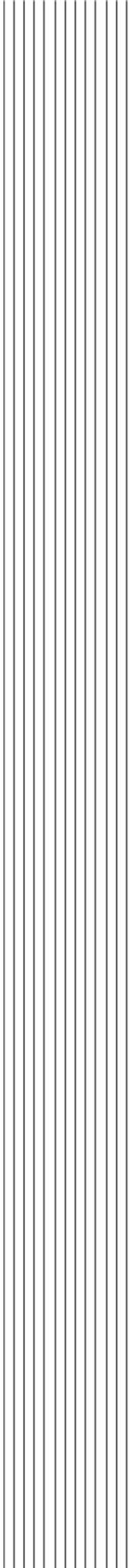


Budget Statement



1 Budget Statement

1.1 Summary

Sweden and the Swedish economy are in a strong position. Deficits have been turned into substantial surpluses. This new economic situation will be used to strengthen economic equality and combat unemployment. The society we build together will be made future-proof. In this way we create confidence in the future, hope and security.

The insecurity created by terrorism and crime must be met with forceful measures. Climate change must be met with effective regulations and extensive investments. The quality deficiencies and inequalities in health care, social services and schools created by prolonged underinvestment will be countered by robust welfare initiatives and a halt to the excessive pursuit of profits. It is time for Sweden's economic success to benefit everyone, throughout the country. It is time to invest for the future as we build our society.

Over the past three years, the Government has consistently put investments in building a sustainable society ahead of unfunded and unfair tax cuts. Responsibility for central government finances has guided reform policies, and today the results are clearly visible. A deficit of SEK 60 billion in 2014 has been turned into a large surplus. Growth levels are good. Since this Government took office, over 200 000 more people have a job to go to. Youth unemployment is the lowest in 14 years and long-term unemployment among young people is the lowest in the EU. School performance has improved, although unacceptable inequalities in the school system remain to be dealt with. Since 2014,

employment financed by local government has grown by some 100 000 people. This means that today, more assistant nurses, teachers and home care staff are reinforcing the welfare system. Housing construction is at a historically high level. Climate policy has been strengthened through a climate framework adopted by the Riksdag.

With exceptionally strong public finances and more people in work, the Government can now move ahead with vigorous investments in jobs, schools and climate action. Sweden is to be a nation at work – a cohesive, equal and sustainable society. With the Swedish model as a foundation and modernisation as a tool, we are building a sustainable society in which no one is left behind and no one is held back.

Sweden must stand united. Those who are unemployed or newly arrived must find work or begin studies. Working life must be sustainable. Sweden has chosen its path. Our country will compete on the basis of knowledge and expertise – not low wages. Secure employment must be available to more people.

Welfare must be made future-proof. As the population grows, with more children and more elderly people, jointly funded investments in health care, elderly care, preschools and schools are necessary.

Sweden will take the lead in climate adaptation. It is not the responsibility of future generations to deal with the environmental problems of today. Sweden will be a fossil-free welfare nation.

The society we build must be fair. Sweden's successes must benefit everyone, throughout the country. Inequality must be combated.

When Sweden's position is strong, this must also be apparent in the everyday lives of pensioners, families with children and students. Sweden needs investments for the future as we build our society – not tax cuts and cutbacks. Investments and reforms that give everyone opportunities to take part in the labour market and reduce gaps increase trust among citizens and strengthen the economy. Economic inequality must be combated. Equality and development are mutually reinforcing.

Sweden must be secure. Security must be increased in residential areas, at hospitals, railway stations, on streets and in market squares. Terrorism is abhorrent and must be combated with vigour and determination. In the fight against crime, there must be more and better equipped police officers. Crime prevention efforts and civil society must be strengthened. Sweden's total defence must be strong.

This Budget Bill is based on an agreement between the government parties and the Left Party.

Strength in Swedish economy must be used responsibly and fairly

Since taking office, the Government has pursued a responsible fiscal policy, while implementing urgent measures. The Government's reforms have contributed to strong growth, a rapid increase in employment and a decrease in unemployment, and this will continue in 2018. Unemployment is expected to be under 6 per cent in 2018. The large deficit from 2014 has been turned into a substantial surplus. The central government debt-to-GDP ratio is at its lowest level since 1977. The Government considers that there is scope to implement extensive reforms and still achieve the surplus target for public finances in 2018. Sweden's good economic performance must now benefit everyone, throughout the country.

More people in work

The goal that Sweden should have the lowest unemployment rate in the EU by 2020 guides the Government's economic policy. Over 200 000 more people have a job to go to than before this Government took office. But far too many people still have trouble finding work, particularly those who have not

completed upper secondary school or were born outside Europe.

There must be more and easier paths to jobs. Several forms of subsidised employment will be replaced by a uniform supportive measure to make it easier for employers to employ. The Adult Education Initiative will be expanded. Special measures will be carried out to increase the opportunities for newly arrived and foreign-born women to learn Swedish, find a job or run a business. This can help alleviate the labour shortage that is restraining Swedish growth, and strengthen Sweden's competitiveness.

In Sweden, it must be possible to find housing when moving for work or studies. To maintain the current historically high rate of construction, work on the housing policy package and the 22-point housing action programme will continue. New infrastructure investments must be clearly linked to requirements concerning housing construction. Planning and building processes will be streamlined.

Sweden must have many successful and innovative companies. The Government's reindustrialisation strategy has been implemented in practice. This work will now continue at regional level. Public transport will be improved. Improvements will also be made to the national local service through more service offices and a new service organisation. The entire country must grow, with good conditions for living, working and operating a business regardless of where you are based.

To encourage more one-person businesses to take the decision to employ staff, the 'growth support', i.e. reduced social security contributions for the first employee, will be expanded. The opportunities for small, young companies to recruit and retain key employees will be improved through changes to the taxation of employee stock options. Changes to the corporate taxation are being announced, which will improve neutrality between financing with equity capital and debt capital as well as counteract tax planning using interest deductions.

Fair working conditions in the labour market are a prerequisite for the Swedish model. Swedish wages and conditions must apply to everyone who works in Sweden. Action must be taken against unfair

competition. Health and safety at work must be improved so that it is possible to work full-time throughout working life while enjoying a good quality of life.

Sweden must have equitable knowledge-based education

Inequalities in the school system must be remedied so that pupils can learn more. Everyone must be given good opportunities to prepare for further education, the labour market and community life. All schools must be good schools.

The Government has already invested more than SEK 11 billion in more equitable knowledge-based education in 2017, and 20 000 more people have been employed in the school system since this Government took office. Initiatives have also been introduced to raise teacher salaries, strengthen special needs education and improve pupil health care. To ensure that all pupils receive support in time, funds have been set aside for implementing a reading-writing-arithmetic guarantee.

However, in order to achieve the Government's goal of equitable knowledge-based education, more needs to be done. Based on recommendations from the Swedish School Commission, the Government proposes establishing a central government support to improve equity and knowledge development. This support will be weighted with regard to pupils' conditions to strengthen equity and improve the opportunities for good knowledge development for everyone. The Government proposes allocating SEK 1 billion in 2018 for a compensatory government grant, which will be increased to SEK 3.5 billion in 2019 and SEK 6 billion annually as of 2020. This will increase equity and improve opportunities for good knowledge development. These funds must be used for their intended purposes.

In addition, the Government proposes strengthening and extending the Boost for Reading initiative, and extending the compulsory attendance at school by making the preschool class mandatory. A review aimed at increasing the attendance of newly arrived children in preschool will be conducted. The Government also proposes additional measures to encourage more people to take teacher training and to improve

completion rates and quality in upper secondary education.

Sweden will be a fossil-free welfare nation

Our generation must be able to pass on to the next generation a society in which the major environmental problems have been solved. Sweden will be one of the world's first fossil-free welfare nations. This is why the Government has made the largest investments in climate and environment in Sweden's history. In 2018, these investments will have more than doubled since this Government took office. A climate policy framework with a Climate Act has been introduced. The gap to achieving Sweden's climate target by 2020 through domestic measures alone is being reduced.

Climate and environmental action is being further strengthened. The Government is proposing the Green Industry Leap, i.e. support for innovative projects and new technologies to reduce the processing industry's greenhouse gas emissions, and a reinforcement of the Climate Leap. To reduce transport sector emissions, the Government is proposing the introduction of a carbon emissions reduction obligation and a bonus-malus system. The use of electric vehicles and sustainable transport will be encouraged. A tax on air travel will be introduced. Unlike other modes of transport, no fuel tax or other environmental taxes are currently imposed on aviation.

The Government's target is 100 per cent renewable electricity production by 2040. In this bill, an additional SEK 2 billion will be allocated in 2018–2020 for continued and further increases in investment support for solar cells. Funding is also being set aside for the 'Clean seas' initiative and for protecting our drinking water. The aim is to prevent water shortages, reduce the amount of plastic in oceans and the natural environment, reduce the occurrence of environmental toxins, reduce eutrophication and enhance protection of marine areas.

Welfare system must be strengthened

Access to high quality welfare services for everyone has a major redistributive effect. With this budget, the Government has provided a total of over SEK 35 billion to health care, schools and social services –

investments that both equalise living conditions and promote economic development. Under the previous Government, the welfare system had to give way to unfunded tax cuts for the top income earners. The demographic trends of more children and elderly people increase the need for welfare services. The Government is allocating SEK 5 billion in 2019 and a further SEK 5 billion in 2020 to permanently increase government grants to municipalities and county councils. This will give municipalities and county councils better conditions to reinforce schools, health care and social services, and reduce the need to raise municipal taxes.

Health care must be secure, tailored to needs and equal throughout the country. The Government is proposing the introduction of a 'patient billion' to shorten queues and improve coordination in health care services. The Government wants to reinforce previous investments to improve the staffing situation and develop health care activities. Overall, resources to health care will increase by almost SEK 5.5 billion compared with the Budget Bill for 2017.

During this electoral period, maintenance support, the large-family supplement in the child allowance, and parental benefits have been raised. The Government is proposing that the child allowance and upper secondary study allowance be raised by SEK 200 per month. Maintenance support will be increased for children between the ages of 11 and 18. Financial security for people receiving sickness compensation and activity compensation will be strengthened.

The earned income tax credits introduced by the previous Government have resulted in pensions being taxed more heavily than wages. The Government intends to end this unfair gap in taxation between pensions and wages completely by 2020. Changes are proposed for 2018 that will result in the elimination of this gap for incomes up to approximately SEK 17 000 per month. To further strengthen the financial position of pensioners, improvements to the housing supplement will be introduced.

The national social insurance system provides security and counteracts economic vulnerability. The Government proposes

raising the income ceiling in the sickness insurance system and introducing a tax reduction for sickness compensation and activity compensation.

A tax reduction for trade union membership fees will be introduced, which will strengthen the Swedish model.

Our welfare system must be in order. The Government is continuing its intensified efforts to combat unscrupulous actors and criminals.

A secure Sweden

Sweden must be a country in which everyone is secure and safe, regardless of where they live. The Government is mobilising efforts to tackle threats against our democratic society, such as terrorism, organised crime and hate crime. More crimes must be prevented and solved. The causes of crime must be combated. This is why the Government is proposing that additional funds be allocated to the Swedish Police Authority, the Swedish Security Service, municipalities, and youth and substance abuse care services.

Sweden's borders must be secure. To stop illicit trade in drugs and weapons, the Government proposes allocating additional funds to Swedish Customs. Police border controls of individuals have been reinforced and prolonged.

The Government is strengthening our total defence capabilities through a substantial increase of resources, amounting to SEK 2.7 billion per year from 2018.

A cornerstone of Sweden's security policy is building security in cooperation with others. A development assistance budget of 1 per cent of gross national income in 2018 will mean a significant reinforcement. In the United Nations Security Council, Sweden is advocating more peacebuilding and conflict-prevention measures.

Several cross-party agreements have been concluded on migration policy, the fight against terrorism, defence and security policy, and energy policy.

Income distribution will be more equitable

The Government's overall policy contributes to more equitable distribution of income. This government bill is projected, on average, to increase earnings in all income groups. The profile of the reforms is expected to have a

clear equalising effect on income distribution, in which the effect is greatest for lower income groups. Economic equality will be enhanced as women will benefit more than men from the Government's policy.

Table 1.1 Reforms and financing in the Budget Bill for 2018*Impact on general government net lending*

SEK billion	2018	2019	2020
Reforms			
More people in work			
More and easier paths to jobs	0.60	0.72	1.08
Expansion of Adult Education Initiative	0.76	1.68	2.50
Special measures for new arrivals to get into work	0.63	0.90	0.78
Growth throughout the country	1.67	2.12	2.28
Reduced taxation of employee stock options in certain cases	0.21	0.21	0.21
Expansion of 'growth support'	1.80	1.44	1.44
Tax reduction for trade union membership fees	1.34	2.67	2.67
Other job reforms	0.26	0.36	0.40
Sweden must have equitable knowledge-based education			
Measures to improve equity and knowledge development	1.83	3.75	6.25
Extended compulsory schooling and reading, writing and arithmetic guarantee	0.08	0.19	0.19
Better upper secondary school completion rates and quality	0.39	0.39	0.39
Investments for an attractive teaching profession	0.15	0.24	0.19
Sweden will be a fossil-free welfare nation			
Reinforcement of the Climate Leap	0.80	1.30	2.30
Promotion of fossil-free transport and travel	0.96	0.74	0.91
Bonus-malus system	0.02	1.25	1.64
Greater investment in solar cells etc.	0.76	0.84	1.37
Clean seas and protection of drinking water	0.69	0.79	0.90
Green Industry Leap	0.30	0.30	0.30
Dynamic and toxin-free urban environments	0.23	0.70	0.75
Preservation of key biotypes	0.27	0.27	0.27
Long-term rules for sustainable biofuels	0.51	0.95	0.71
Other environmental and climate investments	0.48	0.72	0.82
Strengthened welfare system			
'Patient billion' and investments in staffing	3.00	3.00	3.00
Maternity care and child health services	1.14	1.14	1.14
Mental health and psychiatric services	0.65	1.15	1.15
Other care, health and social services reforms	1.16	1.51	1.69
Access to culture for everyone	0.67	0.69	0.73
Better conditions for children and young people	1.15	1.15	1.15
Higher general government grants to municipalities		5.00	10.00
Sweden's economic strength to benefit everyone			
Higher child allowance etc.	4.46	5.56	5.66
Ending tax gap between pensioners and wage earners	4.42	8.58	12.90
Effective income security system	1.81	2.89	2.89
Better finances for people on long-term sick leave	1.10	1.30	1.30
Combating tax and benefit fraud	0.15	0.14	0.14

Tabell 1.1 Reforms and financing in the Budget Bill for 2018*Impact on general government net lending*

SEK billion

A secure Sweden

Reinforcement of the Swedish Police Authority	2.00	2.30	2.80
Reinforcement of total defence	2.70	2.70	2.70
Increased development assistance framework	0.49	0.51	0.53
Peace support operations	0.05	0.05	0.05
Combating homelessness	0.17	0.17	0.15
Support to socio-economically disadvantaged municipalities and areas	0.50	1.50	2.50
Increased public authority appropriations, incl. Swedish Security Service	0.46	0.66	0.68
Other measures for a secure Sweden	0.30	0.38	0.26
Other reforms	2.69	1.89	1.97
Total reforms	43.78	64.80	81.73

Financing**Revenue increases**

Higher special income tax for non-residents	0.37	0.37	0.37
Amended company car taxation	0.08	0.09	0.09
Bonus-malus system for new light vehicles (excl. bonus on expenditure side)	0.45	1.34	2.22
Indexing of environmental taxes		0.07	0.16
Removal of tax exemption for benefits of private health and medical care	0.59	1.17	1.17
Higher carbon dioxide tax in heating sector	0.08	0.08	0.08
Tax on air travel	1.02	1.37	1.37
Increased taxation on savings in investment savings accounts and in endowment insurance	0.79	0.79	0.79
New corporate tax rules	-0.03	-0.99	1.98
Staff registers in more business operations	0.06	0.13	0.13
Taxation and paying taxes while working temporarily in Sweden		0.42	0.42
Other revenue increases	0.04	0.07	0.07
Total financing	3.44	4.90	8.84
Impact on public finances	-40,34	-59,90	-72,89

Table 1.2 Total of tax proposals in the Budget Bill for 2018*Impact on general government net lending*

SEK billion	2018	2019	2020
Tax increases	3.4	4.9	8.8
Tax cuts	-10.7	-16.2	-20.2
Total, tax proposals	-7.2	-11.3	-11.4