

Sweden Country Profile

EU Tax Centre

May 2020

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

EU Member State Yes.

Double Tax Treaties With the following countries, territories and jurisdictions:

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

Most important forms of doing business Generally, limited liability companies are used.

Legal entity capital requirements At least SEK 25,000.

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 returns must be filed every year.
Corporate income tax rate	The corporate tax rate is 21.4 percent as from January 1, 2019 (reduced to 20.6 percent from January 1, 2021).
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. A new withholding tax act has recently been proposed and is proposed to apply as from January 1, 2022.</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 and periodical payments on tangible and intangible assets paid to non-residents are not subject to WHT but normally subject to income tax by assessment, net of directly-related expenses. The applicable corporate income tax rate is currently 21.4 percent. 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 shares in an economic association. Even foreign counterparts of Swedish limited liability companies (i.e. ABs) and Swedish economic associations may be included, provided they are considered equivalent to a Swedish limited liability company or a Swedish economic association.

Shares held as inventory generally do not qualify for the exemption (unless within the EU/EEA).

Capital gains obtained from resident/non-resident subsidiaries

Normally tax exempt in the same manner as dividends. Special rules apply to the sale of a 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 upon 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 individuals 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 21.4 percent, i.e., below 11.77 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 (significant amendments to the white list apply from January 1, 2019). 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/Interest Limitation rules

No.

However, as of January 1, 2019, a general EBITDA-based interest deduction limitation was introduced in the corporate sector, with the cap being calculated as 30 percent of earnings before interest, tax, depreciation and amortization (EBITDA). The limitation applies to negative net interest expenses as defined under Swedish tax law, i.e. the difference between interest income and interest expenses.

In addition, the already existing interest deduction limitation rules for certain intra-group loans were amended as of January 1, 2019. Interest deduction on such debt should be granted if the beneficial owner of the interest income within the group (i) is resident within the EEA, (ii) is resident of a state with which

Sweden has a tax treaty not limited to certain income or (iii) is subject to a corporate tax of at least 10 percent. However, no tax deduction should in any case be granted if the underlying purpose of the loan exclusively or almost exclusively (90-95 percent or more) is to obtain a substantial tax benefit for the group. Interest expenses “surviving” the interest deduction limitation rules for certain intra-group loans are subject to the abovementioned EBITDA-based rule.

General Anti-Avoidance rules (GAAR)

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

- The transaction, alone or in conjunction with another transaction, results in a significant tax benefit for the taxpayer;
- 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/Anti-Hybrid rules

As of January 1, 2019, a prohibition to deduct interest costs in certain cross-border transactions became effective (anti-hybrid-rule). Deduction of interest on loans between affiliated companies is disallowed when:

1. The interest also may be deducted in another country, i.e. a double deduction;
2. The interest is not subject to tax in the recipient, i.e. a deduction without inclusion due to differences in the classification of the companies for tax purposes; and
3. A deduction without inclusion results from a mismatch in classification of the payment or the underlying financial instrument.

As of January 1, 2020, the rules are extended and includes more situations with hybrid mismatches as well as includes expenses other than interest expenses. Furthermore, the rules are extended and apply not only for related parties but also on certain other structured arrangements leading to a tax benefit. These rules are a result of OECD’s work within the framework of the BEPS project (Action 2) as well as EU’s directive on anti-tax avoidance (ATAD II).

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.
Mandatory Disclosure Rules Updates	For country specific information and updates on the EU Mandatory Disclosure Rules please visit KPMG's EU Tax Centre's MDR Updates page .
COVID-19 Resources	An overview of tax developments being reported globally by KPMG member firms in response to the Novel Coronavirus (COVID-19) is available here . For further insight into the potential tax, legal and mobility implications of COVID-19, please refer to the dedicated KPMG page .

Source: Swedish tax law and local tax administration guidelines, updated 2020.

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