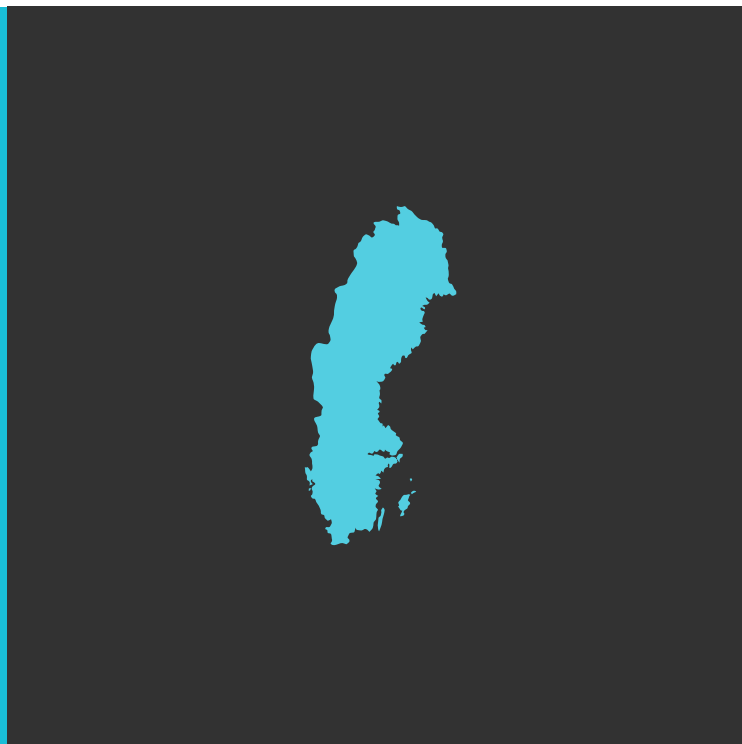


Country Guide

Sweden

Prepared by

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An aerial photograph of a rugged coastline. The sea is a deep, dark teal color, with white foam from waves crashing against dark, jagged rocks. The rocks are illuminated from above, showing some golden-brown highlights. The overall mood is dramatic and powerful.

VINGE

Doing business in Sweden

————— 2024

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This brochure contains a concise overview of the Swedish legal system and the most common questions which arise in relation to doing business in Sweden.

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Welcome to Vinge.

The information contained herein was current as per 30 January 2024 and is of a general nature. The content does not purport to be exhaustive and should not be relied upon as a substitute or replacement for individual legal advice on any specific matter. If you have a specific legal question you are welcome to address it to one of our lawyers.

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Doing business in Sweden

POPULATION

10.5 million (June 2023)

CURRENCY

Swedish *krona* (plural *kronor*):
SEK 10.48 = USD 1 (January 2023)
SEK 11.34 = EUR 1 (January 2023)

CENTRAL GOVERNMENT

Following the general election in 2022, the government consists of three parties; the Moderate Party, the Christian Democrats and the Liberals. Ulf Kristersson of the Moderate Party is Prime Minister. The next general election will be held in September 2026.

MAIN INDUSTRIES

- Engineering and manufacturing (vehicles, aircraft, ball bearings, electronic equipment, household appliances, packaging, drilling equipment)
- Wood (paper, pulp, forest products)
- Mining and steel (iron ore, steel and other metals)
- Chemicals and pharmaceuticals
- Telecommunications
- Energy
- IT

Legal system

The Swedish legal system is based on a combination of statute and case law.

Sweden has been a full member of the European Union (“EU”) since 1 January 1995. Thus, European Union law is part of the Swedish legal system.

Sweden has acceded to a number of international treaties and conventions, including the UN Convention on the International Sale of Goods (“CISG”).

Foreign investment

Foreign investment in Sweden is widely encouraged by local and central government.

Business Sweden (the Swedish Trade & Invest Council) (www.business-sweden.se) assists foreign companies seeking to invest or do business in Sweden. Some investments are subject to foreign investment control under Screening of Foreign Direct Investments Act (Sw. *lagen om granskning av utländska direktinvesteringar*) which came into force on 1 December 2023. The purpose of the act is to prevent foreign investments that may harm national security, public order, or public safety.

Grants and incentives

There is a wide range of financial incentives available to assist both Swedish and foreign-

owned companies to establish or expand their business in Sweden. These incentives include grants, loans and credit guarantees and are subject to the EU state aid rules.

There are no exchange control and currency regulations.

Business entities

Business activities conducted by foreign companies or individuals in Sweden are usually conducted through a Swedish subsidiary or branch. Generally, no operating licences are required to conduct business in Sweden. There are exceptions for specific areas such as insurance, banking and financial services, although investors approved by other EU countries may benefit from mutual recognition of such licences.

Limited companies

The most common form of legal entity used for business purposes is a limited company (Sw. *aktiebolag* or *AB*), where the shareholders are not personally liable for the obligations of the company. Limited companies can be public or private. Only public companies may issue shares or other securities to the public and have their shares listed on a stock exchange or a similar regulated marketplace.

A limited company is formed by one or more natural or legal persons. There are no residency requirements in relation to the founders.

The founders must prepare and sign a deed of formation. The deed must be submitted for registration to the Swedish Companies Registration Office (the “SCRO”) within six months, following which the company acquires the status of a legal entity. However, the most common method of starting a business through a Swedish limited company is by acquiring a so-called shelf company.

The articles of association constitute the statutes of a Swedish limited company. The articles, which have to be registered with the SCRO, must as a minimum requirement, contain provisions on, *inter alia*, the company’s name, share capital, number of board members and auditors, business object and financial year.

Shareholders and capital

There are no restrictions on the number, or (subject to FDI laws and regulation) the nationality, of shareholders. Shareholders are entitled to regulate their relations by non-public shareholders’ agreements and/or, to a certain extent, in the company’s articles of association. Shareholders’ rights are exercised at general meetings. Most resolutions are passed by simple majority but certain resolutions, such as a resolution to amend the articles of association, require a qualified majority.

All shares carry equal rights unless otherwise prescribed in the articles of association. The articles of association may prescribe different classes of shares, i.e. different rights to participate in the assets or profits of the company or different voting rights.

Subject to certain statutory restrictions, publicly listed companies may repurchase or sell their own shares. Private companies may only repurchase and sell their own shares in a few exceptional cases but may never hold their own shares for an extended period of time.

The board of directors (Sw. *styrelse*), or a central securities depository (if the company’s

shares are registered with such depository), is required to maintain a share register of all of the company’s shares and shareholders.

Public companies must have a share capital of at least SEK 500,000 and private companies must have a share capital of at least SEK 25,000.

Financial reporting and auditing requirements

An audited annual report comprising a board of directors’ report, profit and loss account and balance sheet must be submitted to the SCRO not later than one month after the annual accounts have been adopted by the annual general meeting. The annual general meeting must be held within six months from the end of the company’s financial year.

Any changes regarding the company’s directors, chairman, alternate directors, auditors, articles of association or name and any allotment or redemption of shares or reduction of the company’s share capital must be filed with the SCRO in due course. Smaller companies which meet at least two of the following three criteria, i.e. no more than (i) three employees; (ii) SEK 3 million annual return; and (iii) SEK 1.5 million balance sheet total do not need to have an auditor.

The board of directors and managing director

The board of directors of public companies and certain financial institutions, such as banks and insurance companies, must consist of at least three directors. In private companies, the board may consist of less than three directors, provided that at least one alternate director is appointed. A majority of the directors, and the managing director, must be resident in the EEA unless an exemption is granted by the SCRO.

If none of the company’s representatives is resident in Sweden, the board of directors

must appoint a duly authorised representative resident in this jurisdiction to accept service on behalf of the company.

If the board consists of more than one director, one of them must be appointed chairman. The chairman's duties include ensuring that board meetings are held when necessary, or at the request of a director or the managing director.

A managing director must be appointed in public companies and may be appointed in private companies. In public companies or companies regulated by the Swedish Financial Supervisory Authority, the managing director cannot concurrently act as the chairman of the board. The managing director is responsible for the day-to-day management of the company's affairs in accordance with the directions and instructions issued by the board and is always authorised to represent and sign on behalf of the company in relation to the day-to-day management of the company's affairs.

In the private sector, there are statutory requirements on board representation for employees, which entitle the employees through their trade unions to appoint two employees' representatives to the board, plus one alternate for each such representative consisting of more than 25 employees, and three employees' representatives and three alternate employees' representatives in certain companies with more than 1,000 employees.

Directors' duties and liability

The board is responsible for the organisation of the company and the management of the company's affairs. In particular, it must ensure that the company's accounting records, management of funds and financial matters are properly organised.

Directors are subject to a fiduciary duty to act in good faith and in the best interests of the company.

Any member of the board, or the managing director, may be liable in damages *vis-à-vis* the company where, in the performance of their duties, they wilfully or negligently cause the company to suffer damage. In order for such liability to arise, the act or omission of the person concerned must constitute a breach of the Swedish Companies Act (Sw. *Aktiebolagslagen*), the Swedish Annual Reports Act (Sw. *Årsredovisningslagen*), or the company's articles of association.

The board or any duly authorised representative thereof acts on behalf of the company and signs on behalf of the company in relation to external matters.

Voting

In order to constitute a quorum, a majority of the directors – or a higher number if stipulated in the articles of association – must be present at board meetings. Unless the articles of association require a qualified majority, the board may adopt resolutions by simple majority. If not all board members are able to attend a board meeting then, in order for a resolution to be adopted, the directors present and voting in favour of such resolution must represent more than a one-third majority of all the directors unless otherwise prescribed by the articles of association.

Parent company liability

A parent company is generally not liable for the debts and liabilities of its subsidiary. However, in a few cases the Swedish Supreme Court has held the parent company liable. In these cases, the subsidiaries were undercapitalised and dominated by the parent company to such an extent that they had substantially abrogated their independence from the parent company.

Letterhead requirements

Company letterheads, invoices and order forms must state the name of the company, the place in Sweden where the registered office is located and the company's registration number. A public company's registered name must be accompanied by the addition "(publ)" unless the company's registered name itself contains the word "*publikt*" (public).

Registered offices

The articles of association must specify the place in Sweden where the registered office is situated. Any change of address must be notified to the SCRO.

A company may move across national borders within the EU and EEA through cross-border merger, cross-border demerger or cross-border conversion.

In legal proceedings, the company will be subject to the jurisdiction of the district court in which the registered office is located, unless otherwise prescribed by legislation or by agreement between the parties to the litigation.

Branches

A foreign company or natural person may conduct business activities in Sweden through a Swedish branch (Sw. *filial*). A branch constitutes an integral part of the foreign company and is not an independent legal entity. The foreign

company owns all assets held by the branch. All liabilities of the branch are the responsibility of the foreign company.

Branches must operate under a separate trading name which must include the word "*filial*" and both the country of origin and the trading name must be registered with the SCRO. The branch must be placed under the direction of a managing director. The managing director must be resident in the EEA. However, the SCRO may grant an exemption from this requirement. If the managing director is not resident in Sweden, the foreign company must appoint a person resident in Sweden as authorised to accept service on behalf of the foreign company.

Financial accounts for the Swedish branch must be maintained. The accounts are to be held separate from the accounts of the foreign company.

Partnerships

Two or more parties may jointly conduct business through a partnership (Sw. *handelsbolag* or *HB*) whereupon all partners are jointly and severally liable for the partnership's obligations. A limited liability partnership (Sw. *kommanditbolag* or *KB*) is a partnership where one or more of the partners are not personally liable for the debts and liabilities of the partnership (Limited partners (Sw. *kommanditdelägare*)).

At least one partner must assume unlimited

liability (General partner (Sw. *komplementär*)). The remaining partners' liability is limited to the amount of their registered contributions.

Partnerships and limited liability partnerships become legal entities upon registration.

Accounting

Companies may elect any twelve-month calendar period as their financial year. The accounts must be kept in Sweden and be retained for at least seven years.

Acquisitions

Acquisitions of unlisted companies are not governed by any specific rules save for the general rules set out in the Swedish Companies Act. Such acquisitions may, however, be subject to specific provisions in the articles of association or in shareholders' agreements (such as, for example, pre-emption rights and drag and tag rules.).

Acquisitions of listed companies are primarily regulated by the so-called Takeover Rules issued by the Swedish Corporate Governance Board (Sw. *Kollegiet för svensk bolagsstyrning*).

Sources of information

There are several public sources of information on companies, including the SCRO, court records, etc. Information from these sources may often be obtained free of charge or for a minor administrative fee.

In addition, listed companies are subject to extensive continuing obligations relating to disclosure of certain information about the company and public announcements regarding important decisions and events.

Pre-contractual negotiations

The parties often prepare a memorandum of understanding, or a letter of intent, before proceeding with the actual acquisition process. These documents commonly contain provisions related to the negotiation of the transaction, the essential terms including a preliminary purchase price as well as exclusivity and confidentiality clauses.

Foreign investment control

Some investments are subject to foreign investment control under the Screening of Foreign Direct Investments Act (Sw. *lagen om granskning av utländska direktinvesteringar*) which entered into force on 1 December 2023. The purpose of the act is to prevent foreign investments that may harm national security, public order, or public safety.

Investments in companies engaged in security-sensitive activities, essential services, military equipment and dual-use items, emerging technologies, critical raw materials, metals and mineral, and location data or sensitive personal data, are subject to the screening mechanism and a mandatory notification obligation for the investor before closing.

Foreign subsidies

In the EU, notification obligations and stand stills apply to large concentrations (mergers, acquisitions and creation of JVs) and large public procurements meeting certain thresholds under the Foreign Subsidies Regulation (the "FSR"), applicable since 12 July 2023. The FSR is a control regime for foreign subsidies which is intended to address distortions of competition on the EU internal market potentially caused by such subsidies.

Concentrations involving parties established in Sweden and public procurement procedures

held in Sweden fall within the scope of the FSR. The European Commission is the sole enforcer of the FSR, although the Swedish Competition Authority (Sw. *Konkurrensverket*) is mandated to assist the European Commission in its investigations.

The FSR notifications require substantial reporting on financial contributions provided, directly or indirectly, by non-EU public authorities or public or private entities whose actions can be attributed to a non-EU government.

In addition to the notification obligations, the European Commission can examine alleged foreign subsidies on its own initiative (*ex officio* investigations) or require notification of concentrations or bids not meeting the notification thresholds (*ad hoc* notifications).

Competition law

A merger or acquisition must be notified to the Swedish Competition Authority (Sw. *Konkurrensverket*) if:

- 1) The transaction effects a lasting change in the control over one or several undertakings or businesses (including mergers, acquisitions of a controlling interest, full-function joint ventures and operations that bring about a change in the quality of control over an undertaking or business);
- 2) the aggregate turnover in Sweden of all undertakings concerned during the preceding financial year exceed SEK 1 billion; and
- 3) at least two of the undertakings concerned each had a turnover in Sweden during the preceding financial year exceeding SEK 200 million.

Please note that the Swedish concentration control rules are not applicable if the concentration has an EU dimension, i.e. if it satisfies

the thresholds set out in the EC Merger Regulation. Pursuant to the Swedish Competition Act (Sw. *Konkurrenslagen*), a concentration shall be prohibited if it is intended to significantly impede the existence or development of effective competition on the national Swedish market or a substantial part of it.

Implementation of a transaction that meets the above-mentioned thresholds before receiving a clearance decision from the Swedish Competition Authority is prohibited. However, there are no direct sanctions for failure to notify. It is normal practice to submit the notification when the concentration occurs and prior to completion, since a prohibition will render the concentration invalid. There is a standstill obligation during the Swedish Competition Authority's investigation. The Swedish Competition Authority is authorised as a first instance extra-judicial body to prohibit or clear a concentration with commitments. The decision of the Swedish Competition Authority may be appealed to the Patent and Market Court (Sw. *Patent- och marknadsdomstolen*).

The Swedish Competition Authority may order the parties to notify a particular transaction that satisfies the SEK 1 billion threshold but not the SEK 200 million threshold if there are "specific reasons" (Sw. *särskilda skäl*), e.g. competition concerns. If a transaction satisfies the SEK 1 billion threshold but not the SEK 200 million threshold, the parties may also voluntarily notify the transaction.

Formalities (private company acquisitions)

There are no formal requirements governing an agreement to acquire shares or a company's assets. However, it is customary to set out the terms and conditions of the transaction in a written agreement. A share transfer must be

registered in the share register (Sw. *aktiebok*) of the target company and, to the extent applicable, share certificates have to be physically handed over, duly endorsed to the purchaser.

An acquisition of a “qualified holding” (normally exceeding 10% of the shares or the votes) of a regulated company (banks, insurance companies, fund companies, etc.) is subject to the prior consent of the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*).

Formalities (public company acquisitions)

If a natural person or legal entity, irrespective of nationality, acquires or sells shares in a company listed on Nasdaq Stockholm, another stock exchange or on a regulated market, the listed company and the Swedish Financial Supervisory Authority must be notified when the aggregate holdings exceed or fall below certain limits. Notice is required by statute if the shareholding (including holdings of certain financial instruments) in a listed company reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 66% and 90% of the total number of shares or

votes in the company. Notice must be given not later than the trading day after completion of the relevant transaction.

The Swedish Stock Market (Takeover Bids) Act (Sw. *Lagen om offentliga uppköpserbjudanden på aktiemarknaden*) imposes on a purchaser of shares in a listed company an obligation to make a public offer to purchase all remaining outstanding shares if the purchaser’s shareholding reaches or exceeds 30% of the total number of votes in a listed company.

Any offeror submitting a takeover bid in accordance with the Swedish Stock Market (Takeover Bids) Act must undertake to comply with the Takeover Rules for regulated markets and certain trading platforms, respectively, administered by the Swedish Stock Market Self-Regulation Committee (Sw. *Aktiemarknadens självregleringskommitté, ASK*).

Tax implications

A capital gain arising from a sale or exchange of shares and assets is generally subject to tax. Capital gains on shares held by companies are in many cases exempt from tax.



Potential pitfalls – acquisition of the whole or part of a business

Employees and their rights are automatically transferred to the purchasing company by operation of law on the acquisition of the whole or part of a business that is being transferred as a going concern.

Real estate

Ownership and transfer of real estate

The main statutes governing real estate in Sweden are the Swedish Land Code (Sw. *Jordabalken*), the Swedish Real Property Formation Act (Sw. *Fastighetsbildningslagen*) and the Swedish Planning and Building Act (Sw. *Plan- och bygglag*), which contain regulations governing most of the legal aspects of establishing, owning, or utilising real estate.

There are no legal restrictions on ownership of real estate by particular classes of persons, such as non-resident persons. Acquisitions of certain classes of land may, however, be subject to permission.

In order to achieve a valid transfer of title to real estate, a written agreement must be signed by both the buyer and the seller, clearly stating the name, the purchase price and the transfer of the real estate. In addition to the transfer document it is common to use a separate contractual document containing all terms and conditions of the sale.

Registration of the transfer with the Swedish Land Registry (Sw. *Fastighetsregistret*) is required within three months of the transfer. A signed application form and documentation of authority must be sent to the Swedish Mapping, Cadastral and Land Registration Authority (Sw. *Lantmäteriet*) together with the transfer document. Registered information on Swedish real estate is, subject to some detailed exceptions, publicly available.

Tax implications

Stamp duty is levied on the transfer of real estate unless the transfer is performed through the sale of shares of a company holding the real estate.

A capital gain arising from a disposal of real estate is generally subject to tax. A capital gain on the disposal of shares in a property holding company is, in many cases, exempt from tax.

Taxation of Swedish limited companies

General structure

Limited companies in Sweden are subject to corporate tax on their worldwide income at a uniform (nominal) rate of 20.6%. However, allocations to, among other things, a “tax allocation reserve” may result in a lower effective tax rate. The tax computation is based on the audited annual accounts adjusted pursuant to the salient provisions in tax legislation. Tax calculated on a preliminary basis is charged regularly throughout the year.

An annual tax return must generally be filed within six months after the end of the financial year (seven months if filed electronically). If the preliminary payments have resulted in an overpayment, this will result in a refund.

Interest

Interest expenses at arm’s length (i.e. what would be agreed upon between independent parties) paid to affiliated companies are, as a main rule, deductible provided that the true creditor: (i) is resident within the European Economic Area; (ii) is resident in a jurisdiction covered by a full double taxation treaty; or (iii) is taxed on the interest income at a rate of at least 10% in its residence jurisdiction.

Notwithstanding the above, a deduction may

be refused if the debt structure has been constructed exclusively or virtually exclusively for the group to achieve a substantial tax benefit.

In the light of the EU Anti-Tax Avoidance Directive (ATAD) and the OECD Base Erosion and Profit Shifting (BEPS) projects, general interest deduction limitation rules entered into force on 1 January 2019. The general limitation on the right to deduct interest expenses applies to negative net interest (i.e. interest income less deductible interest costs) related to internal and external loans in the corporate sector. According to these general limitation rules, negative net interest exceeding 30% of the company's tax EBITDA may not be deducted for tax purposes. Negative net interest, which is not allowed to be deducted according to this EBITDA rule, may be carried forward during a period of a maximum of six years. However, in the event of a change in ownership entailing that a new person or entity acquires the control of the company (e.g. by acquiring shares representing more than 50% of the votes of the company), the negative net interest carried forward of the acquired company is forfeited. As an alternative to the EBITDA rule, there is a safe harbour rule where net interest expenses of up to SEK 5 million within a Swedish group may be deducted for tax purposes.

In addition, as of 1 January 2021, deductions on interest expenses on debts – both internal and external – to a company within a jurisdiction which is placed on the EU list of non-co-operative jurisdictions are non-deductible. It should be noted that there are, further to the interest deduction limitation rules outlined above, rules on hybrid mismatches under Swedish tax law.

Withholding tax is not charged on interest paid to overseas lenders.

Capital gains and intercompany dividends

Capital gains and dividends on qualifying participations are exempt from corporate tax. The exemption applies to shares held by a Swedish limited company provided that the shares are not listed. In addition, it applies to listed shares where the shareholding represents at least 10% of the distributing company's voting rights or the shareholding is connected with the business conducted by the shareholding company or by another company which, taking into account ownership or organisational circumstances, may be deemed to be closely associated with the former company. However, in order for a capital gain on listed shares to be exempt from tax, the shares must have been held for at least one year at the time of disposal. Dividends on qualified listed shares are tax exempt provided that the shares are held and continuously satisfy the qualification criteria for at least one year during which the dividend is distributed. Shares held as inventory assets do not qualify for the exemption. Special requirements apply to foreign source dividends.

Withholding tax

Dividends distributed to non-resident shareholders are subject to withholding tax at the rate of 30%. However, due to the EU Parent Subsidiary Directive, and existing tax treaties, the tax liability is often relieved or eliminated, either by way of a direct reduction of the tax deducted on remittance or by way of a refund following application

Dividends from qualifying participations, i.e. dividends on non-listed shares distributed to foreign companies, will normally be exempt from withholding tax.



Tax losses

Net operating losses may generally be deducted and carried forward for set off against future profits without any time limit. However, tax losses carried forward may be restricted or forfeited in case of a change of ownership or control of a company. There are also certain restrictions on utilising capital losses on a disposal of shares and real estate, as well as losses incurred on transactions between companies in a group. It should be noted that capital losses on qualifying participations are not deductible.

Tax allocation reserve

Allocations to “tax allocation reserves” are deductible from business income for most companies. Each annual allocation will create a separate reserve. The maximum annual allocation is 25% of the company’s net profits. Each reserve must be reserved as taxable income within six years of the year of allocation.

Tax allocation reserves are taxed on a standardised basis amounting to the government borrowing rate (Sw. *statslåneräntan*). At a minimum, 0.50% of the reserves are taxable as income on an annual basis.

Transfer pricing

In respect of transfer pricing, Swedish tax law is based on the so-called arm’s length principle. Under this principle, the Swedish Tax Agency may adjust the income of a Swedish limited company if its taxable income in Sweden is reduced as a result of contractual provisions that differ from those that would be agreed by unrelated parties. Swedish limited companies are obliged to maintain transfer pricing documentation for cross-border transactions with affiliated parties.

Other forms of taxation

Value added tax

Value added tax (VAT) is charged on the supply of goods and services effectuated in Sweden in the course of business. Goods imported into Sweden are also subject to VAT. The rate of VAT is normally 25%. Some goods and services are exempted from VAT or are taxed at a lower rate (e.g. books and food). The sale of real estate, insurance and financial services, health services, and some educational services are tax exempt.

Stamp duty and capital taxes

Stamp duty is levied on the transfer of real property and the registration of mortgages. As regards real property, the standard rates are 1.5% for individuals and 4.25% for legal entities. The rate on mortgages is 2% while the rate on a corporate mortgage (which bears certain similarities to a floating charge) is 1%. No such capital tax is payable on the issue of shares, on an increase of share capital, or on the transfer of shares.

Real estate tax

Real estate tax ranging from 0.2% up to 1% of the tax assessment value is levied on, e.g. electricity production sites, industrial premises, non-residential apartment buildings, certain undeveloped plots, leasehold sites, and for apartment buildings under construction.

As regards residential apartment buildings, a local authority charge (Sw. *kommunal fastighetsavgift*) is levied at approximately SEK 1,589 per apartment or 0.3% of the building's tax assessment value, whichever is the lower. Newly-built apartment buildings are subject to a reduced charge or are exempt.

Taxation of branches

In principle, branches are taxed in the same way as Swedish limited companies. Branch profits remitted to the head office are not subject to withholding tax.

The accounts of a branch must be kept separate from the accounts of the foreign company.

Employment

General

The Swedish labour market is regulated by both legislation and through collective bargaining agreements. Trade unions traditionally enjoy a powerful position in Sweden. Although mandatory law and/or collective bargaining agree-

ments provide the basic terms of employment, the employer must provide the employee with the key terms of employment in writing.

Employees in managerial positions are not covered by the mandatory employment protection rules in the Swedish Employment Protection Act (Sw. *Lag om anställningsskydd*) (the "EPA") and are excluded from the terms of collective bargaining agreements. For these employees, the employment is governed by the terms of an individually negotiated employment agreement. However, the EPA is applicable to employees in managerial positions to the limited extent stipulated in section 1 of the EPA, governing certain provisions on information requirements and loyalty.

Working hours

The statutory maximum ordinary working hours are 40 hours per week, excluding lunch breaks. Under special circumstances, ordinary working hours may exceed 40 hours per week as long as the average working hours do not exceed 40 hours per week during a four-week period. However, the total working hours (including, *inter alia*, overtime hours) during each period of seven days may not average more than 48 hours for a period of four months. The Swedish Work Environment Authority (Sw. *Arbetsmiljöverket*) may grant an exemption from the rules mentioned above.

Holiday entitlement

Employees are entitled to paid annual vacation of a minimum of 25 days in addition to bank holidays (roughly ten working days per year). Employees who occupy a managerial or comparable position or who are entrusted to organise their own working hours and are therefore not entitled to overtime pay, are normally compensated with three to five additional vacation days per year depending on their position. It is also common for salaried employees to enjoy addi-

tional vacation days instead of over-time payment, as there are no mandatory rules governing overtime payments. However, such rules do exist in many collective bargaining agreements.

Sick pay

Employers must pay sick pay during the first two weeks of each period of sick leave, except for a withdrawal equivalent to approximately one day's pay (Sw. *karensavdrag*). The sick pay during the subsequent days of the two-week period shall amount to approximately 80% of the employment benefits. The Swedish National Social Insurance Office (Sw. *Försäkringskassan*) is responsible for payment of sickness benefit after the first two weeks of sick leave. The state funded sickness benefit is capped. For 2024, the maximum annual amount on which sickness benefit is based is approximately 80% of SEK 573,000, i.e., SEK 458,400. For salaried employees, the cap can be lower than 80% of the actual salary. Thus, it is not uncommon that the employer provides certain additional compensation, normally up to the 90th day of sick leave.

It is also common for collective bargaining agreements to provide for such additional compensation.

Parental leave

Parents are entitled to a total of 480 days paid leave, which can be shared between them freely and used at any time before the child reaches the age of twelve or until the later date when

the child has completed his or her fifth year of school. However, 90 days of the leave are earmarked for each parent. If a parent does not use their 90 days, they will be forfeited.

Payment during any period of parental leave is funded by the state. The maximum payment level amounts to approximately 80% of the salary for the parent on leave. However, for 2024 it is capped at a maximum of approximately 80% of an annual salary of SEK 573,000, i.e. SEK 458,400 per month. It is not uncommon that the employer pays certain additional compensation to cover the part of the gap between the ordinary salary and the compensation from the National Social Insurance Office.

On returning to work, parents are generally entitled to resume their employment on the same terms and conditions.

Dismissal

According to mandatory law, a dismissal by the employer must be based on objective reasons (Sw. *sakliga skäl*). These reasons must be based on either economic, technical or organisational reasons, i.e., redundancy, or personal reasons, for instance serious misconduct or disloyalty. Summary dismissal is only possible when the employee has grossly neglected his or her duties towards the employer. In a redundancy situation, the "last in-first out" principle applies, although the principle is subject to certain exceptions.

An employer is entitled to exclude up to three employees from the order of priority in the event

of termination due to redundancy if the employer considers them to be of importance for the continuation of the business. If such exception has been made, no further exceptions will be allowed in the case of a termination occurring within three months of the first termination.

If the employer is bound by a collective bargaining agreement (or if the employee is a member of a trade union) the employer must initiate and complete consultations with the relevant trade union(s) before any action is taken in a redundancy situation. An employer who wishes to summarily dismiss an employee or terminate an employment due to personal reasons shall, within certain time-limits, inform the employee and notify the relevant trade union. Upon request from the employee or the relevant trade union, the employer is also obliged to enter into consultations.

A notice of dismissal must include certain prescribed information, regardless of the reason therefor. The period of notice normally varies between one and six months, depending on the duration of the employment. Under certain collective bargaining agreements, this period is prolonged in case of dismissal due to redundancy when the employee has reached a certain age and has been employed for a certain number of years. In case of wrongful dismissal, the employer might be liable to pay significant damages.

Loyalty and restrictive covenants

The collective bargaining agreements generally include obligations for the employee to observe confidentiality and to refrain from competition during employment. These principles are also well-established practice. Employment agreements for employees in key positions may include an undertaking by the employee restricting them from entering into any business which

competes with the business of the employer for a certain period after the termination of employment. There is no specific legislation in Sweden to prohibit such clauses.

However, there is a provision in the Swedish Contracts Act (Sw. *Lag om avtal och andra rättshandlingar på förmögenhetsrättens område*) to the effect that a covenant prohibiting competition can be modified or set aside to the extent a court of law finds it unreasonable. For a restrictive covenant to be legally enforceable, Swedish case law indicates, *inter alia*, that the covenant should generally be limited to a maximum of nine to twelve months after the termination of the employment and that certain compensation must be paid for the inconvenience caused to the employee during the restricted period.

Cost of employment

The employer must pay a national social security contribution, which for 2024 amounts to approximately 31% of the employee's gross salary as a main rule. It is also common for employers to pay contributions to employee pension schemes. The social security contribution on such payments is approximately 24% of the amount contributed.

Overseas employees

Foreign nationals other than citizens of EU/EEA countries or Switzerland generally need a work permit in order to work in Sweden. Work permits must normally be obtained before travelling to Sweden. There are tax incentives for overseas key position managerial employees and experts exempting one quarter of the overseas employee's wages and the full amount of certain employment benefits from taxation. The exemption is available upon application from the employer and for a maximum period of three years.

Posting of workers

When an employer that is established in a state other than Sweden posts workers to Sweden, the Posting of Workers Act (Sw. *Utstationeringslagen*) implementing Directive 96/71/EC into Sweden's national legislation applies.

According to the Act, the employer shall report postings and specify a contact person to be registered in Sweden. The register is maintained by the Swedish Work Environment Authority. If an employer fails to report postings and specify a contact person, a financial penalty will be imposed. When posting workers to Sweden, the employer is required to comply with certain provisions in several Swedish statutes including, *inter alia*, the Annual Leave Act (Sw. *Semesterlagen*), the Work Environment Act (Sw. *Arbetsmiljölagen*), the Working Hours Act (Sw. *Arbetstidslagen*) and the Discrimination Act (Sw. *Diskrimineringslag*).

Income tax

Swedish income tax is payable by all Swedish residents on their worldwide income. This may be subject to modification as a result of existing tax treaties for the avoidance of double taxation. Income tax is payable as national income tax (20%) and municipal income tax (29-35%). Assuming an average municipal tax rate of 32%, the effective rate of income tax in 2024 is 32% on the first SEK 598,500 of the annual income. Income above SEK 598,500 is taxed at 52% (municipal tax 32% plus national tax 20%). The income brackets are adjusted annually.

Investment income (dividend income and net interest income) and capital gains are generally taxed as income from capital at a flat rate of 30%. Special rules apply to capital gains resulting from the disposal of shares in closely held companies and on dividend income from such companies.



Marketing arrangements

Agency

Agents are protected in Sweden by the mandatory Swedish Commercial Agents Act (Sw. *lag om handelsagentur*), which came into force in 1992, implementing the EC Commercial Agents Directive. Unless an agency agreement is entered into for a fixed term, the notice period is one month during the first contract year and thereafter the notice period is prolonged with one additional month for each contract year up to a maximum of six months' notice.

When an agency agreement has either expired or been terminated, the agent may, under certain circumstances, be entitled to commission in respect of contracts concluded after the termination of the agreement. In addition, the agent may be entitled to severance compensation of an amount not exceeding remuneration for one year, based on the equivalent of the average of the agent's remuneration during the preceding five years.

Distribution

There is no specific legislation governing distributorships in Sweden. Case law suggests that a distributor is entitled to a reasonable period of notice of termination of the distribution agreement.

The provisions of the Swedish Commercial Agents Act may be applied by way of analogy, *inter alia*, in cases where the distributor forms part of the supplier's sales organisation and the distributor has extensive obligations towards the supplier. However, there is no clear authority on this. The parties' freedom to negotiate terms is to some extent restricted by competition law rules.

In terms of competition law, "vertical" agreements (e.g. distribution agreements) can be prohibited under the Swedish Competition Act if they have as their object or effect the

prevention, restriction or distortion, to an appreciable extent, of competition in the market. There is a general block exemption for vertical agreements which corresponds to that which exists in EU law.

Franchising

According to the Swedish Franchisors (Information Requirements) Act (Sw. *Lag om franschisegivares informations skyldighet*), a franchisor must give certain minimum information to a franchisee within a reasonable time before entering into a franchise agreement. Failure to furnish such information may result in an order to fulfil such information requirements subject to a conditional fine. The Swedish Franchise Association (www.svenskfranchise.se) plays an active part in a self-regulating process by requiring its members to comply with stipulated ethical rules. In terms of competition law, "vertical" agreements (e.g. franchising agreements) can be prohibited under the Swedish Competition Act if they have as their object or effect the prevention, restriction or distortion, to an appreciable extent, of competition in the market. There is a general block exemption for vertical agreements which corresponds to that which exists in EU law, which is also applicable to franchising arrangements.

Intellectual property

Intellectual property rights are protected by a set of specific statutes. Both criminal and civil liability may apply in respect of infringements of such rights.

Patents

Patents are governed by the Swedish Patents Act (Sw. *Patentlagen*). Swedish Patent applications are submitted to the Swedish Patent and Registration Office (Sw. *Patent- och registreringsverket*) ("PRV"). The registration process

generally takes around two years. Thereafter the patent can be maintained for a period of up to 20 years from the date of the application, with the exception for certain medicinal and plant protection products, for which the term of the patent may be extended by up to five years.

In order to obtain protection in other countries, an applicant may choose to apply for a *European* patent, submitted to the European Patent Office (“EPO”) or an *International* patent under the Patent Cooperation Treaty (“PCT”). A PCT application can be filed via PRV, EPO or the World Intellectual Property Organization (WIPO) and grant protection in around 140 countries. A European patent can be applied for in around 40 countries and the applicant can choose to either validate the patent in the individual countries or to request a unitary protection, which will provide identical protection and the same legal effect in all EU countries participating in the Unitary Patent system (currently 17 countries). Holders of unitary patents will also be able to enforce their rights in a supranational court, the United Patent Court.

Trademarks

Trademarks are governed by the Swedish Trademarks Act (Sw. *Varumärkeslagen*). Exclusive protection may be obtained either by registration with PRV or by extensive use by the proprietor or its licensee. It takes approximately six months to register a trademark. The term of registration is indefinite, subject to renewal every ten years.

Sweden is a party to the Madrid Agreement and has implemented the Trade Mark Directive. As a member of the European Union, Sweden applies Regulation (EU) 2017/1001 on the European Union Trade Mark.

Copyright

Copyright is governed by the Swedish Copyright Act (Sw. *Upphovsrättslagen*). No registration or

other formalities are required to obtain protection under the Act. Works are protected by copyright upon creation. The author, or creator, may assign economic rights to a work, but certain moral rights remain vested with the author or creator.

Copyright protection lasts for the lifetime of the author or creator and for a period of 70 years thereafter.

Sweden is a party to the Berne Convention and the Universal Copyright Convention. Sweden has implemented European Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society.

Designs

Designs are governed by the Swedish Design Protection Act (Sw. *Mönsterskyddslagen*) as well as Council Regulation (EC) No 6/2002 on Registered and Unregistered Designs. A design may be registered with PRV if it qualifies as a novelty and differs substantially from other previously known designs.

Protection under the Act lasts for renewable terms of one or several five-year periods with a total, maximum, protection time of 25 years.

Sweden is a party to the Paris Convention and the Locarno Agreement.

Trade secrets

Protection for trade secrets is governed by the Swedish Trade Secrets Act (Sw. *Lag om företags-hemligheter*). The Act prescribes both criminal and civil liability for unauthorised use or disclosure of trade secrets.

Infringement investigation

Upon petition of a proprietor or a licensee showing reasonable cause for suspicion of an intellectual property infringement, a court may grant leave for a so-called infringement investigation.

An infringement investigation is executed through the local Enforcement Authority, which is empowered to record and document objects, and make copies of documentation, relevant to the investigation.

Sweden has implemented European Directive 2004/48/EC on the enforcement of intellectual property rights.

Unfair marketing

Advertising and other marketing measures are governed by the Swedish Marketing Act (Sw. *Marknadsföringslagen*), as well as certain other specific regulations regarding products such as tobacco, pharmaceutical products and alcohol.

The Swedish Marketing Act contains prohibitions against unfair marketing in general and against certain specific marketing practices in particular, such as aggressive marketing and misleading marketing. Use of unfair marketing practices may result in an injunction to cease such use subject to a conditional fine. In certain cases, liability in damages towards third parties may also arise.

Product liability

The Swedish Product Liability Act (Sw. *Produktansvarslagen*) is based on the European Community Directive on Liability for Defective Products. The Act is mandatory and imposes strict liability on sellers, importers and/or manufacturers for personal injury and damage to property suffered by individuals and caused by a product that is defective, as set out in the Swedish Product Liability Act.

In certain circumstances, sellers, importers and/or manufacturers may also be liable in damages under general tort or contract law.

Sweden has also adopted a Product Safety

Act (Sw. *Produktsäkerhetslagen*), based on the European Community Directive on Product Safety, under which marketing and sales of products or services may be restricted or prohibited by a public authority for safety reasons. Further, it should be noted that the European General Product Safety Regulation has entered into force and will apply from 13 December 2024, repealing the European Community Directive on Product Safety, and changes to the Swedish legislation are therefore expected. The Regulation was introduced, *inter alia*, to address the challenges posed to product safety by digitalisation and the changes introduced include e.g. specific obligations imposed on online marketplaces.

Dispute resolution

Court system

The Swedish courts are divided into:

- **Courts of general jurisdiction** (the district courts, the Courts of Appeal and the Supreme Court) which are seized with jurisdiction in respect of civil and criminal cases;
- **Administrative courts** (county administrative courts, Administrative Courts of Appeal and the Supreme Administrative Court) with jurisdiction in respect of issues of public law, including taxation;
- **Specialist courts** for disputes within certain legal areas such as labour law, environmental law and market regulation.

In civil litigation, costs follow the event which means that the unsuccessful party is normally required to pay the successful party's litigation costs, etc.

Sweden is a party to the Lugano and the Brussels Conventions. By virtue of its membership of the EU, Sweden is also bound by the Brussels Regulation on Jurisdiction and the

Recognition and Enforcement of Judgments in Civil and Commercial Matter.

Arbitration

The institution of arbitration has an exceptionally long tradition in Sweden and Stockholm is often chosen as the venue for international arbitration. The state courts have conscientiously upheld a pro-arbitration stance in their supervisory functions. The SCC Arbitration Institute (formerly the Arbitration Institute of the Stockholm Chamber of Commerce) has for decades distinguished itself internationally in the service it provides to the arbitration community.

Sweden is a signatory to the 1958 New York Convention, and foreign awards may be enforced in Sweden regardless of the foreign country in which the arbitral proceedings took place.

The main source of arbitration law in Sweden is the Swedish Arbitration Act (Sw. *Lagen om skiljeförfarande*) which contains both procedural and substantive regulations.

An arbitral award is final and is not subject to substantive review. However, arbitral awards may be challenged for reasons set out in the Arbitration Act. An award may, for example, be set aside after challenge as a result of procedural errors which are likely to have influenced the outcome of the case. Further, an award is invalid if, for example, the award, or the proceedings leading to the award, is contrary to public policy.

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