, the SINK tax may be 0%.

The fact that SINK is a fixed tax deducted at source means that no tax return need be made in Sweden. Decisions regarding SINK are taken by the tax authority following an application by a department at KI. The decision regarding SINK does not affect national insurance contributions, which KI must pay in full on the amounts involved.

Payments for travel expenses for a journey to and from Sweden in connection with the start and the end of the employment/assignment are free of tax and employer's contributions. Reasonable accommodation costs paid by KI are also free of tax and employer's contributions for periods of less than 6 months.

If the stay is extended and its total duration exceeds 6 months in a 12-month period, both payments for travel expenses in connection with the start and the end of the employment/assignment and the tax-free accommodation costs will become retrospectively liable to tax from the first day of the stay. The grounds for SINK tax also lapse.

3.1.2 Stays of longer than 6 months

A person resident abroad who is to carry out work for KI and stay in Sweden for longer than 6 months is treated in respect of benefits and taxes in the same way as a KI employee permanently residing in Sweden.

KI pays full national insurance contributions in Sweden unless a person who comes from an EU/EEA country produces a form E101 – Certificate of applicable legislation, which states that KI shall pay national insurance contributions in a country other than Sweden.

4 Payments to non-employees on grounds other than work performed for KI

4.1 Prospective employees

The same rules governing payments for travel expenses as those that apply to employees apply to persons who have been asked to attend an employment interview at KI and who have travelled between two locations in the EU. No other payment may be made.

4.2 Students and post docs

Criteria to be met for payments of study scholarships for undergraduates or post doc students are set out in separate regulations (see Scholarship Rules, dnr 4913/04-200).

4.2.1 Travel grants to undergraduates

Travel grants to undergraduates are made as part of the internationalisation of KI's teaching. According to KI's mission, student exchanges within Europe and with the rest of the world are promoted, which may be done, among other things, by means of a cash grant to encourage the individual student to spend part of his or her studies elsewhere in the world.

The travel grant is designed to be a *contribution* towards the costs of the stay abroad and must be repaid if these expenses are less than the grant or if the journey is not undertaken. Norms for travel grants are approved by the Board of Education and are available at

http://intra.ki.se/education_research/international/dokument/policy_admin_rutiner_2004.pdf.

4.2.2 Travel grants to other, non-employed persons

Travel grants may also be made from KI's funds and foundations to other than employees and students in undergraduate or graduate education, e.g. persons with research activity taking place at KI. As with travel grants to undergraduates, any excess amount shall be repaid. Further information about travel grants from KI's funds and foundations is available at

<http://fonder.ki.se/ansokan/index.htm>.

4.2.3 Short-stay grants for study visits/conference participants

KI receives visitors on a large scale from both Sweden and abroad. For some of these visitors, KI may be justified in contributing to their stay in the form of a cash grant, known as a short-stay grant. One reason may be that KI should be able to fulfil the so-called third task – to collaborate with society at large.

The short-stay grant is intended to be a cash grant for a short period, when someone comes to KI for a purpose other than to bring to KI value added that would be described as work performed if carried out by an employee. Cash grants may be made in the circumstances below, when they are free of tax and employer's contributions.

Participants in study visits to KI

In order to be confirmed as a study visit for tax purposes, a written plan shall exist of the study visit, showing that the participant will not be engaging in anything other than self-improvement during the visit. The plan must be sufficiently detailed so as to leave no doubt about the fact that the visit is a study visit.

Those attending a lecture/seminar/conference at KI

To enable verification as a participant for tax purposes, a written programme shall exist for the lecture/seminar/conference, showing that the participant will not be taking part for any other reason than self-improvement. The programme must be complete with times of arrival and departure and make clear that time outside the programme is free time or is used for a study visit as described above.

A short-stay grant may be paid directly to the visitor at a rate of SEK 200 per day. No payments may be made for a consecutive period of more than 4 weeks in a rolling 12-month period.

KI can also pay the direct cost for travel to and from Sweden, together with the cost of accommodation during the stay.

The short-stay grant shall be approved by the head of the department.

Examples of activities that are regarded as work, for which a short-stay grant may not therefore be made:

- Supervision of a research student
- Planning of possible future research collaboration
- Planning of possible future educational collaboration
- A lecture/conducting a seminar

All the above activities are part of KI's regular business and are normally carried out by KI employees.