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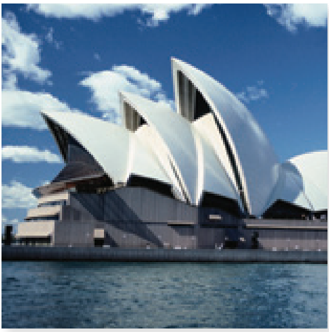

Sweden Tax Guide 2013

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for over 90 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PFK member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

Richard Sackin
Chairman, PKF International Tax Committee
Eisner Amper LLP
richard.sackin@eisneramper.com

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PREFACE

The PKF Worldwide Tax Guide 2013 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2013, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

PKF INTERNATIONAL LIMITED
MAY 2013

ABOUT PKF INTERNATIONAL LIMITED

PKF International Limited (PKFI) administers the PKF network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services. PKFI member firms employ around 2,270 partners and more than 22,000 staff. PKFI is the 11th largest global accountancy network and its member firms have $2.68 billion aggregate fee income (year end June 2012). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

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PKF member firms are organised into five geographical regions covering Africa; Latin America; Asia Pacific; Europe, the Middle East & India (EMEI); and North America & the Caribbean. Each region elects representatives to the board of PKF International Limited which administers the network. While the member firms remain separate and independent, international tax, corporate finance, professional standards, audit, hotel consultancy and business development committees work together to improve quality standards, develop initiatives and share knowledge and best practice cross the network.

Please visit www.pkf.com for more information.

STRUCTURE OF COUNTRY DESCRIPTIONS

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SALES TAX/VALUE ADDED TAX
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STOCK/INVENTORY
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INTEREST DEDUCTIONS
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E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A
Algeria . . . . 1 pm
Angola . . . . 1 pm
Argentina . . . . 9 am
Australia -
  Melbourne . . . . 10 pm
  Sydney . . . . 10 pm
  Adelaide . . . . 9.30 pm
  Perth . . . . 8 pm
Austria . . . . 1 pm

B
Bahamas . . . . 7 am
Bahrain . . . . 3 pm
Belgium . . . . 1 pm
Belize . . . . 6 am
Bermuda . . . . 8 am
Brazil . . . . 7 am
British Virgin Islands . . . . 8 am

C
Canada -
  Toronto . . . . 7 am
  Winnipeg . . . . 6 am
  Calgary . . . . 5 am
  Vancouver . . . . 4 am
Cayman Islands . . . . 7 am
Chile . . . . 8 am
China - Beijing . . . . 10 pm
Colombia . . . . 7 am
Cyprus . . . . 2 pm
Czech Republic . . . . 1 pm

D
Denmark . . . . 1 pm
Dominican Republic . . . . 7 am

E
Ecuador . . . . 7 am
Egypt . . . . 2 pm
El Salvador . . . . 6 am
Estonia . . . . 2 pm

F
Fiji . . . . 12 midnight
Finland . . . . 2 pm
France . . . . 1 pm

G
Gambia (The) . . . . 12 noon
Germany . . . . 1 pm
Ghana . . . . 12 noon
Greece . . . . 2 pm
Grenada . . . . 8 am
Guatemala . . . . 6 am
Guernsey . . . . 12 noon
Guyana . . . . 7 am

H
Hong Kong . . . . 8 pm
Hungary . . . . 1 pm

I
India . . . . 5.30 pm
Indonesia . . . . 7 pm
Ireland . . . . 12 noon
Isle of Man . . . . 12 noon
Israel . . . . 2 pm
Italy . . . . 1 pm

J
Jamaica . . . . 7 am
Japan . . . . 9 pm
Jordan . . . . 2 pm

K
Kenya . . . . 3 pm

L
Latvia . . . . 2 pm
Lebanon . . . . 2 pm
Luxembourg . . . . 1 pm

M
Malaysia . . . . 8 pm
Malta . . . . 1 pm
Mexico . . . . 6 am
Morocco . . . . 12 noon

N
Namibia . . . . 2 pm
Netherlands (The) . . . . 1 pm
New Zealand . . . . 12 midnight
Nigeria . . . . 1 pm
Norway . . . . 1 pm

O
Oman . . . . 4 pm

P
Panama . . . . 7 am
Papua New Guinea . . . . 10 pm
Peru . . . . 7 am
Philippines . . . . 8 pm
Poland . . . . 1 pm
Portugal . . . . 1 pm

Q
Qatar . . . . 8 am

R
Romania . . . . 2 pm

Russia -

Moscow . . . . .3 pm

St Petersburg. . . . . .3 pm

S

Singapore . . . . .7 pm

Slovak Republic . . . . .1 pm

Slovenia . . . . .1 pm

South Africa. . . . . .2 pm

Spain . . . . .1 pm

Sweden. . . . . .1 pm

Switzerland . . . . .1 pm

T

Taiwan .8 pm

Thailand . . . . .8 pm

Tunisia . . . . 12 noon

Turkey. .2 pm

Turks and Caicos Islands . . . . . . .7 am

U

Uganda .3 pm

Ukraine .2 pm

United Arab Emirates . . . . .4 pm

United Kingdom . . . .(GMT) 12 noon

United States of America -

New York City. . . . . .7 am

Washington, D.C. . . . . .7 am

Chicago. . . . . .6 am

Houston. . . . . .6 am

Denver . . . . .5 am

Los Angeles. . . . . .4 am

San Francisco . . . . .4 am

Uruguay . . . . .9 am

V

Venezuela . . . . .8 am

Z

Zimbabwe . . . . .2 pm

SWEDEN

Currency: Kronor (SEK) | Dial Code To: 46 | Dial Code Out: 00

Please email Oliver Grosse-Brauckmann, PKF International EMEI Director, at oliver.grosse-brauckmann@pkf.com for details of Swedish tax contacts.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Corporate tax is levied on the worldwide income of companies resident in Sweden and also on profits which arise from activities carried out in Sweden through a branch or an agency.

A company is resident for tax purposes when it is registered in Sweden. Royalties received from Swedish licensees are taxable in Sweden as income from a permanent establishment situated in Sweden. Where a treaty exists, the right to tax may be waived or limited. Since 2004 Sweden has adopted Directive 2003/49/EC on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States. In accordance with the Directive, royalty payments shall be exempt from withholding tax provided that the beneficial owner is a company or a permanent establishment in another Member State and the payor and payee are associated (one holds 25% or more of the capital of the other or a third company holds 25% or more of both companies).

The corporate tax rate is 22%. The fiscal year is the calendar year. A split financial year may end on 30 April, 30 June or 31 August. The assessment year is the calendar year following the applicable financial year. Permission from the tax authorities is needed to change from a calendar year to a split financial year. Tax returns are filed annually and should be submitted within six months of the end of the tax year.

BRANCH PROFITS TAX

A branch's taxable trading profits and capital gains are calculated on the same basis as for Swedish resident companies.

SALES TAX/VALUE ADDED TAX (VAT)

In general, output VAT is levied on all domestic sales but not on export or EU sales. The general rate of VAT for goods and services in Sweden is 25% of the assessed value. Certain goods and services are exempt from tax or taxed at a lower rate. A 12% rate applies to the sale of foodstuffs, restaurant, catering and tourism services. A 6% rate applies to newspapers and periodicals, transport, cinema and concert tickets. Returns for input and output VAT need to be settled each month or quarter with the Swedish tax authorities.

FRINGE BENEFITS TAX (FBT)

There is no specific FBT.

SOCIAL SECURITY CONTRIBUTIONS

Employers are liable to pay social security contributions relating to salaries and benefits paid to their employees. The social security fees levied for national social security is 31.42%. Employers also have to pay social security fees at a rate of 24.26% on pension costs. For 2012, the total of social security contributions for individuals between the age of 18 and 25 was reduced to 15.49%.

LOCAL TAXES

There are no local taxes imposed on companies.

OTHER TAXES

Stamp duty of 4.25% is levied on real property (in 2011) and 1.5% if the buyer is an individual.

A stamp duty is also levied on mortgage loans at a rate of 0.4%, 1% or 2% of the principal amount of the loan where secured on businesses, aircraft, immovable property or ships.

B. DETERMINATION OF TAXABLE INCOME

Corporate taxable income is primarily based on the financial accounts. The net profit for the year is adjusted for certain tax-related items. The taxable income of a company is determined using the accruals basis of accounting. Taxable income is based on worldwide income less allowable deductions. Generally, to be deductible, expenditure must be incurred for the purposes of the business. For flow-through entities such as partnerships and limited partnerships, taxable income is determined in a similar way as for corporations. The difference is that they are not taxable persons. Hence, the income is taxed at the partner/owner level.

Companies are allowed to make provisions to a tax allocation reserve (periodiseringsfond) of up to 25% of taxable income. The provision must be dissolved (added to income) after six years.

DEPRECIATION

SHORT-LIFE ITEMS

Equipment and machinery with a value of less than SEK 22,000 (in 2012) or with an expected economic life of three years or less may be fully depreciated in the year of acquisition.

MACHINERY AND EQUIPMENT

(1) The most common method is depreciation as recorded in the books. Depreciation of up to 30% per annum of the book value at the end of the year may be deducted.
(2) An alternative rule allows a straight-line depreciation of 20% per annum if this results in a lower book value in any year.
(3) If the taxpayer can prove that the real value of machinery and equipment is lower than that derived under both the above depreciation methods, depreciation resulting in the real value may be used instead.

INTANGIBLE ASSETS

Intangible assets are depreciated in the same way as machinery and equipment, see above. However, it is not necessary to use the same method for all assets, i.e. machinery and equipment may be depreciated with 30% and the intangible assets with 20%.

BUILDINGS

Depreciation is allowed on an annual straight-line basis calculated on the acquisition cost at the rates of 2% to 5%. This method is independent of the depreciation made in the financial accounts.

STOCK/INVENTORY

Stock and work in progress is valued at the lower of acquisition cost or market value on a FIFO basis. However, stock may be valued at 97% of its aggregate acquisition value, excluding real property, debt claim and securities.

CAPITAL GAINS AND LOSSES

Capital gains derived by a company are taxed as part of its normal business income although there are special rules for the disposal of shares. Gains on the disposal of shares in resident and non-resident companies are exempt from tax if they constitute a business-related holding. This generally applies to unquoted shares and also to quoted shares held for at least the year prior to the date of disposal and which represent at least 10% of the company's voting rights or considered necessary for the business conducted by the shareholding company or any of its affiliates.

DIVIDENDS

Dividends received from other Swedish companies are exempt from tax if the dividends derive from business-related holdings (using the same definition as above).

INTEREST DEDUCTIONS

Interest is normally deductible on an accruals basis rather than a paid basis as far as companies are concerned. There are no specific thin capitalisation rules but interest paid between affiliated companies must be at an arm's length rate.

LOSSES

Losses can be carried forward indefinitely, provided there is continuity of ownership. Losses arising on the disposal of portfolio shares may only be offset against gains arising on the disposal of similar shares. Portfolio shares are those where the shareholder has not held 10% of the voting power in the company concerned for the requisite 12-month period.

FOREIGN SOURCE INCOME

Controlled foreign company rules apply such that some corporate shareholders of foreign legal entities with low-taxed income are taxed on their share of the income as normal Swedish business income. The rules apply where the shareholder has a direct or indirect interest in at least 25% of the capital of voting rights in the foreign legal entity. The net income of a foreign legal entity is considered low taxed if it is not taxed at all or taxed at a rate lower than 55% of the Swedish tax rate (12.1% in 2013).

There are extensive exceptions for foreign legal entities that are domiciled in, and with income from, jurisdictions on the so-called 'white list', although certain types of income received by entities in those jurisdictions are excluded. From 1 January 2008, an exemption from these rules applies to income from a controlled foreign entity that is resident within the EEA if the shareholder can prove that the foreign entity is established in the other country for business reasons and is engaged in real economic activities.

INCENTIVES

There are no particular tax incentives for companies operating in under-developed areas.

C. FOREIGN TAX RELIEF

Double taxation is generally relieved by providing credits for the foreign tax paid. However, some older Double Taxation Conventions exempt foreign income from Swedish tax if it is taxed abroad. Costs related to exempt income cannot be deducted. If international double taxation cannot be avoided by credit or exemption, the tax payer may deduct the foreign tax as a cost or carry forward any surplus credit for five years.

Many Swedish Double Taxation Conventions include rules about tax sparing (matching credit). These rules can be used when investing in developing countries.

D. CORPORATE GROUPS

Consolidated tax returns cannot be filed in Sweden. However, profits may be transferred between the entities in a Swedish group of companies by group contributions. Group contributions are deductible by the contributing company and taxable income of the receiving company. The main requirements for group contributions are:

(a) The companies must be registered in the EU and taxed in Sweden and none of them must be an investment company. Due to discrimination rules, group contributions between Swedish companies are accepted even if a foreign group company holds one of the Swedish companies. Group contributions between a foreign branch in Sweden and a Swedish company are also accepted due to discrimination rules.

(b) The parent company must hold – directly or indirectly – more than 90% of the shares in the group company for the entire fiscal year. If the operation in a company starts during the fiscal year, the parent company must have held the shares from the time when the operation started.

From 1 July 2010, a Swedish resident company may deduct a group contribution paid to its subsidiary which is resident in another EU Member State, provided the parent company holds at least 90% of the shares of the foreign subsidiary and the subsidiary has been dissolved through liquidation. The deductible amount cannot, however, exceed the lower of (i) the amount of the loss of the subsidiary in its final period and (ii) the loss of the subsidiary in the previous year (i.e. the year before liquidation) calculated under the tax rules in both countries in question.

E. RELATED PARTY TRANSACTIONS

Transactions at a non-arm's length price are subject to transfer pricing rules which allow the tax authorities to make an adjustment to impose arm's length prices. Assets may be transferred between Swedish companies without any tax consequences provided that group contributions between the companies are possible. Interest paid between affiliated companies must be at an arm's length rate if group contribution rules are not applicable.

F. WITHHOLDING TAX

There are no withholding taxes on interest, royalties and rent paid from Sweden to a receiver abroad (although see the commentary in A. above regarding the deeming of royalty payments by Swedish licensees as income derived from a permanent establishment). Dividends paid to a non-resident shareholder are subject to a 30% withholding tax that may be reduced by Double Taxation Conventions. Dividends to a company resident within the EU holding 10% or more of the voting power in the distributing company are exempt from withholding tax.

Dividends to a company resident in a non EU-country are also tax-exempt provided that the shares constitute fixed business assets of the receiving company which has held 10% or more of the voting power in the distributing company for 12 months and is taxed in the country where it is resident.

G. EXCHANGE CONTROL

There is no exchange control in Sweden.

H. PERSONAL TAX

Swedish residents are subject to tax on their worldwide income and capital gains. Taxable income includes all remuneration received from employers, whether in cash or in kind, such as free food, free accommodation, company cars etc. Pensions, unemployment benefits etc are also included in the taxable income. It is permissible to deduct certain costs from the income, e.g. travelling costs between work and home up to a maximum amount set annually.

A foreign national will be liable to tax if he is regarded as resident in Sweden, which will be if he has an essential connection to Sweden, is present in Sweden for a period of more than 183 days or has his principal home in Sweden during the tax year.

Individuals pay both national income tax and municipal income tax. In 2012 taxable income of less than SEK 401,100 was subject to municipal tax only. The municipal income tax is imposed at a flat rate which varies from region to region (31.6% average, 29.58% in Stockholm). For taxable income exceeding SEK 401,100 there is also a national income tax calculated at a rate of 20% on income up to SEK574,300. On taxable income exceeding this amount the rate is 25%. Taxable income is reduced by a tax allowance related to the basic amount (an amount used for national social security purposes) and by a standard deduction.

Non-residents are subject to tax only on income from sources in Sweden. Employment income is taxed at a flat rate of 25%.

Capital income is taxed separately from income from employment at a rate of 30% and is not subject to municipal income tax. Capital income is comprised of interest, gains from the sale of capital assets, gains from the sale of real estate, dividends etc. Interest expenses and capital losses can be set off against capital income. 30% of the net capital loss up to SEK 100,000 can be set off against tax on income from employment. 21% of any excess above SEK 100,000 can be utilised in this way.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Sweden has concluded approximately 70 multilateral or bilateral Double Taxation Conventions with other States. These conventions are often renegotiated which means that the withholding tax rates frequently change. A withholding tax rate in a convention where Sweden is one of the parties may also change because of a change in a convention concluded by third parties due to a most-favoured nation provision. Therefore, it is important to consult the relevant treaty to check the withholding tax rates listed in the table below.

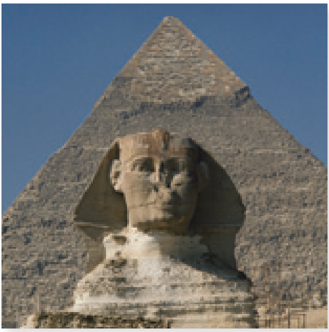
	Individuals, (1) Dividends (%)	Royalties (%)
Treaty Countries:		
Albania	15/5	5
Argentina	15/10	3/5/10/15
Australia	15	10
Austria	10/5	0/10
Bangladesh	15/10	10
Barbados	15/5	5
Belarus	10/0/5	3/5/10
Belgium	15/5	0
Bolivia	15/0	15
Bosnia and Herzegovina	15/5	0
Botswana	15	15
Brazil	25/–	25/–
Bulgaria	10	5
Canada	15/5	0/10
Chile	10/5	5/10

	Individuals, Dividends (%)	(1)	Royalties (%)
China	10/5		6/10
Croatia	15/5		0
Cyprus	15/5		0
Czech Republic	10/0		0/5
Denmark	15/0		0
Egypt	20/5		14
Estonia	15/5		5/10
Faroe Islands	15/0		0
Finland	15/0		0
France	15/0		0
The Gambia	15/0/5		5/12.5
Germany	15/0		0
Greece	0		5
Hungary	15/5		0
Iceland	15/0		0
India	10		10
Indonesia	15/10		10/15
Ireland	15/5		0
Israel	15/5		0/–
Italy	15/10		5
Jamaica	22.5/10		10
Japan	15/0/5		10
Kazakhstan	15/5		10
Kenya	25/15		20
Korea, Republic of	15/10		10/15
Latvia	15/5		5/10
Lithuania	15/5		5/10
Luxembourg	15/0		0
Macedonia	15/0		0
Malaysia	15/0		8
Malta	15/0		0
Mauritius	15/5		15
Mexico	15/0/5		10
Montenegro	15/5		0
Morocco	0		0
Namibia	15/0/5		5/15
Netherlands	15/0		0
New Zealand	15		10
Norway	15/0		0
Pakistan	– (2) /15		10
Philippines	15/10		15
Poland	15/5		5
Portugal	10		10
Romania	10		10
Russia	15/5		0
Serbia	15/5		0

	Individuals, Dividends (%)	(1)	Royalties (%)
Singapore	15/10		0
Slovak Republic	10/0		0/5
Slovenia	15/5		0
South Africa	5/15		0
Spain	15/10		10
Sri Lanka	15		10
Switzerland	15/0		0
Taiwan	10		10
Tanzania	25/15		20
Thailand	– (2) /15/20		15
Trinidad and Tobago	20/10		0/20/–
Tunisia	20/15		5/15
Turkey	20/15		10
Ukraine	10/0/5		0/10
United Kingdom	5/0		0
United States	15/0/5		0
Venezuela	10/5		7/10
Vietnam	15/5/10		5/15
Zambia	15/5		10
Zimbabwe	20/15		10

1 The reduced rate generally applies to dividends paid to corporates with a minimum participation in the Swedish company. The level of participation varies from treaty to treaty.

2 There is no reduction under the treaty – the domestic rate applies.



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