Corporate taxes in Sweden
Executive summary
Tax friendly regime for business

- Competitive corporate tax framework

- Corporate tax rate reduced to 22 % on net income (as from 1 January 2013)
  - No regional or local corporate income tax

- Withholding tax not imposed on outbound dividends if certain criteria are met

- Full deductibility of interest costs (exceptions apply to interest on intragroup loans)
  - No withholding tax on interest payments

- No thin-capitalization rules
Tax friendly regime for business

- Tax allocation reserves
  - Enable companies to carry back losses to offset previous years’ profits

- Unlimited loss carry forwards
  - Enable companies to deduct previous years losses against future profit

- VAT levied on sales of goods and services
  - VAT is generally not a cost for companies

- Competitive real estate tax

- Among Europe’s most favorable locations for holding companies
Content

- Competitive corporate income tax rate
- International comparison of tax rates
- Dividends
- Deductibility of interest costs
- Capital gains and dividends received
- Tax allocation reserves
- Tax loss carry forwards
- VAT (Value Added Tax)
- Real estate tax
- Sweden’s holding company regime
Competitive corporate income tax rate

- Corporate tax rate reduced to 22 percent on taxable net income as from 1 January 2013
  - No regional or local corporate tax

- Limited liability companies and branches are subject to corporate tax

- Companies in Sweden are generally taxed on their worldwide income
  - Applies to profit generated from the Swedish company’s operations
International comparison of corporate tax rates

- France: 34.4%
- Germany: 31.5%
- Norway: 28.0%
- Sweden: 22.0%
- UK: 24.0%
- Finland: 24.5%
- Netherlands: 25.0%
- Denmark: 25.0%

Source: DLA Nordic

The UK corporate tax rate will be reduced to 23% as from 1 April 2013.
Dividends

- **Withholding tax**
  - Tax levied on certain outbound payments, such as dividends, royalties and interest
  - Outbound dividends exempt from Swedish withholding tax under certain circumstances

**Requirements for tax exempt outbound dividends**

- **Non-listed companies**
  - The foreign shareholder should be regarded being a “foreign company” equaling a Swedish limited liability company
  - No qualification time or limits on ownership

- **Listed companies**
  - The foreign shareholder should be regarded being a “foreign company” equaling a Swedish limited liability company
  - Recipient must hold 10% of voting rights
  - Shares must have been held for at least one year

**Definition of “foreign company”**

A "foreign company" is a foreign legal person which in its country of residence is subject to a taxation similar as the one of a Swedish limited liability company. A foreign legal person which is tax resident in a country with which Sweden has concluded a tax treaty, is covered by that treaty and is tax resident in that foreign country according to the treaty, should always be regarded being a foreign company.
Interest costs fully deductible

- Interest costs are generally fully deductible
  - Provided the interest rate is at fair market value
  - No thin-cap rules

- No withholding tax levied on interest payments

- Restrictions apply to interest costs on intra-group loans, exemption from the restriction rule if:
  - the beneficial owner of the interest income is taxed with at least ten percent and the predominantly reason for the debt is not to obtain a significant tax advantage within the group, or
  - the underlying debt is predominantly motivated by business reasons and the beneficial owner of the interest income is resident within the EEA or, under certain circumstances, in a state with which Sweden has a tax treaty
Capital gains and dividends received

- Companies can qualify for capital gains tax exemption
- Exemption means that capital losses on shares held are not deductible

Requirements for tax exempt capital gains and dividends received

- **Non-listed Swedish shares**
  - Always tax exempt

- **Listed Swedish shares**
  - Holding must represent 10% of voting rights
  - Shares must have been held for 12 months

- Shares in foreign companies can also qualify under the exemption. This applies if the foreign company can be regarded being the equivalent of a Swedish limited liability company.
Tax allocation reserves 1(2)

- Allow companies to carry back losses to offset previous years’ profits
  - Aim to smoothen out profit variations

- 25% of pre-tax profit can annually be allocated to a reserve
  - Will not be subject to corporate tax when kept in the reserve
  - Each year creates a separate reserve
Tax allocation reserves 2(2)

- Reserves are kept within the company’s bank account

- Each reserve must be reversed within six years
  - Can either be offset against losses or be subject to taxation

- Tax levied on assets kept in reserves
  - Apply to the total opening balance of all reserves
  - For financial year 2012, the interest rate is 1.19 percent
Tax loss carry forwards

- Swedish legislation enables a company to carry forward losses

- Enable companies to deduct previous years losses against future profit

- No restrictions on amount or time for tax loss carry forwards, i.e., can be carried forward indefinitely (restrictions may apply at a change of ownership)
VAT (Value Added Tax) 1(2)

- VAT is levied on sales of goods and services
  - Input/output system generally granting full credit for companies registered for VAT in Sweden
  - VAT is generally not a cost for companies

- Rates
  - 25%: Standard rate
  - 12%: Food, restaurant and catering services (excl. alcohol), accommodation, camping, cultural and sport events
  - 6%: Newspapers, books, magazines and public transport

- Certain services are VAT-exempt, e.g. medical and dental care, social services, banking and financial services
VAT (Value Added Tax) 2(2)

VAT generally applies to the following transactions

- Supply of goods or services made in Sweden by a company

- Acquisition of goods from another EU member state by a Swedish company

- Services from a company in another EU member state received by a company in Sweden (reverse charge)

- Import of goods from outside the EU
Real estate tax

- Owner of property or site leasehold is liable to real estate tax
- No regional or local commercial real estate taxes
- Real estate tax is a deductible cost for corporate tax purposes

Tax level depends on classification of property
- Industrial: 0.5% (Industrial premises and warehouses)
- Commercial: 1% (Retail and office space)

Tax calculated on tax assessment value of the property
- Supposed to correspond to 75% of estimated market value
- Based on statistics of previous sales of property in the area
Sweden’s holding company regime

Among Europe’s most favorable jurisdictions for holding companies

Combination of several tax mechanisms

- Capital gains and dividends from business related shares tax exempt
- Interest costs generally deductible for tax purposes
- No thin-capitalization rules
- No withholding tax on interest
- Unlimited tax loss carry forwards
- No stamp duty or capital duties on share capital
- Extensive number of active tax treaties
- Corporate tax rate reduced to 22 percent as from 1 January 2013
Further information

Fact sheet:

Corporate taxes in Sweden