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Starting a business in Sweden - an introduction

Setting up a business in Sweden is a straightforward process. Procedures are simple and efficient, based on a transparent system that seeks to facilitate establishment of new enterprises.

Swedish society and industry is highly international and technology oriented. As a nation the mindset is to adapt to constant change. These assets, along with a strong supply of educated and trained people, present a solid platform for successful business in Sweden.

LIMITED LIABILITY COMPANY OR BRANCH?

A foreign-based company wishing to establish an enterprise in Sweden will most likely choose one of two main business structures:

- Subsidiary – a limited liability company (*aktiebolag*)
- Branch (*filial*)

Most foreign investors who set up a business in Sweden opt for a limited liability company. Swedish legislation has long accepted limited liability companies with a sole owner (wholly owned subsidiaries).

A limited liability company is a legal entity incorporated in Sweden. The minimum share capital is SEK 50,000. A branch is not incorporated in Sweden but is a divisional office – part of a foreign limited company – organized to conduct business in Sweden. Both must be registered at the Swedish Companies Registration Office (*Bolagsverket*) and the Swedish Tax Agency (*Skatteverket*).

IN BRIEF

- Straightforward system for business startups
- Limited liability company - most used form
- No Swedish partner needed to start a business

A limited liability company must appoint a board of directors and, if it is public, a managing director. A branch must have a managing director. Specific rules regarding residency of the managing director and the board of directors apply.

Limited liability companies and branches over a certain size are required to appoint an auditor and comply with Swedish book-keeping regulations. A limited liability company must submit annual accounts to Bolagsverket. A branch has to keep its accounts separate from those of the foreign-based company. Whether the annual accounts of both the foreign-based company and the branch are to be submitted depends on a number of factors.

For tax purposes, a limited liability company and a branch are treated in similar fashion, but they can give rise to different tax implications depending on the structure of the company group. Limited liability companies can gain tax exemption on profit through intra-group dividends. A branch structure can offer tax benefits for a transitional period when launching a business. This is because deficits may be tax deductible for the foreign-based company as the branch is not a legal entity in its own right. This advantage is not open to a subsidiary, which is considered a Swedish legal entity regardless of ownership.

A “representative office” is sometimes proposed as an alternative business format. However, a “representative office” is not recognized as a legal entity under Swedish law.

Summary of some legal differences between limited liability company and branch

	Limited liability company	Branch of a foreign-based company
Legal entity	Yes	Not a separate legal entity - part of the foreign-based company
Owners liable for the debts of the business	No personal liability. Only capital invested at risk	Branch is part of the foreign-based company. Owners' liability depends on the legal structure of the foreign-based company
Registration	With the Swedish Companies Registration Office and the Swedish Tax Agency	With the Swedish Companies Registration Office and the Swedish Tax Agency
Corporate tax payable	Yes	Yes
Protection of name	Throughout Sweden	Throughout Sweden
Number of owners	One or more legal entities or persons	No ownership in Sweden Branches part of the foreign-based company
Auditor required	Yes, at least one certified public accountant Small companies may choose not to have an auditor	Yes, at least one certified public accountant Small branches may choose not to have an auditor
Distribution of profit and loss	The profit can be distributed to owners in the form of dividends	The branch is a part of the foreign-based company
Capital requirement	SEK 50,000 for a private limited company SEK 500,000 for a public limited company	None
Who represents the business?	The board of directors, the managing director	The managing director represents the branch through a power of attorney from the foreign-based company
Can the business employ staff?	Yes	Yes
Number of entities	The foreign-based company may choose to start an unlimited number of companies in Sweden	A foreign-based company can start only one branch in Sweden

FEW BUSINESS REQUIRE LICENSES

It is important to establish whether a license is needed to carry out the business of the company, although it should be noted that it is quite unusual for a business to require a license in Sweden. License requirements are generally regulated by law.

Police authorities, municipalities and County Administrative Board (*Länsstyrelsen*) are often involved in licensing activities.

Foreign banks and other financial institutions with subsidiaries and branches in Sweden are authorized/registered with the Swedish Financial Supervisory Authority (*Finansinspektionen*).

USEFUL CONTACTS

Government agencies

Swedish Companies Registration Office (Bolagsverket)

SE-851 81 Sundsvall
+46 60 18 40 00
www.bolagsverket.se

The Swedish Companies Registration Office is the government agency that registers new companies as well as changes in established companies and receives annual accounts, etc.

Swedish Tax Agency (Skatteverket)

SE-171 94 Solna
0771 567 567 (from Sweden)
+46 8 564 851 60 (from abroad)
www.skatteverket.se

The Swedish Tax Agency is the government agency for taxation, tax collection and national registration of residents.

FURTHER INFORMATION

at www.investsweden.se

- Starting a limited liability company
- Starting a branch
- Starting a franchise business
- Mergers and acquisitions - process overview
- Running a business in Sweden - an introduction
- Business costs and prices of key services
- Useful information sources