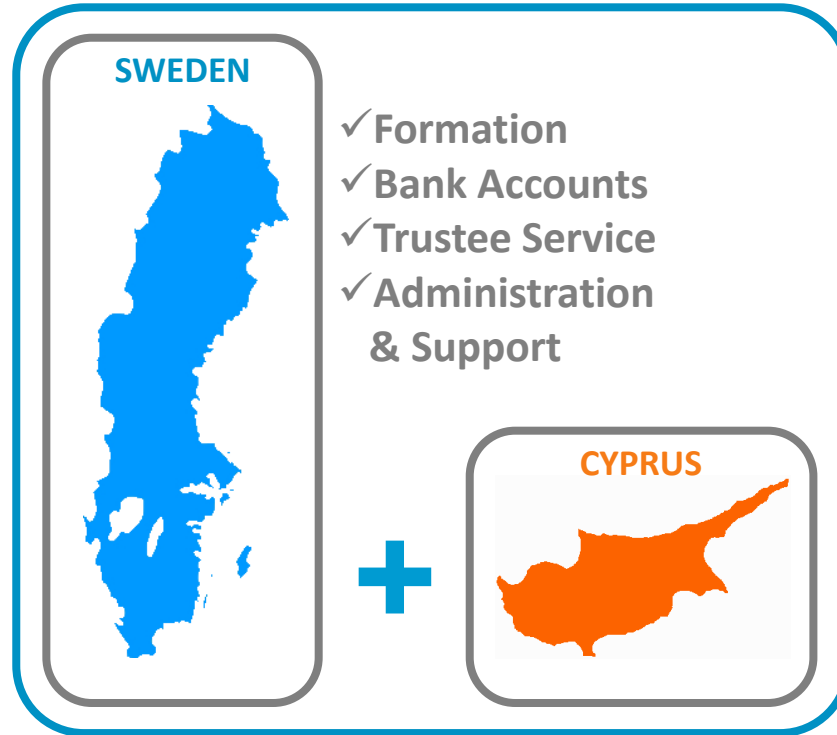


# European Holding:



# 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

## Cyprus: general advantages

✓ **The most attractive jurisdiction within EU:**

*No withholding tax for dividends, interest and royalties paid to non-residents, tax exemption on capital gains, transfer or sale of the shares, etc*

✓ **One of the lowest corporate tax rate within EU (12,5%)** along with a wide network of double tax treaties and other tax benefits, provide a significant reduction of tax burden.

✓ **Special tax regime on IP rights: 80% deemed expense deduction** from net income derived from a wide range of IP rights (trade marks, patents, copyrights)

✓ **Professional & Nominee services:**

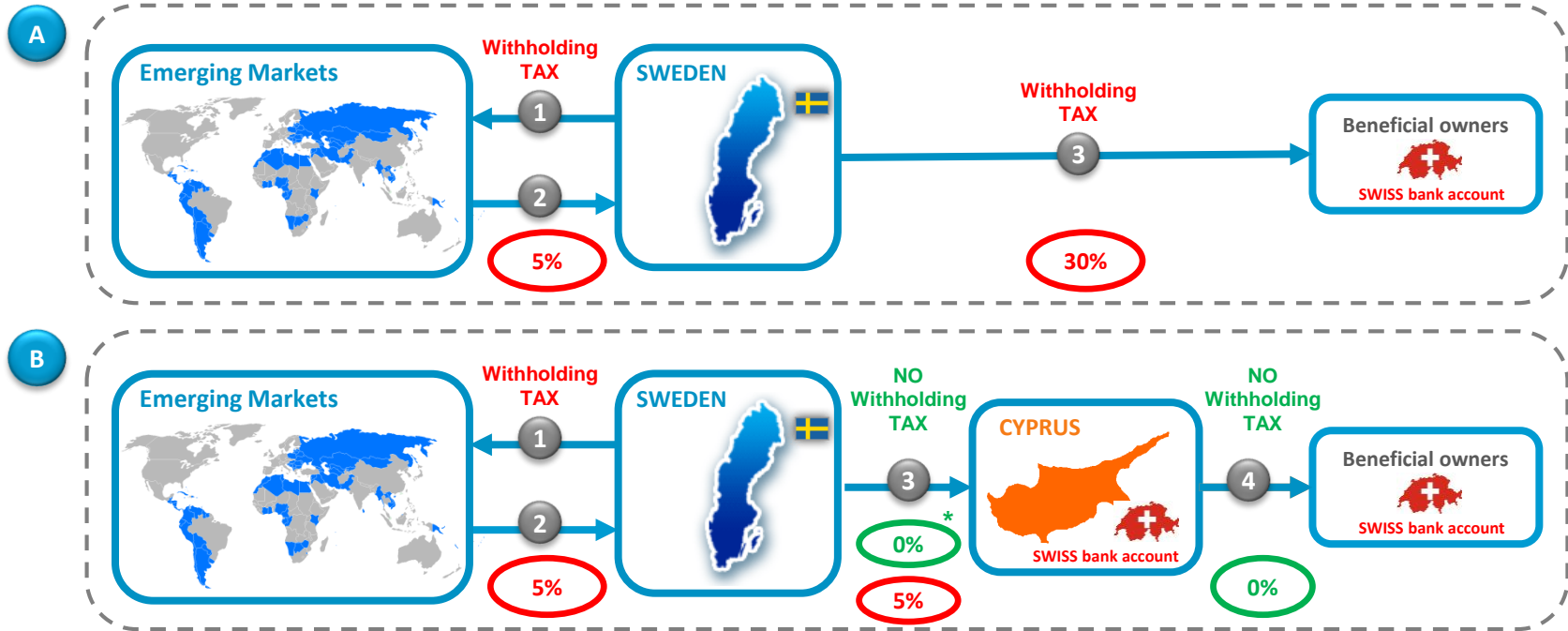
very competitive cost of professional financial services along with high quality of business services make Cyprus one of the most successful business centers within EU.

**Cyprus company** could be an efficient tool, for instance, to following purpose:

- business structuring and asset protection **within EU**;
- **trading and brokering** operations;
- **IP ownership, licensing / sublicensing** management.

# Sweden-Cyprus Holding Entity: effective tool for asset structuring

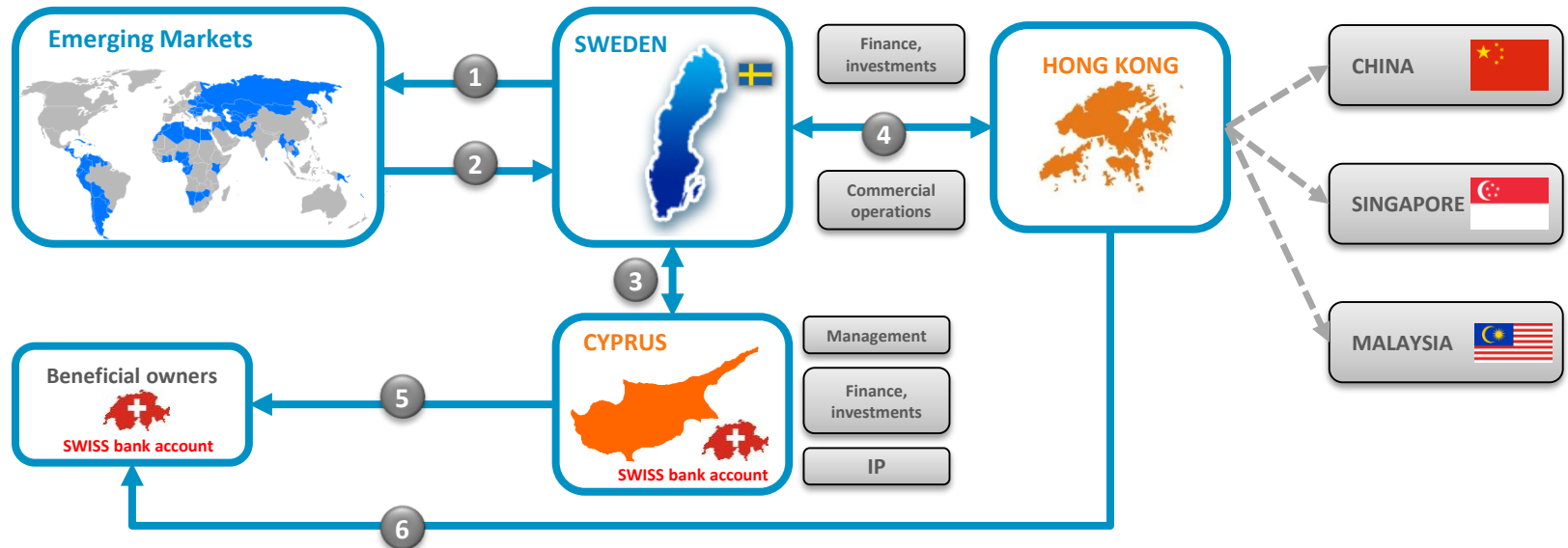
An example of dividend distribution from the emerging market country having a tax treaty with Sweden:



- The Swedish company (1) holds assets in the emerging market country. Dividend distribution from emerging market country (2) is applied to withholding tax at the rate of min. 5% under the Tax Treaty with Sweden (while, the ordinary withholding tax rate could be 15-35%). Dividend distribution from Sweden (3) to non-resident beneficiary owners is applied to withholding tax of 30%
- Cypriot company is the owner of the Swedish company; The Swedish company (1) holds assets in the emerging market country. The dividend distribution from this emerging market country is applied to withholding tax at the rate of min. 5% under the Tax Treaty with Sweden (while, the ordinary withholding tax rate could be 15-35%). \*No withholding tax on dividend distribution from Sweden to Cyprus (3) in accordance with the EU Directive \*(if applicable from 2016) or from 0 to 5% under Swedish rules or under the Tax Treaty with Cyprus. No withholding tax on dividend distribution from Cyprus (4) to non-resident beneficiary owners. All payments may be arranged through the Swiss banks, if needed.

# 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-Cyprus Holding Entity: basic facts and figures

	SWEDEN	CYPRUS
Legal entity:	Limited liability company – <b>AB (Aktiebolag)</b> , with the <b>minimum paid share capital</b> of <b>SEK 50,000 (~ EUR 5,700 )</b>	Limited liability company – <b>LTD</b>
Min number of shareholders:	one; may reside in any country	one; may reside in any country
Min number of directors:	one; <b>managing director must be a resident in Sweden</b> , the secretary is <b>not</b> needed	one; corporate directors is applicable; the secretary is <b>mandatory</b>
Corporate income tax:	<b>22%</b>	<b>12.5 %</b>
Business taxation specific nature:	<p>Withholding tax on distribution to non-residents:  <b>dividends - 30%</b>  <b>interest - 0%</b> in most cases  <b>royalty - 0%</b></p> <p><b><i>NO withholding tax on dividend paid on business related shares if the foreign company is taxed in the country of residence and 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</i></b></p> <p><b><i>Exemption from withholding tax on dividends distributed to the parent company from the EU member state*</i></b></p>	<p><b>NO withholding tax on dividends and interests paid to non-residents</b></p> <p>Exempt from corporate taxation:  - <b>income from the sale of securities / shares / equities</b>  - <b>interest income that arises not from the ordinary (or closely related to the ordinary) business activities</b></p> <p>Deductible expenses:  <b>80% of net income derived from royalties</b></p>
Bank accounts:	<b>Managing director, a resident in Sweden</b> , may have an <b>access and signature</b> to corporate bank account operations	<b>Beneficiary owner</b> may have an <b>access and signature</b> to corporate bank account operations even in case of nominee director/shareholder
Tax Treaty Network	80+ countries and territories , including Cyprus	60+ countries and territories, including Sweden

*\* Starting from 2016 the changes to the EU Directive on Parent and Subsidiary companies should be implemented: the tax benefits under the Directive shall not apply if the arrangement is recognized as not genuine i.e. if its only purpose is to obtain tax benefits.*

# Business Structuring and Asset Protection: intelligent solutions

## **SHFM OVERSEAS Sweden Filial:**

private and public companies, investment funds and family trusts formation and registration in a reliable jurisdictions.

For our clients we also offer a range of professional business services: tax planning, accounting and audit, nominee services, trustee services, cross-border commercial transaction agency services, commercial loan servicing agent, sublicensor services, personal and corporate accounts with Swiss private banks

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