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COUNTRY

Doing Business in
Sweden

Preface

This guide has been prepared by Baker Tilly Sverige AB, an independent member of Baker Tilly International. It is designed to provide information on a number of subjects important to those considering investing or doing business in Sweden.

Baker Tilly International is the world's 8th largest accountancy and business advisory network by combined fee income, and is represented by 138 firms in 104 countries and over 24,000 personnel worldwide. Its members are high quality, independent accountancy and business advisory firms, all of whom are committed to providing the best possible service to their clients, both in their own marketplace and across the world.

This guide is one of a series of country profiles compiled for use by Baker Tilly International member firms' clients and professional staff. Copies may be obtained from Baker Tilly Sverige AB or any of our independent member firms.

Doing Business in Sweden has been designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this guide may not be comprehensive and recipients should not act upon it without seeking professional advice. Facts and figures as presented are correct at the time of writing.

Up-to-date advice and general assistance on Swedish matters can be obtained from Baker Tilly Sverige AB; contact details can be found at the end of this guide.

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Contents

	Page
1 Fact Sheet	3
2 Business Entities and Accounting	5
2.1 Companies	5
2.2 Partnerships	5
2.3 Sole Proprietorships	5
2.4 Branches	6
2.5 Audit and Accounting Requirements	6
2.6 Filing Requirements	6
3 Finance and Investment	7
3.1 Exchange Control	7
3.2 Banking and Sources of Finance	7
3.3 Tariffs	8
3.4 Foreign Investment Incentives	8
4 Employment Regulation and Social Security	9
4.1 Entry Visas and Work Permit Requirements	9
4.2 Hiring Local Employees	9
4.3 Trade Unions and Employee Representation	9
4.4 Social Security Contributions	10

	Page
5 Taxation	11
5.1 Companies	11
5.2 Individuals	12
5.3 Property Tax	12
5.4 Withholding Tax	12
5.5 Value Added Tax (VAT)	13



1 Fact Sheet

Geography

Location	Northern Europe
Area	450,000km ²
Land boundaries	Norway (to the west) and Finland (to the east)
Coastline	2,370km
Climate	A temperate climate. In the mountains of northern Sweden a sub-Arctic climate predominates. Average temperatures of -5°C to -1°C in winter and 13°C to 22°C in summer (Stockholm area)
Terrain	Forest (53%), mountains (11%), cultivated land (8%), lakes and rivers (9%)
Time zone	GMT +1

People

Population	9.2 million
Ethnic groups	A small population of Sami in the northern part of Sweden
Religion	80% belong to the Evangelical Lutheran Church of Sweden, although there is freedom of worship
Language	The official language is Swedish, although the use of English is widespread

Government

Country name	Kingdom of Sweden
Government type	Constitutional monarchy, parliamentary democracy
Capital	Stockholm
Administrative divisions	Legislative power is exercised by parliament, executive power lies with the government and judicial power lies with the Supreme Court
Political situation	The 349-member parliament is elected on the basis of proportional representation for a four-year term. In the 2006 general election the Moderate Party allied with the Centre Party, Liberal People's Party and the Christian Democrats won a majority. Together they have formed a majority government. The next election will be held in September 2010

Economy

GDP – per capita	US\$49,655 (2007 est.)
GDP – real growth rate	3.4% (2007 est.)
Labour force	4.7 million (July 2008)
Unemployment	5.2% (July 2008)
Currency (code)	Swedish krona (SEK)



2 Business Entities and Accounting

2.1 Companies

A limited company (AB) can be established by one or more entities, individual or legal. The founders can be either natural persons residing within the European Economic Area (EEA), or legal persons established in accordance with the legislation of an EEA state and who have their domicile, head office, or primary trading area within the EEA.

A limited company is not considered “established” until registered by the Swedish Companies Registration Office.

A limited company can be either private or public. For a private limited company the minimum capital requirement is SEK100,000; for a public limited company it is SEK500,000. All shares in a limited company must have the same value, but the voting power may vary. No class of shares can have more than ten times the voting power of another class of shares. All shares must be fully paid-up before the company can be registered.

The managing director and at least half of the board members and deputies must be EEA residents.

2.2 Partnerships

Partnerships can be either unlimited partnerships, where partners each have unlimited liability for the debts and obligations of the firm as a whole, or limited partnerships, where one or more of the general partners has unlimited liability and the limited partners have liability only up to the amount of their registered contributions.

2.3 Sole Proprietorships

Many small businesses in Sweden operate as sole proprietorships. The owner has unlimited liability for all debts and there is no separation between the owner’s private and business debts.

A resident outside Sweden who wants to do business in Sweden as a sole trader must appoint a person resident in Sweden who is responsible for running the business and who must be registered as the manager.

2.4 Branches

A non-Swedish company can set up a place of business in Sweden without forming a Swedish subsidiary company. This is known as a branch.

A branch is not a separate legal entity, but an extension of the foreign company which is, therefore, responsible for the liabilities of the branch. The branch must be registered by the Swedish Companies Registration Office and have a managing director resident in the EEA.

2.5 Audit and Accounting Requirements

All businesses must comply with the following requirements:

- Account for all transactions systematically and chronologically and ensure that all transactions are supported by appropriate documentary evidence
- Prepare annual accounts
- File and archive all accounting material in Sweden for ten years
- Parent companies must prepare consolidated accounts (smaller private companies are excluded).

The year-end for all business entities is 31 December, but legal entities may choose 30 April, 30 June or 31 August. With the exception of companies, which can keep their accounting records in euros, and branches, which can keep records in the foreign company's currency, all records must be kept in Swedish krona.

Companies and partnerships owned by at least one company must have their accounts audited by professionally qualified auditors.

2.6 Filing Requirements

Companies and partnerships owned by at least one company must file their annual accounts together with the auditor's report at the Swedish Companies Registration Office. Filings made later than seven months after the closing day are penalised with a non-deductible fee. The Swedish Companies Registration Office has the power to liquidate a company if it does not file its annual accounts.

3 Finance and Investment

3.1 Exchange Control

There are no exchange controls on inward or outward investment. Foreign currencies can be bought and sold freely and there are no restrictions on the maintenance of foreign currency bank accounts in Sweden.

3.2 Banking and Sources of Finance

3.2.1 Banking

Sweden's central bank, Sveriges Riksbank, is a public authority under the Swedish parliament and is responsible for conducting monetary policy, the objective of which is to maintain a low and stable level of inflation. The bank also has the task of ensuring that payments in the economy can be made safely and efficiently.

Overdrafts with fluctuating interest rates are the most commonly used facility for financing working capital or to fund seasonally affected businesses.

Banks also offer short, medium and long-term loans. Repayment terms are negotiable and the rate of interest may be fixed or variable. To obtain bank financing the business will normally be required to provide adequate security. Security is typically in the form of a fixed or floating charge over the business assets, as well as, in certain circumstances, personal guarantees from the owners including the foreign parent company if relevant.

In addition to these traditional services, banks offer various other financing arrangements, either themselves or through subsidiaries or affiliates. These include instalment credit, leasing, factoring and invoice discounting.

3.2.2 Stock exchange and trading facilities

The Stockholm Stock Exchange and the Nordic Growth Market operate as fully integrated trading and clearing systems for stocks, bonds, warrants etc.

3.2.3 Venture capital companies

Venture capital companies can provide equity for start-ups, development or management buy-outs for businesses not large enough to consider stock exchange entry but which require equity.

They may also be a source of financing for businesses that do not have sufficient security to borrow from a bank.

3.3 Tariffs

When Sweden became a member of the EU it also became a member of a customs union which includes all trade in goods and which has a common customs tariff in relation to third countries. Removing or changing the tariffs applying to imports to Sweden is, therefore, decided at EU level.

3.4 Foreign Investment Incentives

Sweden offers attractive grants and incentive packages at federal level to encourage industrial investment from abroad and create jobs in economically troubled regions. Both Swedish and foreign businesses are eligible for the benefits available through these programmes.

In addition, municipalities often have land available for sale or rent at below market rates for development projects. Local authorities may also assist with retraining workers.

4 Employment Regulation and Social Security

4.1 Entry Visas and Work Permit Requirements

Entry visas for temporary stays are not required for citizens of EU nations, the three EEA nations (Norway, Iceland and Liechtenstein) and other countries with which Sweden has visa agreements, including the US, Japan, Canada and Switzerland. These citizens may remain in Sweden for up to 90 days during a six-month period.

For citizens from other countries, visas must be obtained from Swedish embassies and consulates. Visas are valid for a maximum of three months, but may be extended.

Sweden enables citizens of EU nations to take jobs and reside in Sweden without restrictions. However, after three months EU and EEA citizens must obtain a residence permit. The permit will formally record the individuals for tax and social benefits.

Citizens of other countries (excluding EU and EEA nations) must apply for a residence and work permit at a Swedish embassy or consulate. The permit must be granted and entered into a passport before the individual enters Sweden. Work permits are granted for one year; further extensions can be granted in Sweden.

4.2 Hiring Local Employees

An employment contract with a written probationary period (which can last up to six months) can be terminated by either party during the probation period. After the probation period the employee normally has a one month notice period. The employer can only dismiss an employee on grounds of fact and the notice period is, generally, three months.

4.3 Trade Unions and Employee Representation

There is no legal requirement for employers to recognise any trade union. Agreements between employers and trade unions over pay and conditions are binding for the contracting parties and in the case of so-called “declarations of general acceptance”, for all persons in that specific field.

There are legal requirements for employees to be represented on a company's board of directors:

- Two directors if the number of employees in Sweden exceeds 25 on a yearly basis
- Three directors if the number of employees in Sweden exceeds 1,000 on a yearly basis.

4.4 Social Security Contributions

All employers are liable for the social security contributions of their employees. The standard rate is approximately 32% of gross salary. Reduced rates are commonly used by the government to stimulate employment of the young, elderly and long-term unemployed people, and also to stimulate employment in economically troubled regions.

5 Taxation

5.1 Companies

5.1.1 Scope

Resident companies are subject to a national corporate income tax. Foreign-controlled corporations operating in Sweden are taxed the same way as Swedish domestic corporations. Non-resident corporations with a branch in Sweden are subject to corporate tax on their branch income.

5.1.2 Corporate income tax

Corporate income tax is calculated on the basis of a company's financial statements. The tax rate is 28%. A deductible allocation to the tax allocation reserve may be made at a maximum of 25% of net earnings prior to allocations for the fiscal year. Each year's allocation constitutes a reserve of its own. After a maximum period of six years the allocation is reversed for taxation.

5.1.3 Taxes on capital

There are no taxes on capital for companies.

5.1.4 Losses

Operating losses can be carried forward indefinitely. There are restrictions for previous losses on the change of ownership.

Losses on the sale of capital investment stock may only be deducted from capital gains arising from the sale of other shares or similar financial instruments.

5.1.5 Dividends

A capital gain on a business-related share is free from tax. Dividends from business-related shares are tax-exempt and interest expenses are deductible.

5.1.6 Transfer pricing and thin capitalisation rules

Swedish transfer pricing legislation is based on OECD standards and the tax legislation permits transfer pricing adjustments between connected parties both in internal and cross-border transactions. The Swedish tax authorities are showing an increased interest in using transfer pricing investigations against multinational entities operating in Sweden. There is no legislation on thin capitalisation in Sweden.

5.2 Individuals

5.2.1 Income taxation

Resident individuals are subject to national and municipal tax on their worldwide income. The taxation is split in two parts – earned income and capital income.

5.2.2 Tax on income from employment

Income from employment is subject to a municipal tax, which varies between 26% and 35%, and a national tax, which varies between 0% and 25%.

5.2.3 Tax on capital income

Capital (unearned) income includes interest, dividends and profit from the sale of shares, houses and tenant-ownership rights. The general tax rate on capital income is 30%, but there are exceptions.

There are certain limitations as to the set-off between different kinds of capital gains and losses.

5.2.4 Wealth

There is no wealth, inheritance or gift tax.

5.3 Property Tax

Property tax is 0.5% – 1% of the tax assessment value for both individuals and corporations. The tax assessment value is equivalent to approximately 75% of the property's market value.

5.4 Withholding Tax

A national withholding tax is levied at source on dividends and interest on deposits derived from bonds and similar negotiable debt instruments. Generally, the payer of the income is required to withhold 30%, irrespective of whether the recipient is entitled to a full or partial refund (in accordance with the respective double tax treaty, if any).

There is no withholding tax on dividends paid by Swedish subsidiaries to their EU parent company.

5.5 Value Added Tax (VAT)

Sweden imposes VAT on the consumption of goods and services. In general terms, businesses do not themselves suffer VAT as it is a tax payable by the ultimate consumer, but they are responsible for its administration and collection.

All businesses are required to register for VAT. Currently, the VAT rate is 25%. Reduced rates of 12% and 6% apply to specific categories of goods and services.

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Notes



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