

Establishment Guide

A Supplementary Guide for UK Businesses



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 **Stockholm**
The Capital of Scandinavia

Introduction

Over the past few years, the landscape has changed for UK businesses looking to expand into Sweden, whether through exports or by establishing a business. Relevant information can sometimes be difficult to find, or at least comes from a variety of sources.

In order to help UK businesses to navigate the new rules, and given our respective roles in the promotion of trade and investment, the Department for International Trade (DIT) at the British Embassy in Stockholm, the British-Swedish Chamber of Commerce (BSCC), and Invest Stockholm decided to work together to create this supplementary guide for UK businesses that are keen to grow in the Swedish market, which builds on Invest Stockholm's existing Establishment Guide.

This guide is comprised of six sections, each covering an area that has seen some changes for UK business since 1 January 2021, authored by members of the British-Swedish Chamber of Commerce that are experts in their fields.

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If after reading this guide you still have questions, please do hesitate to contact us, we will be pleased to help.

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Customs

To make sure your exporting business remains profitable, and to avoid costly delays and hassles, it is important to know what is involved in customs handling. In this section Tomas Isacson from ECUS describes some important things to consider when you are deciding how to conduct your export business.



Tomas Isacson



Be the Owner of Your Own Customs Procedure

One basic rule we recommend is to “Be the owner of your own customs procedure”. It is better to decide for yourself what needs to be done, and how, before entrusting your saleable goods to your chosen transporter. To help you plan your exports, we have divided information on customs regulations into three broad categories: General Customs, Exports, and Imports.

A. General Customs

i. HS Codes

A Harmonised System (HS) code is a number that describes the category under which certain goods are grouped, for the purpose of defining what customs duties should be paid (if any) and whether there are any particular rules and regulations that affect the import or export of that item. The code consists of 6 digits, and is universally recognised throughout the global trade network. A 6 digit HS code means the same thing everywhere in the world. For imports into the European Union (EU), 4 more digits are added (for a total of 10), while you need an 8 number code to export from the EU.

ii. Commercial Invoice

The commercial invoice is the document that underpins your customs declaration. It is the document that customs officials look at to determine if the declaration is correct, and that it matches the items for which the declaration is made.

iii. Terms of Delivery (Incoterms)

International Commercial Terms (Incoterms) is an internationally recognised 3 letter code system. It indicates who holds the risk and responsibility for an item, or goods, in every part of the transportation chain, from seller to buyer. The incoterms are a part of the business agreement between the buyer and the seller. Depending on the method of shipping, you can use the same incoterms in different ways, so be sure to

understand and use the correct terms for your transactions. Our recommendation is to use Free Carrier (FCA) if you are the buyer, and Delivered at Place (DAP) if you are the seller. This way, you take responsibility for the transport of your goods and know what you are paying for when you buy and sell your products. No surprises!

iv. Agent Representative

Communicating the correct information to customs authorities can be complicated, and understanding all the rules and regulations around shipping goods can be difficult and time consuming. To make this easier we recommend using an agent or customs broker. Having a relationship with a broker can help reduce your costs and avoid making mistakes. If the broker knows you and your products, it can help you communicate directly and more clearly with customs authorities. Brokers often have a direct connection to customs offices, and help make your importing/exporting operations quicker, more efficient, and reduce unnecessary costs and errors.

v. EORI Numbers

The Economic Organisation Registration Number (EORI) is a common identifier for companies in the EU. The United Kingdom continues to use EORI numbers as identifiers for both EU and UK based companies.

B. Export

The exporter is the one who handles the order, and make sure information is correct when the goods are presented to customs. The exporter is responsible for ensuring the HS code is correct at the point of export. To export goods from the UK to the EU, an export declaration must be approved by Her Majesty's Revenue and Customs (HMRC). It is important this is done before the goods leave the UK.

C. Import

i. Who is the Importer of Record?

It is always the declarant that handles the import. This means that they are responsible for making sure the import declaration is correct and that the correct HS code is used. It is also their responsibility to store all documentation about the import.

In most cases the buyer is the importer, making them the declarant and responsible for record keeping. To be an approved importer in Sweden you need to have an EORI number with a registered address in the EU. If the company is registered in Sweden, the VAT will be considered inbound and paid as VAT in Sweden. Otherwise, it will be paid up front via an agent.

ii. Deferred Payment

If the company is established in Sweden, or has a VAT representative (i.e. agent) the company can apply for a deferment. This means they can pay duty fees directly to the customs authorities up to 30 days after the import declaration is approved.

If the importer does not have a deferment account, the duty will be invoiced to the importer by the customs agent, and an additional fee will be applied. This is called a disbursement or handling fee.

iii. Import Rules in Sweden

Import rules in Sweden closely follow EU rules and regulations. You cannot import medicines and pharmaceuticals, alcohol or firearms without special permits. In Sweden, different authorities issue import licences for these types of items.

iv. TRACES and Registration

You need a licence to import animals, animal products, food and feed of non-animal origin and plants into the European Union. If you plan to import plant or animal products, you must pre-register in the TRACES system. Registration must be made 24 hours before the estimated time of arrival of the product at the border, and include information on the location and customs office the product is expected to enter through.

This is so that authorities can plan an inspection of the cargo, make sure it is compliant with EU and local regulations, and ensure it is free of disease.

v. FTA UK-EU

A Free Trade Agreement (FTA) has been signed between the United Kingdom and the European Union. This agreement affirms that there will be no customs duties if Rules of Origin are met. This means that the goods must have originated in either the UK or the EU to be eligible for preferential treatment. Goods that are shipped via either the UK or the EU, but which originate in another region, will not be eligible. Origin can be proven with an REX number or an EUR1 certificate.

Food and animal products are also included in this agreement, but they may still require certificates in cases of live animals, animal products, and fresh fruit and vegetables.

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Work and Residence Permits – Global Goes Local

In this article **Ylva Hökerberg Jahnke** and **Jolande Svensson-Klijn** from Global Goes Local provide guidance in some key areas regarding what companies need to consider when employing non-EU citizens in Sweden and applying for work permits.



Ylva Hökerberg Jahnke



Jolande Svensson-Klijn



Work Permit Processes When Employing Non-EU Citizens in Sweden

Work Permits

General

While EU citizens do not need a work permit, UK and other non-EU citizens will generally need a work permit to start working in Sweden. The work permit must be granted before entering Sweden. However, there are special rules for certain occupations and citizens of certain countries.

A work permit is normally received for a period of two years, and is granted for a specific occupation and employer. When changing occupation or employer a new work permit needs to be applied for. The work permit can be extended after two years for a further period of two years. A permanent residence permit can be applied for after the employee has held a work permit for four years (see section Permanent Residence Permit).

Work Permit Requirements

For the employee to obtain a work permit, the employer must meet the following conditions:

- advertise the position in Sweden and within the EU/EEA and Switzerland for a minimum of ten days; this is done by the employer on the Swedish Public Employment Service (Sw. Arbetsförmedlingen)
- offer a salary and terms of employment that are in line with those set by either Swedish collective bargaining agreements, or which are customary within the occupation or industry
- provide health insurance, life insurance, occupational injury insurance and occupational pension insurance for the employee when they start working
- send the offer of employment to the relevant trade union to receive a statement of opinion regarding the terms of employment

Extension of Work Permit

When applying for an extension of a work permit, it is important that the application is submitted before the current work permit expires. The

employee can then begin/continue working with the new employer, in a new occupation and/or under the new work permit in Sweden once the application has been submitted, and whilst waiting for the decision from the Swedish Migration Agency (Sw. Migrationsverket).

When applying for an extension the employee needs to demonstrate that the applicable conditions have been met during the entire period the employee has held the work permit. For example, payslips and information about insurances need to be submitted with the application for extension. Furthermore, the employer must fulfil the work permit requirements as listed above when applying for the extension. This does not include the requirement to advertise, as that only relates to new employees and positions.

Fast-Track Process

Global Goes Local is certified by the Swedish Migration Agency and has access to the fast-track process. This means that employers receive a decision on work permit applications within 10-20 working days from submission of the application, instead of several months. Employers can take advantage of the fast-track process by registering as an employer under Global Goes Local's certification. To be able to be registered, the employer must fulfil certain requirements, such as having the financial means to hire and a recurring need to employ non-EU citizens. The reply time for the registration is up to 20 working days.

Several timelines need to be taken into consideration in the work permit application process. For example, the advertisement of the position for ten days with the Swedish Public Employment Service for new positions must be accounted for. Furthermore, a statement of opinion from a union needs to be received regarding the terms of employment, which can take up to two weeks. The advertisement of the position must be done, and the statement from the union must be received before the work permit application can be completed and submitted to the Swedish Migration Agency.



Residence Permit Card

If the employee receives a permit to work in Sweden for a period longer than three months, the employee will get a residence permit card. The card serves as proof that the employee has a permit to be in Sweden and contains, amongst other things, a photograph and fingerprints of the employee.

Employees who are exempted from needing an entry visa, such as UK citizens, can travel to Sweden and have the residence permit card issued in Sweden. After arriving in Sweden, the employee must visit the Swedish Migration Agency as soon as possible to provide fingerprints and have a picture taken to receive the residence permit card.

Once the residence permit card is issued it will be sent to the employee's address in Sweden.

Employees that need an entry visa to travel to Sweden must visit the embassy or consulate-general in their home country to receive a residence permit card before entering Sweden.

ICT Permit and EU Blue Card

Employees from non-EU countries can also work in Sweden with an ICT (Intra-Corporate Transfer) permit or an EU Blue Card. The requirements and timeframes differ slightly from those for work permits as described above, and the fast-track process is not available.

The ICT permit is meant for employees transferring within the same corporate group to Sweden for a maximum period of three years and returning to a company in the group in a country outside of the EU/EEA after these three years. The ICT permit cannot be extended after three years but a new ICT permit can be applied for from a country outside the EU/EEA. To receive an ICT permit the employee must serve as a manager, specialist or trainee for more than 90 days at the company in Sweden. Furthermore, the employee must have been employed for at least three months within the company group before transferring to Sweden, and continue to work in the same corporate group after the period of relocation.

The EU Blue Card is meant for highly qualified work. To receive an EU Blue Card the employee must have the equivalent of 180 credits of tertiary education, or five years of professional experience, and a salary that is at least one and a half times the average gross salary in Sweden (amount is indicated and amended on the website of the Swedish Migration Agency). The EU Blue Card is issued for a minimum of one year and a maximum of two years, and an extension can be applied for.

The reply time for an ICT permit and an EU Blue Card is up to 90 days. Global Goes Local can also assist with these applications.

Permanent Residence Permit

When applying for an extension of the work permit, the employee can apply for a permanent residence permit at the same time. To be granted a permanent residence permit, the employee must meet the requirements for an extended work permit and must also:

- have had a work permit as an employee and have worked in Sweden for four years out of the past seven years
- be able to support oneself financially
- be living an orderly life

The permanent residence permit is valid as long as the employee lives in Sweden. The employee will receive a residence permit card as proof of having a residence permit. The card is not an identification document or a travel document. The employee can travel in and out of the country, but if leaving Sweden the employee must have a valid passport and a residence permit card in order to re-enter the country. The employee should also

save the notification of the decision on granting a permanent residence permit.

The employee does not need to apply for an extension of the permanent residence permit, but the residence permit card is only valid for up to five years. To get a new residence permit card the employee must visit the Swedish Migration Agency to be photographed and have fingerprints taken again.

Visits Shorter Than 90 Days (Short Term Business Travel)

UK citizens visiting Sweden for business meetings and conferences for a period shorter than 90 days do not need to apply for a visa. However, even if the employee does not need a visa to travel to Sweden they still need to have:

- a passport that is valid at least three months after leaving Schengen
- a return ticket that must be valid within 90 days
- an invitation letter from the employer explaining the trip or a description of the purpose of the visit
- proof of accommodation for their stay in Sweden
- money for living expenses and the trip home.

It is also recommended to sign an individual medical travel insurance that will cover any costs that may arise in connection with acute medical treatment, urgent hospital care or transportation to the home country for medical reasons.

For employment in Sweden that lasts less than 90 days, a work permit is generally required. It is recommended to always check with the Swedish embassy in the home country to make sure all requirements are fulfilled.

Summary

Global Goes Local (www.globalgoeslocal.se) is certified by the Swedish Migration Agency and is pleased to assist businesses with applying for work permits in Sweden.

Please do not hesitate to reach out to Ylva Hökerberg Jahnke ylva@globalgoeslocal.se or Jolande Svensson-Klijn jolande@globalgoeslocal.se if any assistance with work permits is needed.

Establishment Process for UK Business Expanding to Sweden

In this section **Gabriel Albemark** from Eversheds Sutherland explains what to consider when entering the Swedish market via merger or acquisition, the situation regarding enforcing UK legal judgements in Sweden, and summary of data protection considerations.



Gabriel Albemark



Mergers and Acquisitions (M&A Processes)

Low transaction costs

In Sweden, transaction costs can be kept relatively low due to, inter alia, the fact that there is no notary requirement and the use of electronic signatures.

No Discrimination of Foreign Investors

In January 2021, a new Swedish National Security Act came into force. In short, the new act states that operators of security-sensitive activities must receive prior approval from the Swedish Security Police or the Swedish Armed Forces before transferring the security-sensitive activities to a new owner. Whilst the Swedish National Security Act is applicable on all transfers of security-sensitive activities, including transfers made between Swedish citizens, it resembles an FDI screening process.

Furthermore, the Swedish Direct Investment Committee has proposed a new FDI Screening Act. The Swedish government has not yet presented a bill outlining the details of the new FDI Screening Act, but it is expected to do so in 2022. The new FDI Screening Act is proposed to come into force on 1 February 2023. The new FDI Screening Act is likely to apply to all direct investments above a certain threshold, regardless of the nationality of the investor.

Under the Swedish Companies Act, at least half of the directors of the board and deputy directors must be residents within the European Economic Area (EEA). As the UK is no longer an EEA country, British citizens without EEA residency rights do not qualify. Non-residents in Sweden must provide a passport copy to the Companies Registration Office (SCRO) when being registered as director or deputy director of the board. The managing director (MD) and any deputy MD must be residents in Sweden, but exemptions can be filed for and granted by the SCRO.

Asset Purchase or Share Purchase

There are different ways to purchase a company, and the most convenient way is by acquiring shares in the company. Taking over the operations through an asset purchase is another way to acquire a business, through which the seller and buyer agree to transfer certain pre-identified assets, or all assets attributable to the business.

Below is an example of an M&A process in Sweden describing the different phases of an acquisition.

Example of an M&A Process in Sweden

1. Selection of Potential Buyer/Bidders

In many cases, the seller has already identified a potential buyer on its own. This is perhaps a competitor, or the potential buyer approaches the seller. For larger target companies, however, auction sales are common, and a corporate finance firm is usually retained by the seller to assist with preparation of sales material, selection of bidders, etc. During an auction sale, the potential bidders are provided with teaser material containing a brief overview of the target company's financials and operations.

2. Non-Disclosure Agreement

As a next step, the potential buyer/bidders usually sign a non-disclosure agreement (NDA) as a precondition to access the information memorandum, stating that the parties shall keep the negotiations confidential and that the bidders must not use information received during the due diligence for any other purpose than the carrying out of the transaction. Furthermore, the NDA generally contains a non-solicitation covenant (of employees and customers/suppliers of target).

3. Information Memorandum and Indicative Offer

The potential buyer is usually provided with an information memorandum containing further information on the company's financials, operations, and the structure of the proposed transaction. In the case of an auction sale, the bidders usually place a non-binding offer to indicate the final purchase price.

4. Letter of Intent

Once an indicative offer has been received and the seller has chosen to proceed with that party, or if the two original parties so agree, it is not uncommon for the parties to enter into a letter of intent (LOI). The LOI typically contains the main terms agreed upon, under which the parties are prepared to proceed with the transaction such as deal structure, indicative price and price structure, major terms, choice of law, etc. Since substance

rather than form determines the legal effect of an LOI under Swedish law, the LOI should contain an explicit statement on whether, or to which extent, it is legally binding. An LOI as such is, however, normally not considered legally binding under Swedish law.

5. Due Diligence

During the next phase, the potential buyer/bidder is normally allowed to conduct a due diligence investigation of the company for a limited period. The selected buyer/bidders are usually given access to a virtual data room to which the seller uploads requested tax, legal, financial, and other relevant documentation. The documentation is subsequently reviewed by the buyer's professional advisors and compiled in a due diligence report. The findings are used by the buyer foremost to identify risks with the company they are intending to purchase, to regulate these risks in the share purchase agreement, or for post-closing matters, such as renegotiations of existing contracts etc. Naturally, identified risks are also used for negotiation purposes for the share purchase agreement. Determination of whether merger filing will be required with the Swedish Competition Authority is normally made during this phase.

6. Negotiations/Final Bid

During an auction sale, the bidders usually submit their final bids after the due diligence has been concluded (or at least the first phase of the due diligence), together with a mark-up on the share purchase agreement prepared by the seller's legal advisor. If the process only involves one potential buyer, the negotiations of the share purchase agreement is more straight-forward, in that the terms can be negotiated in parallel with the due diligence process.

7. Signing

Once negotiations are completed, the parties sign the final version of the share purchase agreement. Usually, board resolutions of both seller and buyer (if legal entities) approving the transaction and powers of attorney are produced and executed. It is not necessary to collect original signatures. Instead, signing can be done by exchanging pdf copies or collecting electronic signatures. No notary is required for signing (or closing) of the share purchase agreement. For listed companies (whether as buyer or seller), signing of the SPA normally triggers a liability to make a press release.

8. Closing

At this final stage of the transaction, the payment of the purchase price takes place and the transfer of ownership is completed. Usually, a closing agenda is established, setting out the necessary steps for closing of the transaction. Documents commonly produced and executed at closing include resignation letters from directors, shareholder meeting minutes where a new board is elected and other more transaction-specific documents, some of which may have to be filed with competent authorities such as the Swedish Companies Registration Office. The share ledger also needs to be updated with the buyer as new shareholder.

For non-listed companies there is no official record of ownership. If share certificates are issued representing the shares of the target company, those certificates must be signed and endorsed on the buyer by the seller(s) and transferred in order to convey full ownership on the buyer. There is also a post-closing obligation to register the beneficial ownership with the Swedish Companies Registration Office within four weeks from the change of ownership.

Enforcement of UK Judgements Since the UK left the EU

Since the UK left the EU, it is harder to enforce a UK judgement in Sweden, and vice versa. For proceedings that were commenced after 31 December 2020, the mechanisms for recognition and enforcement that were in place earlier, will not be applicable any more, since the Brussels regime and the Lugano Convention are no longer applicable between the UK and the EU.

There are three possible scenarios that can lead to enforcement of a UK judgement in Sweden:

1. That the UK and the EU enter into an agreement for recognition and enforcement between the UK and the states of the EU.
2. That the UK joins the Lugano Convention.
3. That the UK enters into agreements for recognition and enforcement with each Member State of the EU.

Unfortunately, none of these options are currently in place.

It should be noted that the Hague Convention (2005) is still applicable. The Convention treats exclusive jurisdiction clauses and requires the courts of a contracting state to recognise and enforce judgements given by a court in other contracting states that are designated by such clauses. For this to apply, the jurisdiction clause in the agreement must be "exclusive" for the purpose of the convention (see article 3 (a) and (c) of the Hague Convention (2005)). Consequently, it is possible to have a UK judgement enforced in Sweden since it left the EU, provided that the agreement includes such an exclusive jurisdiction clause, which designates the courts, or a specific court(s), in the UK to the exclusion of the jurisdiction of any other courts.

In this regard, it should be mentioned that there is an ongoing discussion as to whether the Hague Convention (2005) will continue to apply to the UK, without interruption, from its original entry into force on 1 October 2015 (the date when the EU entered the Convention) or if it should apply from 1 January 2021 (when UK entered the Convention as a party on its own). If the Convention will continue to apply from its original entry, the exclusive jurisdiction clause must have been agreed on, or after, 1 October 2015 for the judgement to be enforceable in Sweden. However, if the UK is considered to have entered the Convention on 1 January 2021, the exclusive jurisdiction clause must have been agreed on, or after, that date for the judgement to be enforceable.

In conclusion, as of today, the possibilities of enforcing a UK judgement in Sweden are very limited, unless the agreement includes an exclusive jurisdiction clause which meets the requirements in article 3 (a) and (c) of the Hague Convention (2005) and which designates the courts, or a specific court, in the UK to the exclusion of the jurisdiction of any other courts.

Data Protection

As a member of the EU, Swedish companies are subject to the General Data Protection Regulation (GDPR). For UK businesses looking to expand into Sweden, it should be noted that the data protection rules in the GDPR are very similar to the UK equivalent, the Data Protection Act 2018. Transfers of data from Sweden to the UK are also permitted without any additional legal requirements, such as entering standard contractual clauses, following the

EU Commission's adequacy decision from 28 June 2021. The decision is valid until 27 June 2025, but will likely be extended unless significant changes to the UK data protection laws are made prior to the expiration date.

The main difference between GDPR, as applicable in Sweden, and the UK equivalent is to what extent other national laws permit or prohibit the processing of certain types of data. For example, the processing of certain sensitive data such as the employee's ethnicity, sexual orientation or religious beliefs is prohibited in Sweden in practically all cases. In the UK, however, the processing of such data can be allowed due to legal obligations relating to diversity monitoring. Another example is conducting criminal background checks on employees or candidates. Compared to the UK, the use of criminal background checks is highly restrictive in Sweden. With few exceptions, such as businesses operating in the insurance and finance sector, conducting criminal background checks will be prohibited for the vast majority of Swedish companies. As a final example, the use of CCTV by businesses is more restrictive in Sweden than in the UK, due to the Swedish camera surveillance law. In the UK it is possible, under certain circumstances, to use CCTV for the purpose of employee monitoring while in Sweden it is, in principle, always prohibited. Additionally, a Swedish company must generally have had documented issues with crime prior to installing CCTV for the purpose of crime prevention. It is, thus, generally not possible in Sweden to merely rely on the risk of crime occurring as a reason for justifying the use of CCTV.

Company establishment

See Appendix.

For further information contact:

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Potential Banking Issues/Obstacles

In this section **Erik Arneson** from SEB gives some guidance on what to think about when arranging for banking services in Sweden.



Erik Arneson



To Arrange Banking Services in Sweden

There is great interest among British companies to establish operations in Sweden. The reasons for this include, among other things, the strong economy combined with a business climate that is characterised by stable playing rules, digital maturity, attractive company taxation, and access to the EU's internal market.

What is needed to start a company and secure a bank account in Sweden?

The first question one should ask concerns the purpose of establishing a business in Sweden. In order for it to be a meaningful enterprise, and to begin the process of starting a company, there should be a clear connection to Sweden and a reason for the business to, at least partly, be conducted in Sweden. A good start is therefore to talk with your existing bank contact to get advice on whether a company formation is necessary, or if the company's needs can be met in some other way. Your bank in the UK may also be able to help you establish contact with a Swedish bank.

In the event your company plans to move forward to establish operations and start a company in Sweden, it is important to secure a local company signatory with access to a Swedish BankID. This is a common and necessary service to identify yourself in the digital environment. It is almost a prerequisite for contacts with the Swedish Companies Registration Office, as well as for opening a bank account, and most other services

in Sweden. The signatory should, preferably, be a locally employed person who is designated as the managing director. If the company does not have a locally employed company signatory, you will need to seek help from an accounting firm, which can take care of the bookkeeping, payments and continuing administration.

Once the company has appointed a local signatory, and using BankID, this person can register on the Swedish Companies Registration Office's website, [verksam.se](https://www.verksam.se), to start a limited company (aktiebolag). Once this process has begun, the signatory can contact a bank to open a company account. My advice is that the local representative/signatory uses the bank with which he or she is already a customer. This will increase your chances of the bank being willing to assist.

Once this is done and the business is up and running, it is relatively easy to run a company in Sweden, and the continuing contacts with banks and authorities can be handled digitally.

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Taxation

In this section **Frida Grahn** from Accountor gives an overview of taxation-related issues that will need to be considered when establishing in Sweden.



Frida Grahn





An Overview of Tax-Related Issues

Corporate Tax

Legal entities resident in Sweden are tax liable on worldwide income unless there are applicable tax treaties or other special exemptions in place. A company is considered to be resident in Sweden if it is registered with the Swedish Companies Registration Office (Bolagsverket). The corporate tax rate in Sweden is 20.6%. There are no additional local or municipal taxes that apply to legal entities in Sweden.

As of 1 January 2021, the UK is considered to be a third country (a country outside the European Union). Regulations in the Swedish Income Tax Act that only refer to companies resident or operating in an EU- or EEA country are no longer applicable to companies from the UK. Some regulations in the Swedish Income Tax Act refer to either EU – or EEA countries, or coverage of a tax treaty. Since the tax treaty between Sweden and UK is still valid, these regulations can be applied, but will still change tax liability in some situations. For example, due to the tax treaty between the UK and Sweden, when the central management and control of a company is transferred to the UK, Sweden can lose the right to tax company income, and so any untaxed Swedish reserves must be dissolved and subject to tax. The same situation occurs if a non-tax resident company transfers the permanent establishment from Sweden to the UK.

Permanent Establishment

A foreign company with a permanent establishment or branch in Sweden is tax liable on income from activities performed in Sweden, and on income from other sources in Sweden. A permanent establishment is, according to general rules, a permanent location for business activities, from which the business is entirely or partly run. A permanent establishment may also exist if the company has a representative or dependent agent that uses a power of attorney to conclude agreements on behalf of the company, even if there is no permanent place of business.

VAT

As the UK is no longer part of the EU's single market, for VAT purposes, selling goods to the UK is now seen as an export and the same VAT rules apply to the UK as to other countries outside the EU. However, with regard to goods, there is an exception for Northern Ireland, which continues to be treated as being with the EU's single market.

Setting up a Business in Sweden

When setting up a business in Sweden there is one special change to consider. From 1 January 2021, when registering a company, a number of the company's representatives must live in the EEA, regardless of whether it's a limited company, economic association or branch office.

There is a possibility to apply for an exemption. However, in the main, residency in the EEA is mandatory for:

- at least half of the board members, including employee representatives
- at least half of the deputy board members, including employee representatives
- the managing director
- all deputy managing directors
- at least one of the special company signatories, if there are any

For a branch office, the following representatives must live in the EEA:

- the managing director
- all deputy managing directors

If there is a UK company already established in Sweden that has representatives who are resident in the UK, the requirement on residency may no longer be fulfilled. It is therefore important to review if the company fulfils the requirement and possibly choose new representatives, or apply for an exemption.

1. Further information on SINK and the economic employer concept can be found at the Swedish Tax Agency's website

Employer Responsibilities in Sweden

If you have tax liable employees in Sweden and/or employees covered by Swedish social security there is an obligation to register as an employer. This includes obligations in reporting and payment, including:

- Monthly PAYE reporting
- Monthly preliminary tax withholding
- Monthly withholding and social security payments to the Swedish Tax Agency

Preliminary Tax Withholding

From 1 January 2021, all employers (with or without a permanent establishment) are obliged to deduct preliminary income tax from payments for work carried out in Sweden. If you are an employer that is established in Sweden you are obliged to deduct tax according to the Swedish Tax Agency's standard tax tables. If you do not have a permanent establishment in Sweden, and if no individual tax decision states differently, the tax withholding is 30% on all compensation paid for work performed in Sweden. If an employee is non-tax resident, the employer or the employee can apply for a decision regarding special income tax according to the Special Income Tax Act, [Swe: "särskild inkomstskatt" or "SINK"]. SINK is a fixed rate of 25%.

An employee is not tax liable for income received if the payment is tax free in accordance with the 183-day rule included in the regulations on special income tax. Salary and benefits from employment, or an assignment, are exempt from taxation according to the 183-day rule if the following conditions are met:

- the employment or assignment is not for the Swedish state, or a Swedish municipality or region
- the employee stays in Sweden for no more than 183 days during a 12-month period, salary and other benefits are paid by, or on behalf of, an employer that is not based in Sweden
- salary and other benefits are not charged to a permanent establishment that the employer has in Sweden

Since 1 January 2021, Sweden has applied the economic employer concept, hence the 183-day rule is no longer applicable to workers outsourced to carry out temporary assignments in Sweden¹.

Social security

Any employer with employees covered by Swedish social security must make monthly payments of social security contributions to the Swedish Tax Agency. Foreign employers without permanent establishment in Sweden must pay Swedish social security contributions for locally employed personnel. Foreign employers without permanent establishment pay contributions at a reduced rate of 19.8%. Employers with a permanent establishment pay the full social security rate of 31.42%. A1 certificates granted before the UK left the EU, and stating that social security contributions should be paid in the UK instead of Sweden, will continue to be valid for the entire certification period.

For further information contact:

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Talent Attraction

In this section **Björn Ulfberg** from Michael Berglund Executive Recruitment gives an overview of what to consider when recruiting staff in Sweden.



Björn Ulfberg



What to Consider When Recruiting Staff in Sweden



PHOTO: FOND&FOND

The Labour Market

The job market in Sweden is well organised and structured so that employment is a straightforward process. However, if you need a more flexible workforce, temporary staff or interim managers are also readily available for engagement. It is recommended that you use a resource familiar with employment laws to help establish the

relevant terms for the people you need to employ, be it permanent or interim resources.

For perspective, Sweden is relatively unionised, but their representation is collaborative rather than adversarial. Dialogue with employees is strongly recommended to ensure representatives and staff are continuously informed about company plans.

Sourcing Staff

Most types of staff are readily available to employ, either directly or via staffing companies. There are companies that specialise in helping you attract the right kind of staff by the use of employer branding activities, and generic search methods such as adverts on their recruitment platforms and in the relevant social media channels. For more senior roles (Management and Board), Executive Search and Interim Search companies are available to help you attract the leadership required. These service providers will assist you in ensuring compensation and benefits are attractive for your business' purpose. Coaching or mentoring services are available for managers under development, something that can be relevant for expatriated UK citizens to integrate them swiftly into society, and to lead in a way that is expected by Swedish employees.

Employment Terms

Terms of employment are legally set, and generally dependent on an employee's length of time with the company. Contract proposals can easily be accessed on the internet where, for example, the unions provide templates that are well balanced for the employer and employees. If you are setting up a new business with many new employees, you are recommended to utilise the ability to use probationary employment. This allows you to try employees for up to six months, with a one-month termination term, with no requirement for any reason for termination. You should be aware that this termination term works both ways. Termination terms for fixed employees typically range between 1 – 3 months (the employment law sets the minimum to 1 month) but for Management it can increase to 3 – 6 months, dependent on the responsibilities of the Company Leadership.

Swedish Work-Culture Fun-Facts

One of the first things you will learn in Sweden is the term "fika" (phon: "pheeeka") which denotes the gathering of employees in either the morning or the afternoon, where you drink coffee or tea, sometimes with a snack. Although lunch is excluded from working hours (working hours range between 37.5 and 40 hours per week), the 15 minutes "fika" is typically not. It is however, a great opportunity to catch up on current events and to get to know your employees/colleagues.

Another common term you will discover is VAB, which is short for "Vård Av Barn" (translates as "Care for children"). A parent has a legal right to

stay home and care for their sick child without any requirement to prove illness during the first week. This is of no cost to the employer, but obviously impacts the availability of staff from time to time. Many companies have agreements with their employees that they work from home while caring for a sick child, some do it fully flexible, others negotiate a reduced workday (e.g. half workday whereby half the day is paid for by the Swedish Social Insurance Agency).

Holidays are sacred to most Swedish citizens and they expect to not be disturbed unless a crisis occurs in the business. The periods of holidays are typically 3 – 4 weeks in the summer, over the period just before Christmas Eve until after New Years (some extend that by another week to coincide with the school holidays) and around the school holidays (end-February, Easter and November).

The general drivers for attracting and retaining employees other than compensation & benefits are (i) having a clear purpose for the business (employer branding), (ii) a clear corporate view on Diversity & Inclusion (employer branding) and (iii) a healthy view on Work/Life balance. This is in no order of priority and the importance of each element will of course vary between individuals.

The ideal workplace uses representation from all generations to maximise the diversity effects. With that said, one should recognise there are differences in motivational drivers between the generations and that this will affect your business in terms of e.g. culture and the incentive programmes. You should also be aware that your employer brand will depend on your ability to provide equal opportunity to employment and development. The post-pandemic hot topic for employers to be aware of is the availability of a hybrid work model, i.e. the ability to work remotely for parts or the whole of the working week, when the duties permit out of office work.

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APPENDIX:

Starting a Business in Sweden

A foreign-based company wishing to engage in business activities in Sweden can choose to register either a subsidiary or a branch.

	Limited Liability Company	Branch of foreign company
Description	A private limited liability company (Sw. aktiebolag) is a legal entity incorporated in Sweden.	A branch is not a legal entity incorporated in Sweden. It is a divisional office of a foreign limited company (the "foreign-based company") which is organised to conduct business in Sweden.
General	Separate legal entity which bears its own rights and obligations distinct from those of the parent company.	Does not have a separate legal existence apart from the foreign-based company.
Board/managing director	<p>Represented by the board of directors.</p> <p>The board of directors must consist of at least one director with one alternate director. If the board consists of three regular directors or more, no alternate director needs to be appointed.</p> <p>The board is entitled to sign for the company.</p> <p>Appointing a managing director ("MD") is not mandatory in a private liability company.</p> <p>At least 50% of the directors and at least 50% of the alternate directors, if any, must be resident within the EEA. The MD must also be resident within the EEA. A possibility for filing for exemption exists.</p> <p>If there is no director resident in Sweden, a person that is resident in Sweden must be appointed to be authorised to receive service of process.</p>	<p>Represented by a managing director ("MD"). The local MD is appointed by the foreign-based company. The MD shall be entitled to represent the foreign-based company in all matters related to the Swedish branch by a special PoA registered with the Swedish Companies Registrations Office ("SCRO").</p> <p>The MD and alternate MD must be resident within the EEA, otherwise the foreign-based company must apply for exemption from the residency requirements and a person authorised to receive service of process resident in Sweden must be appointed.</p>
Liability	Limited liability as a separate legal entity, to the capital and assets which have been invested in or created by the subsidiary.	Unlimited liability of foreign-based company for the legal obligations of the branch.

	Limited Liability Company	Branch of foreign company
Formalities	<p>Must be registered at the Swedish Companies Registrations Office ("SCRO").</p> <p>A board of directors must be appointed and registered.</p>	<p>Must be registered at the SCRO.</p> <p>The foreign-based company must appoint and register a legal representative (MD) in Sweden.</p>
Share capital	SEK 25,000 as a minimum.	N/A
Time taken to incorporate	Between 2-4 weeks.	Between 2-4 weeks.
Auditor	<p>The limited company must appoint an authorised auditor or an approved auditor. The shareholders elect an auditor at the annual general meeting or at an extraordinary general meeting.</p> <p>Exemption for small companies Small limited companies are exempted from the requirement of appointing an auditor. If a company has exceeded at least two of the following criteria the last two financial years, it must appoint an auditor. The company must have exceeded the same two criteria both financial years.</p> <ul style="list-style-type: none"> • More than 3 employees (as an average), • a balance sheet total of more than SEK 1.5m, • a net turnover of more than SEK 3m. 	<p>If a branch has met at least two of the following criteria in the last two financial years, it must appoint an auditor:</p> <ul style="list-style-type: none"> • more than 3 employees (as an average), • a balance sheet total of more than SEK 1.5m, • a net turnover of more than SEK 3m. <p>Branches engaged in financial business in accordance with Article 12, second paragraph, of the Foreign Branch Offices Act (1992:160) must always have an auditor. In these cases, it might also be required that the auditor is authorised.</p>
Administrative/management requirements	<p>Shareholder meeting must be held annually.</p> <p>Annual accounts must be drawn up, audited, if applicable, and filed with the SCRO.</p>	<p>The branch must keep its own accounting records that must be held separately from the accounting records of the foreign-based company. How the accounting records are to be prepared and filed with SCRO depends on whether the foreign-based company is situated within the EEA or not. Annual accounts for the foreign-based company must be filed with the SCRO, with a few exemptions. If the foreign-based company is not a limited liability company, both the branch and the foreign-based company need to file the annual accounts at the SCRO.</p>

Interested in knowing more or exploring this region further, get in touch!

The British Embassy in Stockholm

The Department for International Trade team at the British Embassy in Stockholm supports UK companies to export to Sweden and Swedish companies to invest in the UK, as well as working with other governmental departments and stakeholders in both countries on matters of trade policy and market access.

British-Swedish Chamber of Commerce

The British-Swedish Chamber of Commerce an independent, non-profit, membership organisation with around 140 members. We create and nurture an environment for knowledge sharing, where influential contacts can be established and strengthened. We organise some 30 events throughout the year on relevant topics with captains of industry, local politicians and those visiting from the UK. Beyond this we keep our members up to date on news from the UK and connected to the extensive Chamber network. To join the Anglo-Swedish business community in Sweden please don't hesitate to contact us.

Invest Stockholm

Invest Stockholm is the official investment promotion agency of Stockholm, owned by the city of Stockholm. The Stockholm region covers 54 municipalities and attracts more than 50 percent of the total foreign direct investments into Sweden. Our team will provide tailor-made information and advice for companies wanting to establish a new business in the region, as well as for companies wanting to expand an existing business. For investors we assist you to identify relevant investment opportunities within the region.