

Sweden Country Profile

EU Tax Centre

July 2015

Key tax factors for efficient cross-border business and investment involving Sweden

EU Member State Yes

Double Tax Treaties With:

| | | | | |
|-------------------------------------|------------------------|---------------------------|---------------------------|-------------------|
| Albania | Croatia ^(c) | Rep. of Ireland | Montenegro ^(c) | Spain |
| Argentina | Cyprus | Israel | Namibia | Sri Lanka |
| Australia | Czech Rep. | Italy | Netherlands | Switzerland |
| Austria | Denmark | Jamaica | New Zealand | Taiwan |
| Bangladesh | Egypt | Japan | Nigeria ^(b) | Tanzania |
| Barbados | Estonia | Kazakhstan | Norway | Thailand |
| Belarus | Faroe Islands | Kenya | Pakistan | Trinidad & Tobago |
| Belgium | Finland | Rep. of Korea | Philippines | Tobago |
| Bolivia | France | Kosovo | Poland | Tunisia |
| Bosnia & Herzegovina ^(c) | Gambia | Latvia | Portugal | Turkey |
| Botswana | Georgia | Lithuania | Romania | UK |
| Brazil | Germany | Luxembourg ^(a) | Russia | Ukraine |
| Bulgaria | Greece | Macedonia | Serbia ^(c) | US |
| Canada | Hungary | Malaysia | Singapore | Venezuela |
| Chile | Iceland | Malta | Slovakia | Vietnam |
| China | India | Mauritius | Slovenia ^(c) | Zambia |
| | Indonesia | Mexico | South Africa | Zimbabwe |

Notes: (a) The treaty does not apply to income paid to exempt Luxembourg holding companies.
 (b) Treaty signed on November 18, 2004, but not yet in force.
 (c) Treaty signed with former Yugoslavia applies.

Forms of doing business Generally, limited liability companies are used.

Legal entity capital requirements At least SEK 50,000



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|---|---|
| Residence and tax system | A company is resident in Sweden if it is registered with the Swedish Companies Registration Office. Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on their Swedish source income. |
| Compliance requirements for CIT purposes | Income tax return has to be filed every year. |
| Tax rate | The corporate tax rate is 22 percent as from January 1, 2013. |
| Withholding tax rates | <p>On dividends paid to non-resident companies</p> <p>30 percent but exemption/reduction if shares held for business reasons and also exemption/lower rates for EU countries and for treaty countries.</p> <p>On interest paid to non-resident companies</p> <p>No</p> <p>On patent royalties and certain copyright royalties paid to non-resident companies</p> <p>Royalties paid to non residents are not subject to WHT but normally subject to an income tax rate of 22 percent, by assessment. Exemptions are available for payments to certain EU affiliates. The rate may also be reduced under certain tax treaties.</p> <p>On fees for technical services</p> <p>No</p> <p>On other payments</p> <p>No</p> <p>Branch withholding taxes</p> <p>No</p> |
| Holding rules | <p>Dividend received from resident/non-resident subsidiaries</p> <p>Dividends on business-related shares are tax exempt. Unquoted shares are normally considered to be business-related. Quoted shares are normally considered to be business-related if they:</p> <ul style="list-style-type: none"> ■ Have been held for at least one year; and ■ Represent at least 10 percent of the voting rights; or ■ The shares are considered necessary for the business. Business-related shares may only consist of shares in a limited liability company or by shares in an economic association. Even foreign counterparts of Swedish limited liability companies (i.e. ABs) and Swedish economic associations may be included provided that they are considered equivalent to a Swedish limited |



liability company or a Swedish economic association.

Capital gains obtained from resident/non-resident subsidiaries

Normally tax exempt in the same manner as dividends. Special rules apply on sale of shell company.

Tax losses

Losses may be carried forward indefinitely. No carry-back is allowed. Losses carried forward may expire or be restricted after a substantial change in ownership of the company's share capital, at a merger, or on a settlement with creditors.

Tax consolidation rules/Group relief rules

Consolidated balance sheets are not recognized for tax purposes in Sweden.

However, the law allows shifting of income through group contributions. In the case of a qualifying group contribution, the company paying such contribution is entitled to deduct the amount from its taxable income and the recipient company must include such contribution in its taxable income.

The requirements for allowable group contributions are:

- Both the paying and the recipient company are resident in an EEA Member State and are subject to tax in Sweden;
- The contribution received is taxable as income from a business operating in Sweden and is not exempt by virtue of a tax treaty;
- The parent company holds more than 90 percent of the shares of the subsidiary for the entire tax year;
- Both companies report the contribution during the same year (in tax returns due at the same date); and
- Neither company is an investment company or a private housing company.

As of July 1, 2010, a resident company may deduct final losses from its subsidiary resident in another EEA state if certain criteria are met. One criterion that has to be met is that the subsidiary has been liquidated.

Registration duties

Insignificant

Transfer duties

On the transfer of shares

No

On the transfer of land and buildings

Real estate transfer tax is triggered at the transfer of immovable property. The standard rate is 1.5 percent. If the transferee is a legal entity, the rate is 4.25 percent.

Stamp duties

Yes, on transfer of immovable property (see above) and mortgage loans.



Real estate taxes

Yes

Controlled Foreign Company rules

Controlled Foreign Company taxation rules apply to natural persons or legal entities which, directly or indirectly, own at least 25 percent of the capital or the voting rights in a low taxed foreign legal entity at the end of the financial year. "Low taxed" is defined as a tax at a rate below 55 percent of the normal Swedish tax rate of 22 percent, i.e., below 12.1 percent. However, a company resident and subject to tax in a "white listed" country is not regarded as a low taxed entity, unless an exemption applies. The rules do not apply if the taxpayer shows that a foreign legal entity resident within the EEA constitutes an actual establishment, e.g., with premises and staff in that country.

Transfer pricing rules

General transfer pricing rules

OECD Guidelines apply.

Documentation requirement

Rules on transfer pricing documentation apply.

Thin capitalization rules

No (however, as of 1 January 2013, a revised interest deduction limitation regime is effective).

General Anti-Avoidance rules (GAAR)

A transaction may be considered an act of avoidance, and therefore disregarded for tax purposes. A transaction is considered an act of avoidance if the following conditions are met:

- The transaction, alone or in conjunction with another transaction, results in a significant tax benefit for the tax payer;
- The taxpayer is, directly or indirectly, a party to the transaction;
- Such a tax benefit is assumed to have been the predominant reason for the transaction; and
- Taxation on the basis of the transaction would be in violation of the intent of the law.

Moreover, there is an exit rule that states that when an asset or service is taken out of the business it is taxed as if it had been sold at market value.

Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions

No

Advance Ruling system

Yes

IP / R&D incentives

Yes



Other incentives No

VAT The standard rate is 25 percent, and the reduced rates are 12 and 6 percent.

**Other relevant points
of attention** No

Source: Swedish tax law and local tax administration guidelines, updated 2015.



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