

Private Company:

SWEDEN



- Limited Liability Company
[Aktiebolag / AB]
- Partnership
[Handelsbolag / HB]
- Limited Partnership
[Kommanditbolag / KB]

- ✓ Formation and Registration
- ✓ Bank Accounts
- ✓ Professional Administration

Sweden: general advantages

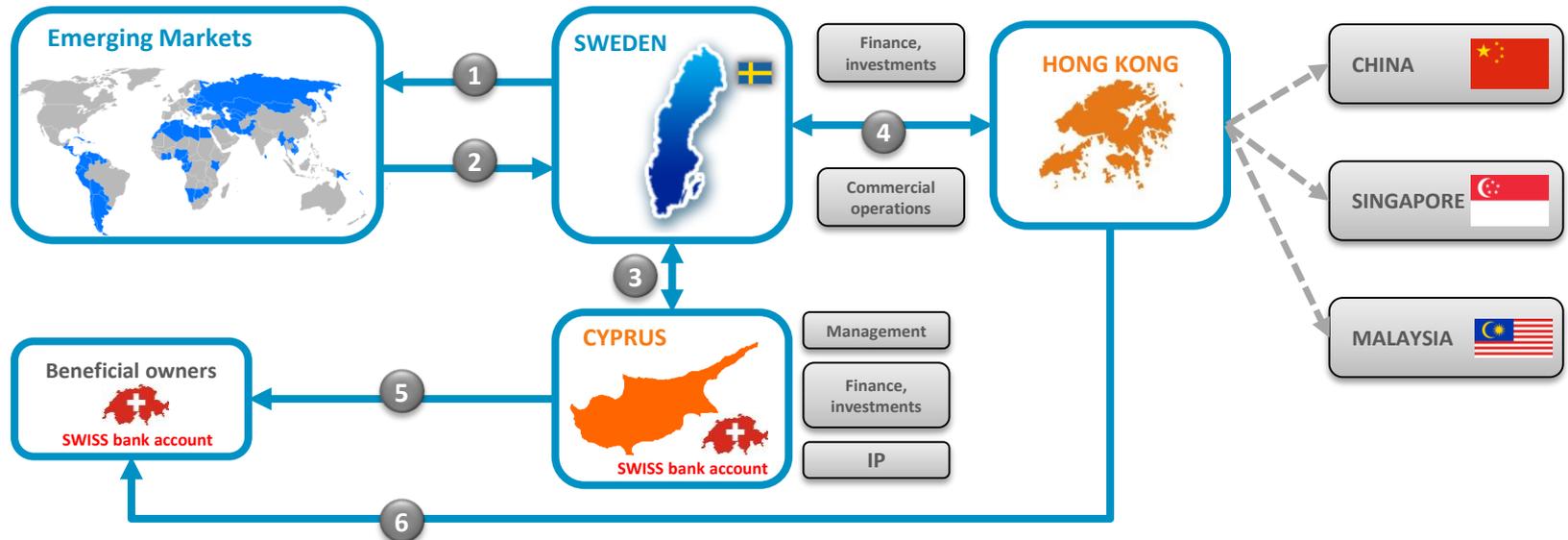
- ✓ Sweden has been a **full member of the European Union** since 1995. Thus, European Union law is a part of the Swedish legal system. Sweden is #3 in the global ranking as the most innovative economy
- ✓ The Swedish **legal system** is based on a combination of statute and case law
- ✓ **Euro is not used as a national currency** and there are no plans to reject the Swedish krona in the nearest future. This has a positive impact on the banking system and protects Sweden against negative effects of the financial problems other EU countries face
- ✓ **Economy and infrastructure are focused on foreign trade**
 - Export activity in Sweden is free and largely unregulated by a state
 - No exchange control and currency regulations
- ✓ **Competitive business taxation:**
 - **Corporate INCOME tax rate - 22%**
 - **An EXTENSIVE tax treaty network with relief from double taxation - 80+ countries**
 - **NO withholding TAX on interest and royalties**
 - **NO withholding TAX on dividend under EU Directive or low tax rate under tax treaties**
 - **Tax EXEMPTION on capital gains (qualifying participations)**
- ✓ **Strong and reliable banks with attractive cost of service**
 - Swedish biggest banks are financially strong and well-capitalized
 - Swedish banks remain relatively low commissions both for EU and international payments
- ✓ **Simple respectability and unnoticeable stability**
 - Lack of political risks
 - Advanced economy and financial system
 - Indisputably high-status jurisdiction for cross-border transactions

Swedish company could be an efficient vehicle for following business purposes:

- Business structuring and asset protection as a **holding** entity
- Commercial **loan and business funding** operations
- Cross-border **commercial trade and IP sublicense** operations

Sweden: Cross-border commercial and financial operations

An example of assets structuring and cross-border transactions within the international holding



The beneficiary owners directly hold the Cyprus and Hong Kong companies. The Cyprus company becoming a founder of the Swedish company

1. The Swedish company has assets in emerging market countries, doing commercial trading, issue IP sub-licenses, and provides lending and funding to the subsidiaries or third parties.
2. The emerging market company paying dividends, royalties and interest to Sweden in accordance with the tax treaties (withholding tax on dividends - min. 5%, royalty, interest - 0% in most cases)
3. The Swedish company income in the form of dividends, interest and royalties with minimal cost paid to Cyprus company.
4. The part of the Swedish company income may be used for trade financing and procurement with Hong Kong company, with the subsequent sale of goods to the Swedish company and their reselling to emerging markets.
5. The dividends from Cyprus to non-resident beneficiary owners are not taxed in Cyprus.
6. The Hong Kong company revenues are paid to beneficiary owners in a tax-free way.

Sweden:

Aktiebolag (AB) - limited liability company

- ✓ **The most common legal form of business organization** is a limited liability company (**Aktiebolag or AB**), where **shareholders are not personally liable** for the obligations of the company
- ✓ **One or more founders, who must meet certain requirements**, can form a limited liability company:
 - *Person residing in the European Economic Area territory (EEA) = EU + Iceland, Norway, Liechtenstein*
 - *Swedish legal entity*
 - *Legal entity established in the EEA with headquarters or major operations in the EEA*
- ✓ Swedish company **Managing Director must be a resident of the EEA**. In some cases, the Company Registrar **may grant an exemption** from this requirement
- ✓ **If none of the company representatives is a resident in Sweden**, Director / Board of Directors must **appoint an authorized person, a resident in Sweden**, as a contact person for communication with the authorities of Sweden, on behalf of the company
- ✓ There are **no restrictions on the number or citizenship** of company shareholders
- ✓ **Shareholders have the right** to regulate their relations in accordance with **private, non-public agreements** or to a certain extent, in accordance with **the Articles and / or Memorandum of Association**
- ✓ **All shares have equal rights, unless otherwise provided in the Articles**. The Articles of the company can define **different classes of shares**, i.e. different **rights to participate in the assets or profits of the company, multiple voting rights, etc.**
- ✓ Private companies **must have a paid-up share capital** of at least **SEK 50,000** (around **EUR 5,700**)

Sweden:

Handelsbolag (HB) - Partnership

Kommanditbolag (KB) - Limited Partnership

- ✓ **Two or more parties** may jointly conduct business through a **partnership** where **all partners are jointly and severally liable for the partnership's obligations**
- ✓ A **limited partnership** is a partnership where **one or more of the partners are not personally liable for the debts and liabilities of the partnership**. At least **one partner must assume unlimited liability**. The remaining partners' liability is limited to the amount of their unpaid registered contributions
- ✓ Partnerships and limited partnerships **become legal entities upon registration**

	Handelsbolag (HB) - Partnership	Kommanditbolag (KB) - Limited Partnership
Number of owners:	At least 2 people or enterprises	At least 2 people or enterprises
Owner liability:	If the partnership cannot pay its debts, the partners are liable	If the partnership cannot pay its debts, the general partner is liable
Capital requirement:	No	General partner: No Limited partners: at least SEK 1
Representatives:	The partners	The general partner
Taxation:	Partners are taxed for their part of the partnership's surplus	Partners are taxed for their part of the partnership's surplus

Sweden:

Capital gains, dividends, interest and royalty

✓ CAPITAL GAINS, tax exemption

Exempt from corporate tax on qualifying participations :

- applies to shares held by a Swedish limited liability company provided that the shares are not listed
- applies to listed shares where the shareholding represents at least 10% of the voting rights, the shares must have been held for at least one year at the time of disposal

✓ DIVIDENDS, withholding tax

- NO withholding TAX on dividend distributions to a legal entity resident in another EU member state that holds 10% or more of the capital of the Swedish company
- NO withholding TAX on dividend paid on business related shares if the foreign company is taxed in the country of residence and must represent 10% or more of the total number of votes for the company and be held for at least 12 months at the time the distribution is made

In other cases, dividends are subject to withholding tax at the rate of 30%.

✓ INTEREST, withholding tax

NO withholding TAX on interest paid to overseas lenders.

There is no special rules for thin capitalization, limits on interest deductions applied to all interest expense on loans granted by affiliated companies, but so-called arm's length principle is applicable

✓ ROYALTY, withholding tax

NO withholding TAX on royalties in general and particularly:

- under an applicable tax treaty
- paid to an associated company in an EU country with a direct or indirect interest of 25% of the equity or voting rights

The recipient is taxed in Sweden on net royalty income at the ordinary corporate income tax rate of 22%

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Business Structuring & Professional Services in Sweden

- ✓ Companies & Holdings Formation and Registration
- ✓ Managing director and trustee services
- ✓ Corporate bank accounts

- ✓ Agency services for international commercial transactions
- ✓ Financial agency services under the commercial loan agreements
- ✓ Sublicensor services under the international license agreements

- ✓ Swift transaction acceptance and competitive commission rates
- ✓ Absence of mutual dependence between the parties and confidentiality

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