

This report provides helpful information on the current business environment in Sweden. It is designed to assist companies in doing business and establishing effective banking arrangements. This is one of a series of reports on countries around the world.



Global Banking Service

Report on Sweden

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RBC Royal Bank®



Important to Know

Official language

› Swedish

Currency

› Krona (SEK)

Bank holidays

2010	
January	1, 6
April	2, 5
May	1, 13
Jun	6, 25
December	24–26, 31

Source: www.goodbusinessday.com.

Types of Business Structure

Under Swedish law, there are several business structures available. Some require a minimum amount of share capital to be paid up before the business can be established. A financial institution must hold the paid share capital in a restricted account until the business is legally established.

Public limited liability company

AB (*Publikt aktiebolag*). This is a company whose shares are not registered to their owners and are tradable on a public stock market. This requires a minimum paid up share capital of SEK 500,000. Only one founder is required to form an AB, but a founder must be an individual or legal entity resident in the European Economic Area (EEA). Non-resident founders require approval from the Swedish Companies Registration Office (Bolagsverket). A public AB must have at least three board members.

Private limited liability company

AB (*Privat aktiebolag*). This is a company whose shares are registered to their owners and therefore are not publicly tradable. This requires a minimum share capital of SEK 100,000. A private AB only needs one director so long as there is at least one deputy director.

Simple partnership

EB (*Enkla bolag*). This arrangement is formed when two or more persons agree to cooperate, but do not intend to form a corporation, partnership or limited partnership. The simple partnership is not a legal entity.

General partnership / trading partnership

HB (*Handelsbolag*). In a general partnership, all partners have full and joint liability. This requires no minimum share capital.

Limited partnership

KB (*Kommanditbolag*). In a limited partnership, some partners enjoy limited liability (silent partners) although they are not permitted to exercise managerial control. Other partners are considered general partners and have unlimited liability. This requires no minimum share capital.

Cooperatives

Economic associations (*ekonomiska föreningar*). This is a legal entity formed by a minimum of three individual or legal entities for the financial benefit of its members. Members' liabilities are limited to their contributions. It requires no minimum share capital. There are several types of economic associations, including *bostadsföreningar* (homeowners' associations), *bostadsrättsföreningar* (tenant-owners' associations) and *kooperativs* (cooperatives, usually agricultural).

Other organizational types

Swedish companies are entitled to form European Economic Interest Groupings (EEIGs) with companies based in other European Union (EU)* member states. An EEIG performs particular activities on behalf of its member owners. An EEIG is also permitted to perform these activities with entities outside the EU. An EEIG has unlimited liability.

*The EU is an economic and political union of 27 countries (including all members of its forerunner, the European Community, as well as other countries in Central and Eastern Europe), 16 of which use the euro as a common currency.

A *Societas Europaea* (SE) is a European public limited company, which can be established in any European Economic Area (EEA)* member state. It must maintain its registered office and head office in the same country, and it is subject to the company law in that country.

*EEA countries include those of the EU and three of the four European Free Trade Association (EFTA) member countries (Iceland, Liechtenstein and Norway).

Branches and representative offices

Non-Swedish companies are entitled to establish a branch or a representative office in Sweden. A branch's activities are subject to Swedish company law, although it is considered part of the company's head office and therefore not a separate legal entity. Branches require no minimum share capital. A company may have only one branch in Sweden. To open a branch a company must file a number of documents, including head office accounts. Representative offices are not legal structures in Sweden and cannot conduct business on their own behalf or through their employees or premises.

Opening and Operating Bank Accounts

Residency

To be considered resident, a company must have a registered office in Sweden with the Swedish Companies Registration Office (Bolagsverket).

Domestic and foreign currency account restrictions

Residents are permitted to hold local currency (SEK) accounts outside Sweden and foreign currency accounts both within and outside Sweden.

Non-residents are permitted to hold local currency and foreign currency accounts in Sweden.

All local currency accounts are fully convertible into foreign currency.

Anti-money laundering and counter-terrorist financing rules

- › Account opening procedures require formal identification of the account holder, unless the client is a bank situated within the EU or a Financial Action Task Force (FATF) member.
- › Verification of identity of legal entities is on the basis of a registration certificate or

other authorizing document. Legal representatives who have power of attorney are identified as for individuals.

- › All banks, credit and financial institutions have to identify clients for single transactions or a series of aggregated transactions exceeding EUR 15,000. Different banks can have individual thresholds at a lower level.

Supplied by BCL Burton Copeland (www.bcl.com). Data as at July 2009.

Special purpose accounts required by local regulation

None.

Value-added tax (VAT) on banking services

A number of financial and banking services, including borrowing and lending, payment services, currency trading, credit services and credit guarantees, are exempt from VAT.

Payment and Collection Instruments

Electronic funds transfers are the most common payment instrument for both domestic and cross-border payments in the EEA. They can be initiated using Internet and other electronic banking facilities. Non-urgent credit transfers are the primary payment method used to make payroll payments, with a number of enterprises using third-party payroll agencies. They are also the most common method of payment for business-to-business transactions. Card payments are commonly used for consumer transactions, with debit cards much more popular than credit cards.

Pre-authorized direct debits (called *autogiros* in Sweden) are used commonly by utility and insurance companies to collect domestic payments. There are two types of *autogiros*, one specifically for corporate customers – *Autogiro Company* (*Autogiro Företag*) – and one for retail customers – *Autogiro Private*.

Cheques are seldom used in Sweden due to the costly charges associated with them.

Payment Instrument Use (domestic)

Payment instrument	Transactions (million)		% change 2008/2007	Traffic (value) (EUR billion)		% change 2008/2007
	2007	2008		2007	2008	
Cheques	1.0	1.0	0	6.43	7.18	11.7
Credit transfers	810.0	890.0	9.9	1,083.23	1,154.42	6.6
Direct debits	208.0	229.0	10.1	45.84	47.01	2.6
Debit card payments	1,143.0	1,389.0	21.5	43.08	48.78	13.2
Credit card payments	92.0	93.0	1.1	7.01	8.11	15.7
Total	2,254.0	2,602.0	15.4	1,185.59	1,265.50	6.7

Source: ECB Payment Statistics, September 2009.

Single Euro Payment Area (SEPA)

SEPA payment instruments allow enterprises to make and receive EUR-denominated credit transfers, direct debits and debit card payments from a single bank account to and from other parties located anywhere within the EEA and Switzerland. The use of International Bank Account Numbers (IBANs) and Bank Identifier Codes (BICs) is compulsory for transfers denominated in EUR between bank accounts in the EU.

International Payments

International payments, including foreign currency payments and payments to and from parties located outside the EEA, are processed through same-bank networks, through multibank alliances or by using traditional correspondent banking techniques.

Payment Processing Times

Transactions processed	Value dating rules	Cut-off time(s) in local Central European Time (CET)
High-value and urgent domestic and intra-EEA transfers (denominated in EUR and SEK)	Settlement in real time with immediate finality	17:00 CET
Non-urgent, low-value domestic consumer payments (denominated in SEK)	Settlement either same-day or next-day	There are rolling cut-off times for different types of transactions: 19:00 CET for next-day settlement of credit transfers (if submitted by customer) 17:00 CET for next-day settlement of direct debits (if submitted by customer) 14:00 CET for same-day settlement (if payment is routed through a bank)
Non-urgent intra-EEA credit transfers denominated in EUR with a maximum value of EUR 50,000*	Settlement either same-day or next-day	13:00 CET for same-day settlement or 01:00 CET for overnight settlement

* SEPA credit transfers are not subject to a maximum value threshold.

Central Bank Reporting

On behalf of the Swedish central bank (Sveriges Riksbank – SRB), Statistics Sweden (SCB) collates balance of payments statistics from the responses to a number of surveys covering international trade and different forms of investment activity.

The SCB currently asks a representative sample of resident companies to complete surveys on the nature of their cross-border transactions.

Only those companies contacted by the SCB are required to complete the surveys, and the SCB provides the relevant reporting forms.

Exchange Arrangements and Controls

Sweden applies no currency exchange controls.

Cash and Liquidity Management

Managing cash on both a domestic and regional (Scandinavian*) basis is relatively straightforward, although there are a few restrictions.

*Scandinavian countries include Denmark, Finland, Norway and Sweden.

Physical Cash Concentration

Physical cash concentration is available from all large Swedish and international banks. Different legal entities are permitted to participate in the same structure. Resident and non-resident companies can participate in the same domestic cash concentration structure, although the non-resident company must gain permission from the Swedish central bank (SRB) to participate in a Swedish cash pooling structure. Including companies located in non-EEA countries can also be problematic because there are restrictions on inter-company lending to non-EEA parent companies.

Pools can be denominated in local currency (SEK) and some foreign currencies. Some banks offer cross-border, cross-currency physical cash concentration, particularly on a regional level.

Notional Cash Pooling

Notional cash pooling is available from Swedish and international banks, but in practice is rarely offered. This is because Sweden does not allow banks to offset credit and debit balances, making a notional pooling structure costly to operate. Where domestic notional cash pools are available, resident and non-resident companies can participate in the same structure. There are also restrictions on inter-company lending.

As an alternative, some banks have developed interest rate optimization or enhancement products, particularly for Nordic companies, which can include resident and non-resident accounts, for cross-border, cross-currency use.

Short-term Investment

Bank instruments

Interest-bearing current accounts are permitted, but not generally offered. Banks offer time deposits in a range of currencies for terms from three months to a year, with a

maximum of two years. Banks also issue certificates of deposit (CDs), but yields are low and they are therefore not popular with investors.

Non-bank instruments

Some Swedish companies and public authorities issue commercial paper (CP) and they are popular as a form of short-term investment with large domestic companies. Investors have access to the wider euro commercial paper (ECP) market as well.

The National Debt Office (Riksgäldkontoret), on behalf of the Swedish Government, issues Treasury bills for periods from three to 12 months, and in some cases up to 18 months. There is a minimum investment requirement of SEK 25,000.

Swedish companies have access to money market funds domiciled abroad.

Short-term Borrowing

Bank

Overdrafts, bank lines of credit and bank loans are usually all available in Sweden to both resident and non-resident companies. Banks will usually charge a margin over Stibor (the Stockholm Interbank Offered Rate) for SEK-denominated facilities, but interest rates are also dependent on the borrower, the size of the loan and the security offered.

Non-bank

Only larger, well-known companies issue commercial paper and listing on the Stockholm Stock Exchange is by and large a prerequisite. Normally, issues into the domestic market are rated. Commercial paper can be issued for periods from one to six months, depending on borrowing requirements and investor appetite.

Trade bills are not commonly discounted and factoring (disclosed and undisclosed) is available.

Taxation

Corporate Taxation

- › The Swedish corporate tax rate is a flat rate of 26.3%. Resident companies are subject to taxation on their worldwide income. Non-resident companies are subject to taxation on Swedish-sourced income derived from a permanent establishment (PE) or real estate in Sweden, dividend income from shares

in Swedish companies and other economic associations. Royalty payments made from Sweden to a foreign-based company are seen as income from a PE in Sweden and are subject to ordinary corporate income tax, unless the income is exempted from tax based on an income tax treaty.

Advance Tax Ruling Availability

- › Advance tax rulings are available through a national ruling board, the Board for Advanced Tax Rulings (Skatterättsnämnden). The decisions can be appealed to the Supreme Administrative Court.

Withholding Tax (subject to tax treaties and other exemptions)

- › No withholding tax is levied on dividends, interest or royalties paid to resident companies, or on interest or royalties paid to non-residents. Royalty payments made from Sweden to a foreign-based company are seen as income from a PE in Sweden and are subject to ordinary corporate income tax, unless the income is exempted from tax based on an income tax treaty.
- › A withholding tax of 30% is levied on dividends paid to non-residents. An exemption may be available (under the domestic participation exemption rules) for dividends paid to foreign companies if the shares are held for business purposes (non-portfolio shares, see “Capital Gains Tax”). An exemption is also available under the EU Parent–Subsidiary Directive provided that the company receiving the dividend is located in an EU member state and holds at least 10% of the capital in the Swedish distributing company.

Capital Gains Tax

- › Capital gains arising on the sale of tangible and intangible fixed assets and certain other assets are included in a company’s taxable business income and are therefore taxed at 26.3%.
- › Capital losses can usually be set off against all categories of income and be carried forward indefinitely. However, losses arising on the sale of shares and similar kinds of financial instruments can only be set off against gains on the same type of assets within either the company or another company within the company’s group. Losses arising on the sale of real estate held for investment purposes can only be set off against gains on the same type of property in the company or another company within the company’s group.

- › Under the domestic participation exemption rules, capital gains on shares in limited liability companies and economic associations that are held for business purposes (so-called “non-portfolio shares”) are tax-exempt and losses are non-deductible. Holdings in unlisted shares are normally deemed to be for business purposes. Listed shares are deemed to be held for business purposes provided that they are held for not less than one year from the day they were deemed to be held for business purposes, and either the holding represents at least 10% of the voting rights, or is considered necessary for conducting the business of the shareholding company. In certain cases, the participation exemption may be extended to capital gains on the sale of shares in non-resident companies.

Stamp Duty

- › Stamp duty is levied on the transfer of real estate and on loans where real estate is used as security.

Thin Capitalization

- › Sweden does not have formal thin capitalization rules for tax purposes. However, certain rules in the Swedish Companies Act with regard to the level of restricted capital may result in compulsory liquidation if this capital is not intact.
- › Limitation on interest expense deductions applies as from January 1, 2009. In short, Swedish companies will not be allowed to deduct interest expenses on loans obtained to finance intra-group acquisitions of shares from affiliated companies. A deduction will, however, be allowed if either the interest income is taxed at a rate of at least 10% at the level of the recipient, or the company can show that a transaction is mainly motivated by business reasons. Certain limitations to the rules exist.

Transfer Pricing

- › Sweden normally follows the Organisation for Economic Co-Operation and Development (OECD) transfer pricing guidelines and operates by reference to the arm’s length principle, which is codified in the Swedish Income Tax Act.
- › From January 1, 2007, resident companies having an economic relationship with non-resident companies are required to prepare transfer pricing documentation. This documentation must include a description of the company, the organization and its business, information regarding

the nature and the extent of the transactions, a functional analysis, a description of the transfer pricing methodology chosen and a benchmark analysis.

Sales Taxes / VAT

- › VAT is normally levied at all levels on the supply of goods and services at a standard rate of 25%. A reduced rate of 12% exists for certain items. A reduced rate of 6% exists for certain periodicals and modes of popular entertainment and cultural services. A number of financial services (e.g., insurance, reinsurance and certain bank services) are VAT-exempt.
- › Non-residents can generally obtain a refund of VAT levied on

goods and services purchased, provided that certain specific circumstances apply.

Payroll and Social Security Taxes

- › The general aggregate social security contribution by an employer on behalf of an employee is 31.42% of gross salary, including the value of fringe benefits. Additional contributions are also payable by employers of employees (in accordance with collective agreements). A special payroll tax on pension costs is levied at 24.26% based on the cost of the company's yearly pension commitment. These and other salary expenses are deductible for tax purposes.

All tax information supplied by Deloitte LLP (www.deloitte.com). Data as at March 1, 2009.

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