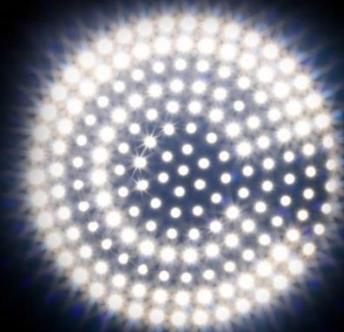


International Tax Sweden Highlights 2019

Updated January 2019



Recent developments:

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

Investment basics:

Currency – Swedish Krona (SEK)

Foreign exchange control – No

Accounting principles/financial statements – Principles applied are in accordance with 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:

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

Basis – Residents are taxed on worldwide income. Nonresidents are taxed on business income from real estate or a permanent establishment (PE) in Sweden, income derived from the disposal of a Swedish housing association and 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.

Taxable income – Corporation tax is imposed on a company's profit, which consists of all types of income. Expenses incurred in obtaining or safeguarding income subject to tax normally are deductible.

Taxation of dividends – Dividends received by a Swedish resident company from another Swedish

company normally are exempt from tax, provided the shareholding is business-related. Dividends received from a nonresident company also may be exempt if the shareholding is business-related (see under "Participation exemption"). Even if qualifying for the above 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 derived from the sale of shares in a resident company normally are tax-exempt if the shareholding is business-related. 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 under "Participation exemption"). Taxable capital gains are regarded as other business income and taxed at the corporate tax rate applicable for the financial year.

Losses – Losses may be carried forward indefinitely. Restrictions apply after a direct or an indirect change of ownership. The carryback of losses is not permitted, although the application of the tax allocation reserve may be viewed as a type of loss carryback.

Rate – 21.4% (reduced from 22%) for financial years starting after 31 December 2018 but before 1 January 2021.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Foreign tax paid may be credited against 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). Unquoted shares constituting fixed business assets always are deemed to be business-related. Quoted 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, quoted 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 – No

Incentives – No

Withholding tax:

Dividends – Dividends paid to a nonresident company are subject to a 30% withholding tax unless the rate is reduced or an exemption applies under a tax treaty, Swedish domestic legislation or the EU parent-subsidiary directive. A specific anti-avoidance rule applies for withholding tax purposes.

Interest – Sweden does not levy withholding tax on interest payments.

Royalties – There is no withholding tax on royalty payments. 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.

Technical service fees – There is no withholding tax on technical service fees.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No, but see under "Social security."

Real property tax – Real property tax generally is levied annually on all types of real property at rates of 0.2%-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 is deductible in computing the corporate tax liability. Instead of property tax, a real property fee is levied on dwellings. The annual fee for a family house consisting of one to two apartments is the lower of SEK 7,812 and 0.75% of the property's tax assessment value, and the lower of SEK 1,337 or 0.3% of the assessment value of the property where there are three or more apartments. No property tax or property fee is levied on certain types of real property.

Social security – The general aggregate contribution by an employer on behalf of an employee is 31.42%. For individuals born in 1937 or earlier, the rate is 6.15% and for individuals born from 1938 to 1952, the rate is 16.36%.

Stamp duty – Stamp duty is levied on the transfer of real estate and on mortgage loans. The standard rate for real estate is 4.25% on the higher of the acquisition value and the tax assessed value if the transferee is a legal entity. For mortgage loans, the rate is between 0.4% and 2%.

Transfer tax – No, although some transfers are subject to stamp duty.

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.

Thin capitalization – There are no formal thin capitalization rules, although substantial interest deduction restrictions apply on loans from affiliated persons. New interest deduction limitation rules entered into force on 1 January 2019 and apply to fiscal years commencing after 31 December 2018. The rules introduce new targeted and general restrictions on deductions for interest expense and include provisions for hybrid arrangements.

According to the amended targeted rules, interest expense on intragroup loans will be allowed where i) the beneficial owner of the interest is located within a European Economic Area (EEA) or treaty country, or ii) the interest is subject to tax at a rate of at least 10%. Even if these conditions are satisfied, interest will not be

deductible if the purpose of the intragroup loan is deemed to be exclusively or almost exclusively (90%-95%) for the group to achieve a substantial tax benefit. The burden of proof is with the taxpayer. In addition, where the purpose of the loan is to finance an intragroup acquisition of shares, the acquisition must substantially be motivated by sound business reasons to obtain an interest deduction.

The deduction of interest expense on certain hybrid loans between affiliated companies is disallowed when:

- The interest also may be deducted in another country (double deduction);
- The recipient is not subject to tax on the interest (deduction without inclusion, resulting from differences in the classification of the companies for tax purposes); and
- A deduction without inclusion results from a mismatch in the classification of the payment or the underlying financial instrument.

The new 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, tax, depreciation and amortization).

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 if the foreign entity is not taxed or if it is subject to taxation at a rate lower than 11.77% (i.e. 55% of the Swedish tax rate of 21.4%). The CFC regime stipulates a participating interest threshold, and a "white list" applies. 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.

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

Other – 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.

Compliance for corporations:

Tax year – Corporations normally 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.

Consolidated returns – Consolidated tax returns are not allowed, but contributions between Swedish group companies are allowed under certain circumstances to equalize profits and losses.

Filing requirements – 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 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 levied 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 levied 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.

Personal taxation:

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

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 he/she retains essential ties with Sweden, such as a permanent home or family.

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

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).

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, but the reduction is limited to SEK 25,000 per year. 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 SEK 50,000 per person, per year.

Rates – Employment income is taxed at national progressive rates of approximately 30% up to 57%. One-time reimbursements are taxed at standard rates of a maximum 58% and capital income (dividends, interest, capital gains) is taxed at 30%.

The average municipal tax rate is about 32% and is levied on total taxable employment income, less a personal allowance. A basic national income tax of 20% is levied on taxable income exceeding SEK 455,300. A higher

national tax of 25% is levied on taxable income exceeding SEK 662,300. In total, a maximum rate of approximately 58% may be levied. On rare occasions, depending on the municipal rate, the highest tax rate can be up to 61%. Business income is taxed at the same rate as employment income.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is levied on the transfer of real estate and is payable by the purchaser. The standard rate is 1.5% of the market/transfer value of the property if the purchaser is an individual. Stamp duty of 2% is levied on the value of a real estate mortgage.

Capital acquisitions tax – No

Real property tax – Individuals are liable for a real property fee that generally is levied on dwellings. The annual fee for a family house consisting of one to two apartments is the lower of SEK 7,812 and 0.75% of the property's tax assessment value, and the lower of SEK 1,337 or 0.3% of the assessment value of the property where there are three or more apartments.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – Social security contributions of 31.42% for employed individuals are paid by the employer, except for the pension insurance fee of 7% on employment income up to SEK 504,300. The maximum charge is SEK 35,300 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 504,300). A reduced rate applies for individuals born in 1952 or earlier.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Individuals with taxable employment income of at least SEK 18,900 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.

Penalties – An initial penalty of SEK 1,250 is levied 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 levied if false/insufficient information is provided (which 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 levied on unpaid taxes.

Value added tax:

Taxable transactions – Swedish VAT is levied 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 levied 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 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 rental, 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 vendor is not

required to register for VAT. In the case of goods, the foreign vendor may opt for VAT liability, triggering the obligation to register for VAT.

Intra-Community acquisitions, transfers of own goods into Sweden from another EU country, exports from Sweden and a supply 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 30,000.

Filing and payment – VAT returns must be filed and tax paid on a monthly, quarterly or an 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 should 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 must 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.

Source of tax law: Income Tax Act, Value Added Tax Act

Tax treaties: Sweden has concluded over 106 income tax treaties. Sweden has signed the OECD MLI and deposited its instrument of ratification with the OECD on 22 June 2018. The MLI entered force for Sweden on 1 October 2018. For further information on Sweden's tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: Swedish Tax Agency

Contact:

Lars Franck (lfranck@deloitte.se)

Sara Trägårdh (stragardh@deloitte.se)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 286,000 people make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms or their related entities (collectively, the “Deloitte network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2019. For information, contact Deloitte Touche Tohmatsu Limited.