

**Chandrawat
& Partners**

Doing Business in SWEDEN

enquiries@chandrawatpartners.com | www.chandrawatpartners.com

TABLE OF CONTENTS

<u>Contents</u>	<u>Page no.</u>
• Introduction	01
• Economic overview	02
• Foreign direct investment policy	02
• Key sectors	03
• Advantages of business	06
• Types of Business	07
• Eligibility for registration	08
• How to set up a business?	10
• Taxation	11
• Accounting standards	12
• Labor and employment laws	14
• Policies regarding employment	16
• How we can help ?	18
	20

INTRODUCTION



Sweden is a Nordic country in Northern Europe with an open economy that makes it a desirable location for business endeavors. The nation's dedication to sustainability and innovation will still be promoting a business-friendly atmosphere. Sweden is known for innovation, entrepreneurship & well-educated workforce. It values sustainability, technology & equality to a greater extent.

Sweden is also a part of the European Union which enhances its global economic integration.

Sweden is renowned for innovation and technology, with numerous successful multinational companies originating from Sweden which influences sectors like telecommunications, automotive and pharmaceuticals.

ECONOMIC OVERVIEW

Sweden has a strong, diverse economy that is marked by high standards of living and an efficient welfare system. Its strong export-oriented industries, Gross Domestic Product growth, and technological advancements all contribute to its economic resilience in 2023. Sweden's stable economy, transparent business practices, and high-quality education system produce a skilled workforce, attracting international investments. As member of European Union, Sweden plays a role in shaping EU policies and participates in a well-integrated regional market.

Also, Sweden's diplomatic efforts and commitment to international cooperation contribute to its influence on the global stage, making it a notable player in various economic and political discussions.

FOREIGN DIRECT INVESTMENT POLICY

Sweden will have a liberal FDI policy and encourage foreign direct investment ("FDI"). By offering incentives, the government actively promotes foreign investment while maintaining an open and inclusive environment.

Some key aspects of Sweden's FDI policies include:

- ☒ Non-Restrictive Policies.
- ☒ Transparent Regulatory Framework.
- ☒ Incentives for Innovation.
- ☒ Stability and Rule of Law.
- ☒ Environmental and Social Responsibility.

KEY SECTORS

Sweden is known for its diverse and advanced economy, with several prominent industries and sectors driving economic growth. Here's a general analysis:

Information Technology and Innovation:

Sweden's Information Technology and Innovation sector play a pivotal role in driving the country's economic growth and global competitiveness. It is renowned for its emphasis on innovation, Sweden has cultivated a thriving tech ecosystem characterized by advanced infrastructure, a skilled workforce, and a supportive regulatory framework.

In terms of the "IT" industry, Sweden is home to numerous successful tech companies and startups. Stockholm, the capital, has earned the nickname "Europe's Silicon Valley" due to its concentration of tech talent and innovative enterprises. Companies like Spotify, Klarna, and Ericsson have achieved global recognition, symbolizing Sweden's prowess in both software development and telecommunications technology.

Sweden's IT and Innovation sector thrive on a combination of cutting-edge technology, a culture of innovation, and government support.

Automotive Industry:

Sweden has embraced electric mobility and sustainability, aligning with global trends. Volvo has committed to electrifying its entire vehicle lineup, reflecting the industry's shift towards environmentally friendly alternatives. This aligns with Sweden's broader commitment to reducing carbon emissions and promoting eco-friendly transportation solutions.

Additionally, the country's automotive sector is characterized by a strong emphasis on research and development. Sweden has been at the forefront of autonomous vehicle technology, with companies like Volvo and Ericsson actively contributing to the development of connected and autonomous vehicles.



Pharmaceuticals and Life Sciences:

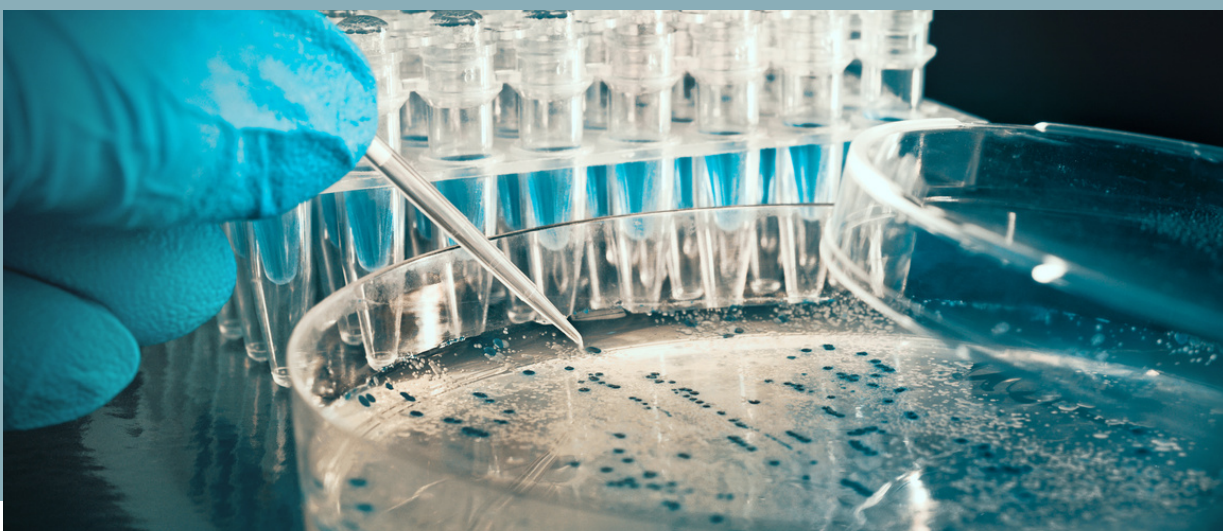
Sweden's commitment to sustainability extends to the pharmaceutical and life sciences sector. There is a growing emphasis on developing innovative and environmentally friendly solutions, aligning with global efforts to create more sustainable healthcare practices. The focus on precision medicine and personalized healthcare is also gaining traction, with companies exploring ways to tailor treatments to individual patients based on genetic, lifestyle, and environmental factors.

Sweden's pharmaceutical and life sciences sector is characterized by a strong tradition of research and innovation, a commitment to sustainability, and a collaborative ecosystem involving industry, academia, and government. This positions Sweden as a key player in the global life sciences landscape, contributing to advancements in healthcare and pharmaceuticals.

Telecommunications:

The mobile telecommunications market in Sweden is highly developed, with a high rate of mobile phone penetration. Major telecom operators, such as Telia, Tele2, and Telenor, compete in providing extensive coverage and advanced mobile services. Sweden was an early adopter of 5G technology, further enhancing mobile connectivity and paving the way for the Internet of Things (IoT) applications.

In recent years, there has been a shift towards convergence in the Swedish telecommunications sector. Many operators offer bundled services, combining fixed-line, broadband, and mobile services into comprehensive packages. This trend reflects the growing demand for seamless connectivity and integrated solutions.



Financial Services:

Sweden is known for its digitalization and technological advancements, and the financial services sector is no exception. The country has embraced financial technology “fintech” and innovation in banking services. Mobile payment solutions, online banking, and digital financial platforms are widely adopted, reflecting the Swedish population's tech-savvy nature.

The asset management industry in Sweden has also seen growth, with several asset management firms managing portfolios for both domestic and international clients. Sustainable and responsible investing is gaining traction, aligning with Sweden's commitment to environmental, social, and governance (“ESG”) principles. These sectors offer substantial growth potential, bolstered by the nation's emphasis on sustainability and innovation.



ADVANTAGES OF DOING BUSINESS IN SWEDEN

Stable Economic Environment:

Sweden maintains a stable and resilient economy, providing a secure foundation for businesses to operate and grow.

Innovation and Technology:

Sweden is known for its innovation and technology-driven economy. Businesses can benefit from a highly skilled and educated workforce, fostering innovation and technological advancements.

Global Connectivity:

As a member of the European Union, Sweden offers businesses access to a well-integrated market. The country's strong trade relationships and global connectivity make it attractive for international business activities.

Sustainability Focus:

Sweden places a strong emphasis on sustainability and environmental responsibility. Businesses aligning with green practices may find support and incentives.

Quality Workforce:

Sweden boasts a well-educated and skilled workforce. The country's emphasis on education and training contributes to a high-quality labor pool for businesses.

Government Support:

The Swedish government provides support for businesses through various initiatives, including financial incentives, grants, and programs promoting research and development.

Work-Life Balance:

Sweden is known for its commitment to a healthy work-life balance. This can contribute to a positive and motivated workforce, enhancing productivity and employee satisfaction.

TYPES OF BUSINESSES

The most common business structures include:

Limited Liability Company:

In Sweden, the Limited Liability Company “LLC”, is a widely adopted business structure prized for its flexibility and shareholder protection. To establish it, founders must draft articles of association, specifying key details such as the company's name, registered office, business purpose, and share capital. The minimum share capital required is SEK 50,000, and shareholders enjoy limited liability, shielding their personal assets from company debts. An appointed board of directors manages the day-to-day operations, with at least one managing director who can also be a board member.

Shareholders, whether private individuals or corporate entities, can freely transfer shares unless restricted in the articles of association. Annual financial reports, including income statements and balance sheets, must be submitted to the Swedish Companies Registration Office. Corporate income tax applies to profits, and larger ABs may undergo mandatory audits. Public disclosure of certain company information is accessible through the registration office, emphasizing transparency. Overall, this structure provides a robust framework for businesses in Sweden, balancing flexibility, protection, and regulatory compliance.

Partnership:

In Sweden, partnership business structures are primarily represented by two main forms: general partnerships and limited partnerships. In a general partnership, all partners share equal responsibility for the company's debts and liabilities. This structure is characterized by a high degree of flexibility in terms of management and decision-making, as partners collectively contribute to the business's success. Limited partnerships, on the other hand, consist of both general partners who assume full liability and limited partners who have limited liability but are restricted in their involvement in company management. Partnerships in Sweden are governed by the Partnership Act, emphasizing transparency and accountability.





Economic Association

In Sweden, the economic association is a distinct business structure commonly utilized by entities with a cooperative or nonprofit orientation. This form of organization is governed by the Economic Associations Act and is characterized by members who contribute financially to achieve common economic objectives. Economic associations are prevalent in various sectors such as agriculture, housing, and consumer cooperatives. Members hold decision-making power through democratic processes, participating in general meetings to shape key decisions.

Foundation:

In Sweden, the foundation is a distinctive business structure primarily designed for charitable, cultural, or social purposes. It is governed by the Foundation Act; this legal entity is established through an endowment from a founder or founders who dedicate assets to fulfill a specified mission. Foundations operate independently, with their own governing board responsible for decision-making and strategic direction. Notably, foundations are non-profit entities, and any generated profits must be reinvested in pursuit of their stated objectives rather than distributed to members or founders.

Branch Office:

In Sweden, a branch office functions as an extension of a foreign company rather than a separate legal entity. Governed by the Swedish Branch Office Act, this business structure allows international companies to establish a physical presence in Sweden without forming an independent company. The foreign company remains fully responsible for the branch's operations and liabilities.

However, the branch office must comply with Swedish regulations and taxation. While the parent company retains control, the branch operates with a level of autonomy in its day-to-day activities. Establishing a branch office provides foreign companies with an avenue to access the Swedish market, leverage local resources, and engage with customers more effectively. This structure facilitates international business activities while ensuring compliance with Swedish legal and financial requirements.



MINIMUM ELIGIBILITY CRITERIA FOR COMPANY REGISTRATION

A company must meet certain requirements to be registered, including having a distinctive business name, a registered office address, and legal compliance. The different criteria may apply depending on the business structure that is selected.

To register a corporation in Sweden, the following requirements must be fulfilled:

1) Minimum amount of capital needed

It takes at least 25,000 Swedish Kronor to register a company in Sweden. It can be identical to European money. This is roughly 2500 euros if it is expressed in euros. Public limited businesses must be able to contribute at least 500,000 Swedish Kronor.

2) Minimum quantity of board members

To perform its functions, a limited business needs a minimum of three board members. A private limited company needs a minimum of one member, while a public limited company needs three members on the board.

3) Appointing auditors is necessary

Since a privately held firm is exempt from choosing an auditor, the choice of auditor is left to the company's judgment. A public company is required to designate an auditor. The submission of annual reports and all other responsibilities about yearly compliance fall under the purview of auditors.



HOW TO SET UP A BUSINESS?

In Sweden, the process of registering a business is as follows:

Step 1: Decide the kind of business

The first step in setting a business in Sweden is deciding what kind of business you wish to start. There are numerous varieties of businesses in Sweden, such as limited companies, branch offices, and partnership firms. The business structure that works best for your firm must be chosen.

Step 2: Choose and save a company name

Choosing a name for your company and reserving it with the Swedish Companies Registration Office (Bolagsverket) is the second step. It's imperative that the name you choose is unique and doesn't rhyme with the names of any existing companies.

Step 3: Get the business ready with the business records

Prepare the documents, such as the articles of association or memorandum of association, required for the registration of a business in Sweden.

Step 4: Bolagsverket registration for the business

After the paperwork is ready, you need to register with the company with Bolagsverket. You must also submit the documentation and information needed for business registration

Step 5: Obtain the company identity number.

The corporate identity number will be issued to you once your business has been registered with the appropriate authorities.

Step 6: Open an account with the Tax Authorities

The company must register with the Swedish Tax Agency (Skatteverket), apply for F-tax, register for VAT, and, if required, register as an employer.



TAXATION

There are various Taxation in Sweden which are-

Income Tax:

Sweden employs a progressive income tax system with multiple brackets. The tax rates range from approximately 32% for lower incomes to 57% for higher incomes. The income brackets are regularly adjusted for inflation.

Capital Gains Tax:

The capital gains in Sweden are typically taxed at the standard income tax rates. The special rules may apply to certain types of capital gains. For instance, gains from the sale of a primary residence might be exempt under certain conditions.

VAT (Value Added Tax):

Sweden has a standard VAT rate of 25% for most goods and services. The reduced VAT rates of 12% and 6% apply to specific items such as food, hotel accommodations, and cultural events.

Corporate Tax:

The corporate tax rate in Sweden is approximately 21.4%. Additionally, companies may be subject to municipal tax, which varies among municipalities but generally adds up to around 20-22%.

Social Security Contributions:

Social security contributions are levied on both employers and employees. The total social security contributions amount to approximately 31.42% of an employee's gross salary.

Property Tax:

The municipalities in Sweden have the authority to impose property taxes, but rates can vary significantly. A fixed-rate national property tax applies to agricultural land.

ACCOUNTING STANDARDS



Some key points regarding compliance with accounting standards in Sweden:

IFRS Adoption for Large Companies:

The Large companies listed on a regulated market in a European Union/European Economic Area (“EU/EEA”) member state are required to prepare their consolidated financial statements by International Financial Reporting Standards (“IFRS”).

Swedish GAAP for Non-Large Companies:

Companies that are not classified as large entities may prepare their financial statements according to Swedish generally accepted accounting principles (“GAAP”).

Principles of Swedish GAAP:

Swedish generally accepted accounting principles (“GAAP”) adhere to principles like International Financial Reporting Standards (“IFRS”), emphasizing a true and fair view of the financial position and performance of a company.

Companies are required to apply the accrual basis of accounting.

Financial Statements:

Companies are typically required to prepare annual financial statements, including a balance sheet, income statement, cash flow statement, and notes to the financial statements.

Auditing Requirements:

Large companies, certain medium-sized companies, and companies of public interest are subject to mandatory external auditing. The annual financial statements must be audited by an authorized public accountant.

Reporting and Disclosure:

Companies are required to disclose relevant information in their financial statements and notes, providing transparency for stakeholders.

Consolidation Requirements:

The consolidated financial statements may be required for companies with subsidiaries.

Continuous Disclosure:

The companies listed on a regulated market must adhere to continuous disclosure requirements, providing timely and accurate information to the public.

Changes in Accounting Policies:

The changes in accounting policies and estimates should be disclosed in the financial statements.



LABOUR AND EMPLOYMENT LAWS

Sweden places a strong emphasis on a cooperative labor-management relationship that promotes a happy workplace.

The key aspects of employment and labor laws in Sweden:

Employment Contracts:

Employment contracts can be either indefinite or fixed term. Written employment contracts are not always required, but employers must provide employees with essential terms and conditions in writing.

Working Hours:

The standard working week is 40 hours, typically spread over five days. And the overtime work is compensated for through additional pay or time off.

Annual Leave:

The employees are entitled to a minimum of 25 days of paid annual leave. And the public holidays are typically not included in this count.

Parental Leave:

The generous parental leave provisions are in place, allowing both mothers and fathers to take paid leave to care for their children.

Minimum Wage:

Sweden does not have a statutory minimum wage. The wages are usually determined through collective agreements between employers and trade unions.

Collective Bargaining:

The collective bargaining is a fundamental aspect of Swedish labor relations. Trade unions negotiate collective agreements with employers to establish terms and conditions of employment.

Termination and Notice Periods:

Employment can be terminated by either the employer or the employee. And the notice periods vary based on the length of service and are typically longer for the employer than for the employee.

Discrimination and Equality:

The Swedish law prohibits discrimination based on factors such as gender, age, ethnicity, religion, and sexual orientation. Also, employers are required to promote equality and prevent discrimination in the workplace.

Workplace Safety and Health:

Employers are obligated to provide a safe and healthy working environment. The workplace safety regulations are enforced, and employees have the right to refuse work if there is a serious threat to health or safety.

Employee Representation:

The Employees have the right to organize and join trade unions. Workplaces often have employee representatives who participate in decision-making processes.

Employee Privacy:

Employee privacy is protected, and employers must adhere to data protection laws when handling employee information.

Unfair Dismissal Protection:

The employees are protected against unfair dismissal, and employers must have just cause for termination. Dismissals can be challenged through labor courts.





The Sweden has fair employment practices, such as work-life balance, diversity, and equal opportunity equilibrium. And the country respects the laws regarding hiring, firing, and benefits for employees. The major employment policies in Sweden –

Employment Protection Legislation:

Employment Protection Act “LAS” - 1982: Enacted in 1982,

“LAS” is a fundamental piece of legislation outlining the rights and responsibilities of employers and employees. It addresses issues such as termination procedures, notice periods, and protection against unfair dismissal, providing a strong foundation for job security.

Working Hours and Conditions:

Working Hours Act - 1982:

This act, enacted alongside LAS, governs standard working hours, overtime regulations, and rest periods. It was introduced in 1982 to balance the demands of the workplace with the well-being of employees, promoting a healthy work-life balance.

Work Environment Act - 1977:

It was enacted in 1977, and this legislation focuses on occupational health and safety. It sets standards for physical and psychosocial work environments, addressing issues such as workplace safety, ergonomic conditions, and prevention of discrimination and harassment.

Wages and Compensation:

Collective Agreements:

While not legislative acts, collective agreements negotiated between trade unions and employer associations play a crucial role in determining wages and benefits. These agreements are continuously updated, reflecting changing economic conditions and societal expectations.

Non-Discrimination and Equality:

Discrimination Act - 2009:

It was enacted in 2009, this legislation prohibits discrimination on various grounds, including gender, ethnicity, disability, and sexual orientation. It aims to promote equal opportunities in employment and outlines measures to prevent discrimination in the workplace.

Parental Leave Act - 1974:

It was introduced in 1974, this act ensures gender equality by providing parental leave for both mothers and fathers. It encourages shared responsibility for childcare, aiming to reduce gender disparities in the workforce.

Government Initiatives:

Active Labor Market Policies:

Various initiatives fall under this category, and their specific acts may not have distinct names or years. The government regularly introduces measures such as training programs, job creation initiatives, and subsidies to actively address unemployment issues and enhance employability.

Introduction Act - 2010:

It was enacted in 2010, this act supports newcomers to the labor market by providing measures like introduction programs and mentorship to facilitate integration and skill development for immigrants.





HOW WE CAN HELP ?

Our team can help with all-inclusive legal support. The services like company registration to tax and labor law compliances. We can assist with the legal nuances so that the business establishment in Sweden goes smoothly and legally i.e.

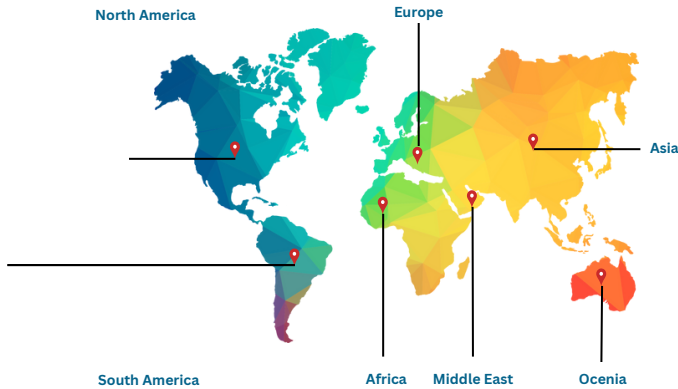
Compliance and Regulatory Guidance:

Sweden has a complex regulatory landscape, and our team plays a pivotal role in helping businesses understand and adhere to applicable laws and regulations. We can provide ongoing compliance support, our team keeps clients informed about changes in industry standards and best practices, ensuring their business operations remain under Swedish legal requirements.

Market Research:

Our team conducts thorough market research to understand the demand for your products or services in Sweden also Identifies the target audience and analyzes the competition to determine your unique selling proposition.

SERVING CLIENTS WORLDWIDE



The information contained herein is of a general nature. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. The information is not offered as an advice on any matter, and no one should act or fail to act based on such information without appropriate legal advice after a thorough examination of the particular situation. The information does not make us responsible or liable for any errors and/or omissions, whether it is now or in the future. We do not assume any responsibility and/or liability for any consequences.

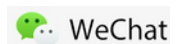
Key Contact



Surendra Singh Chandrawat
Managing Partner

✉ surendra@chandrawatpartners.com

Connect Surendra on



Chandrawat & Partners is a leading and rapidly growing full-service firm providing high quality professional and corporate services to foreign and local clients, representing companies and individuals in a wide range of sectors through separate entities established in various countries worldwide.

Copyright © 2024 | All rights reserved | Chandrawat & Partners | Email: enquiries@chandrawatpartners.com | Website: www.chandrawatpartners.com

Follow us on:

