

SWEDISH FOUNDATION [STIFTELSE]



- ✓ Formation
- ✓ Bank Accounts
- ✓ Administration & Support

Swedish foundations: historical background and nowadays

- ✓ King Gustav II Adolf **established one of the ancient and the major public foundation in 1624** to support the Uppsala University, the oldest university in Scandinavia, founded in 1477. **Nowadays this foundation** represents close to **35 % of total assets held by foundations established before 1800**
- ✓ Before 1800 the foundations were established with focus on **education and scholarship**. During the period from 1800 to 1850 there was a strong emphasis on foundations in the field of **social services**. **Research** foundations have been dominating starting since the second part of the 19th century and onwards
- ✓ The entire XX century is a period of the **huge development of private and public foundations** in Sweden - about **75% of the existing foundations were established in the XX century** and most of them - in the period from 1950 to 1999
- ✓ Foundations in Sweden **were typically set up by individuals of the aristocracy, the industrial and financial elite**. Foundations were established not only for charities, but also for private purposes – to **ensure the wellbeing** of the family members, to establish the rules of **inheritance and control of the family fortune**
- ✓ Many **corporate and family foundations** in Sweden sometimes **control substantial parts of Swedish business owning control stock** in Swedish industrial **companies and banks**. They often dominate in the entire sectors of the Swedish economy.
- ✓ Private and public **foundations have played an important role** in the history of the development of **social welfare** in Sweden

Foundation establishing
for public, charity, private and corporate purposes
is an integral historical part of the Swedish business culture

Swedish foundations: the concept and advantages

According to current legislation (Foundation Act SFS 1994:1220),

✓ **A FOUNDATION (STIFTELSE) is a legal entity** formed by a written deed of foundation signed by the founder or founders which **direct their assets to permanent administration as independent capital to pursue a specific purpose of foundation**. The foundation assets are considered to be separated from the founder(s) when a **third party managing them in accordance with the deed of foundation**

✓ **A FOUNDATION :**

- **has no owners or members**, the foundation assets are managed as an **independent capital**
- **is not a form of a commercial enterprise**, but can **carry out commercial activities** either directly on its **own name**, or indirectly through the **subsidiaries in order to achieve the objectives** set by the deed of foundation
- can be administrated either by the Board consisting of natural person(s) - "own management ", or by a legal entity as foundation administrator - "attached management"
- **must maintain the accounts, submit reports and tax returns**
- **must have at least one auditor** - officially certified accountant
- **cannot be established** for a period of **less than 6 years**

✓ **A FOUNDATION** usually receives tax exemptions in case:

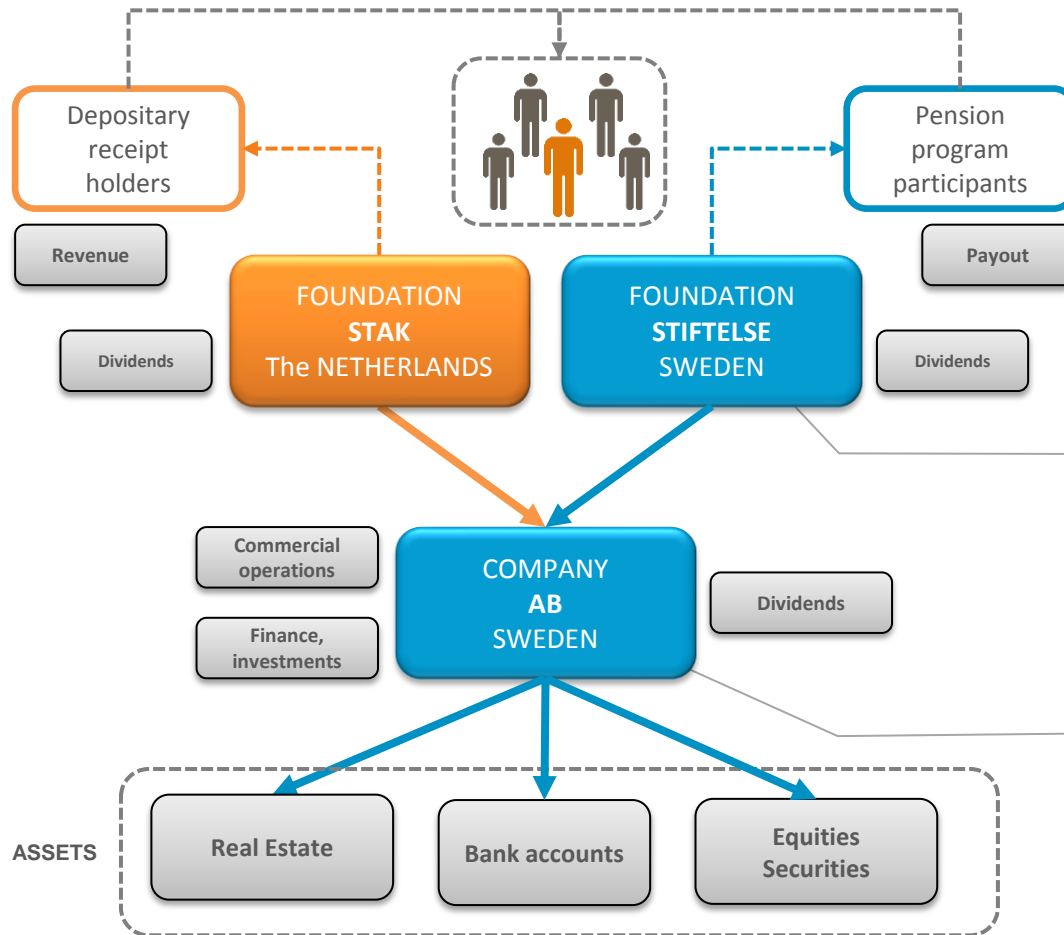
- a **public benefit** is stated as a **purpose** and the **income applied mainly to achieve this purpose**

✓ **Corporate PENSION FOUNDATIONS** are exempted from the income tax

Swedish FOUNDATION as a legal entity with an independent capital
can be an **effective business vehicle for corporate governance,**
asset structuring and protection

Foundation as the ultimate beneficial owner:

an example of asset structuring through
the **Swedish pension foundation** and the **Dutch administrative foundation**

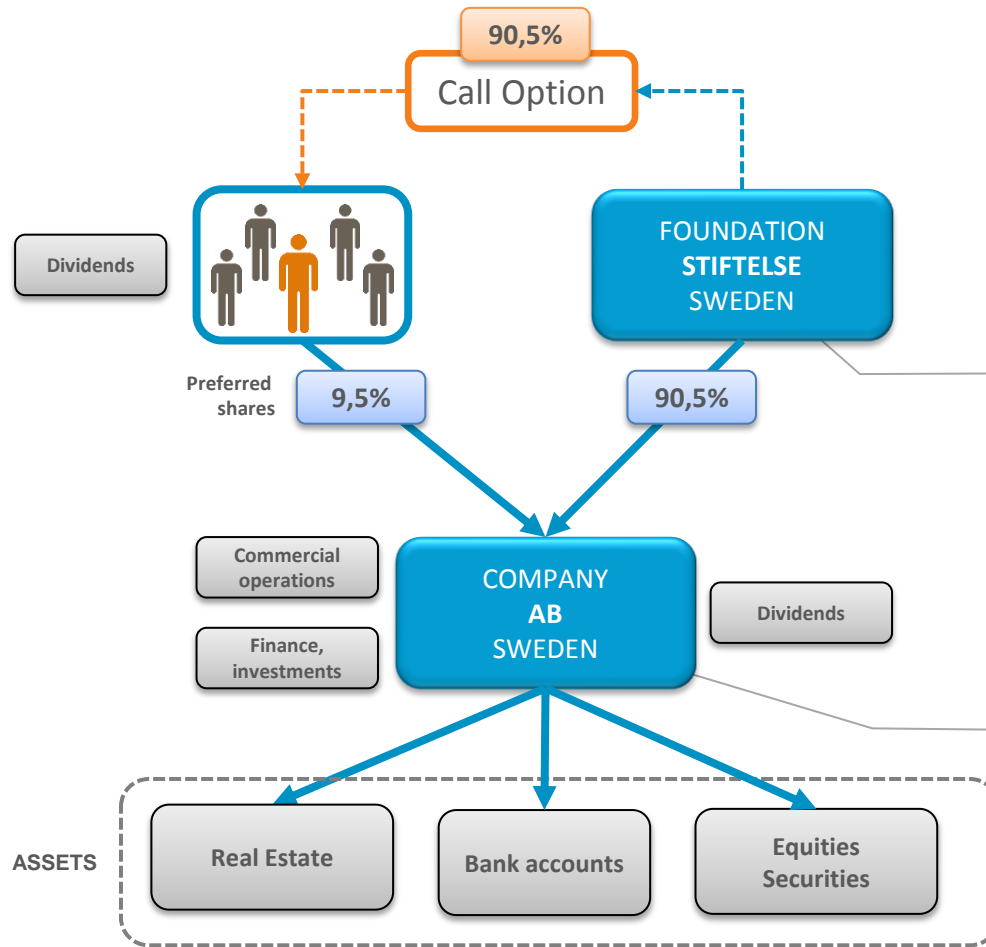


- ✓ The legal and economic **ownership rights** are separated
- ✓ The relationships with **depository receipt holders and pension plan participants** are described in the foundation deeds - it could be **family members, corporate group or key employees**
- ✓ The foundations are the ultimate **beneficial owners of the company - the holding legally has no natural persons as beneficiary owners**

- ✓ Strong corporate **governance** and company interests **judicial remedy in two jurisdictions**
- ✓ Operational **control** over the international business entities and assets
- ✓ Investment **transparency** and attractiveness, the possibility for rapid sale of business to third party investors

Foundation as fiduciary ownership entity:

an example of asset structuring through the Swedish private foundation



- ✓ The only purpose of the foundation – the fiduciary ownership of assets with no right to receive dividends from the assets - in legal terms, the foundation is the controlling shareholder of the holding company.
- ✓ Shareholders - natural persons own preferred shares and have a preferential right to receive dividends.
- ✓ Shareholders - natural persons have a right to receive shares of the holding company at any convenient time by exercising the call option.

- ✓ The holding company may distribute dividends only on preferred shares
- ✓ Operational control over the international business structures and assets are managed at the holding company level
- ✓ Investment transparency and attractiveness, the possibility for rapid sale of business to third party investors

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Please contact us for more information about our services in Sweden:



T: +46 40 682 09 19

E: sweden@shfm-advisors.com

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