Legal 500
Country Comparative Guides 2024

Sweden
Tax

Contributor

Advokatfirman Lindahl
KB

Anna Romell Stenmark

Partner and head of the Tax team | anna.romell.stenmark@lindahl.se

Åsa Fahlén

Senior Associate | asa.fahlen@lindahl.se

Elin Myhr

Associate | elin.myhr@lindahl.se

Anders Carls

Counsel | anders.cars@lindahl.se

This country-specific Q&A provides an overview of tax laws and regulations applicable in Sweden.

For a full list of jurisdictional Q&As visit legal500.com/guides

Sweden: Tax

1. How often is tax law amended and what is the process?

Swedish tax law is not amended at a specific date. But amendments and/or tax proposals are generally included in the Swedish Government's fall and spring budgets. However, tax proposals are not limited to Government budgets and may also be proposed in bills covering specific tax issues.

Most legislative proposals presented to Parliament are initiated by the Government. Nonetheless, members of Parliament and various parliamentary committees may also submit new legislative proposals to Parliament. Before a legislative proposal is presented to Parliament, the proposal is circulated for comment to relevant consultation bodies. These bodies may be central government agencies, local government authorities or other bodies, including non-governmental organizations whose activities may be affected by the proposal. The consultation process allows these stakeholders to provide input, which can lead to adjustments before the proposal reaches Parliament for a vote.

2. What are the principal administrative obligations of a taxpayer, i.e. regarding the filing of tax returns and the maintenance of records?

Swedish taxpayers, both individuals and companies, are obliged to file an annual tax return.

For individuals the filing date for the income tax return is normally 2 May of the year after the calendar year

For companies, the filing deadline varies depending on when the company's financial year-end; July 1 (calendar year), 1 November (January-April), 15 December (May-June) or 1 March (July-August).

VAT returns must be filed, and tax paid on a monthly, quarterly or an annual basis, depending on the Company's turnover.

Employers are also required to file employer tax returns monthly, covering social security charges and taxes withheld from employees' remuneration.

From a Swedish legal perspective, Swedish companies must prepare financial statements for each financial year. Generally, the books and records for tax purposes must be maintained for seven years. Private taxpayers have only a limited obligation to maintain records for tax purposes.

3. Who are the key tax authorities? How do they engage with taxpayers and how are tax issues resolved?

The key regulatory authorities in Sweden are the Swedish Ministry of Finance, the Council for Advance Tax Rulings and The Swedish Tax Agency.

The Swedish Ministry of Finance is the primary authority in charge of preparing draft tax legislation and negotiating Sweden's double taxation treaties.

The Council for Advance Tax Rulings is a Swedish government agency that is part of the Ministry of Finance. Taxpayers may apply for a legally binding advance tax ruling with respect to the tax consequences of a planned transaction.

The Swedish Tax Agency manages civil registration of private individuals and collects taxes such as personal income tax, corporate tax, VAT and excise tax. Although the Swedish Tax Agency is accountable to the government, it operates as an autonomous public authority. Further, the Swedish Tax Agency issues guidelines for the interpretation of tax provisions and rules.

The time required to resolve tax issues can vary significantly, generally depending on the scope and complexity of the issue. Standard issues can often be resolved directly with the Swedish Tax Agency. However, in some cases with complex matters a process may take up to several months.

4. Are tax disputes heard by a court, tribunal or body independent of the tax authority? How long do such proceedings generally take?

Taxes are assessed by the Swedish Tax Agency. A taxpayer may apply for reassessments and/or appeal the Swedish Tax Agency's decision six years after the end of the calendar year in which the financial year concluded.

The extended six-year period can generally be applied by the Swedish Tax Agency to the disadvantage of the taxpayer in cases where erroneous or misleading information have been provided by the taxpayer or the taxpayer's omission of information.

Appeals can be made to the Administrative Court, then to the Administrative Court of Appeal and, if leave to appeal is granted, to the Supreme Administrative Court. Leave to appeal is only granted in approx. two percent of the cases. Generally, a leave to appeal is only granted if there is an uncertainty concerning the interpretation of tax law.

Tax disputes in Court generally take several years to be resolved.

5. What are the typical deadlines for the payment of taxes? Do special rules apply to disputed amounts of tax?

Income taxes are collected under a preliminary tax system. A company's preliminary tax liability is determined by a preliminary tax assessment based either on the latest available final tax assessment or on a preliminary tax return filed by the company. The preliminary taxes are payable in monthly instalments. Once the Swedish Tax Agency has made a final tax assessment , any balance owed by the taxpayer is payable in 90 days. Interest is payable if taxes withheld do not cover the final tax liability.

For individuals, preliminary taxes are withheld by the employer. Income taxes not covered by the preliminary taxes withheld must be paid within 90 days after the final tax statement is issued. Interest is payable if taxes withheld do not cover the final tax liability.

Assessed taxes subject to appeal are due and enforceable. However, the taxpayer may appeal for a respite with payment of appealed taxes.

6. Are tax authorities subject to a duty of confidentiality in respect of taxpayer data?

The data relating to tax matters are subject to a statutory non-disclosure requirement which basically stipulates that the Swedish Tax Agency cannot disclose any data they gained knowledge of during the tax proceedings to any third party including other public authorities. However, information included in a decision made by the Swedish Tax Agency is not protected by this confidentiality. Exchange of information and disclosure of facts between inter-governmental authorities may be permitted in some cases relating to law enforcement and criminal proceedings.

7. Is this jurisdiction a signatory (or does it propose to become a signatory) to the Common Reporting Standard? Does it maintain (or intend to maintain) a public register of beneficial ownership?

Sweden is a signatory of the Common Reporting Standard providing for the automatic exchange of information between member countries on financial accounts of non-residents. Swedish corporations are required to disclose their beneficial ownership information to the Swedish Companies Registration Office. The Swedish Companies Registration Office has developed an e-service to enable to search and access information in the register.

8. What are the tests for determining residence of business entities (including transparent entities)?

Legal entities are considered resident in Sweden if they are either incorporated in Sweden or, if not incorporated in Sweden, if the seat of the board or management is located in Sweden, or if the entity is otherwise deemed to be a Swedish entity based on other circumstances.

Transparent entities (partnerships) are not subject to income tax in Sweden. However, transparent entities are taxable for social security charges, property tax, VAT and certain other taxes, depending on the situation. A transparent entity's income is allocated to the direct and indirect partners.

9. Do tax authorities in this jurisdiction target cross border transactions within an international group? If so, how?

Cross-border transactions within an international group of companies are a main focus of the Swedish Tax Agency. International reorganizations, transfer pricing and the related documentation are often challenged by the Swedish Tax Agency in audits. If the documentation requirements are not met, the tax authorities are in principle authorized to adjust the taxable result in accordance with an assessment of the fair market value of cross-border transfers of goods and services.

Further, according to the legislation implementing the DAC 6 (Directive on Administrative Cooperation), there is an obligation to report transfer pricing transactions to the Swedish Tax Agency, that include any of the following characteristics; (i) the use of unilateral safe harbor rules, (ii) transfer of hard-to-value intangibles, or (iii) transfer of functions and/or risks and/or assets, if the projected EBIT of the transferor, during the three-year period after the transfer, are less than 50% of the projected annual EBIT of such transfer if the transfer had not been made.

10. Is there a controlled foreign corporation (CFC) regime or equivalent?

Sweden's CFC provisions aim at taxing a Swedish resident shareholder for shareholdings in low-taxed foreign entities. A Swedish resident shareholder with a holding in a CFC entity will annually be taxed for its ownership portion of the CFC's income, according to provisions applicable to a Swedish corporation. For a corporation, the corresponding result will be taxed at the Swedish corporate tax rate. Only holdings, direct or indirect through other foreign entities, corresponding to at least 25% (capital or voting rights) in the foreign entity could lead to CFC taxation.

A foreign company is considered low taxed if the income in the company, calculated in accordance with Swedish provisions, is taxed at a rate below 55% of the Swedish corporate income tax rate (i.e. 11.33 % in 2024). However, if the foreign entity is resident in a white-listed country, the shareholder is not subject to CFC taxation. Approved countries are listed in a statutory "black- and white" list. Under certain circumstances, active entities within the EEA are not considered low taxed.

11. Is there a transfer pricing regime? Is there a "thin capitalization" regime? Is there a "safe harbour" or is it possible to obtain an advance pricing agreement?

Thin Cap regime

Sweden does not have a Thin Cap regime for tax purposes.

However, interest deduction restrictions apply in accordance with the EU ATAD Directive. The rules include both targeted and general restrictions on deduction for interest expenses and provisions for hybrid arrangements.

The targeted rules apply to interest expense on intra-group loans and interest is only deductible if (i) the beneficial owner of the interest is resident within the EEA or a treaty country, or (ii) the interest is subject to a tax rate of at least 10%. Even if these requirements are met, interest is non-deductible if the purpose of the intra-group 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. Further, where the purpose of the loan is to finance an intra-group acquisition of shares, the acquisition must substantially be motivated by sound business reasons for the interest to be deductible. This particular restriction has been deemed to be non-enforceable by the Swedish Supreme Administrative Court in some cases due to EU law.

The general restriction covers both related and third-party interest expenses. The general rule applies to negative net interest expense, calculated as the difference between interest income and interest expense (for this purpose being interest expenses not restricted by other rules) and limits the interest deductibility to 30% of a tax-adjusted EBITDA. There is a safe-harbor rule under which net interest expenses up to SEK 5 million within a group may be deducted for tax purposes.

Advance pricing arrangements

Advance pricing agreements (APAs) are possible in Sweden and are governed by the Act on Advance Pricing Arrangements in International Transactions. The Swedish Tax Agency is the competent authority for such applications. Under the act, bilateral and multilateral APAs are possible. The act applies to both Swedish and foreign entities, the latter provided a permanent establishment exists in Sweden. APAs cannot cover simple matters or minor transactions. A SEK 150,000 fee per country is levied for the filing and negotiation of an APA.

12. Is there a general anti-avoidance rule (GAAR) and, if so, how is it enforced by tax authorities (e.g. in negotiations, litigation)?

Sweden has a GAAR in the Swedish Anti-Avoidance Act. A transaction may be disregarded if (i) it entails a substantial tax benefit, (ii) the taxpayer is directly or indirectly part of the transaction, (iii) the tax benefit can be considered the predominant reason for the transaction, and (iv) taxation based on the transaction would violate the purpose of the tax rules.

The Swedish Anti-Avoidance Act is applied by the Administrative Court after a request from the Swedish Tax Agency.

13. Is there a digital services tax? If so, is there an intention to withdraw or amend it once a multilateral solution is in place?

At the moment, there is no digital services tax in Sweden. Companies pay CIT depending on where they are considered to conduct their business.

14. Have any of the OECD BEPS recommendations, including the OECD's recent two-pillar solution to address the tax challenges arising from digitalisation of the economy, been implemented or are any planned to be implemented?

Sweden generally supports the BEPS action plan. Sweden has in some form implemented or already had rules or practices in place concerning BEPS Actions 2 (Hybrid Mismatch Arrangements), 3 (CFC), 4 (Interest deductions), 8-10 (Transfer Pricing), 12 (Mandatory Disclosure Rules), 13 (CbCR) and 15 (MLI). Further, Sweden has no harmful tax practices (Action 5).

The Swedish implementation of the framework for a global minimum tax has been made through a new law regulating a top-up tax. The law consists of both main rules related to Pillar II with procedural rules linked to the directive in the Swedish Tax Procedures Act. The rules have entered into force on 1 January 2024 and apply for fiscal years starting after 31 December 2023.

15. How has the OECD BEPS program impacted tax policies?

While Sweden has many rules and practices of the BEPS Actions in place, it is still reviewing existing laws for specific additional changes necessary to be in line with the BEPS Project.

16. Does the tax system broadly follow the OECD Model i.e. does it have taxation of: a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g) stamp and/or capital duties? If so, what are the current rates and how are they applied?

The Swedish tax system follows the recognized OECD Model. Tax frameworks for companies compare favorably with other OECD nations. The corporate tax rate is low by international standards and is also based solely on a company's annual profit. No municipal or local income taxes apply to Swedish companies. The Swedish tax system provides for the taxation of the following:

a) Business profit

Resident companies are taxed on worldwide income. Non-residents are taxed on business income from real estate and a permanent establishment in Sweden, income derived from the disposal of a condominium and dividend income from Swedish associations. A peculiar aspect is that a royalty payment made to a foreign recipient is deemed to constitute a permanent establishment for the foreign recipient and is taxed accordingly. The corporate income tax rate is 20.6%.

The most important items of exempt income are, under certain conditions, dividends and capital gains from the sale or other disposition of shares in Swedish and foreign companies.

b) Employment income and pensions

Income from employment include all income related to work performed, e.g. cash reimbursements (such as salary payments, sickness allowances and pensions), and benefits (e.g. company car, free travel and housing benefits).

Deductions are allowed for costs directly related to the work performed such as travel costs to and from work.

Income from employment is subject to municipal and state tax. The municipal tax rates vary between different municipalities and is within the range of 29-35%. State tax is levied at a flat rate of 20% percent on income exceeding certain thresholds. Taxation of employment is generally levied through employer withholding.

c) VAT

VAT is generally levied on the supply of goods and services. The standard rate is 25%. Certain supplies are, however, subject to a reduced rate of 12% (e.g. most foods) or 6% (e.g. books and newspapers). Several supplies are exempt from VAT, e.g. financial services, transfer of securities, lease and sale of real estate. However, under certain conditions it is possible to be voluntarily liable to VAT for the letting of real estate. Further, reversed charge applies to certain supplies, e.g. construction services.

d) Savings income and royalties

For companies, savings income and royalties are subject to 20.6% CIT at payee level and savings costs and royalties paid are generally deductible for the payer.

Income derived from savings by an individual, such as interest and dividends, is taxed at a standard rate of 30%.

e) Income from land

For companies, income from letting of land is subject to standard 20.6% CIT.

For individuals, income from letting of the private home is subject to certain deductions. The individual may make a standard deduction of SEK 40,000. Remaining income is taxed at a flat rate of 30%.

f) Capital gains

Capital gains realized by companies are in principle taxed at the standard 20.6% CIT rate. However, certain exemptions apply. An exemption is e.g. available for capital gains realized on shares the meet the requirements for being deemed business related (Sw. näringsbetingade) under Swedish tax law.

For individuals the standard tax rate for capital income is 30%. However, on dividends received from qualified shares in closely held companies' special rules apply. For capital income up to a certain dividend allowance cap the tax rate is 20%, and for amounts above the tax rate vary between 29 – 55%.

g) Stamp duties

Stamp duty is levied on direct transfers of land. The tax rate for companies is 4.25% and 1.5% for individuals. No stamp duty is levied upon the indirect transfer of land, e.g. by transferring the shares of a company owning land.

17. Is business tax levied on, broadly, the revenue profits of a business computed in accordance with accounting principles?

The business profits calculated based on Swedish GAAP are the basis for the calculation of the taxable income for corporations, partnerships and individual entrepreneurs. Certain adjustments in the depreciation of assets, deductibility of expenses and other items need be made for tax purposes.

18. Are common business vehicles such as companies, partnerships and trusts recognised as taxable entities or are they tax transparent?

Swedish tax law differs between tax transparent entities, such as partnerships, and non-transparent entities, such as corporations. For income tax purposes the taxable income of a partnership is generally allocated to its partners in proportion to their interests held and taxed at the level of the partners. Partnerships are no longer used to the same extent in Sweden as they were historically. This is most likely since partnerships cannot benefit from many of the tax rules that are deemed beneficial for corporations. However, partnerships are frequently used by different types of consultancy firms, such as law firms and realtors.

Companies are treated as separate from their shareholders. The taxable income is taxed at the level of the corporation.

19. Is liability to business taxation based on tax residence or registration? If so, what are the tests?

Swedish tax law distinguishes between unlimited resident taxation and limited non-resident taxation. In the first case, the taxpayer is subject to tax on the worldwide income, in the second case only on certain income from Swedish sources. A company is subject to unlimited taxation of its worldwide income if its statutory seat or place of effective management is in Sweden but also if it is registered in Sweden, unless the income is exempt according to Swedish law or one of the tax treaties in force.

Individuals are subject to unlimited resident taxation if they are resident in Sweden, habitually abodes in Sweden or are effectively connected (Sw., väsentlig anknytning) to Sweden.

20. Are there any favourable taxation regimes for particular areas (e.g. enterprise zones) or sectors (e.g. financial services)?

Sweden does not have special tax regimes for enterprise zones nor favorable tax regimes for financial services or co-ordination centers but there is a lower electricity tax for datacenters and lower social security charges for employees working with research and development.

21. Are there any special tax regimes for intellectual property, such as patent box?

Sweden does have any special tax regime with respect to intellectual property.

22. Is fiscal consolidation permitted? Are groups of companies recognised for tax purposes and, if so, are there any jurisdictional limitations on what can constitute a tax group? Is there a group contribution system or can losses otherwise be relieved across group companies?

In Sweden, consolidated balance sheets are not recognized for tax purposes. However, it is possible for a qualifying group to effectively offset operating losses of one Swedish company against operating profits of another Swedish company by way of group contributions, which are deductible for the contributor and taxable for the recipient. EEA companies are deemed as Swedish companies for these purposes if the recipient is taxable in Sweden. There is also a special tax regime available for tax groups where effectively the result is consolidated into one reporting entity for tax purposes (Sw. "skatterättslig commission")

A similar Swedish deduction is, under certain circumstances, also available for cross-border group relief at the Swedish parent's level within the EEA for final foreign subsidiary losses.

23. Are there any withholding taxes?

Sweden does not levy withholding tax on any other income than dividends. Dividends paid to a non-resident shareholder is 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. A new Withholding Tax Act has been proposed by the Ministry of Finance and was originally envisaged to enter into force as of January 2022. However, the proposal has been subject to discussions, and the legislative outcome is not yet wholly clear. The Swedish Government has stated that new legislation is set on pause due to the pending EU legislation on the subject.

However, a foreign recipient of royalty is deemed to have a Swedish permanent establishment and is subject to Swedish income tax on the royalties received.

24. Are there any environmental taxes payable by businesses?

There are several taxes in Sweden, whose tax base depend on the impact on the environment, e.g. various forms of energy taxes, waste taxes, tax on transportation, tax on natural resources and tax on chemicals.

25. Is dividend income received from resident and/or non-resident companies taxable?

A participation exemption regime applies to dividends and capital gains derived on business related shares (generally, shares held as inventory do not qualify). Unquoted shares in Swedish corporations constituting fixed business assets are always deemed business related. Quoted shares that constitute fixed business assets are deemed business related if at least 10% of the company's voting rights are held or if the shares are deemed necessary for conducting the business of the shareholder. 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 non-resident company. However, the features of the foreign entity must be similar to those of a Swedish limited liability company or a Swedish co-operative society (Sw. ekonomisk förening). 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 applies for partnerships and holdings in partnerships. Even if qualifying for the participation exemption, dividends are not tax exempt if the dividend is treated as a tax deductible expense in the country where the payer company is resident. Special rules apply to investment companies.

26. What are the advantages and disadvantages offered by your jurisdiction to an international group seeking to relocate activities?

Sweden has a world-class infrastructure, highly-skilled workforce, low level of corruption, little bureaucracy and a friendly business culture. Sweden excels in promoting the formation of new businesses and several global companies like Spotify, Klarna and King were all founded here.

Stockholm produces one of the highest numbers of billion-dollar tech companies per capita.

The Competition Act of 1993 prohibits big mergers and monopolies dominating the market, which makes it easier for small startup businesses to succeed.

Sweden also has an extensive double tax treaty network reducing or eliminating withholding taxes. In addition, Sweden has participation exemption for dividends and qualified shareholdings in foreign companies and there is no wealth tax.

Contributors

Anna Romell Stenmark
Partner and head of the Tax team

anna.romell.stenmark@lindahl.se

Åsa Fahlén
Senior Associate

asa.fahlen@lindahl.se

Elin Myhr
Associate

elin.myhr@lindahl.se

Anders Carls
Counsel

anders.cars@lindahl.se