GUIDE TO GOING GLOBAL

TAX

Sweden

INTRODUCTION

Welcome to the 2023 edition of DLA Piper's *Guide to Going Global – Tax*.

GUIDE TO GOING GLOBAL SERIES

Many companies today aim to scale their businesses globally and into multiple countries simultaneously. In order to help clients meet this challenge, we have created a handy set of global guides that cover the basics companies need to know.

The *Guide to Going Global* series reviews business-relevant corporate, employment, intellectual property and technology, global equity and tax laws in key jurisdictions around the world.

TAX

Multinational companies continue to expand globally at an ever faster pace. Successful expansion depends, in part, on strategic and effective tax planning and compliance. This guide, brought to you by DLA Piper's Tax group summarizes the key features of tax laws in 41 popular jurisdictions.

This guide addresses common tax questions, by jurisdiction, including:

- Taxation of resident companies and non-resident companies
- Availability of tax holidays, rulings, and favorable tax regimes
- Ability to use losses to offset income
- Anti-deferral (ie CFC) rules
- Withholding taxes
- Employment tax issues

With more than 300 tax lawyers and economists in offices throughout the Americas, Europe and Asia Pacific, DLA Piper's global tax advisory services help multinational companies address the complex challenges of international commerce and business operations as well as manage and resolve tax audits. Our global tax group also assists clients in structuring a wide range of transactions, from private equity deals to corporate acquisitions and disposals. We provide these tax services across our global platform, while at the same time offering clients the benefits of the attorney-client and work-product privileges.

The information in this guide is an accessible, high-level summary of the tax laws in each jurisdiction. This is not a substitute for legal or tax advice. If you have specific questions or require detailed advice, we encourage you to contact one of the attorneys listed in the contributors section of this guide.

We hope that you find this guide valuable and we welcome your feedback.

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This is a general reference document and should not be relied upon as legal advice. The application and effect of any law or regulation upon a particular situation can vary depending upon the specific facts and circumstances, and so you should consult with a lawyer regarding the impact of any of these regimes in any particular instance.

DLA Piper and any contributing law firms accept no liability for errors or omissions appearing in this publication and, in addition, DLA Piper accepts no liability at all for the content provided by the other contributing law firms. Please note that tax law is dynamic, and the legal regime in the countries surveyed could change.

SWEDEN

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RESIDENCE AND BASIS FOR TAXATION

Domestic

Companies that are registered in Sweden or, if no registration is made, are domiciled in Sweden are regarded as unlimited tax liable in Sweden.

Foreign

Companies that are not considered unlimited tax liable in Sweden are treated as limited tax liable in Sweden.

TAXABLE INCOME

Domestic

An unlimited tax liable company is taxed on its worldwide income. The taxable income is generally calculated as the total income reduced by the costs generated by the business.

Foreign

A limited tax liable company is taxed on income deriving from a permanent establishment in Sweden and real estate located in Sweden.

TAX RATES

The corporate income tax rate is 20.6 percent.

TAX COMPLIANCE

Both unlimited and limited tax liable persons must submit an income tax return. Generally, the income tax return shall be submitted with the Swedish Tax Agency within 6 months after the end of the company's financial year.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

Tax holidays

Not applicable for this jurisdiction.

Tax rulings

Companies may apply for a binding advance ruling concerning a specific tax question with the Swedish National Board of Advance Rulings. The Swedish Tax Agency offers written tax guidance for a specific question.

Tax incentives

Key foreign employees may, during a 5-year period, qualify for a 25-percent reduction of the taxable portion of their income when working in Sweden.

CONSOLIDATION

In Sweden, it is not possible for companies to file corporate income tax returns on a consolidated basis. However, companies belonging to the same group, which applies to share ownership of more than 90 percent of the shares, may exchange group contributions. A group contribution is deductible for the paying company and is taxable for the recipient company.

PARTICIPATION EXEMPTION

Dividends and capital gain on business-related shares are tax exempt in Sweden.

Dividends and capital gain on unlisted shares in a Swedish company are normally considered business-related unless the shares are classified as current assets or inventory. Generally, the shares should be classified as capital assets. If the shares are listed, the shares must represent 10 percent or more of the voting rights in the company and the shares must have been business-related for a period of at least 1 year.

If the shares are held in a foreign company, the same requirements apply. However, the foreign company must also be regarded as the foreign equivalent of a Swedish limited liability company.

CAPITAL GAIN

See "Participation exemption." If the participation exemption regime does not apply, the gain will be taxed at the ordinary corporate tax rate of 20.6 percent.

DISTRIBUTIONS

Distributions paid by a corporation to a shareholder are normally treated as dividends for tax purposes. A transfer of funds from a shareholder to a company is normally treated as a conditional or unconditional shareholder's contribution.

LOSS UTILIZATION

Tax losses may be carried forward indefinitely. Changes in the ownership of a company with tax losses carried forward may result in the tax losses being permanently or temporarily restricted.

TAX-FREE REORGANIZATIONS

It is possible to transfer assets or a business at tax book value without triggering exit taxation.

Mergers and demergers may also be carried out without triggering any adverse tax consequences.

ANTI-DEFERRAL RULES

The controlled foreign corporation (CFC) rules state that a Swedish shareholder with a direct or indirect interest equal to at least 25 percent of the equity or voting rights in certain low-taxed foreign legal entities is subject to immediate taxation on its proportionate share of the foreign legal entity's profits. Per 2023 law, a foreign company is considered low-taxed if its income is taxed at a rate below 11.33 percent, calculated under Swedish rules.

Shareholders in companies that are resident in approved countries are, however, not subject to CFC taxation. Approved countries are included in a white list, which is part of the Swedish Income Tax Act.

FOREIGN TAX CREDITS

Foreign taxes paid on income subject to Swedish taxation may be credited under the Swedish tax credit system.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Stamp duty may be triggered on the sale of real estate. If the buyer is a legal person, the tax rate is 4.25 percent of the basis. The basis for the tax is the higher of the purchase price and the tax assessment value of the real estate. The buyer and the seller are equally liable to pay the tax, but contractually, that liability is normally the buyer's.

TRANSFER PRICING

The Swedish transfer pricing rules are based on the arm's-length principle and OECD guidelines. Documentation requirements apply to cross-border transactions with affiliated companies.

WITHHOLDING TAX

Dividends, royalties, interest, rents, etc

Under the general rule, a dividend payment to a foreign shareholder is subject to 30-percent withholding tax. However, domestic law contains exemptions from withholding tax under certain conditions:

Exemption 1

Withholding tax should not be levied on a dividend payment to a legal person within the EU if such person holds more than 10 percent of the shares in the paying company and fulfills the requirements in Article 2 of the Parent Subsidiary Directive.

Exemption 2

Withholding tax should not be levied on a dividend payment if the shares are unlisted or, if listed, the recipient holds at least 10 percent of the voting rights in the paying company. The share must have been held for at least 1 year at the time of the dividend payment if it is a business-related share that is listed. The recipient must also fulfill the definition of being a "foreign company" and be the foreign equivalent of a Swedish limited liability company. Further, for the exemption to apply, it is required for the dividend payment to have been tax exempt under the participation exemption regime should the shareholder have been a Swedish limited liability company.

A rule from January 1, 2016 in the Swedish Withholding Tax Act states that dividends from a Swedish subsidiary to a foreign company should not be tax exempt if certain conditions are met.

Sweden does not levy withholding tax on interest or royalty payments. However, royalty payments made to non-residents are deemed to derive from a Swedish business and are taxed as income from a permanent establishment in Sweden. Thus, the recipient is taxed in Sweden on the net royalty income at the ordinary corporate income tax rate of 20.6 percent. Sweden's right to tax royalties may be reduced under an applicable tax treaty.

Service fees

Not applicable for this jurisdiction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Stamp duty may be triggered on the sale of real estate. There is no stamp duty or similar on the sale of assets. Sweden does not have transfer tax.

EMPLOYMENT TAXES

Employers are obliged to pay employer’s contributions at a rate of 31.42 percent of the total salary. In addition, employers are obliged to make tax deductions from the salary payments made to the employees.

OTHER TAX CONSIDERATIONS

Value Added Tax (VAT)

VAT should be charged on the supply of goods or services. Registration for VAT is normally mandatory if sales of taxable goods or services are made in Sweden by a taxable person. The standard VAT rate is 25 percent. Reduced rates apply on certain goods and services.

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