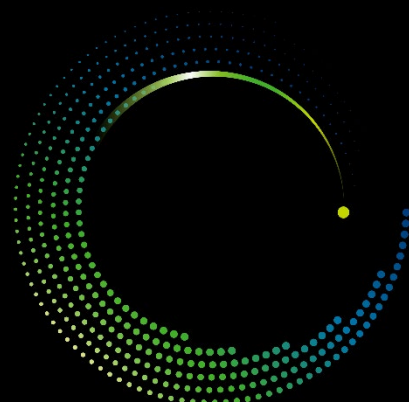


International Tax Sweden Highlights 2023

Updated January 2023



Recent developments

For the latest tax developments relating to Sweden, see [Deloitte tax@hand](#).

Investment basics

Currency: Swedish Krona (SEK)

Foreign exchange control: There are no foreign exchange controls.

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

Principal business entities: These are the private/public limited liability company (AB), partnership (KB and HB), sole proprietorship, and branch of a foreign company.

Corporate taxation

Rates	
Corporate income tax rate	20.6%
Branch tax rate	20.6%
Capital gains tax rate	0%/20.6%

Residence: A corporation is resident in Sweden if it is incorporated in accordance with the Swedish Companies Act.

Basis: Resident corporations are liable to tax on their worldwide income. Nonresident corporations are subject to corporate income tax on income derived in Sweden through a permanent establishment (PE), from real estate in Sweden or from the disposal of a Swedish housing association, and on dividend income from shares in Swedish associations.

A royalty payment made to a foreign recipient is deemed to constitute a PE for the foreign recipient and is taxed accordingly. Branches are taxed according to the same principles as apply to subsidiaries.

Taxable income: Corporate income tax is imposed on a company's profit. Expenses incurred in obtaining or safeguarding income subject to tax normally are deductible.

Rate: The corporate income tax rate is 20.6%.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends generally are tax exempt if they are business related (see “Participation exemption,” below). Even if qualifying for the exemption, dividends will not be exempt if the dividend payment is treated as a tax-deductible expense in the country of the payer company. Other dividends are included in business income and taxed at the corporate tax rate applicable for the financial year.

Capital gains: Capital gains from a business-related sale of shares in a resident company generally are tax exempt. The sale of shares held in a nonresident company also can qualify as tax exempt if the features of the foreign company are similar to those of a Swedish limited liability company or a Swedish economic association and the shareholding is business related (see “Participation exemption,” below). Taxable capital gains are regarded as other business income and taxed at the corporate tax rate applicable for the financial year.

Losses: Tax losses may be carried forward indefinitely. Restrictions apply after direct or indirect changes of ownership of a company, mergers, etc. The carryback of losses is not permitted, although the application of the tax allocation reserve may be viewed as a type of loss carryback.

Foreign tax relief: Foreign tax credit generally is available, provided certain conditions are met. The tax credit allowed is limited to an amount corresponding to the Swedish tax on foreign income.

Participation exemption: The participation exemption applies to dividends received by a Swedish resident company from another resident company and to capital gains derived from the sale of shares in a resident company, provided the shares qualify as business related (shares held as inventory do not qualify). Unlisted shares constituting fixed business assets always are deemed to be business related. Listed shares that constitute fixed business assets are deemed to be business related if the participation is at least 10% of the company's voting rights or is considered necessary for conducting the business of the company whose shares are held. In addition, listed shares must be held for at least one year. In certain cases, the participation exemption may be extended to dividends received and capital gains derived from the sale of shares in a nonresident company. However, the features of the foreign entity must be similar to those of a Swedish limited liability company or economic association. Shares in an EU resident company can qualify as tax exempt even if the shares are held as inventory, provided the holding represents at least 10% of the capital. An exemption also exists for partnerships or holdings in partnerships. Special rules apply to investment companies. Even if qualifying for the participation exemption, dividends will not be tax exempt if the dividend payment is treated as a tax-deductible expense in the country where the payer company is resident.

Holding company regime: There is no holding company regime.

Incentives: There are no tax incentives.

Compliance for corporations

Tax year: Corporate income tax is assessed based on net income earned in the previous year (income year). For companies, the income year corresponds to the financial year. Companies generally use a financial year consisting of a 12-month period ending on 31 December, 30 April, 30 June, or 31 August, but can use a 12-month period ending on the last day of any month of the year. In certain specific circumstances, a financial year may end other than on the last day of a month.

Consolidated returns: Consolidated tax returns are not permitted; each company is required to file a separate tax return. Group contributions are allowed, where the group entity making the contribution deducts the amount contributed from its income and the receiving entity (generally a loss-making entity) reports a corresponding amount as taxable income.

Filing and payment: There are four different dates for filing the annual corporate income tax return:

- For companies with a financial year ending between 31 January and 30 April, the return is due on 1 November (paper returns) or 1 December (electronic returns) of the calendar year in which the financial year ended.
- For companies with a financial year ending between 31 May and 30 June, the return is due on 15 December (paper returns) of the calendar year in which the financial year ended or by 15 January (electronic returns) of the calendar year after the calendar year in which the financial year ended.
- For companies with a financial year ending between 31 July and 31 August, the return is due on 1 March (paper returns) or 1 April (electronic returns) of the calendar year after the calendar year in which the financial year ended.
- For companies with a financial year ending between 30 September and 31 December, the return is due on 1 July (paper returns) or 1 August (electronic returns) of the calendar year after the calendar year in which the financial year ended.

A preliminary return must be filed no later than one month before the start of the tax year, and monthly estimated tax payments must be made during the year based on the preliminary return.

A final tax assessment is issued within six months from the tax return filing deadline, and either a refund is issued, or a final balance must be paid.

Penalties: A fee of SEK 6,250 is imposed for late filing, with additional fees of up to SEK 18,750 if no return is submitted within five months from the filing deadline. A surcharge equal to 40% of the tax due is imposed if the taxpayer has omitted information 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 is charged 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 application of the general anti-avoidance rule (GAAR).

Individual taxation

Rates		
National income tax rate	Taxable income	Rate
	SEK 540,700 or less	0%
	Over SEK 540,700	20%
Employment income tax rate		Progressive (approximately 30% to 52%, including 20% national income tax)
Municipal tax rate		Approximately 32%
Capital gains, dividend, and interest tax rate		30%

Residence: An individual living or regularly residing in Sweden is considered resident for tax purposes. An individual that previously lived in Sweden is deemed to be resident even after departure from Sweden if the individual retains essential ties with Sweden, such as a permanent home or family.

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

Taxable income: An individual's income is divided into three categories: business income, employment income, and capital income. An individual may be subject to both national income tax and municipal income tax (the latter is imposed only on earned income).

Rates: Employment income is taxed at national progressive rates of approximately 30% to 52%. Capital income (dividends, interest, capital gains) is taxed at 30%.

The average municipal tax rate is around 32% and is imposed on total taxable employment income, less a personal allowance. A basic national income tax of 20% is imposed on taxable income exceeding SEK 598,500. In total, a maximum rate of approximately 52% may be imposed. On rare occasions, depending on the municipal rate, the highest tax rate can be up to 56%. Business income is taxed at the same rate as employment income.

Capital gains: Capital gains generally are included in capital income.

Deductions and allowances: Personal allowances adjusted in relation to the total amount of income are available. Expenses incurred for acquiring or maintaining income are deductible against the same source of income. Other deductions from employment income include alimony, work-related travel expenses, and increases in living expenses resulting from work-related travel or maintenance of more than one dwelling. A tax reduction equal to 50% of the labor costs relating to housekeeping is available. There also is a tax reduction equal to 30% of the labor costs relating to repair, maintenance, and rebuilding of a private dwelling, up to SEK 50,000 per year. These reductions cannot exceed in total SEK 75,000 per person, per year.

Foreign tax relief: Foreign tax paid may be credited against the Swedish tax on foreign income.

Compliance for individuals

Tax year: The tax year is the calendar year.

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

Filing and payment: Individuals with taxable employment income that exceeds approximately SEK 20,000 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. Individuals deriving income from a capital asset held in Sweden will also likely be required to file a tax return.

Penalties: An initial penalty of SEK 1,250 is imposed for late filing of a return, with additional fees of up to SEK 3,750 if the return is not submitted within five months from the filing deadline. A surcharge of 40% of the tax due is imposed if false or insufficient information is provided but may be reduced under certain circumstances. If filing is incomplete or the taxpayer fails to file a return, the tax authorities may estimate the tax payable. Interest is charged on unpaid taxes.

Penalties also are imposed on both intermediaries and the relevant taxpayer for failure to comply with reporting obligations under Sweden's implementation of the EU administrative cooperation directive (DAC 6).

Rulings: Advance rulings may be issued by the Council for Advance Tax Rulings to a resident or nonresident individual on VAT, real estate tax, employment income, and the application of the GAAR.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	0%/30%	0%/30%

Interest	0%	0%	0%	0%
Royalties	0%	0%	0%	0%
Fees for technical services	0%	0%	0%	0%

Dividends: Sweden does not impose withholding tax on dividends paid to residents. Foreign companies and nonresident individuals generally are liable to 30% Swedish withholding tax on dividend distributions from Swedish companies. There are, however, certain exceptions to this rule and the rate may be reduced under a tax treaty, Swedish domestic legislation, or the EU parent-subsidiary directive. Swedish domestic legislation includes an anti-avoidance provision that, if applied, means withholding tax at 30% may be imposed on dividends to both residents and nonresidents.

Interest: Sweden does not impose withholding tax on interest.

Royalties: Sweden does not impose withholding tax on royalties. However, a foreign recipient of Swedish-source royalties is deemed to have a Swedish PE and is subject to Swedish income tax on the royalties received.

Fees for technical services: Sweden does not impose withholding tax on fees for technical services.

Branch remittance tax: There is no branch remittance tax.

Other: Withholding tax at 30% generally is imposed on payments made to nonresidents for work performed in Sweden unless the recipient of the payment is registered and approved for F-tax (i.e., broadly is responsible for paying their own preliminary tax and self-employed contributions on income) or has obtained confirmation of an exemption from withholding tax from the Swedish tax authorities.

Anti-avoidance rules

Transfer pricing: Sweden adheres to the OECD transfer pricing guidelines and allows the following transfer pricing methods: comparable uncontrolled price, resale price, cost plus, profit split, and transactional net margin method. Documentation requirements apply. Sweden allows bilateral and multilateral advance pricing agreements.

Interest deduction limitations: There are no formal thin capitalization rules, although substantial interest deduction restrictions apply on loans from affiliated persons.

The interest deduction limitation rules include targeted and general restrictions on deductions for interest expense, and provisions for hybrid arrangements.

Under the targeted restrictions, interest expense on intragroup loans should be allowed where (i) the beneficial owner of the interest is resident within the European Economic Area (EEA) or in a country that has concluded a tax treaty with Sweden, or (ii) the interest is subject to tax at a rate of at least 10%. No tax deduction is granted if the purpose of the intragroup loan is exclusively or almost exclusively (90%-95%) to achieve a substantial tax benefit. Where the purpose of the loan is to finance an intragroup acquisition of shares, the acquisition must “substantially” be motivated by sound business reasons for the interest to be deductible.

The general interest deduction limitation rule restricts the deductibility of both related and third party interest expense. The general rule applies to negative net interest expense, calculated as the difference between interest income and interest expense (interest expense for this purpose being interest the deductibility of which has not been restricted by other rules) and limits the deduction of net interest expense to 30% of a tax-adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization). Under a de minimis rule, net interest expense not exceeding SEK 5 million is always tax deductible. Where the 30% EBITDA rule applies, a specific form needs to be filed with the tax authorities with the income tax return.

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 where the foreign entity is either not taxed or is subject to taxation at a rate lower than 11.33% (i.e., 55% of the Swedish tax rate of 20.6%). The controlled foreign company (CFC) regime stipulates a participating interest threshold and if the foreign entity is resident in a jurisdiction on an approved list, the CFC provisions do not apply. 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 actually is established in its home state and carries on genuine economic activities.

Hybrids: Anti-hybrid rules (including reverse anti-hybrid rules) apply that are broadly in line with the EU anti-tax avoidance directive (ATAD 2).

Economic substance requirements: Sweden does not have any formal economic substance requirements, but substance is relevant in the application of certain legislative provisions, e.g., in determining the beneficial owner of interest or dividends.

Disclosure requirements: Sweden has introduced country-by-country reporting obligations under BEPS action 13 in addition to the transfer pricing documentation requirements.

Sweden has implemented DAC 6 on the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements involving one or more EU member states. Broadly, all cross-border tax arrangements bearing at least one of a number of defined "hallmarks" that indicate that there may be a risk of tax avoidance must be reported.

The obligation to report falls primarily on intermediaries but in some cases on taxpayers. The cross-border arrangement must be reported to the Swedish tax authorities where the intermediary has stronger connections to Sweden than any other member state obliged to report.

Exit tax: The disposal of an asset at less than fair market value generally triggers exit taxation if it is not based on sound business reasons. Exceptions apply where certain requirements are fulfilled.

General anti-avoidance rule: A transaction may be disregarded if it produces a substantial tax benefit, the taxpayer is directly or indirectly part of the transaction, the tax benefit can be considered as the predominant reason for the transaction, and taxation based on the transaction would violate the purpose of the legislation.

Value added tax

Rates	
Standard rate	25%
Reduced rate	0%/6%/12%

Taxable transactions: Swedish VAT is imposed on the supply of goods and services in Sweden unless the goods or services are exempt or zero-rated (i.e., exempt with credit).

Sweden generally follows the place of supply rules in the EU VAT directive so that the place of supply depends upon whether the supply is of goods or services, whether the purchaser is a business or a consumer, and the nature of the goods or services.

VAT also is imposed on the purchase of goods by Swedish businesses from other EU member states (i.e., intra-Community acquisitions), purchases of services from foreign suppliers (intra-EU and non-EU), and the import of goods

into Sweden from outside the EU. The party liable to Swedish VAT in relation to cross-border purchases of goods or services typically is the purchasing Swedish business. The importer is liable for VAT on imports.

Rates: The standard rate is 25%, with reduced rates of 12% (e.g., for foodstuffs and certain tourism services) and 6% (e.g., for newspapers, periodicals, and domestic passenger transport). Zero rating applies to goods including certain prescription medicines, aircraft fuel, and gold held for investment purposes.

Exemptions under Swedish VAT law are aligned with the EU VAT directive and, therefore, apply primarily to transactions involving immovable property (including real estate rentals, although the landlord may opt to tax), financial services, insurance, healthcare, and education. A transfer of a business, or an independent part of a business, can fall outside the scope of VAT.

Registration: A Swedish or foreign entity that is liable to VAT in Sweden must register for VAT purposes. Supplies by a foreign business (e.g., a company with its registered office outside Sweden and no Swedish fixed establishment) may under certain circumstances be subject to the domestic reverse charge on the supply in Sweden of goods or services connected to immovable property in Sweden. If so, the Swedish business customer reports the Swedish VAT due and the seller is not required to register for VAT. In the case of goods, the foreign seller may opt for VAT liability, triggering the obligation to register for VAT.

Intra-Community acquisitions, non-EU acquisitions of services, transfers of own goods into Sweden from another EU member state, exports from Sweden, and supplies of goods or services to another EU member state from Sweden also trigger a VAT registration obligation. No registration obligation applies if the annual taxable turnover does not exceed SEK 80,000 (increased from SEK 30,000 as from 1 July 2022).

Sweden has implemented a call-off stock simplification scheme as part of the EU VAT “quick fixes.” The scheme relieves a call-off stock holder from registration obligations, subject to certain requirements being fulfilled.

Filing and payment: VAT returns must be filed and tax paid on a monthly, quarterly, or annual basis. If a company’s VAT taxable turnover exceeds SEK 40 million, the VAT return must be filed and VAT paid monthly. If turnover is between SEK 1 and SEK 40 million, the VAT return must be filed and VAT paid on a quarterly basis (May, August, November, and February), although monthly reporting is optional. If turnover does not exceed SEK 1 million, the VAT return may be filed and VAT paid on an annual basis; monthly or quarterly reporting is optional. A company established outside the EU that is obliged to register for VAT purposes in Sweden must appoint a Swedish VAT representative to assist with Swedish VAT compliance obligations, including the submission of VAT returns on the company’s behalf. The representative is not liable for any VAT due.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Aggregate social security contributions of 31.42% (0% for individuals born in 1938 or earlier; 10.21% for individuals born from 1939 to 1953) for employed individuals are paid by the employer, except for the pension insurance fee of 7% on employment income up to SEK 519,708. The maximum charge is SEK 36,400 and this may be fully credited against other income taxes.

Contributions made by the self-employed amount to 28.97%, plus a pension insurance fee of 7% (on employment income up to SEK 519,708). A reduced rate applies for individuals born in 1952 or earlier.

Payroll tax: Sweden does not impose a payroll tax but employers also must bear the individual element of social security contributions (see “Social security contributions,” above).

Capital duty: There is no capital duty.

Real property tax: Real property tax generally is imposed annually on companies on all types of real property at rates ranging between 0.2% and 2.2% on the tax assessment value (which is determined by the tax authorities based on information provided by the property owner in the property tax return). The tax may be imposed at the national and/or municipal level and is deductible in computing the corporate tax liability.

Individuals are subject to a real property fee imposed on dwellings. The annual fee for a family house consisting of one to two apartments is the lower of SEK 8,874 and 0.75% of the property’s tax assessment value, and the lower of SEK 1,519 or 0.3% of the assessment value of the property where there are three or more apartments. No property tax or property fee is imposed on certain types of real property.

Transfer tax: Sweden does not impose transfer tax, although some transfers are subject to stamp duty.

Stamp duty: Stamp duty is payable by the purchaser on the transfer of real estate. The standard rate is 4.25% on the higher of the acquisition value and the tax assessed value if the transferee is a legal entity and 1.5% of the market/transfer value of the property if the purchaser is an individual. Stamp duty also is imposed on mortgage loans at rates between 0.4% and 2%.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other: In addition to the EU harmonized duties on energy, tobacco, and alcohol, Sweden applies excise duties on, e.g., certain chemicals in electronic products (white goods, mobile phones, etc.), single use plastic bags, certain gambling activities, and commercial flights departing from Swedish airports.

Tax treaties: Sweden has concluded over 100 income tax treaties. Sweden deposited its instrument of ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) with the OECD on 22 June 2018 but with a reservation over the date of entry into effect for Sweden. Although the MLI itself has been implemented into Swedish law, Sweden has reserved the right to not apply the provisions of the MLI with regard to specific tax treaties until the domestic legislation implementing each treaty has been amended as required. For information on Sweden’s tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: Swedish Tax Agency

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