Introduction

1. Please give a brief overview of the types of taxes imposed in your jurisdiction (i.e., direct and indirect taxes and their components.)

Income is calculated for individuals in three different sources: employment, business and capital.

You can deduct a basic allowance of between SEK 12,600 and SEK 33,000 on taxable earned income (employment and business activity) if you have had unlimited tax liability for the whole year.

After the basic deduction you pay the following taxes on taxable earned income: municipal tax in your municipality of residence (approx. 30-33%), church tax and burial charges (approx. 1-2%), state progressive income tax. State income tax is 20% of the part of your taxable earned income exceeding SEK 367,600 (2008: SEK 328,800). If your taxable earned income exceeds SEK 526,200 (2008:SEK 495,000), you have to pay state income tax of a further 5 per cent on the part exceeding SEK 526,200 (2008:SEK 495,000).
On income of capital only a flat rate national income tax is levied, 30%.

National corporate income tax is presently 26.3% and is paid by limited liability companies, economic associations and foundations.

The VAT rate is generally 25% but can exceptionally be 6% (e.g. books) or 12% (e.g. food).

The social security contribution rate is, depending on whether you are an employer or a self-employed person, between 29.7 to 31.4%.

Examples on selective purchase taxes in Sweden are on tobacco, alcohol, energy, lottery, waste, gambling and advertising.

If you own a detached or semi-detached house for one or two families, so called “småhus”, in Sweden you will have to pay a municipal property fee. For 2009 you will have to pay a fee of a fixed amount of SEK 6,362, or a maximum of 0.75% of the total assessed value for the house and its plots. The fixed amount is linked to an index which follows changes in the Swedish income base amount. Presently the income base is SEK 48,000. On average, the increase the last couple of years has been around four per cent. The property fee for the whole income year will be paid by the person who owned the house on 1 January each year. Newly constructed houses are exempted from the property fee for the first five years and pay half the fee for the next five years.

Real-estate contribution is also levied on residential apartment houses (maximum SEK 1,272 for every apartment or 0.4% the assessed value if this amount is lower). There is a real-estate tax levied on other real estates, such as undeveloped plots, leasehold sites, apartment buildings that are non-residential premises, industrial premises etc. The rate is between 0.4-2.2%.

As from 1 January 2007 no wealth tax is levied in Sweden. A stamp tax is payable on a deed of transfer of real estates. The stamp tax is 1.5% for individuals and 3% for legal entities.

INCOME TAXES – AS APPLIED TO BUSINESS ENTITIES AND INDIVIDUALS

Calculation of Income/ Profit Taxes

2. How is the taxable base determined?

   Individuals
   + Income of employment (e.g. salary, benefits, expense allowance, pension)
3. **What revenues are included?**

Income of employment - e.g. salary, benefits, expense allowance, pension, sickness allowance, life annuity i.e. almost all remuneration an employer receives from his or her employer.

Income of capital – only individuals can have this income. All income that is not assignable to income of employment or business is assignable to income of capital. Principally, all income and deductions are granted for all expenses assignable to assets. All capital profit is subject to tax.

Income of business – The main rule is that remuneration for goods, services, equipment, return on assets, capital profit and all other income in the business are included. There are a few exceptions to this rule e.g. insurance remuneration for damage on assets.

4. **What deductions are allowed?**

Income of employment

Deductions are granted for the following:

- travel to and from work: Deductions for traveling expenses between the residence and place of work are granted only if the expenses exceeds SEK 9,000. If the self employed person has expenses exceeding SEK 9,000 there are further conditions to fulfill. For example, the distance between the residence and place of work has to be more than five kilometers. Deduction is only granted if the self employed person, by using the car instead of public transportation, regularly saves a minimum of two hours a day. If the self employed person use his or her own car deductions for traveling expenses of SEK 18,50 can be made.
- on-the-job (business) travel with a private vehicle
- higher living expenses in conjunction with business trips.
- higher living expenses because of dual residence
– journey home once a week if the place of work is situated more than 50 kilometers from home

Income of business
Deduction can be claimed on all costs necessary to maintain and develop the business operation. Cost for employees and their welfare, research, representation, marketing and other activities promoting the business’s sales and social security contribution. Established losses, expenses for future guarantees with an amount calculated on the risk of fulfilling the guarantee bond and expenses for courses and education

5. **What are the major expenses that are not deductible?**

Income of employment
- Personal living expenses

6. **What are the applicable federal rates?**

From the 1 January 2009 the corporation income tax is 26.3% (previously the rate has been 28%)

State income tax is 20% of the part of your taxable earned income exceeding SEK 367,600 (2008: SEK 328,800). If your taxable earned income exceeds SEK 526,200 (2008:SEK 495,000), you have to pay state income tax of a further 5 per cent on the part exceeding SEK 526,200 (2008:SEK 495,000).

7. **What are the applicable state and/ or other local rates?**

Municipal tax: 30-33% (in Gothenburg 32,72%, including church fee 0,84%, funeral fee 0,13%, tax to the municipality 21,3% and tax to the county council 10,45%.

8. **What are the applicable capital gains rates and base, if different and concessional tax treatment in case of business re-organization such as amalgamation, slump sale, demerger, etc?**

The capital gain rate is thirty percent.

9. **How are operating losses handled?**

Limited liability companies etc.
The main rule is that losses in income of business from previous taxable years are deductible. There are however restrictions in companies after inter alia changes in the
owner stricture, after bankruptcy, composition and debt restructuring and after qualified merger and fission.

Individuals:
Individuals who have income of business, self employed individuals, can deduct the taxable year the individual has started the business and the following five years. The deduction is limited to SEK 100,000 a year. Deduction is not allowed if the individual has pursued similar business the last five years or if a real estate, on the owner’s request, is part of the business instead of being a private residence. In reality it is therefore possible to set off losses in income of business against employment income.

10. How are capital losses handled?

Income of capital – only seventy per cent of the capital losses are deductible. The deduction is made on income of capital. If you have a deficit from capital, your tax is automatically reduced in the form of a tax reduction when calculating your final

Territorial Rules

11. What are the residence rules?

Individuals
If you are resident in Sweden, have a habitual abode in Sweden or have an essential connection with Sweden, you have unlimited tax liability here. This means that you are liable to tax on all income both in Sweden and abroad.

A person is considered resident in Sweden if his or her actual residence is here. This normally means anyone who is registered for population purposes here or who takes his or her daily rest here. A person moving to Sweden has unlimited tax liability from the date of arrival here.

To be considered to have a habitual abode in Sweden a stay of at least six months is required. The period of stay is calculated without taking account of the turn of the year. Temporary interruptions to the stay in Sweden are irrelevant.

Even if you move from Sweden you may still be considered to have unlimited tax liability here. This applies if you have been resident here and has an essential connection with Sweden. If you cannot yourself show that you have no essential connection you will be regarded as having an essential connection for five years from your departure if you are a Swedish citizen or have lived in Sweden for at least ten years. Circumstances that give an essential connection with Sweden is e.g. having a family or a house in Sweden, carrying on business activity in Sweden in the form of
a private business or a company, having a Swedish citizenship, if he or she is not permanently resident in a foreign country. Other circumstances may also be of relevance and an overall assessment is made.

If you do not have an essential connection after leaving, your tax liability ceases on departing from Sweden. Otherwise the tax liability ceases when the connection can no longer be regarded as essential.

Legal entities
Legal entities are unlimited tax liability in Sweden if they are registered here or if registration is not made, they are considered as Swedish legal entities because of the place for the board of directors or any other circumstance.

An unlimited tax liable legal entity is liable to tax assignable to both Sweden and abroad.

12. Is worldwide income taxed?

If you are subject to unrestricted taxation you are liable to tax on all income both in Sweden and abroad. Provisions in tax agreements with other countries may mean that the Swedish right to tax is restricted.

13. Tax credits - Are there tax credits relating to legal dispositions other than provisions in Double Taxation Treaties, on the possibility of deducting taxes paid abroad, or any others?

According to the law of tax credit, tax credit can be made against the Swedish tax on the part of the foreign tax on the income. To fall within the law you have to be subject to unrestricted taxation in Sweden or subject to restricted taxation and have had an income assignable to a permanent establishment in Sweden. The income has to be taxable according to the Income Tax Act, the person has paid tax on the income abroad and according the tax legislation in the foreign country the income has to be assignable to that country. The tax credit shall be against national and municipal income tax.

Withholding Taxes

14. What are the rates on dividends for withholding taxes?

Dividend payments beneficially owned by non-residents are liable to a 30% non-resident withholding tax. Depending upon the persons's residency, however, it may be possible to reduce the rate of tax payable in accordance with the provisions of a
double taxation treaty. Dividends on Swedish shares and participations in Swedish securities funds are subject to dividend tax according to Kupongskattelagen (1970:624) or in English, Dividend withholding tax Act. Both individuals and legal entities that are subject to restricted taxation are subject to tax when receiving dividends.

15. What are the rates on royalties for withholding taxes?

Sweden has no withholding tax on royalties.

16. What are the rates on interest for withholding taxes?

Sweden has no withholding tax on interest.

17. What are the rates of withholding tax on profits realized by a foreign corporation?

Sweden has no withholding tax on profits realized by a foreign corporation. According to the Income Tax Act limited tax liable individuals or entities are liable to pay taxes if they carry on business activity from a fixed place of business or have a business property here. They have to pay state and municipal income tax on such business income.

18. Please list any other rates on withholding taxes that we should be aware of.

N/A

Tax Returns and Compliance

19. What is the taxable reporting period?

Income tax: one financial year.
VAT: once a year if the taxable base is less than SEK 200,000 and the individual or entity shall report VAT in his/its income-tax return form, every quarter of the year if the taxable base more than SEK 1,000,000 but less than SEK 40,000,000 and every month if the taxable base exceeds SEK 40,000,000.

The local government charge and the real estate tax shall be paid for the whole income year by the registered owner at the beginning of the year.
20. **What are the due dates for the filing of tax returns?**

You must submit the tax return not later than 2 May. If you are resident or have your habitual abode abroad you must submit the return not later than 31 May. You may send it by post, but this must be done early enough to allow the return to reach the Swedish Tax Agency on time. If you submit a tax return too late you risk having to pay a late filing penalty. In many cases you can submit your tax return via the Internet, by phone or by sms.

21. **What are the key compliance requirements?**

If you have unlimited tax liability you submit Inkomstdeklaration 1 [Personal Tax Return 1] if:

- you have been resident in Sweden during the whole 2008 and had taxable earned income (income from employment and income from active business activity) of SEK 17 343 or more.
- you have been resident in Sweden during part of 2008 and had taxable earned income of SEK 100 or more.
- you have had capital income of SEK 100 or more and there has not been a tax deduction of the whole amount.
- you have received - from a close company or closely held partnership - dividend income, profit on sale of shares, or other payments and emoluments which are to be shown as income from employment or you have had income from passive business activity for at least SEK 100 in total during the fiscal year.
- you have owned real property or part of real property during 2008.
- you have been instructed to submit a tax return.

If the Swedish Tax Agency has information concerning the income and deductions you have had, you will receive a tax return form with this information preprinted.

If you have limited tax liability you must submit Inkomstdeklaration 1 [Personal Tax Return 1] if:

- you have had an income of SEK 100 or more. If you have paid SINK-tax (Special income tax for non-residents) on your income you do not need to submit a return. Nor need you declare dividends from Sweden.
- you have owned real property (e.g. a house, holiday property, land) or part of real property in Sweden during 2008.
- you have been instructed to submit a tax return.
22. Are there any other requirements that we should be aware of regarding tax returns and compliance?

No

INDIRECT TAXES

23. Are there any indirect taxes in your jurisdiction?

Yes. VAT and sales taxes.

24. How does it operate? Is it a VAT or a sales tax?

VAT is levied on almost all consumption of goods and services. VAT is paid by all consumers, but payments directly to the state are made by businesses. VAT is an expense for those who pay it to the state.
Selective purchase tax is levied on tobacco, alcohol, energy, lottery, waste, gambling and advertising.

25. How is the taxable base determined?

VAT: taxable supply of goods and services after deducting input value added tax.
Sales taxes: taxable volumes

26. What are the applicable rates?

The general VAT rate is 25%.

The VAT rate is 12% for foodstuffs all substances or products intended to be eaten or can reasonably be expected to be eaten by people), sale of works by the artist or the artist’s estate, import of works of art, collector’s items and antiques, letting of rooms in hotel and boarding-house businesses.

The tax rate is 6% for books, brochures, pamphlets and such works including single leaflets, newspapers and magazines regardless of subject matter (such as news magazines and weekly magazines), picture books, drawing books and coloring books for children, sheet music, maps, such as atlases, wall maps and topographic maps, passenger transport (travel), including taxis, trains and domestic flights, entrance fees to concerts and circuses, cinemas, theatres, ballet or opera performances and similar, library and museum activities, entrance fees and guiding fees for animal parks,
services in the field of sports, such as fees for participating in sports or entrance fees to sporting events, grant or transfer rights to certain copyrighted works.

The 25% rate is to applied to grants and transfers regarding photographs, advertising work, information films, computer systems and computer software, grant or transfer rights to sound or image recordings of an artist’s or actor’s performance of literary or artistic work, programs and catalogues issued for information about activities. There are a number of goods and services that are exempt from VAT. There are also some exceptions to the above rates.

Sales tax
Alcohol: There are different rates depending on the type of alcohol and the alcohol-rate.
Tobacco: The general rate is SEK 0.31 per cigarette and 39.2% of the retail price, SEK 1.12 per cigar or cigarillo and SEK 1.560 per kilo smoking-tobacco, SEK 336 per kilo moist snuff and SEK 402 per kilo chewing-tobacco
Advertising: Advertisement in daily newspapers are taxed at the rate of 3% and in other printed media 8%

27. Are there any exemptions?

VAT: Banking and financial services, dental care, insurance and insurance agency work, staff magazines, medical care, letting of property,

28. Are there any other taxes such as debit or financial transactions taxes enforced in you jurisdiction?

No

PARAFISCAL CONTRIBUTIONS

29. Are there any parafiscal contributions (i.e. social security, science and/or technology)?

Employer's contributions
Employer's contributions are paid by the person who has paid employees for work and is calculated on the sum of salaries and benefits paid.

The employer's contributions are made up of the following charges: old-age pension charge, survivor's pension charge, sickness insurance charge, parental insurance charge, work injury charge, labour market charge and general payroll tax. For 2009 they amount in total to 31.42% of the total salary (2008: 32.42%). A foreign
employer without a fixed place of business in Sweden does not pay the general payroll tax, however, and the charges then total 23.93% in 2009 (2008: 24.93%).

On payment to persons born 1938 - 1943 employer's contributions of 10.21% are payable, consisting of old-age pension charge. If the employee is born 1983-1990 (person who at the beginning of the year has reached the age of 18 but not 26) the employer's contributions will be 15.49% and are made up of the old-age pension charge and half of the other charges.

If you work in Sweden for a foreign employer without a permanent establishment in Sweden, you and your employer may agree that you pay social security contributions in the form of self-employed person's contributions.

If you have social insurance in another country, your employer pays no employer's contributions in Sweden.

Self-employed person's contributions
If you are self-employed and carry on business as a one-man business or partnership you must yourself pay social security contributions in the form of self-employed person's contributions. The self-employed person's contributions are calculated on the net income, i.e. the surplus from business activity. If you carry on business in a limited company the company pays employer's contributions on your salary in the same way as for employees.

Self-employed person's contributions consist of the same component charges as the employer's contributions listed above but the sum of the charges is 29.71 per cent in 2009 (2008: 30.71 per cent). For persons born in 1943 or earlier reduced charges are paid, 10.21 per cent. If you are born 1983-1990 (i.e. you have at the beginning of the year reached the age of 18 but not 26) the contributions will be 15.07 per cent.

If you have social insurance in another country, you do not have to pay any self-employed person's contributions.

30. How do they operate?

See question above.

31. How is the taxable base determined?

Employer's contributions are calculated on the sum of salaries, fees, benefits and other remuneration for work the employer has paid to the employee.

The self-employed person's contributions are calculated on the net income, i.e. the surplus from business activity. If you carry on business in a limited company the company pays employer's contributions on your salary in the same way as for employees.
32. What are the applicable rates?

Employer's contributions: 32.42%
The self-employed person's contributions 29.71%

33. Are there any exemptions?

If you have social insurance in another country, your employer does not pay any employer's contributions in Sweden.

INHERITANCE AND GIFT TAXES

34. Are there inheritance taxes, gift taxes or any other taxes like Wealth Tax, etc.?

No

35. If you answered yes to the question above, please describe what triggers the requirement for the tax, what the rate of tax is, and what is included in the taxable base.

N/A

OTHER MATTERS

36. Are there any tax incentives granted for various matters such as research and development, investment in certain industries/areas, etc.?

Yes

37. If so, please indicate if there are any of the following: anti-deferral regimes; transfer pricing provisions; tax avoidance measures like legislated General Anti-Avoidance Rules, etc.; controlled foreign companies regulations; thin capitalization rules

Anti-deferral regimes: No

Transfer pricing provisions: Yes. Swedish law on transfer pricing is based on the so-called arm’s length principle. Under this principle, the Tax Authority may adjust income of a Swedish company if it is taxable income in Sweden is reduced as a result
of contractual provisions that differ from those that would be agreed by unrelated parties.

Anti-Avoidance Rules: To prevent tax avoidance there is a special Act, “Skatteflyktslagen” (The Tax Avoidance Act).

Controlled foreign companies Regulation: The premise of the new CFC-rules is that a person, whether a legal entity or individual, holding 25% or more of the equity or voting rights in a foreign legal entity with low taxed income, is taxed in Sweden for his share of the foreign entity’s income. A foreign entity is considered having “low taxed income” if the entity’s net income – as computed under Swedish rules – has been taxed at a rate below 15.4%. There is, however, a general exemption from CFC-taxation for companies in certain countries according to a special “white list”, with the exception of certain businesses in some cases. Most of the countries with which Sweden has a double taxation treaty are included on this list.

Thin capitalization rules: No

38. List the countries in which there are tax treaties. This could impact the withholding taxes on various distributions and to the extent possible, please itemize them below. Please include the impact upon withholding on compensation, interest, dividends or other distributions for each country listed.

Sweden has double tax treaties with over eighty countries.