



Swedish Holding Company

Guide



An attractive holding company jurisdiction

Sweden has a reputation of being a high tax country. This reputation applies more for taxes on individuals but is definitely not true for companies. The corporate tax rate of Swedish companies is 22%, which in international comparison is moderate. The effective corporate tax is often even lower through the possibility of using profit allocation reserves. Losses may be carried forward indefinitely. Losses may however not be carried back. The use of old tax losses in acquired companies is limited.

In 2004 Sweden adopted new rules concerning dividends and capital gains received by Swedish holding companies. In most cases dividends and capital gains will be tax free. This in combination with Sweden being an EU country with an extensive network of double tax treaties, lack of thin capitalization rules and no withholding taxes on interest has resulted in Sweden becoming one of the most attractive EU jurisdictions for holding company purposes, even for smaller holdings.

Dividend exemption

Dividends from “business-related shares” are tax-exempt. Business related shares are defined as shares held in other companies if one of the following conditions are met:

- ▶ The shares are not listed on any stock exchange or market place.
- ▶ The shares represent 10 % or more of the voting power in the company held (even if the shares are listed, but held for at least 12 months).
- ▶ The shares are otherwise considered necessary for the business conducted by the holding company or any of its affiliates.

Shares in EU resident companies (including shares held as inventory) are considered business-related if the holding represents at least 10 percent of the capital. Shares in companies that are resident outside of the EU may be considered business-related, provided the features of the foreign entity are similar to those of a Swedish limited liability company or a Swedish economic association.

Typically shares held by holding companies would be regarded as “business-related shares”. Thus dividends received from such subsidiaries, with a few exceptions, would be tax-exempt for the Swedish holding company.



The main exception would be dividends received from tax haven jurisdictions due to the Swedish controlled foreign company rules (CFC-rules). According to these rules profits from such subsidiary companies will be taxed at the prevailing corporate tax rate (22 percent) in Sweden regardless of whether such profits have been distributed as dividends or not. Care should therefore be taken in introducing low-tax entities into a structure involving a Swedish holding company.

Capital gains exemption

Capital gains from sales of “business-related shares” will be tax free for a Swedish holding company. However care should be taken with respect to shares in what is referred to as “shell companies” that would not be tax-exempt. A subsidiary may be treated as a shell company if the market value of its cash and other liquid assets (other than shares held for business reasons) exceed 50 percent. With careful planning, however, such problems with capital gains tax consequences on such shell companies may be avoided. Losses from sales of business-related shares are not tax deductible.

No withholding taxes on interest paid abroad

Sweden has no withholding taxes on interest. Even if the lender is domiciled in a tax haven or is also a shareholder there will be no withholding taxes on interest paid abroad. A tax haven investor would prefer a loan to the holding company rather than equity.

Lack of thin capitalization rules

Sweden has no thin capitalization rules (although, substantial interest deductions apply – see further down “Deductible interest expenses”) meaning that the investor may opt to use a very low share capital in the Swedish holding company and fund the company with a loan instead. Some care should be taken in such planning as there may be a risk that the Swedish tax authorities might try to challenge such a structure and reclassify loans as equity and deductible interest as non-deductible dividends, at least in cases where tax planning appears to be extremely aggressive.



Deductible interest expenses

Interest expenses on external loans are fully deductible, whereas interest paid to affiliated companies are deductible only if an exception applies under the Swedish interest stripping restrictions and to the extent that the arm's length principle is complied with. Under the revised 2013 interest stripping restrictions, a deduction is however not allowed for interest accruing on an intragroup loan unless the creditor entitled to the interest is taxed on the interest income at a rate of at least 10% or it is shown that the debt is justified on commercial reasons. A deduction may regardless be refused if the debt structure has been put in place mainly for the group to achieve a substantial tax benefit.

Interest expenses are deductible even if the company has used an external loan for the purpose of acquiring shares that produce tax free dividends and/or capital gains. Such deductible interest expenses may be used by the holding company to offset taxable income from other sources (like profits from CFC companies held) or accumulate such loss carry forwards for future tax purposes.

Extensive tax treaty network and EU Parent-Subsidiary Directive

Withholding taxes on dividends paid abroad is 30% unless a tax treaty or the EU Parent-Subsidiary Directive reduces or eliminates the withholding tax. Because Sweden has tax treaties with a wide number of countries and is a member of the EU, withholding taxes in Sweden are seldom a problem. Likewise dividends received by the Swedish holding company may also be subject to no or low withholding taxes in the foreign country paying the dividends.



No stamp duty or capital tax

Unlike many other jurisdictions, a Swedish company can be established without any stamp duty or incorporation tax. The same applies for increases of share capital. Furthermore, the administration related to the establishment of a Swedish company is by international comparison rather uncomplicated.

Other advantages

- ▶ A Swedish company may opt to have its accounting, including the official annual report, in Euros rather than in Sweden's own currency SEK.
- ▶ By international comparison, advisors' fees tend to be low in Sweden.
- ▶ English is widely spoken.
- ▶ Due to Sweden being perceived as a high-tax jurisdiction a Swedish holding company is likely to fall under the radar of tax authorities outside of Sweden compared to many low-tax jurisdictions.



We will be happy to provide you with services such as:

- ▶ Introductions to external auditors, tax advisors and lawyers , in case of need.
- ▶ Opening of corporate bank accounts and introduction to local banks in Sweden.
- ▶ Provision of Registered Office Address and handling of incoming mail.
- ▶ Provision of local Directors (usually recommended for holding companies).
- ▶ Company secretarial services and acting as custodian of corporate records.
- ▶ Accounting services including filing of tax returns and preparation of Annual Reports.
- ▶ General corporate management- and administrative services including invoicing, bank account management, preparation of Board meeting and General Meeting Minutes and related documents.
- ▶ Handling correspondence with the Swedish tax office and Registrar of Companies.
- ▶ Company formation and registration.
- ▶ General help with Swedish language issues.

Please contact our Nordic Business Development Director for more information about the services.

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About Us

Scandicorp is a Scandinavian corporate services provider specializing in corporate solutions and company management services. We assist international and domestic clients to structure and administer corporate entities in Scandinavia and throughout Europe. More specifically, Scandicorp assists clients to set up and manage efficient Nordic corporate structures according to individual requirements, while always remaining compliant. Scandicorp has a fresh and transparent approach towards its business relationships and aims to be a trusted partner for individuals and companies looking to start or grow a business in the Nordic countries.

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