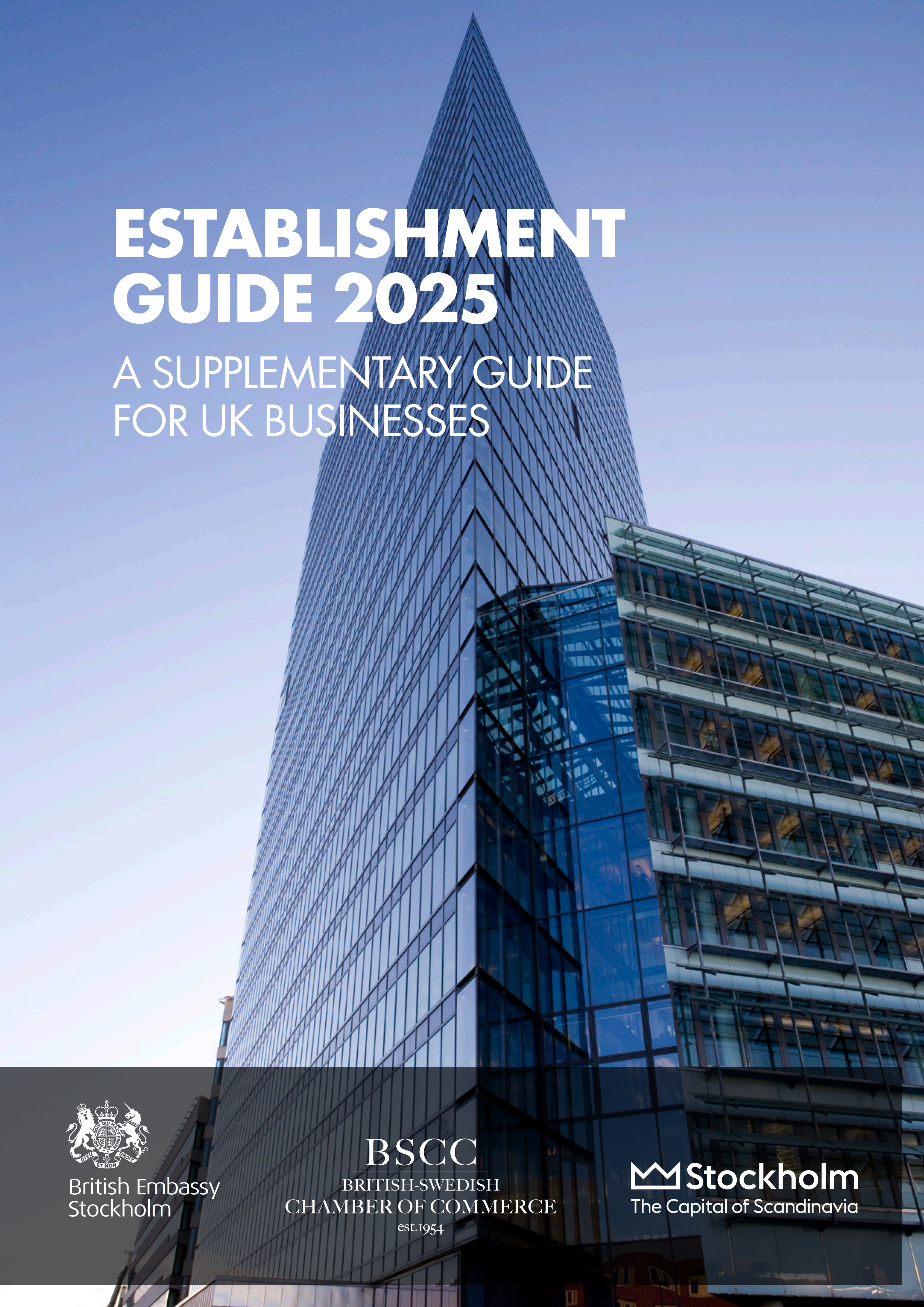
ESTABLISHMENT GUIDE 2025

A SUPPLEMENTARY GUIDE FOR UK BUSINESSES



British Embassy Stockholm

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Stockholm
The Capital of Scandinavia

In today's shifting geopolitical landscape, the importance of supporting seamless investments and trade across borders has never been greater.

Over recent years, the environment for UK businesses seeking to expand into Sweden has evolved significantly and businesses need the right tools to navigate the challenges. Whether through direct investments, establishing a local presence, or exporting from the UK, having access to clear and reliable information is crucial. However, such information can often be scattered across various sources, making it difficult to find.

To assist UK businesses in adapting to these new conditions, and in recognition of our shared goal of promoting investment and trade, the Department for Business and Trade (DBT) at the British Embassy in Stockholm, the British-Swedish Chamber of Commerce (BSCC), and Stockholm Business Region have joined forces. Together, we have developed this supplementary Guide aimed at providing UK companies that are eager to grow in the Swedish market with useful information and pointers. This guide complements Stockholm Business Region's existing Establishment Guide.

Comprising six sections, each addressing a key area of relevance that has experienced changes since January 2021, this Guide features insights from experts selected from the British-Swedish Chamber of Commerce's membership. The first edition of this Guide was published in 2022, and this second edition includes important updates and revisions.

Our goal is for this Guide to serve as a valuable resource – helping to initiate, support, and expand investments in Stockholm and across Sweden.

**If after reading this Guide you still have questions,
please do not hesitate to contact us, we will be pleased to help**

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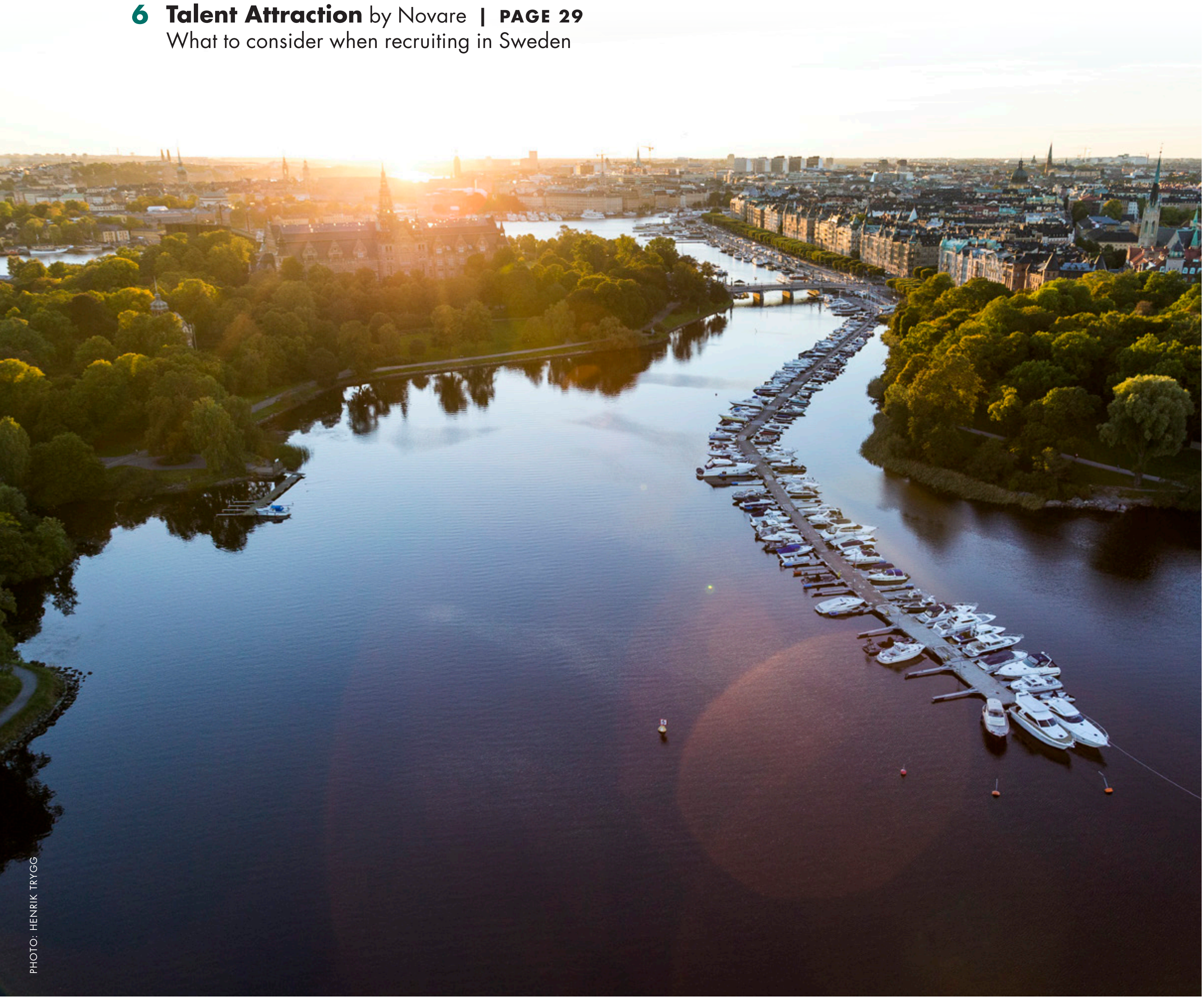

PHOTO: HENRIK TRYGG

OWNING YOUR **CUSTOMS PROCEDURE**

In this section, **Linnea Jacobsen** and **Iman Kamareh** from EY highlights the importance of customs in today's global trade and aims to help businesses navigate customs rules, ensure compliance, and improve supply chain efficiency.

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The importance of customs

In today's increasingly complex global trade landscape, businesses are encountering increasing tariff pressures that have a significant effect on their cost structures and supply chain efficiency. As tariffs continue to escalate, companies are actively exploring strategies to alleviate these financial challenges while maintaining compliance with trade regulations.

As a company engaged in cross-border trade, it is crucial to assume responsibility for the customs treatment of goods, whether they are exported or imported.

The reason for this is that companies engaged in exporting from, or importing to, Sweden must adhere to customs compliance principles, ensuring that their handling processes align with the legal framework governing customs procedures.

It is important to note that customs classification, customs valuation, and origin management will play a vital role in the future. Customs classification and origin management will dictate the tariff level applied upon import into the European Union (EU) or the United Kingdom (UK), and the customs value will determine the level of customs duty imposed at the time of import.

Given the current landscape, it is crucial for businesses to verify the customs classification and origin of their product portfolio and ensure the declared value to Customs is accurate. Additionally, confirming the origin is essential, as applicable tariff rates vary based on the country and region of origin and depend on potential trade agreements that may be applicable.

Free Trade Agreement

The Free Trade Agreement, known as The Trade and Cooperation Agreement (TCA), between the EU and the UK came into effect on 1 January 2021. This comprehensive agreement plays a crucial role in facilitating trade between the EU and UK. The agreement permits tariff- and quota-free trade between the EU and the UK.

Nonetheless, trade must adhere to certain formalities, including customs declarations, proof of origin, VAT handling, and compliance with product regulations (see section rules of origin).

Requirements before trading

Before engaging in trade, your company must obtain an EORI number (Economic Operator Registration and Identification number). This unique identifier is required for customs related activities within the EU. Both EU and UK businesses must possess a valid EORI to submit customs declarations and undertake other customs processes.

Additionally, consider applying for authorisation for duty deferment payment, which allows import duties and fees to be paid at a later date (typically within 30 days) instead of been obligated to pay duties at the time of import. It is also necessary to apply for authorisation for customs comprehensive guarantee before Customs can grant authorisation for duty deferment.

Your Responsibility as Importer or Exporter

As an importer or exporter, you are ultimately responsible for the accuracy of the information provided in customs declarations, even when utilising an agent to act on your behalf. It is therefore essential that you provide correct and complete supporting documents to your customs agent and disclose any required information, such as licence numbers, permits, additional costs, and cargo codes.

Possessing expertise in customs within your organisation is highly advisable. Proper management of import and export procedures ensures that import or export treatment aligns with the legal framework governing customs and that the handling is efficient, thus avoiding unnecessary penalties or delays. To comply with the legal framework governing customs, it is crucial to consider the following key points when submitting a customs declaration:

- Ensuring the accuracy of the information provided in the declaration, including the description and classification of goods.
- Verifying the origin of the commodity imported or exported and requesting or issuing the applicable and correct documentation and statement of origin.
- Verifying the correctness of the valuation of goods, including the appropriate application of tariffs and duties.
- Confirming that all necessary documentation is complete and complies with regulatory requirements.
- Staying updated on changes to customs regulations and policies that may have an impact on the import or export processes.

By adhering to these guidelines, organisations can maintain efficient customs operations and mitigate the risk of legal complications associated with customs procedures.

HS Codes and Commodity Classification

Customs tariff codes, also known as commodity codes, are utilised by customs authorities to identify goods. Each traded product must be classified using the Harmonised System (HS) code, a global 6-digit product classification standard. For EU imports, a 10-digit commodity code is required, while exports from the EU require an 8-digit code. Commodity classification impacts:

- Applicable customs tariff rates
- Additional charges (e.g. anti-dumping duties)
- Licence, potential duel-use licence (export control) or certification requirements

Incorrect classification can lead to over- or under-payment of customs tariff duties, supply delays, legal repercussions, and penalties.

Customs Value

Imports into the EU are subject to customs duties and import VAT, determined by the calculated and declared customs value. The customs value typically derives from the transaction value or price, encompassing the cost of goods, freight, insurance, and other expenses incurred up to the EU border, such as loading, handling, and potential supplementary costs including R&D, tooling, design, royalty, and licensing fees.

It is worth noting that Incoterms dictate whether certain expenses should be factored into the customs value by establishing the obligations of buyers and sellers regarding costs, risks, and adherence to regulations.

Customs valuation may become further complicated in inter-company transactions involving transfer pricing mechanisms. This may necessitate assessing whether the transaction value method can be applied or if the customs value should be determined based on alternative valuation methods.

Rules of Origin

Under the terms of the Free Trade Agreement (TCA), goods originating from the EU or the UK are eligible for duty-free or reduced duty treatment. However, it is essential to maintain accurate and thorough documentation to facilitate the origin management.

Compliance with the requirements for origin not only ensures duty-free or reduced duty treatment, but also supports adherence to TCA.

- For EU exporters, registration under the Registered Exporter (REX) system is mandatory when the total value of goods exceeds EUR 6,000. This system simplifies the certification process and allows exporters to self-certify the origin of goods, thereby expediting the export procedures.
- For imports into the EU, the Declaration of Origin must include a UK EORI number to validate the origin status of the goods.

It is advisable for exporters and importers to stay informed about any updates to the TCA and related regulations to mitigate any risks of non-compliance. Collaborating with a customs broker or trade consultant can provide additional assurance and streamline the process, ensuring that all required documentation is accurately prepared and submitted in a timely manner.

Restrictions, licensing, or regulatory requirements

When trading internationally goods can be subject to restrictions, licensing, or regulatory requirements. Some goods require a special export licence, such as electronics and chemicals. The export licence must be obtained from the relevant authority before exporting these goods. Pharmaceuticals often fall under regulatory oversight. Similarly, food and agricultural products may need certificates to confirm they meet certain standards. Cultural artifacts may also require a specific export permit before they can legally leave the EU. You may need permits or a licence for import to the EU as well.

Because of the complexity and variation in international regulations, it is essential for both importers and exporters to research country-specific restrictions and ensure all documentation is accurate and complete.

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WORK AND RESIDENCE PERMITS

In this section, **Ylva Hökerberg Jahnke** and **Jolande Svensson-Klijn** from Global Goes Local offer guidance on key considerations for companies employing non-EU citizens in Sweden.

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Maria Broman from BTR Group discusses how Brexit has heightened hiring challenges for UK companies in Sweden and the role of Employer of Record (EOR) solutions.

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Work permit processes when employing non-EU citizens in Sweden

Work Permits

General

Whilst 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, or for the time of the probation period in the employment agreement 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 under 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 on the Swedish Public Employment Service (Swedish names: Arbetsförmedlingen, Platsbanken)
- Offer a salary of at least 80% of the median salary (the 80% of the median salary is published annually on the Swedish Migration Agency's website and was SEK 28,480 in June 2024). The terms of employment must be in line with those set by either Swedish collective bargaining agreements, or 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 and Change of Employer

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 continue working while waiting for the decision from the Swedish Migration Agency (Swedish name: 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.

When changing employer or occupation, a new work permit needs to be submitted before the employee starts working for the new employer or in the new occupation. However, the employee can start to work for the new employer or in the new occupation whilst waiting for the decision and whilst the application is being processed.

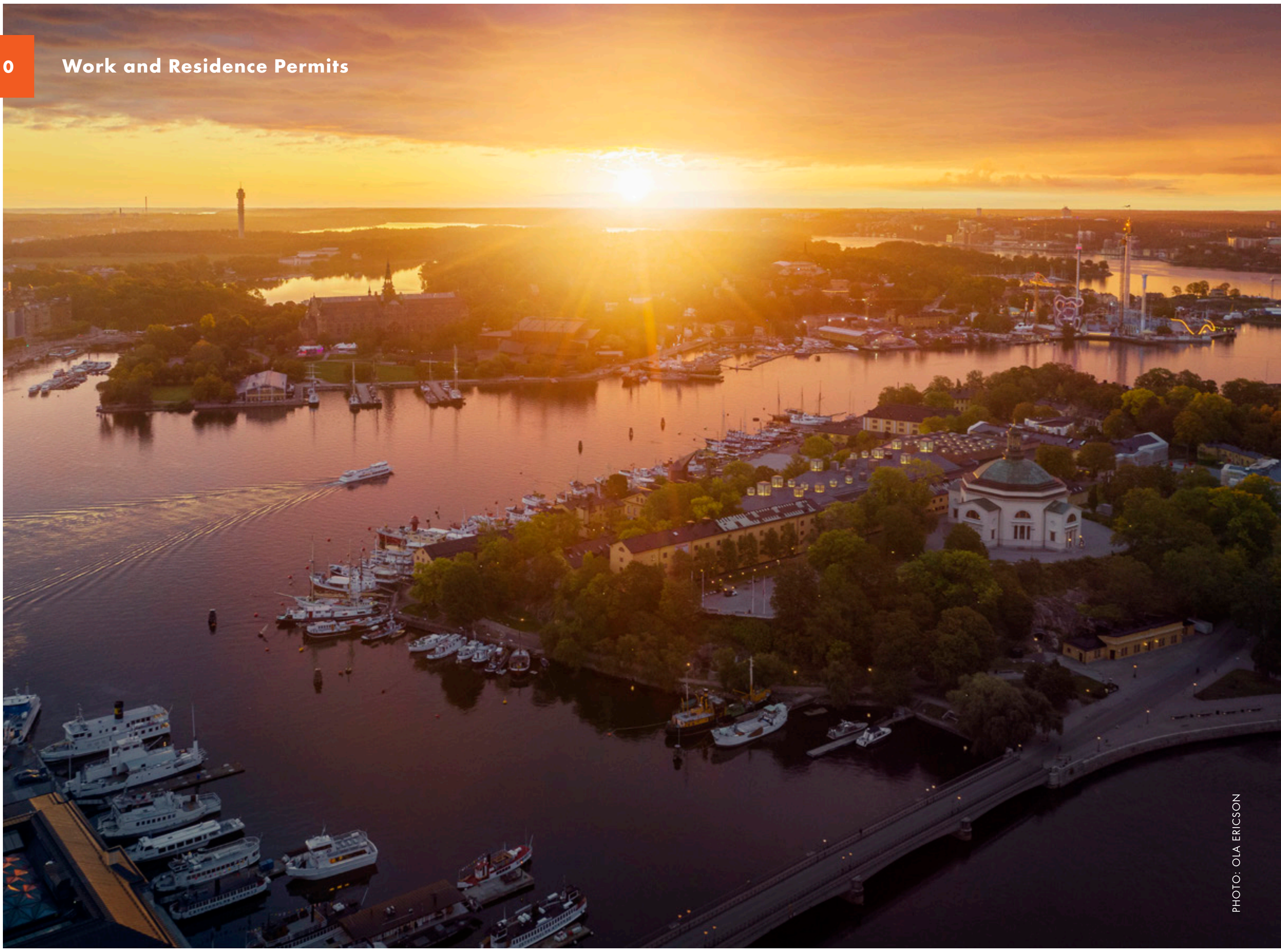
Fast-track process for highly qualified employees

Since January 2024, highly qualified employees and their employers receive a decision on work permit applications within a maximum of 30 days from the date of submission of a complete application.

The definition of highly qualified employees is based on the Swedish Standard Classification of Occupations (SSYK), a system of codes that group individuals' occupations or tasks. The codes used to distinguish highly qualified workers based on occupational areas are SSYK Codes 1-3 (SSYK 2012):

1. Managerial occupations
2. Occupations that require advanced higher education qualifications
3. Occupations with a requirement for higher education qualifications or equivalent

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 of a union must be received before the work permit application can be completed and submitted to the Swedish Migration Agency.



Digital Passport Check

Before the Migration Agency will issue a work permit decision, the passport of the applicant must be checked. The Swedish Migration Agency has implemented the possibility for a digital passport check for employees that can travel to Sweden without a visa, for example UK citizens. The digital passport check means that employees will receive an e-mail with an invitation to do a digital passport check and do not have to travel to an embassy to show their passport.

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, among 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. The reply time for an ICT permit is up to 30 days and for an EU Blue Card up to 90 days.

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 quarter times the average gross salary in Sweden (the amount is published annually on the Swedish Migration Agency's website and from 1 January 2025, the salary threshold is SEK 49,875 per month). The EU Blue Card is issued for a minimum of six months and a maximum of two years, and an extension can be applied for.

Global Goes Local can also assist with these applications.

Permanent Residence Permit

When applying for an extension of the work permit or EU Blue Card, 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 during 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 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 for at least three months after the person leaves the Schengen area
- 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, generally a work permit is required. It is recommended to always check with the Swedish embassy in the home country to make sure all requirements are fulfilled.

Work permit exemptions

As a general rule, a non-EU citizen needs to apply for a work permit in order to be able to work in Sweden. However, in some circumstances exemptions can be applied. The exemptions are listed on the webpage of the Migration Agency and the employer together with the employee needs to judge whether the work permit exemption is applicable on the work that the employee will perform in Sweden.

The Migration Agency does not give any pre-approval or indication as to whether an exemption might be applicable or not. The burden of proof lies with the employer and the employee jointly. If an employer wants to be absolutely certain that an exemption applies or if the employer is unsure if an exemption applies and wants to make sure that an employee does not work in Sweden illegally, the Migration Agency recommends submitting a work permit application.

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How to hire in Sweden – without worrying about laws, regulations and employer responsibility

Since the United Kingdom's exit from the European Union in 2020 and the regulation changes in Sweden effective from January 2021, entering the Swedish market has become increasingly complex for UK-based companies and residents.

Simultaneously, the global impact of the COVID-19 pandemic has transformed the business landscape and accelerated the adoption of remote work practices, both on a national and international scale. The journey of expanding internationally has become significantly easier and quicker due to a service called Employer of Record, so what exactly does it entail?

Employer of Record – entering a new market, made easy

Employer of Record (EOR) is a service that enables foreign companies to hire talent internationally in a fast, compliant manner – without the need to establish a subsidiary in the host country. When engaging an EOR, a tri-party agreement is formed between the company, the employee, and the EOR provider.

The company retains full control over the employee's day-to-day responsibilities, including task assignment, performance management, and oversight of work-related activities. Meanwhile, the EOR serves as the employee's legal employer, managing all administrative and legal obligations such as payroll, taxation, benefits administration, and regulatory compliance.

Many EOR providers also collaborate with immigration specialists to facilitate the procurement of work permits where necessary, helping ensure a seamless onboarding and relocation process.

High demand for specific occupations

Sweden has a clear talent shortages when it comes to certain vocations, such as IT architects, system developers, engineers, technicians and medical personnel. So naturally, these are fields in which it would be very beneficial for foreign players to step in.

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ESTABLISHING IN SWEDEN

In this section **Rebecka Fernkrans-Käller** from Scandinavian Trust explains why Sweden is a key first step for UK companies expanding into the Nordics, focusing on legal structure, tax, governance, and trust-building for success.

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Marianne Ramel and **Erik Klevbo** from DLA Piper share key trends and strategic pathways for UK investors in Nordic M&A, focusing on Sweden. They offer practical insights on navigating regulations, tax, and cultural considerations to support successful market entry.

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Introduction to Establishing in Sweden

Why Sweden?

Sweden is a natural first step for UK companies expanding in the Nordics. As one of the world's most digitally mature and innovation-driven economies, it offers stability, transparency and access to a highly skilled workforce.

Yet entering a new market – especially one outside the UK's regulatory sphere – requires more than setting up an entity. It's about understanding how things work in practice.

What You'll Need to Operate in Sweden:

Choosing the Right Legal Form

Selecting the right legal structure is one of the first – and most important – steps when entering the Swedish market. Here's a quick overview of the main options:

Limited Company (Aktiebolag, AB)

The most common choice for international companies. Requires a minimum of SEK 25,000 in share capital. EEA-resident board representation is needed. A local board member is recommended for smoother operations and access to Sweden's digital systems.

Branch (Filial)

Allows your foreign company to operate in Sweden without forming a new entity. A branch is not a separate legal entity, but part of the foreign company, though it is subject to Swedish tax and accounting rules. A local or EEA-resident managing director is required. Having a local managing director contributes to ease of administration and a stronger local presence.

Other Legal Forms

Sole proprietorship, partnerships, or economic associations may be suitable in special cases.

Choosing the Board & Representation

Swedish limited companies are governed by a board of directors, which is the company's highest executive body apart from the shareholder meeting. The board is responsible for the overall management of the company and must act in the best interest of the company and its shareholders.

Key points on governance and representation:

- Minimum board requirement: One board member and one deputy. Larger companies often appoint more. At least one deputy needs to be appointed if the board has fewer than three members.
- Residency rules: At least half of the board members and at least half of the deputies must reside within the European Economic Area (EEA). Having a local Swedish board member is strongly recommended – it simplifies interactions with authorities and allows for use of BankID, Sweden's digital ID system. If none of the company's representatives are registered in Sweden, the company must appoint a recipient for service of process.
- Managing director/CEO: Optional but often appointed in larger or operational companies. If appointed, they handle day-to-day operations under board oversight.

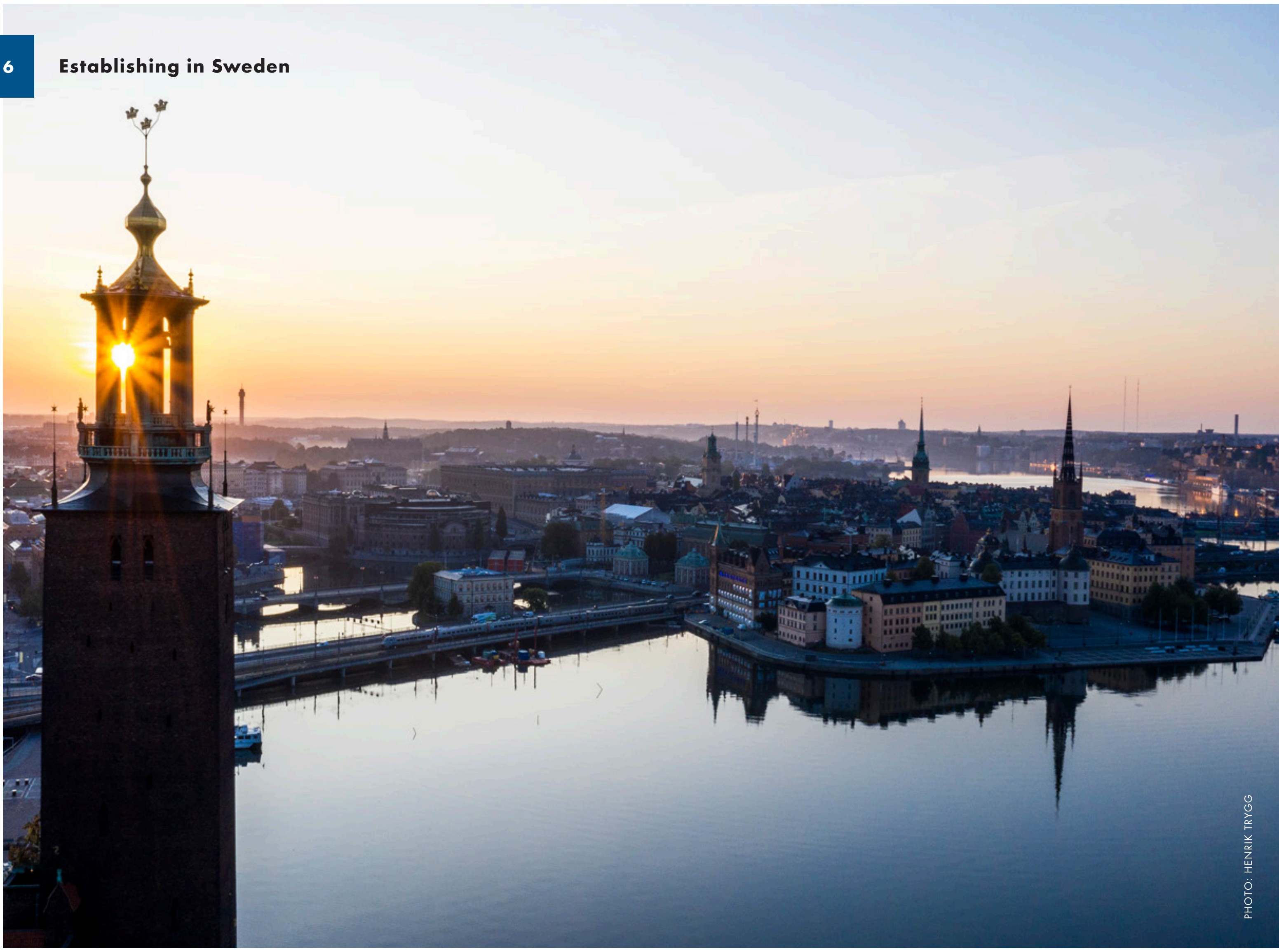
Corporate Tax and VAT registration

Companies with an active business activity, i.e. not a holding company, must register with the Swedish Tax Agency. VAT tax returns are performed either annually (small businesses), quarterly or monthly. Any preliminary taxes are deducted monthly, and the corporate income tax return is performed annually.

Accounting regulations

Swedish companies must:

- Keep accounts from day one
- Choose the right accounting framework (known as "K-regelverk" in Sweden)
- File an annual report (Swedish name: Årsredovisning) within seven months following the expiry of the financial year
- Apply an accounting framework that matches the company's size and structure
- Store all bookkeeping material locally or apply for an exemption



Payroll & employer duties

If you're planning to hire staff in Sweden, you must first register as an employer with the Swedish Tax Agency. Once registered, you'll be responsible for the following ongoing duties:

- Withhold income tax from employees' salaries each month
- Pay employer social contributions – approximately 31.42% of gross salary
- Pension contributions are common
- Submit monthly PAYE returns by the 12th of each month

What sets Sweden apart from other countries

- **Digital public services:** Almost all reporting (tax, registration, payroll) is performed digitally. The BankID system is used widely when identifying and signing of documents.
- **Board liability:** Board members in a limited company can be held personally liable for certain failures (e.g. tax payment delays).
- **Local representation:** It is common to appoint a Swedish resident to the board of directors – this increases trust and improves administration.
- **Business culture:** Swedes are often informal but value preparation and punctuality.
- **Consensus and silence:** Decisions may take longer – but once made, they stick.
- **Work-life balance is sacred:** a Swede will try to avoid emailing on weekends unless truly urgent.

Setting up in Sweden is not just about ticking boxes. It's about understanding how to operate locally – and how to earn trust in a new environment.

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Nordic M&A – Emerging Trends and a Strategic Pathway into Sweden for UK Investors

As global economic conditions continue to shift, the Nordic region, long regarded for its economic resilience, sustainability focus, and tech-forward industries, remains a breeding ground for M&A. Sweden has emerged as a particularly strategic and accessible market for UK-based investors and companies seeking to expand their European footprint. Following the UK leaving the EU, many UK firms have reassessed their access to EU markets. Sweden, with its open economy, skilled workforce, transparent regulatory framework, and strong innovation ecosystem continues to offer a compelling gateway into both the Nordics and the wider EU. Recent M&A activity in the region underscores this momentum, with private equity remaining highly active, cross-border deal activity increasing, and there is strong appetite for investments in sectors such as clean energy, healthcare, fintech, and industrial automation.

This section explores the latest trends shaping M&A both globally and across the Nordics and provides practical insights for UK businesses aiming to establish a presence. From understanding regulatory and tax structures to navigating cultural nuances and identifying suitable acquisition targets or joint venture partners, we highlight the key steps that UK companies should consider when entering the Swedish market. Whether through direct investment, partnerships, or acquisitions, Sweden offers fertile ground for sustainable and strategic growth in an increasingly competitive European landscape. For UK investors, the combination of Sweden's economic resilience, innovation-driven sectors, and EU market access makes it an ideal location for post-Brexit expansion.

M&A trends globally: Modest recovery

DLA Piper's global M&A team acted on more deals in 2024 than any other law firm, with over 1,000 completed transactions. In contrast to many law firms, we gather and analyse the data from our M&A transactions, which enables us to identify trends in legal terms and differentiate between various markets based on geography, deal size, and segment.

Global key takeaways include:

- **During 2024 deal processes in general took more time to accomplish.** Buyers were more inclined to fully bottom out e.g. due diligence matters and maintain their positions on legal terms and conditions of deals.
- **Key differences remain between geographies.** US and European approaches to M&A continue to differ considerably, nonetheless, when doing M&A in Europe, many US buyers have demonstrated a willingness to adapt to local market terms, especially in auction processes.
- **Growth of Warranty & Indemnity (W&I) insurance in most global regions continues.** While private equity players continue to drive this growth, deal insurance has become common across all buyer and seller types. It is also being used in both bilateral deal processes and its traditional stronghold of auction processes.

Recent events such as US tariffs presented in April 2025, and China's and other governments' retaliatory actions make it challenging to forecast the short-term M&A future. However, in the medium term, the M&A market continues to maintain the following:

- **Lower interest rates:** The rate-cutting cycle initiated in 2024 has made financing more affordable, tightening the valuation gap amongst buyers and sellers.
- **Private equity activity:** Private equity firms being more active, driven by the need to deploy substantial committed capital reserves.
- **Strategic corporate dealmaking:** Companies are increasingly turning to M&A to accelerate transitions and secure new abilities, especially in sectors like technology, healthcare, and professional & business services.
- **New bases for valuations:** Introductions of tariffs are likely to result in new bases for valuations for corporates engaged in cross-border work, further tightening the gap between seller and buyer expectations.

M&A trends in the Nordic market: Stability in uncertainty

Despite global headwinds – from inflationary pressure to geopolitical instability – the Nordic M&A market has remained notably resilient and investor appetite remains strong, especially for high-quality, strategically aligned assets.

Nordic key trends include:

- **Private equity resilience:** Private equity firms, both local and international, continue to drive a significant portion of deal activity, especially in the mid-market segment. Many are flush with dry powder and are targeting niche sectors with growth prospects.
- **Tech and digital assets:** Nordic countries, especially Sweden and Finland, remain global leaders in tech innovation. Software-as-a-service (SaaS), AI-driven platforms, and cybersecurity firms are continuing to draw intense interest.
- **Green transition investments:** Renewable energy, circular economy technologies, and sustainable manufacturing are also gaining traction. Norway and Sweden are leading the way with energy transition M&A, supported by favourable policies and investor demand for ESG-compliant assets.
- **M&A in the defence industry:** Sweden joining NATO and its evolving role in global defence, combined with its focus on e.g. AI and increased defence spending, positions it as a key player in the future of the defence M&A landscape.
- **Cross-border deals on the rise:** There has been a notable uptick in incoming M&A from European and North American investors, with the UK remaining one of the most active outside sources of capital.

Why Sweden stands out for UK investors

Among the Nordic nations, Sweden offers a uniquely attractive environment for UK-based firms looking to expand in the region or regain access to EU markets post-Brexit.

Strategic advantages:

- **EU market access:** As an EU member state, Sweden gives UK companies a stable and business-friendly base within the single EU market.
- **Ease of doing business:** Ranked among the top globally for ease of doing business, with efficient public services, strong legal protections and minimal bureaucratic red tape.
- **Innovation & talent:** Stockholm, the capital of Sweden, is often referred to as the "Silicon Valley of Europe" for its strong startup ecosystem. The country also boasts a highly educated, English-speaking workforce.
- **Cultural and regulatory alignment:** There are strong cultural affinities between Sweden and the UK, making integration and collaboration more seamless than in many other markets.

Establishing a presence

Whether through direct acquisition, greenfield investments or partnerships, entering the Swedish market requires careful planning and the following general steps should be considered:

Step 1: Define entry strategy

- **Acquisition vs. organic growth:** M&A offers speed and immediate market access; however, some companies may prefer a joint venture or starting from scratch via the incorporation of a local subsidiary.
- **Sector fit:** Identify sectors aligned with your business strengths, whether horizontal or vertical – tech, industrial automation, clean energy, and life sciences are particularly strong in Sweden.

Step 2: Legal & regulatory considerations

- **Corporate Law:** Sweden's legal framework for corporates is transparent and investor-friendly, with relatively low barriers to market entry. Company registration is straightforward, and foreign ownership is generally permitted, unless transactions involving Swedish entities are deemed strategically important and are subject to screening under the Foreign Direct Investment Act.
- **Foreign Direct Investment (FDI):** Transfers of entities engaged in security-sensitive activities may require approval under the Swedish Protective Security Act. In such cases, the seller is responsible for the approval process. In parallel, as of 1 December 2023, the Swedish Screening of Foreign Direct Investments Act applies to transactions concerning entities in essential services, critical raw materials, dual-use goods and emerging technologies. The buyer is responsible for the notification, and approval from the Swedish Inspectorate for Strategic Products must be obtained before completion. The Act covers both direct and indirect investments crossing specific thresholds, as well as group restructuring and greenfield investments.
- **Competition rules:** Certain larger acquisitions may require review by the Swedish Competition Authority.
- **Labour law:** Employers must engage with labour unions, and the use of collective bargaining agreements is widespread, though not mandatory.

PHOTO: ANNA HUGOSSON

Step 3: Taxation and structuring

- **Corporate tax rate:** Sweden offers a competitive statutory corporate tax rate of 20.6%.
- **Withholding tax & treaties:** The UK and Sweden have a double taxation treaty, facilitating smoother capital flows and reduced tax burdens.

Step 4: Cultural and operational integration

- **Language:** Most business is conducted in English, though having Swedish-speaking local staff is an advantage.
- **Business culture:** Swedes value transparency, consensus-based decision-making, and punctuality. Relationship-building and trust are key.

Step 5: Due diligence and advisory support

- Work with local legal, tax, and advisory professionals. Many UK-based firms already have strong networks in Sweden through the British-Swedish Chamber of Commerce and various Nordic-focused consultancy firms.

Regarding DLA Piper, our lawyers in the Nordic region were involved in 388 registered transactions in 2024.

Our collective global experience combined with the presence of lawyers with knowledge of each country's local laws and regulations enables us to understand the transactional realities and the industry-specific issues critical to the success of a deal. Our clients benefit from our presence in Sweden, Norway, Finland and Denmark, as well as our timely, pragmatic and commercial approach to problem solving. We guide our clients through every stage of a deal – from due diligence and structuring, through to negotiation and preparation of deal documents, and further to post-transaction transition and post-merger integration.

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PHOTO: HENRIK TRYGG

UK BUSINESSES OPERATING IN SWEDEN – **ARRANGING BANKING SERVICES**

In this section **Fredrik Härdling** from Nordea, highlights what UK companies should consider when looking for a banking partner and how the right partner can help to accelerate growth.

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Getting the right banking partner
and accelerating growth

The Swedish and Nordic context

Sweden's financial market is well-integrated with global systems and hence, UK firms have great potential to leverage Sweden's stable economy and strategic Nordic position for expansion.

However, since the UK left the EU, UK firms are often treated as "third-country" entities under EU regulations. This imposes restrictions on direct cross-border financial services, but does allow UK companies to operate in Sweden through subsidiaries or branches within the European Economic Area (EEA).

PHOTO: ANNA HUGOSSON

The Nordic region has a strong economic foundation, however, it also comprises five countries with different languages, currencies and laws. When accelerating growth, it is crucial to be able to manage and navigate these differences and find a suitable banking partner. Nordic banks are well positioned in digital banking solutions and Sweden has advanced payment systems, enabling smooth operations.

Key things to consider when applying to be a new customer at a Swedish bank

Understanding the business: The customer's ability to explain what their company does is vital, so that the bank understands and is comfortable with that from a "Know Your Customer" (KYC) perspective: What the company does, who it buys from, who it sells to, how money flows in the organisation etc.

Solid financials: A company's overall financial situation is important in banking relationships so to become a banking partner I Sweden, strong financials or a solid plan to get strong financials is important. The better track-record and the stronger the future plan, the easier it is for the bank to assess the company and to onboard it.

Boots on the ground: Having a Swedish-based director with access to the BankID identification system is important and makes the onboarding and handling processes much easier and could be a deciding factor for the bank.

Keep it simple: Complex ownership structures are sometimes difficult to understand and it takes time. So before contacting a bank, it is important for a company to create a clear picture of the organisation, including beneficial owners.

What else should UK companies look for in a local banking partner?

Comprehensive Banking Solutions: Access to tailored products and services in Sweden and across the Nordic countries is important for UK firms in order to manage risks and capture growth opportunities. Also, the ability to have access to simplified subsidiary management through unified account structures and streamlined operations is key.

Professional currency management solutions that facilitate efficient handling of SEK, NOK, DKK, EUR, GBP, USD and all other major currencies is an important area. Currency risks are sometimes neglected but will be essential for any UK firm, small or large. Finding a banking partner that offers currency risk management advisory to optimise currency flows and reduce exchange rate risks is key.

UK firms would also do well to have a banking partner that offers customer service and documentation in English and the Nordic languages, ensuring easy communication and understanding of local regulations.

Sustainability Alignment: Nordic banks' focus on sustainability aligns well with UK business culture, helping companies meet local expectations while enhancing their ESG credentials. By leveraging Nordic banks' expertise, UK corporate customers can confidently navigate the Swedish financial system whilst capitalising on growth opportunities in the Nordic region.

Having a **strong digital offering** beyond pure banking services is increasingly important, including in areas like risk management and cybersecurity, to help ensure reliability in the subsidiary's operations.

How can Nordea help UK companies as a banking partner?

To address the specific challenges of doing cross-border business, Nordea has a special unit called International Subsidiary Group (ISG), which offers tailored solutions and expertise. With a strong position in the Nordics, we support by connecting businesses to relevant stakeholders and ecosystems in the region. My team and I work closely with law firms and companies that specialise in helping international customers establish in the Nordics. Those firms are very good at helping international companies with questions and supporting material that the banks will ask for, so when the company approaches a bank, such as Nordea, much important work is already done and the evaluation and onboarding process becomes much easier.

Nordea has extensive expertise in cross-border services – with over 200 years presence in the Nordics and 40 years in the UK, supporting companies with subsidiaries or sales in the Nordics.

We offer all relevant banking products and services and would be happy to be contacted by UK companies looking to expand in Sweden and the Nordics.

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AN OVERVIEW OF **TAX RELATED ISSUES**

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

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Setting up a business in Sweden

When establishing a business in Sweden, regardless of whether it is a limited liability company or a branch, the company needs to be registered with the Swedish Tax Agency (Swedish name: Skatteverket) and the Swedish Companies Registration Office (Swedish name: Bolagsverket). For example, the company needs to register its name, business purpose, representatives and share capital.

According to Swedish law, a limited liability company must appoint and register at least one board member and, if there are less than three board members, at least one deputy board member. In addition, the company may also appoint and register a managing director and one or more deputy managing directors. When registering the company's representatives, it is important to note that there is a residency requirement in Sweden, stating that a number of the representatives need to reside within the EEA. This includes:

- at least half of the board members;
- at least half of the deputy board members;
- the managing director;
- all deputy managing directors; and
- if appointed, at least one person authorised to sign on behalf of the company.

If the residency requirement is not met, the company can apply for an exemption. However, exemptions are not always granted and should in any case be regarded as a temporary solution. If none of the representatives are domiciled in Sweden, the company must appoint an agent for service of process that resides in Sweden.

In the event that the entity is a branch, the following representatives must reside within the EEA:

- the managing director of the branch; and
- if any, all deputy managing directors of the branch.

As of 1 December 2023, investors need to notify the Swedish Inspectorate for Strategic Products (ISP) before investing in, or establishing, companies that conduct activities worthy of protection in Sweden. This includes business activities in areas such as critical infrastructure, defence, and security, but may also include other socially important activities with necessary functions for society.

When establishing a business in Sweden, it is also important to be prepared from a labour and employment law perspective in order to ensure compliance with applicable law. A Swedish employer must consider mandatory labour and employment law, including e.g., rules on employment protection, working time and work environment regulations.

Corporate Tax

A company registered with the Swedish Companies Registration Office (Bolagsverket) is regarded as a Swedish tax resident. Swedish tax residents are generally taxed in Sweden on their worldwide income, unless Sweden's right to tax is restricted under a tax treaty.

Income from all business activities is aggregated as one source of income (income from business). The corporate tax rate is 20.6% and there are no additional local or municipal corporate income taxes. Losses may generally be carried forward indefinitely and be utilised against future taxable profits. However, restrictions may apply upon a change of ownership and in certain other scenarios.

There is no consolidated taxation of companies within a group, but profits may be shifted through group contributions that are taxable for the recipient and tax deductible for the payer, provided certain conditions are met.

Sweden also offers a generous participation exemption regime under which dividends and capital gains on shares in Swedish companies and foreign equivalents may qualify as tax exempt, subject to certain conditions. Dividends are often exempt from withholding tax (WHT) and there is no WHT on interest.

The United Kingdom is classified as a third country since 1 January 2021, when the UK left the European Union. Certain provisions in the Swedish Income Tax Act refer to companies based in EU or EEA. However, as the tax treaty between Sweden and the UK remains in effect, UK companies are usually eligible for similar treatment.

Permanent Establishment Considerations

A permanent establishment is generally defined as a permanent location for business activities, from which the business is entirely or partly run. A permanent establishment may also exist where a foreign company has a representative in Sweden who has a power of attorney and uses it on a regular basis to conclude agreements on the company's behalf.

A foreign company that conducts business in Sweden through a permanent establishment e.g. a branch is taxed in Sweden on profits attributed to the Swedish permanent establishment. Guidance on profit attribution can be found in the OECD's "Report on the Attribution of Profits to Permanent Establishments" and in the commentary on Article 7 of the OECD's Model Tax Convention.

Employer responsibilities in Sweden

Employers paying remuneration to individuals who are liable for Swedish tax, and/or who belong to the Swedish social security system, are required to comply with reporting obligations in Sweden, such as monthly filing of PAYE tax returns and payment of withholding tax and social security contributions. To comply with these obligations, foreign employers are initially required to register as employers, and to obtain a corporate identification number to be used for the reporting. The requirement to file monthly PAYE tax returns remain until an employer de-registration request has been filed.

Preliminary tax withholding

Employers are required to comply with Swedish withholding tax requirements. This obligation also extends to foreign employers, who are required to withhold and remit preliminary tax on income paid to employees for work performed in Sweden. The withholding tax basis, and applicable withholding rate, depends on the employee's tax residency and whether the foreign employer has a permanent establishment in Sweden, or not. Employers established in Sweden are required to withhold tax from all compensation paid, based on tax tables provided annually by the Swedish Tax Agency. The withholding tax obligation for foreign employers is however limited to 30% withholding on compensation paid in respect of work performed in Sweden. Sweden generally allows applications for adjusted tax withholdings to be made during the year, e.g., to increase or decrease the withholding rate to consider tax deductions and foreign tax credits.

In cases where the employee working in Sweden meets the criteria for tax exemption under the so called "183-day rule", the foreign employer does not have corresponding tax withholding obligations in Sweden. Since Sweden adopted the economic employer concept (as of 1 January 2021), tax exemption does however no longer apply for employees who are considered as outsourced ("hired personnel"). Further, application of the 183-day rule requires that the employee stays in Sweden less than 183 days during a twelve-month period, and that the compensation is not paid by a Swedish employer/foreign employer with a permanent establishment in Sweden. Specific limitations apply to individuals employed by the Swedish state, or a Swedish municipality or region.

Social security

Employers paying compensation to employees who are covered by the Swedish social security system are required to pay social security contributions. The basis for the social security contributions (e.g., salary and benefits) are reported in monthly PAYE tax returns and should be remitted to the Swedish Tax Agency monthly. The social security rate is 31.42% (2025), paid on income with no cap. Foreign employers with no permanent establishment in Sweden pay a reduced contribution rate of 19.8% (2025).

The basis for social security contributions corresponds to compensation paid, but specific regulations apply for certain benefits in kind (e.g. car and housing benefits), where the calculation is made based on specific guidelines from the Swedish Tax Agency and values are updated annually. For employees with expert tax status, the basis for social security contributions is also reduced to 75% of taxable compensation, in addition to certain benefits being fully exempt from social security contributions. Employees having an A1 certificate, e.g., seconded employees or multistate workers confirming they belong to the UK social security system based on the applicable social security agreements, are exempt from paying social security contributions in Sweden.

Payroll

Collective bargaining agreements (CBA)

Sweden has around 650 different collective bargaining agreements, and at least 80% of Sweden's employees are covered by a CBA. A typical CBA includes provisions related to payroll, holiday, pensions and termination of employment. Companies in Sweden are not obliged to enter a CBA, but it's important to understand what such agreements offer to employees, to be able to establish a competitive compensation package. It may otherwise be hard to attract and retain the right employees

Tax and social security

The employer needs to deduct tax from the salary, which should be reported and paid to the Swedish Tax Agency on a monthly basis. From 1 January 2019, an employers has to report income and withheld tax for each of its employees to the Swedish Tax Agency. This is called AGI in Swedish and shows income, benefits and tax per employee.

Benefits

Benefits like a company car, wellness allowance and healthcare insurance are common in Sweden. If the

company offer benefits for the employees, it needs to be reported to the Swedish Tax Agency. One way of doing this is to run the benefits through the payroll system. Then it will be reported together with the AGI each month.

Pension

If the company has a collective bargaining agreement, the pension and insurance options are often already negotiated and agreed. Collectum (ITP1 and ITP2) is a central supplier for pension solutions for the companies that are attached to a collective bargaining agreement. Without a CBA the company needs to find its own pension solution.

GDPR

A lot of the data that is running through the payroll system is classified as sensitive personal data. Please keep in mind that you need to have clear routines in place for how this information is collected, stored and handled

VAT

In Sweden VAT applies to the following transactions:

- The supply of goods or services made in Sweden by a taxable person
- The intra-Community acquisition of goods in Sweden for goods coming from another European Union (EU) Member State by a taxable person (see the EU chapter)
- Reverse-charge services received by a taxable person in Sweden
- The importation of goods from outside the EU, regardless of the status of the importer

A taxable person is an individual or business entity that makes taxable supplies of goods or services, intra-Community acquisitions or distance sales for consideration while doing business in Sweden.

A VAT registration threshold of SEK 120,000 (approx. EUR 10,500) applies in Sweden for entities with a fixed establishment* in Sweden. If a taxable person exceeds transactions subject to VAT of SEK 120,000 annually, it must notify the tax agency of its liability to register. Any taxable persons conducting business transactions that have not yet exceeded the threshold for the fiscal year are not liable to report and pay VAT for those transactions unless registered for VAT. Taxable persons whose annual turnover subject to VAT does not exceed the threshold may opt to register for and pay VAT.

Taxable persons that only make supplies that are exempt from VAT (i.e. supplies that are zero-rated) are not required to register for VAT

VAT rates in Sweden:
- Standard 25%
- Reduced 6%, 12%
- Other Zero-rated (0%) and exempt

The standard rate of VAT applies to all supplies of goods or services, unless a specific measure provides for a reduced rate, the zero-rate or an exemption.

Examples of goods and services taxable at 6%:
- Books and newspapers
- Passenger transport

Examples of goods and services taxable at 12%:
- Foodstuffs
- Hotel accommodation

Generally, the seller is responsible for reporting and paying VAT, although there is a domestic reverse charge mechanism. The domestic reverse charge applies to the following:
- Supplies of construction and building services to other taxable persons selling construction and building services more than occasionally.
- Trading with emission licences
- Gold and other specific metals
- Scrap metal
- Mobile phones, laptops, tablets, game consoles and integrated circuit units (when the tax base in the invoice exceeds SEK 100,000) and the seller and purchaser are or shall be registered for VAT in Sweden

Fixed establishment:
Sweden does not have a legal definition of fixed establishment. According to the Swedish Tax Agency, the following three criteria should be considered when determining if a fixed establishment is at hand:

- Personnel resources
- Technical resources
- A sufficient degree of permanence

These criteria are cumulative, meaning that all three criteria need to be met for the requirements for having a fixed establishment to be fulfilled.

Accounting in Sweden

In Sweden, accounting practices are governed by the Swedish Accounting Act (Swedish name: Årsredovisningslagen), which outlines the requirements for financial reporting and the preparation of annual accounts. All companies registered in Sweden, regardless of size, must maintain accurate accounting records and prepare financial statements in accordance with the applicable regulations.

The financial statements must include a balance sheet, income statement, and cash flow statement, along with notes that provide additional information about the company's financial position and performance. Companies are required to follow the Swedish Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) if they are publicly traded or meet certain size criteria.

Swedish companies must also adhere to specific rules regarding the recognition of revenue, expenses, and assets. For instance, revenue is typically recognised when it is earned, and expenses are matched to the revenue they help generate. This ensures that the financial statements provide a true and fair view of the company's financial health.

In addition to annual financial statements, companies are required to submit a tax return to the Swedish Tax Agency that reflects their taxable income. The accounting records must be maintained for a minimum of seven years, and companies are subject to audits depending on their size and structure.

Furthermore, Sweden has implemented various regulations to promote transparency and accountability in financial reporting. Companies are encouraged to adopt sustainable accounting practices, which include reporting on environmental, social, and governance (ESG) factors.

Overall, compliance with accounting regulations in Sweden is essential for legal entities to ensure accurate financial reporting, maintain stakeholder trust, and fulfil tax obligations.

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TALENT ATTRACTION

In this section **Fredrik Hillelson** from Novare gives an overview of what to consider when recruiting staff in Sweden.

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What to consider when recruiting staff in Sweden

The Labour Market

Sweden offers a well-organised and efficient job market, making recruitment a relatively straightforward process. Temporary staff and interim managers are readily available for those seeking a more flexible workforce. Recruiting staff familiar with Swedish employment laws is advisable to establish appropriate terms for permanent and interim hires. The workforce is highly unionised, yet the relationship between employers and unions is typically collaborative, emphasising open dialogue to ensure transparency and mutual understanding.

Sourcing Talent: The Swedish Approach

In Sweden, finding the right talent can be achieved directly by the company or with the support of external partners. Leveraging a network of staffing companies and recruitment platforms is common practice. Employer branding is crucial in attracting candidates, while Executive Search firms help secure top leadership talent. Networking is a key part of the process, highlighting the importance of personal connections. Building strong professional networks benefits both job seekers and recruiters, reflecting the relational nature of Swedish business.

PHOTO: FOND&FOND

Increasingly, personality and logical reasoning tests are used to gain insights into candidates' suitability, ensuring they align well with company culture. These assessments help ensure a good fit between the candidate and the organisation.

Swedish companies often look for candidates who resonate with their corporate values and culture, considering this alignment as important as technical skills. This focus on cultural fit may involve multiple interviews and assessments to ensure candidates are well-suited to the organisation.

Structured onboarding processes are important to help new employees quickly integrate into the company culture and become productive.

The Role of AI in Recruitment

AI is becoming a valuable tool in recruitment, assisting with tasks like administrative work, job ad creation, and reference checks. Its integration into recruitment processes reflects a broader trend of using technology to optimise hiring. As AI continues to develop, its role is expected to grow, offering new ways to enhance the recruitment experience for both employers and candidates.

Employment Terms and Legal Considerations

Swedish employment terms are clearly defined by law, particularly under the Employment Protection Act (Swedish name: Lag om anställningsskydd – LAS). A written employment contract is mandatory and must include key details such as role description, salary, start date, notice period, and working hours. Probationary periods allow employers to evaluate new hires for up to six months, with flexible termination terms. For permanent roles, notice periods typically range from one to three months, extending to three to six months for management.

Looking ahead, the EU Pay Transparency Directive (EU 2023/970) will require companies to disclose salary ranges in job ads and provide employees with access to pay structure information. This aims to eliminate unjustified pay disparities between genders. Although it takes effect in 2026, discussions and preparations are already underway.

Employers must also comply with Swedish anti-discrimination laws, which mandate proactive measures to prevent discrimination in the workplace.

Flexibility and the Evolving Workplace

Flexibility in the workplace has become increasingly important, especially since the pandemic. By 2025, flexible work arrangements are expected rather than seen as perks. Offering such flexibility is crucial for attracting and retaining talent, reflecting the evolving work-life balance in Sweden.

Understanding Swedish Work Culture

Swedish work culture emphasises work-life balance and social interaction. Traditions like "fika," a coffee break that fosters socialising, and "VAB," the right to care for sick children, are integral to the workplace. These practices contribute to a positive work environment and employee satisfaction.

Holidays are highly valued, with extended breaks during the summer and around the main public holidays. Employees expect not to be disturbed unless necessary. Key factors for attracting and retaining employees include a clear business purpose, commitment to diversity and inclusion, and a healthy work-life balance. These elements, combined with a flexible work environment, are essential for creating a harmonious and productive workplace.

Understanding the Swedish workplace environment is crucial, including its emphasis on flat hierarchical structures and open communication. Respect for schedules, teamwork, and a collaborative approach are key aspects to be aware of. Sweden boasts a dynamic business climate that encourages and enables everyone from startups to large corporations to fulfil their full potential. Companies are encouraged to adopt environmentally friendly practices and foster a culture of continuous improvement, enhancing their reputation and attracting employees who value these principles.

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COVER PHOTO: YANAN LI

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

The Department for Business and 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.

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British-Swedish Chamber of Commerce is 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.

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Stockholm Business Region is the City of Stockholm's official business and destination agency with the mission to develop and position Stockholm. Together with our local community of pioneers,visionaries and creatives, we put the global spotlight on the unique and exciting possibilities that our region holds for both businesses, talents and visitors. Stockholm Business Region is owned by the City of Stockholm.

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