



International tax

Sweden Highlights 2012

Investment basics:

Currency – Swedish Krona (SEK)

Foreign exchange control – No

Accounting principles/financial statements – Principles applied are in accordance with the Annual Accounts Act, the Swedish Accounting Standards Board, Swedish Financial Accounting Standards Council and the Swedish Institute of Authorized Public Accountants.

Principal business entities – These are the private/public limited liability company, partnership, sole proprietorship and branch of a foreign company.

Corporate taxation:

Residence – A corporation is resident in Sweden if it is registered with the Swedish Companies Registration Office.

Basis – Residents are taxed on worldwide income. Nonresidents are taxed on business income from real estate or a permanent establishment (PE) in Sweden, income on the disposal of a Swedish housing association and dividend income from shares in Swedish economic associations. A royalty payment made to a foreign recipient is deemed to constitute a PE for the foreign recipient and is taxed accordingly.

Taxable income – Corporation tax is imposed on a company's profits, which consist of all types of income. Expenses incurred in obtaining or safeguarding income subject to tax are deductible in computing taxable income. However, there are permanent nondeductible items.

Taxation of dividends – Dividends received by a Swedish resident company from another Swedish company are exempt provided the shareholding is business-related (see under "Participation exemption"). Dividends not tax exempt are included in business income and taxed at the corporate tax rate of 26.3%.

Capital gains – Capital gains derived from the sale of shares in a resident company are tax-exempt provided the shareholding is

business-related (see under "Participation exemption"). Shares in EU resident companies (including shares held as inventory) also are considered business related, provided the holding represents at least 10% of the capital and other criteria are fulfilled. Non-tax-exempt capital gains are included in business income and taxed at a rate of 26.3%.

Losses – Losses may be carried forward indefinitely. Complex rules on the limitation of the use of losses exist upon a direct or indirect change of ownership.

Rate – 26.3%

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Foreign tax paid may be credited against the Swedish tax on the same profits, but the credit is limited to the amount of Swedish tax payable on the foreign-source income.

Participation exemption – The participation exemption applies to dividends derived by a Swedish resident company from another resident company and to capital gains from the sale of shares in a resident company provided the shares qualify as business-related (shares held as inventory do not qualify). Unquoted shares constituting fixed business assets are always deemed to be business-related. Quoted shares that constitute fixed business assets are deemed to be business-related if the holding amounts to at least 10% of the company's voting rights or is considered necessary for conducting the business of the shareholding company. In addition, quoted shares must be held for at least 1 year. The participation exemption, in certain cases, may be extended to dividends received and capital gains derived from the sale of shares in a nonresident company. As from 1 January 2010, an exemption also exists for partnerships or holdings in partnerships. Special rules apply to investment companies.

Holding company regime – No

Incentives – No

Withholding tax:

Dividends – A final withholding tax of 30% applies to dividends paid by a Swedish company to a foreign company. The rate may be reduced or an exemption provided under a tax treaty, the domestic participation exemption or the EU parent-subsidiary directive.

Interest – There is no withholding tax on interest payments.

Royalties – There is no withholding tax on royalty payments. A royalty payment to a foreign recipient, however, may be deemed to constitute a PE for the foreign recipient, with the payment then taxed at the corporate rate of 26.3%.

Technical service fees – There is no withholding tax on technical service fees.

Branch remittance tax – No

Other – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No, but see under "Social security".

Real property tax – Annual real property tax is levied at rates ranging between 0.2% and 2.8% on the tax assessed value (as determined by the tax authorities) on all types of real estate (however, see below). The tax is deductible in computing the corporate tax liability.

A real property fee (instead of property tax) must be paid to the municipality on dwellings and duplex dwellings. The annual fee for dwellings is the lower of SEK 6,512 (for 2011) or 0.75% of the property's assessed value. For duplex dwellings, the fee is the lower of SEK 1,302 (for 2011) or 0.4% of the real property's assessed value.

Social security – The general aggregate contribution by an employer on behalf of an employee is 31.42% (for 2011). Employees born in 1937 or earlier are not subject to the special salary tax on business income. The rate for individuals younger than 26 is 15.49%.

Stamp duty – Stamp duty is levied on the transfer of real estate and on mortgage loans. As from 1 January 2011, the standard rate for real estate is 4.25% if the transferee is a legal entity. For mortgage loans, the rate is between 0.4% and 2%.

Transfer tax – No, although some transfers are subject to stamp duty.

Other – No

Anti-avoidance rules:

Transfer pricing – The arm's length principle applies and profits may be reallocated. Documentation requirements apply.

Thin capitalization – There are no formal thin capitalization rules for tax purposes, but certain rules in the Company Act may result in compulsory liquidation.

Swedish companies may not deduct interest expense on loans obtained to finance intragroup acquisitions of shares. A deduction is allowed, however, if either the recipient of the interest is taxed at a rate of at least 10% or the company can demonstrate that the transaction and the debt are motivated primarily for business reasons.

Controlled foreign companies – A Swedish resident company (or individual) or a nonresident with a PE in Sweden that holds an interest in certain foreign legal entities is subject to immediate taxation on its proportionate share of the foreign legal entity's profits if the foreign entity is not taxed or if it is subject to taxation at a rate lower than 14.5% (i.e. 55% of the Swedish tax rate of 26.3%). The CFC regime stipulates a participating interest threshold, and a "white list" applies. A Swedish shareholder of a foreign legal person within the EEA that is treated as a CFC is exempt from CFC taxation on income derived from the CFC if the shareholder (taxpayer) can demonstrate that the foreign legal person is actually established in its home state and carries on genuine economic activities.

Other – Under the General Tax Avoidance Act, a transaction may be disregarded if it produces a substantial tax benefit, the tax benefit could be viewed as the predominant reason for the transaction and an assessment based on the transaction would be contrary to the purpose of the legislation.

Disclosure requirements – No

Administration and compliance:

Tax year – Corporations normally use a financial year of a 12-month period ending on 31 December, 30 April, 30 June or 31

August, unless the tax authorities permit another date.

Consolidated returns – Consolidated tax returns are not allowed, but contributions between Swedish group companies are allowed under certain circumstances as a way to equalize profits and losses.

Filing requirements – Annual returns are due by 2 May of the year following the income year (extensions are available). A preliminary return must be submitted on or before 30 November of the year before the income year and monthly estimated tax payments must be made during the year based on the preliminary return. A final assessment is made in the year following the income year (normally issued in December) and either a refund is issued or a final balance must be paid.

Penalties – A fee of SEK 5,000 is imposed for late filing, with additional fees if the failure to file continues. A surcharge of 40% of the tax due on hidden income is levied if the taxpayer has omitted or provided false information on the return. If filing is incomplete or no return is submitted, the tax authorities may estimate the tax payable. Interest penalties are levied on outstanding taxes.

Rulings – Advance rulings may be issued by the Council for Advance Tax Rulings to a resident or nonresident company on corporate income tax, VAT, real estate tax and the general anti-avoidance provision.

Personal taxation:

Basis – Swedish residents are taxed on worldwide income. Nonresidents are taxed only on Swedish-source income, including pensions and certain capital gains.

Residence – An individual living or regularly residing in Sweden is considered resident for tax purposes. An individual that has been living in Sweden previously is considered resident even after departure from Sweden if he/she retains essential ties with Sweden, such as a permanent home or family.

Filing status – Spouses and children are taxed separately for income tax purposes.

Taxable income – An individual's income is divided into 3 categories: business income, employment income and capital income. The average municipal tax rate is approximately 31.55% and is levied on total taxable employment income less a personal allowance. A basic national income tax of 20% is levied on taxable income exceeding SEK 383,000 (for 2011). A higher national tax

of 25% is levied on taxable income in excess of SEK 548,300 (for 2011). In total, a maximum rate of approximately 57% may be levied. Business income is taxed at the same rate as employment income. Dividend and interest income are taxed at a flat rate of 30% (although the effective tax rate on dividends can be lower in certain situations).

Capital gains – Capital gains are taxed at a flat rate of 30% (although the effective tax rate can be lower in certain situations).

Deductions and allowances – Personal allowances adjusted in relation to the total amount of income are available. Expenses incurred for the purpose of acquiring or maintaining income are deductible against the same source of income. Other deductions from employment income include work-related travel expenses and increases in living expenses resulting from work-related travel or maintenance of more than 1 dwelling, premiums paid for private pension insurance and alimony. A tax reduction of 50% of costs relating to housekeeping is available since housekeeping is considered a cost for repair, maintenance and rebuilding of a private dwelling. The tax reduction is limited to SEK 50,000 per year.

Rates – Employment income is taxed at progressive rates of approximately 31% to 57%, and capital income is taxed at 30%.

Other taxes on individuals:

Capital duty – No

Stamp duty – A stamp duty is levied on the transfer of real estate and is payable by the purchaser. The standard rate is 1.5% of the market/transfer value of the property if the purchaser is an individual. A stamp duty of 2% is levied on the value of a real estate mortgage.

Capital acquisitions tax – No

Real property tax – Individuals are liable for a municipal fee at a maximum of SEK 6,512 (for 2011) on real property owned in Sweden.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – Social security contributions for employed individuals are paid by the employer, except for the pension insurance fee of 7% on employment income up to SEK 420,447 (for 2011). The maximum charge is SEK 29,400 (for 2011) and is fully credited against other income taxes.

Contributions by the self-employed amount to 28.97% (for 2011), plus a pension insurance fee of 7% (on employment income up to SEK

420,447 (for 2011). The 28.97% rate is reduced for individuals younger than 26 and for individuals born between 1938 and 1945.

Administration and compliance:

Tax year – Calendar year for individuals

Filing and payment – Individuals with taxable employment income of at least (for 2011) SEK 18,200 during the tax year must file a tax return and submit it to the tax office by 2 May of the year following the tax year.

Penalties – An initial late fee of SEK 1,000 is levied for late returns by individuals, with additional penalties applying if the failure continues. A surcharge of 40% of the tax due on hidden income is levied if false information is provided (which may be reduced to 10% if the tax authorities have information available to correct the information). If filing is incomplete or the taxpayer fails to file a return, the tax authorities may estimate the tax payable. Interest penalties are levied on outstanding taxes.

Value added tax:

Taxable transactions – VAT is levied on the supply of goods and the provision of services in Sweden, the intra-Community (EU) acquisition of goods, the acquisition of services from a foreign company and any importation of goods into Sweden.

Rates – The standard rate is 25%, with reduced rates of 12% (e.g. foodstuffs and certain tourism services) and 6% (e.g. newspapers, periodicals and domestic passenger transport). Certain medicine and financial and insurance/reinsurance services to persons outside the EU may be zero-rated. An exemption may apply to immovable property, financial and insurance/reinsurance services and certain business assets (e.g. inventory and equipment) relating to a full or partial transfer of the business, merger or similar transaction.

Registration – A company that is liable to VAT in Sweden must register for VAT purposes.

Filing and payment – VAT returns are filed and tax is paid monthly or quarterly. However, for companies with a turnover of less than SEK 1 million, VAT may be reported in the income tax return.

Source of tax law: Income Tax Act, Value Added Tax Act

Tax treaties: Sweden has concluded over 80 income tax treaties.

Tax authorities: Swedish Tax Agency

International organizations: EU, OECD, WTO

Deloitte contact

Lars Franck
E-mail: lfranck@deloitte.se

Anne-Marie Sanger
E-mail: amsanger@deloitte.se

Security | Legal | Privacy

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see <http://www.deloitte.com/about> for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 182,000 professionals are committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.