

INVEST IN SWEDEN

Establishing a Business in Sweden

A business investor's practical guide



Invest in Sweden Agency

KEY FACTS SWEDEN

Official name

The Kingdom of Sweden

Political system

Constitutional Monarchy

Head of State

King Carl XVI Gustaf

Central government

Center-right majority government, ruling since the election in 2006. General elections are held every four years.

Prime Minister

Fredrik Reinfeldt

Population

9.1 million

Population density

22 per sq. km

Area

450,000 sq. km

(174,000 sq. mi)



Time zone

GMT + 1 hour

GDP per capita

SEK 295,000

(€ 31,800/US\$ 39,500)

Exchange rates (av. 2007)

SEK 1 = € 0.11

SEK 1 = US\$ 0.15

Currency

1 krona = 100 öre

Largest cities (population)

Stockholm (1,860,430)

Göteborg (885,700)

Malmö (553,726)



Please note that the contents of this publication should not be regarded as legal or financial advice but only as an overview of current conditions in Sweden. These may change and thereby render descriptions of laws and other frameworks inaccurate. In all individual cases we request that advice always be sought with relevant authorities, organizations and businesses on specific issues.

Contents

2 INTRODUCTION

- 2 Top destination for FDI in Northern Europe
- 2 International Sweden
- 3 Swedish business culture
- 3 Non-hierarchical Swedes
- 3 Close links between trade unions, industry and universities
- 4 Transparency
- 4 Corporate social responsibility
- 4 Anti-corruption

5 SETTING UP A COMPANY

- 5 Types of business organization
- 6 Visas and work and residence permits
- 6 Citizens outside the EU/EEA area
- 8 Citizens of EU and EEA countries

11 EMPLOYMENT AND THE LABOR MARKET

- 11 Trade union membership
- 11 Labor agreements
- 11 Employment
- 12 Employment contracts
- 12 Different types of employment contract
- 13 Information on terms and conditions
- 13 Termination of employment
- 14 Salary and compensation
- 15 Social security contributions

- 16 Working hours
- 16 Vacations and holidays
- 16 Parental leave
- 17 Sick pay
- 17 Work environment rules

20 TAXES IN SWEDEN

- 20 Corporate income tax
- 22 Personal income tax
- 23 Tax relief for foreign key personnel

24 BANKING AND FINANCE

- 24 Bank accounts
- 24 Financial incentives

25 PREMISES

- 25 Leasing real estate
- 25 Acquiring real estate
- 26 Consulting services

27 ENVIRONMENTAL PROTECTION

- 27 Towards sustainability
- 27 Responsibility

29 LIVING AND WORKING IN SWEDEN

- 29 Social security systems
- 29 Unemployment insurance
- 29 Wage guarantee
- 30 Health and medical care

- 31 Vacations and holidays, parental leave and sick leave
- 31 Child care
- 31 International schools

33 ISA – YOUR BUSINESS FACILITATOR

- 33 What ISA offers

34 AUTHORITIES AND SERVICE PROVIDERS

36 ISA PUBLICATIONS AND FACT SHEETS

Introduction

For its size, Sweden is one of the world's biggest recipients of foreign investment. Strong international trade ties, a highly skilled workforce, low corporate tax rates and an absence of bureaucracy are just some of the many advantages that make the country an attractive choice for investors. Sweden's modern transport network and geographical location underpin its position as a natural hub for the North European and Baltic markets.

Top destination for FDI in Northern Europe

Sweden has been one of the top European destinations for foreign investment during the last decade. Strategically located in the North European and Baltic Sea region and endowed with a generous supply of technologies, know-how and natural resources, the country is particularly well placed to meet future investor demands.

In the last reported five-year period (2002–2006), Sweden was the world's 16th largest FDI recipient, a remarkable figure considering the country's economic size. Total FDI assets in Sweden amounted to 57 percent of GDP in 2006, compared to an EU average of 38 percent.

International Sweden

Sweden's business community is strongly international. US, UK, German, Dutch, French and Nordic companies

predominate and are accompanied by firms from countries such as Japan, China, India and Saudi Arabia. More than 11,000 foreign-owned companies employed a total of 573,000 Swedes in 2006, corresponding to 23 percent of all employees in the private sector. A decade earlier, the number of foreign-owned companies was slightly above 3,000 and the employee headcount was 280,000.

Global management experience

Swedes have extensive experience of managing multinational companies. Managers, engineers and marketing specialists are accustomed to working in foreign cultures and in global markets. Swedish executives are highly regarded abroad for their international management skills and knowledge of global affairs. A very high percentage of salaried workers speak English and, in many cases, other foreign languages.

Multicultural society

High levels of immigration have doubled the number of people born outside Sweden since 1970, and the number now stands at 1.1 million. One in eight people, or 12 percent of the population, were born abroad. If you include all people of foreign descent – those not born in Sweden themselves or both of whose parents were born outside the country – the figure is 16 percent. Sweden now has one of the highest immigrant populations in Europe and is, as a result, becoming a more open and culturally diverse society.

Companies run by people of foreign descent are now a vital component of the national economic fabric. Today,

one in seven new enterprises is started by a person with an immigrant background and 12 percent of all companies are run by persons with this background.

Swedish business culture

Swedish business is highly diverse, ranging from world class multinationals that are household names in their industries to strong mid-sized companies spanning a wide range of sectors and a dynamic small business community. The corporate environment is highly international, reflecting the country's strong traditions in export-oriented industries.

Swedes are technically oriented, scientifically curious and have a strong talent for innovation. They not only have a passion for developing new technology but are also quick to apply the latest, most efficient products.

When it comes to making decisions and reaching solutions, Swedish workers tend to rely heavily on compromise and consensus. It is generally felt to be preferable to discuss policies and ideas openly and across all levels before reaching a conclusion.

The work dress code tends to be conservative but casual. Great importance is attached to punctuality, especially in business. Little time is expended between the exchange of initial pleasantries and the start of business discussions. Negotiations are somewhat formal in manner and tend to move at a brisk, businesslike pace.

A majority of Swedish workers belong to a labor union. For decades, unions and employers have tended to work closely together on issues such as working conditions and equality, avoiding conflict whenever possible. This spirit

of cooperation has proven beneficial for employers and employees alike. Working conditions are good compared to many other countries and standards of productivity are high.

Non-hierarchical Swedes

Swedes are independent and well organized. This may seem like a contradiction, but reflects a national culture of individuality combined with a clear understanding that goals can best be reached through teamwork and association. Swedes are recognized for being focused and result-oriented. A non-hierarchical management approach promotes teamwork based on knowledge-sharing and delegation of responsibility to individual employees. This empowerment of personnel and reliance on consensus has been listed as a key driver of business innovation, fostering a culture of inclusion and workforce commitment.

Sweden has a long tradition of flat organizations and informal decision-making processes which has produced a unique way of working. Swedes like to work in informal, cooperative teams.

Close links between trade unions, industry and universities

According to the OECD, Sweden is the most knowledge-based economy in the world. The government demonstrates its determination to maintain the country's lead in this field by encouraging companies to interact with students through internships, research programs and by taking part in educational case studies. Traditionally, companies and trade unions work closely together in employee training and education, and trade unions are active partici-

pants in research, studies and other activities involving university students and the academic world.

Transparency

Sweden has a long history of offering citizens free access to all public documents. Based on rights established in the 1766 constitution, the Principle of Public Access gives anyone the right to read any state, municipal, court or public agency documents. However, there are some exceptions, mainly relating to foreign policy, business secrets and confidential personal matters. Under Swedish law, information on computers is considered as public as information on paper. Citizens are able to obtain information quickly and easily, 24 hours a day, 7 days a week, no matter where the document is located. This, of course, assumes that the document is in a computer or databank and is online.

Corporate social responsibility

High standards of corporate social responsibility (CSR) are increasingly seen as a natural element of the way a company does business. Consumers, investors and businesses in Sweden take a strong interest in the way companies integrate social and environmental concerns into their operations and interact with their stakeholders.

CSR goes far beyond donations to good causes and is instead a much broader responsibility that Swedish companies take in relation to their stakeholders, extending to areas including working conditions, human rights, environmental protection and community involvement.

Swedish companies have well developed CSR strategies. Three out of four of the largest listed Swedish companies communicate a CSR strategy on the website. Five companies are listed on the prestigious ethics index Dow Jones Sustainability Index and 20 are listed on another of the leading global ethics indexes. Investments in CSR are expected to grow. According to a report in *Veckans Affärer*, a Swedish business magazine, seven out of ten Swedish firms are planning to increase their spending on CSR.

Anti-corruption

Sweden is widely regarded as one of the world's least corrupt societies and high standards of business ethics apply in the private and public sectors alike. A strong governance system is credited for minimizing instances of bribery and corruption. Swedes pride themselves on upholding high standards of honesty and integrity in business life.

The Corruption Perceptions Index, published annually by Transparency International, in 2007 ranked Sweden as the world's fourth least corrupt society in terms of perceptions of corruption as seen by business people and country analysts.

LINKS AND ADDRESSES

For more information, please read the following publication, available at www.isa.se:

► Business and Investment Opportunities – Report 2008/2009

Setting up a company

It is simple to set up a company in Sweden. Information about the process and necessary forms are readily available online and most of them are in English. The legal system strikes an effective balance between security, reliability, transparency and cost-efficiency.

Types of business organization

A foreign company wishing to do business in Sweden may establish a Swedish company in various legal entities, e.g. a subsidiary (limited liability company) or branch office.

The most predominant company form in Sweden, not least for foreign owners, is the limited liability company (*Aktiebolag*). Swedish legislation accepts limited liability companies with only one owner – wholly owned subsidiaries – which has enabled not only large companies but also very small ones to form this kind of business. A limited liability company is a legal entity incorporated in Sweden, which is not the case for a branch office.

Setting up a subsidiary – limited liability company

Shareholders of a company with limited liability are not responsible for the liabilities of the company itself, and this is the most common business format used by Swedish firms and foreign investors. Limited companies are divided into private and public and must have a minimum share capital of SEK 100,000 (€ 11,000/US\$ 15,000) and SEK 500,000 (€ 55,000/US\$ 75,000) respectively. A company with limited

liabilities must have a board of directors which manages the business and takes responsibility for the company. Private companies may have a board of just a few directors, but at least one must act as a representative director. Unless otherwise permitted, at least half of the directors must reside in the European Economic Area (EEA).

The application to form a limited liability company is filed at the Swedish Companies Registration Office (*Bolagsverket*) and is usually drawn up with the help of a lawyer. It takes an average of one to two weeks following the Office's receipt of the application for the company to be established. Another option is to buy an off-the-shelf company, already fully organized and registered, from a law firm or specialist consultancy.

Setting up a holding company

There is no special legal vehicle for creating a holding company. A holding company has the form of a limited liability company (see above).

Participation exemption rules and other tax legislation and case law make Sweden one of Europe's most favorable jurisdictions for holding companies. Capital gains and dividends from business related shares are exempt from tax. The definition of business-related shares is generous compared to other countries and applies to shares held in, or dividends received from, companies in Sweden and abroad.

Setting up a branch office

A foreign company wishing to establish a business in Swe-

den without actually starting a Swedish company may conduct its operations through a Swedish branch (*filial*). Registration at the Swedish Companies Registration Office (*Bolagsverket*) is required. There is no minimum requirement for share capital for branch offices and relatively few legal stipulations apply to their operation. However, branch offices are not eligible for certain tax breaks and they usually take longer to establish than limited companies. A branch of a foreign company is taxed on the profits of the branch as though it was a Swedish limited liability company.

A branch office may be an advantageous format for a transitional period of initiating a business establishment in Sweden since deficits may be tax-deductible at the foreign company (the branch office not being a legal entity of its own). This would not be the case with a subsidiary, which is considered a Swedish legal entity regardless of ownership. Neither is a branch office obliged to maintain any share capital, as is the case for a limited liability company.

A branch of a foreign company is taxed on its profits as though it were a Swedish entity.

Setting up a representative office

A representative office is not a legal entity, it cannot carry out any business activities. It can, however, conduct non-business activities such as liaison, market research and brand and product promotion for the parent company. It may not accept orders or issue invoices on behalf of the parent company.

The representative office may not engage in any commercial activities such as acting on its own behalf by using

the employees or the office for any kind of trading or business, except pure marketing. Neither may it be granted a power of attorney to act on behalf of the parent company. A representative office cannot be registered as such. Registration at the Swedish Tax Agency may be necessary if staff are to be hired in Sweden.

VISAS AND WORK AND RESIDENCE PERMITS

Citizens outside the EU/EEA area

Visa required for temporary visits

Citizens from outside the EU/EEA area are required to apply for a Schengen visa to enter Sweden. Visas are not, however, required for citizens of those countries with which Sweden has visa agreements, including the US, Japan, Canada and Switzerland.

A foreign citizen can apply for a visa at a Swedish embassy or consulate in any country where a Swedish diplomatic mission can be found. It is also possible to apply at any other embassy representing a Schengen country (i.e. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal and Spain). Applicants must be able to show that the visit will be temporary, that they will be self-supporting during their stay or that they have an invitation from a Swedish company or organization and tickets or funds to return home.

Work permit procedures

Citizens from outside the EU/EEA area who intend to work in Sweden need to obtain a work permit before being al-

lowed to enter the country. Obtaining such a permit means the applicant must have a written invitation to work in Sweden. The work permit is applied for at the Swedish embassy or consulate in the foreign citizen's country of origin or in the country where the foreign citizen is resident. The consulate or embassy will forward the application to the Swedish Migration Board (*Migrationsverket*), where the matter will be decided.

Work permits are, as a rule, only granted in sectors where there is a labor shortage or when there is an international exchange scheme. Executives or specialists from non-EU countries have no difficulty obtaining work and residence permits when employed by Swedish or foreign-owned companies. Executives are normally defined as people in leading roles, such as head of marketing, sales, exports, purchasing, human resources, production or R&D functions.

Residence permit

Foreign citizens from countries outside the EU/EEA area wishing to stay in Sweden for more than three months must have residence permits. The permit must be arranged and stamped in the passport prior to arrival in Sweden. The residence permit and work permit are applied for at the Swedish embassy or consulate in the foreign citizen's country of origin or residence. The Swedish Migration Board (*Migrationsverket*) considers and adjudicates on residence permits. A residence permit entitles the foreign citizen to the same social and welfare benefits as a Swedish citizen and requires the person to pay Swedish taxes.

Work permit exemption

A specialist employed by an international company and who travels to and from Sweden in that capacity to work for temporary periods does not need a work permit. This applies if the total duration of the specialist's stay in Sweden is less than 12 months. If the duration of the stay is longer than three months at a time, however, a residence permit is required and must have been granted prior to arrival. Citizens of some countries must hold a visa to enter Sweden.

Self employed

If you stay in Sweden for more than three months in order to start a company or enter into a company partnership in Sweden you must have a residence permit. As a self-employed person, however, you do not require a work permit. Your residence permit must have been entered in your passport before your arrival in Sweden.

A range of requirements must be met to obtain a residence permit:

- The applicant must submit a description of the future business and a commercial evaluation. These documents must make it possible for the Swedish Migration Board (*Migrationsverket*) to determine whether the business can be expected to generate a satisfactory profit.
- The applicant must supply a documented account of the capital needed to establish or buy a company in Sweden. Applicants with families must be able to show that they can support themselves and their families for one year.

- Detailed documentation of business plans, for example a market forecast, profit and liquidity budgets and a proper balance sheet must be supplied, along with customer references and banking connections, etc.
- A report from an authorized accountant in Sweden is recommended because it facilitates the application procedure. The report should state that the described plans are realistic and that the company can be expected to make a satisfactory profit.

As a rule, a residence permit is granted for one year at a time over a period of two years. After that, the Swedish Migration Board can grant a permanent residence permit, provided that the business is going according to plan.

Citizens of EU and EEA countries

Temporary visits of up to 90 days

Sweden is a member of the European Union (EU) and a signatory to the European Economic Area (EEA) agreement. Hence, citizens of the EU and EEA countries only need a valid passport or identity card to enter Sweden to stay for a duration of up to 90 days. An agreement between Switzerland and the EU also gives Swiss citizens the same freedom of movement.

Visits longer than three months

EU/EEA citizens and their family members do not need residence permits to stay in Sweden for more than three months. Such citizens must instead register their “right to reside”, and family members who are not EU/EEA citizens must apply for residence cards. An EU/EEA citizen who is

an employee, self-employed, student or who has sufficient funds to support himself/herself has a right to reside in Sweden. A right to reside means that an EU/EEA citizen and his or her family members are permitted to stay in Sweden for more than three months without a residence permit. A person who has a right to reside must register with the Migration Board (*Migrationsverket*) no later than three months after entering the country.

No work permit needed

A citizen from an EU/EEA country does not need a work permit to seek employment in Sweden but can start working from the date of arrival. Thus, a residence permit is not needed to start employment at any time during the first three months of the stay.

Registration for “right to reside”

A range of requirements must be met to register for the “right to reside”:

- A person planning to work in Sweden must enclose a certificate of employment from the employer stating the period and form of employment.
- To be registered as a self-employed person in Sweden the foreign citizens must be able to produce the registration certificate for the company and/or other documents which prove that they have their own company.
- A provider of a service, such as consulting or freelancing, must confirm this via a certificate, agreement or similar documentation. The document must be written and signed by the person receiving the service.

If the foreign citizens do not fall into any of the above categories they can register as an EU/EEA citizen if they have sufficient funds for their upkeep. Upon registration documents must be enclosed, confirming that personal funds are secured through, for example, a pension from the foreign citizen's country of origin or capital holdings. Citizens of Switzerland must apply for residence permit. Nordic citizens can spend time in and live in Sweden without having to register.

LINKS AND ADDRESSES

For more information, please read the following fact sheets, available at www.isa.se:

- ▶ Establishing a business in Sweden
- ▶ Guidelines for starting a branch office
- ▶ Guidelines for starting a limited liability company
- ▶ Visas, work and residence permits

Swedish Migration Board (*Migrationsverket*)

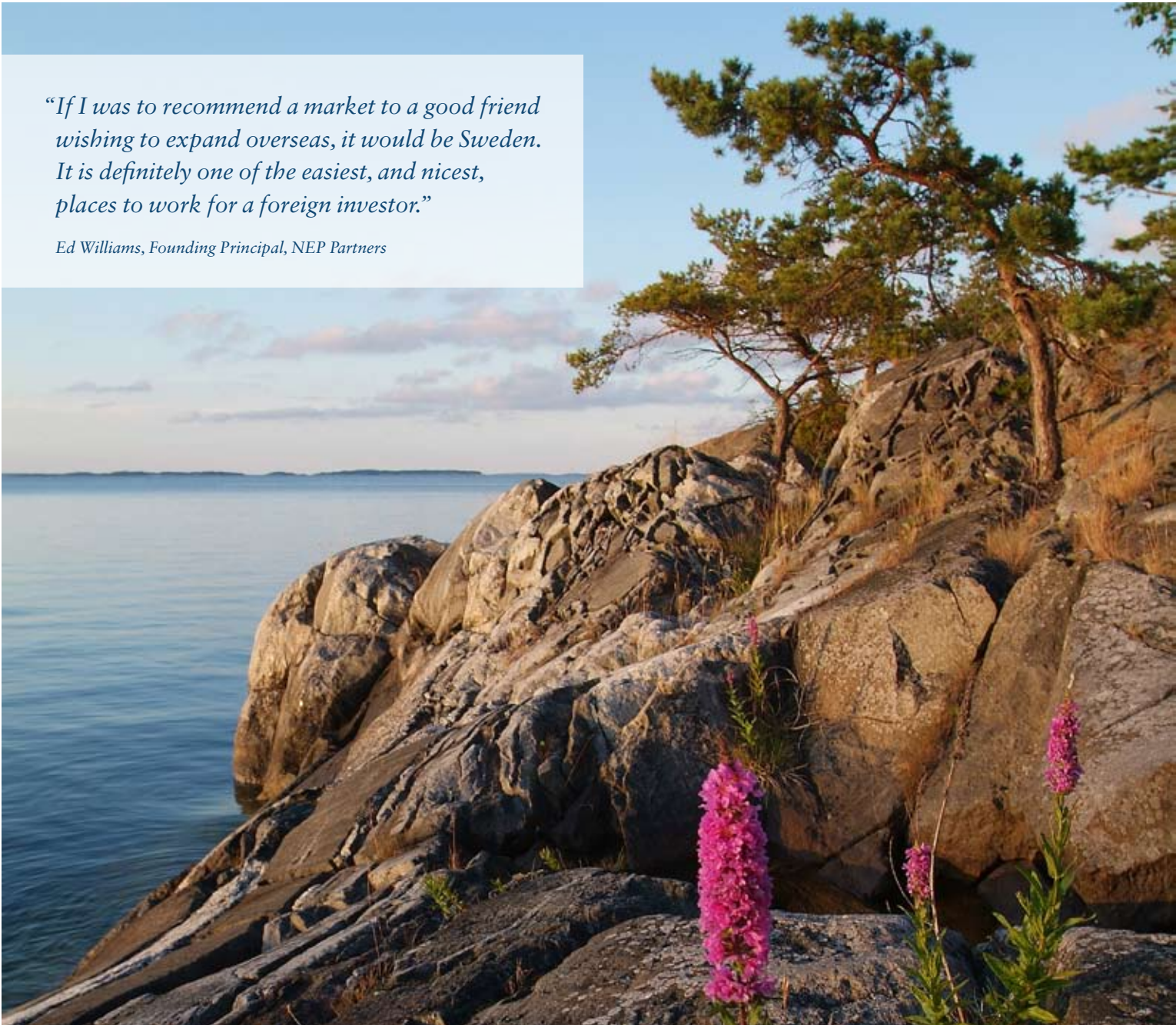
SE-601 70 Norrköping, Sweden
Tel: +46 771 19 44 00
www.migrationsverket.se

Swedish Companies Registration Office (*Bolagsverket*)

SE-851 81 Sundsvall, Sweden
Tel: +46 60 18 40 00
www.bolagsverket.se

“If I was to recommend a market to a good friend wishing to expand overseas, it would be Sweden. It is definitely one of the easiest, and nicest, places to work for a foreign investor.”

Ed Williams, Founding Principal, NEP Partners



Employment and the labor market

Labor relations in Sweden are generally harmonious and are characterized by a constructive spirit of cooperation between employers and trade unions dating back many decades. Work environment regulations focus primarily on workplace conditions, equality between the sexes and non-discrimination.

Trade union membership

A high proportion of Swedes have trade union affiliations, with some 85 percent of wage-earners and 75 percent of salaried workers being union members. Wage-earners are mainly members of unions affiliated to the Swedish Trade Union Confederation (*LO*) and salaried workers are generally in unions affiliated to the Swedish Confederation of Professional Employees (*TCO*) or the Swedish Confederation of Professional Associations (*SACO*).

Labor agreements

Unions in specific industries and their counterpart employer organizations negotiate collective labor agreements that are used as guidelines for contracts between companies and their local unions. The agreements primarily cover only wages and job rules. Labor laws cover holidays, sick leave, parental leave, etc. If the parties are unable to reach agreement in collective bargaining negotiations they are entitled to call for strikes or lockouts.

At first, outsiders may view this structure as a bit complicated. But it works quite smoothly in reaching labor agreements, even though negotiations can be tough. The incidence of industrial action – strikes and lockouts, both legal and wildcat – has been low since this system was introduced in Sweden in the late 1930s. All bargaining at local level is carried out under a legally binding peace obligation. The risk of industrial action at company level is very low.

Labor contracts normally run for a period of 1–2 years and include agreements on wage increases for the industry they concern. Although there is a clear trend toward bargaining systems that give greater room for wage contracts worked out at company level, the traditional centralized industry-wide union agreements establish guidelines for each business sector. Employers are also highly organized into national associations. In the private sector, the Confederation of Swedish Enterprise (*Svenskt Näringsliv*) is the dominant central employers' organization, consisting of various industry and sector organizations.

Employment

Recruitment in Sweden can be done directly, for instance through advertisement, or with the help of various service providers. The Swedish Employment Service (*Arbetsförmedlingen*) is represented throughout the country and can assist in the process. Specialized recruitment companies and staffing agencies can also help.

Employment contracts

The Employment Protection Act (LAS) stipulates the types of contracts of employment that apply in Sweden. The following employees are excluded from scope of the act:

- Employees whose duties and conditions of employment are such that they may be deemed to occupy a managerial position (i.e. MD or CEO).
- Employees who are members of the employer's or majority owner's family.
- Employees employed for work in the employer's household.
- Employees who are employed on special employment support or in sheltered employment.

Different types of employment contract

Unless otherwise agreed, employment contracts are valid indefinitely. Employment for a fixed term is allowed in certain circumstances. Recent changes in legislation have considerably increased the scope for fixed-term employment and the legal situation is described below. However, it should be noted that most collective bargaining agreements still contain extensive restrictions on the use of fixed-term employment.

Employment contract for a general fixed term

Employment contracts may be for a general fixed term. No qualification requirements apply and employers are free to use a general fixed term contract provided they are not bound by any collective bargaining agreement stating otherwise. However, an employee may only be employed

for a maximum of two years during a five-year period under this type of fixed term. If this time limit is exceeded, the employment contract automatically converts into an indefinite-term contract.

Substitute employees

A substitute employee can be employed to take up a position while the ordinary holder of the job is on leave. A substitute can be employed for an aggregate maximum period of two years over a five-year period, after which the employment contract automatically converts into an indefinite-term contract.

Probationary employment

A contract for probationary employment may be entered into, provided that the probationary period does not exceed six months. Where the employer or the employee does not wish the employment to continue after the expiry of the probation period, notification should be given to the other party at least two weeks in advance. In the absence of such notice, the probationary employment automatically converts into indefinite-term employment. Probationary employment may also be terminated during the probationary period.

Post-retirement employment contract

A post-retirement employment contract may be entered into, provided that the employee has attained the statutory retirement age with entitlement to old-age pension.



Employment contract for seasonal work

A seasonal employment contract may be entered into for a fixed term/season, provided that the underlying reason is the special nature of the work involved (summer restaurants, ski resorts, etc).

Notification of non-extension of fixed-term employment

An employer that does not wish to extend an employee's employment after the expiry of a fixed-term contract should notify the employee at least one month before the expiry date, provided that the employee has been employed for more than 12 months in the past three years.

Information on terms and conditions

The employer shall inform the employee in writing of the terms and conditions applicable to the job. This information must be provided not later than one month after the employee starts work. The employer is not required to provide such information where the employment period is less than three weeks.

Termination of employment

Termination of employment must always be based on just cause, meaning either redundancy or personal reasons.

Redundancy

Under Swedish law, employers are not obliged to prove the need for reorganizing, downsizing or even closing operations. In general, employers organize their activities at their own discretion. However, the Swedish Employment Pro-

tection Act (1982:80) and, in particular, the Co-Determination Act (1976:580) require certain formalities and regulations to be observed.

The employer must consult with any union(s) if (a) the employer is bound by a collective bargaining agreement, or (b) any employee is the member of a trade union. The consultations must be concluded before any decision on reorganization, downsizing or closure is made.

If there is a vacant position within the legal entity to which the concerned office belongs, an employee being made redundant must be offered the vacancy provided he or she has satisfactory qualifications. "Satisfactory qualifications" means possessing the formal education and skills required for the position. The employer must accept a training period of three to six months.

The LIFO (last-in-first-out principle) applies in all redundancies, meaning that employees with the longest aggregate period of employment are entitled to continued employment at the expense of employees with a shorter period of employment. However, the remaining employees must have satisfactory qualifications for the remaining positions. Employers with a maximum of ten staff may exempt two employees when determining the LIFO list.

An employee who is made redundant has priority for re-employment for a period of nine months after the term of employment ceases, provided that he or she has satisfactory qualifications for the position.

For layoffs affecting between 5 and 25 employees, a minimum two months' notice must be given to the Swedish Public Employment Service, with a four-month notice period

applying to layoffs affecting 26–100 employees and a six-month period to layoffs affecting more than 100 employees.

Personal reasons

Employees cannot be dismissed for personal reasons without just cause (“objective grounds”). Just cause includes repeated negligence, inability to do the job, cooperation problems, substance abuse (in severe cases), etc.

The burden of proof for just cause rests solely with the employer. If an employee is dismissed for personal reasons without just cause, the employee may seek reinstatement from a court of law. The employee will normally be allowed to remain employed throughout any court proceedings (regardless of the outcome). The employee can also claim damages, which may amount to several years’ salary depending on the loss to the employee.

A termination based on personal reasons should be preceded by notification of termination to the employee. This must be given personally to the employee two weeks in advance and sent to any trade union of which he or she is a member. The employee and his or her union then have a right to discuss with the employer the reasons for the intended termination. Only when these discussions are concluded may actual notice be served.

Summary dismissal

An employee may also be summarily dismissed (due to personal reasons) where he or she has grossly neglected his or her obligations to the employer.

Notice

Notice must be in writing and served to the employee personally. Notice may only be sent by registered mail if the employee cannot be reached. In such cases, the notice applies as of ten days from the postage date. The employee is entitled to salary and all benefits during the notice period. An employer may not pay in lieu of notice without the employee’s express consent.

Notice periods for the employer vary from one to six months, depending primarily on the length of employment (with different rules applying to employment beginning before 1997). Most collective bargaining agreements for salaried workers also stipulate 12-month notice periods for employees who are 55 or older and who have at least ten years of employment.

There are no statutory severance pay requirements. However, if an employer wants to deviate from LIFO when making redundancies or wishes to terminate an employment contract for personal reasons without being able to prove just cause, settlement agreements are often required and usually presuppose some kind of severance pay (ranging from a few months’ salary to a year’s wages).

Salary and compensation

A key characteristic of the Swedish workplace is the relatively small salary divergence between highly skilled and less skilled workers (although it has widened in recent years). Labor costs for top executives and managers are generally lower than in other European countries, and far less than in the US. Narrow wage differentials can also be

explained by an intricate web of institutional factors, including a high degree of unionization, reliance on collective agreements, and the conduct of negotiations between labor unions and employers at national level.

There are no minimum wages regulated by Swedish law, since wage issues are the responsibility of the labor market parties (generally the trade unions and employer organizations). According to accepted procedure, the parties of the labor market have set a minimum monthly wage of SEK 14,500 (€ 1,600/US\$ 2,200) for full-time workers. Collective labor agreements generally include stipulations on minimum wages, and these rules usually apply to employees who are

members of a trade union. It is difficult, and can be misleading, to state a “normal wage” in the Swedish labor context. However, to give a rough idea, the average monthly wage in Sweden in 2005 was SEK 26,500 (€ 2,900/US\$ 4,000) for men and SEK 22,100 (€ 2,400/US\$ 3,300) for women.

Social security contributions

By law, employers must pay an employment payroll tax consisting of contributions for pensions, health insurance and other social benefits. Employers' contributions must be paid for employees and contractors who have received SEK 1,000 or more during the year in the form of cash or tax-

Remuneration of engineers

2006, total annual base salary plus bonuses and incentives, US\$

Switzerland	136,400
Germany	128,800
Denmark	120,300
Netherlands	118,300
Ireland	112,900
UK	110,200
US	107,000
Sweden	106,300
Finland	105,100
France	98,300

Source: IMD, 2007

As a result of relatively narrow wage differentials between highly skilled and less skilled workers, costs for qualified Swedish labor are low by international standards. Swedish engineers are internationally recognized for their high expertise and performance, yet salary levels are more competitive than in many other countries.

Ease of starting a business

2007, number of procedures

Australia	2
Canada	2
Sweden	3
Denmark	4
Ireland	4
France	5
Netherlands	6
UK	6
US	6
Germany	9

Source: World Bank, 2007

The World Bank ranking reflects the legal and bureaucratic barriers that an entrepreneur must overcome to incorporate and register a new firm with up to 50 employees. The costs for doing so in Sweden are low: at 0.6 percent of gross national income (GNI) per capita, Sweden is behind only a few countries in cost-effectiveness. The OECD average is 5.1 percent.

able benefits and remuneration. For 2007, the employers' statutory social contribution as a percentage of wages is 32.42 percent.

Apart from statutory payroll tax, employers' contributions also include the cost of insurance under collective agreements. Different collective agreements apply, depending on whether the employees are wage-earners or salaried employees. With all costs included, total employers' contributions as a percentage of wages for 2007 are 38.72 percent for wage-earners and 44.33 percent for salaried employees.

Working hours

By law, the basic working week is 40 hours. Overtime is limited to 48 hours over a four-week period and no more than 200 hours per year. This applies to all employees, except those in managerial positions, people working from home, and some other special categories. Deviations from the law may be made through union contracts. However, workplaces are often flexible about working hours, particularly in smaller companies. The increasing flexibility is also facilitated by the large use of personal computers in Sweden, allowing many employees to work from home. Workers often take days off as compensation for overtime.

Vacations and holidays

Vacations and holidays are covered by legislation. All employees in Sweden are entitled to a minimum five weeks of paid annual leave after the first year of employment. In the case of people on fixed-term contracts, however, the parties may agree that the employee does not have the right to

paid leave but shall receive holiday pay instead. Normally, vacations are taken so employees can have four consecutive weeks off. Traditionally, vacations have been taken in July, which means that many companies do not operate fully that month. However, in recent years the trend has been toward continuing full operations through the summer and employees increasingly take vacations at other times of year.

Vacation time can be accumulated up to one week per year for a five-year period. This means an employee could be entitled to a maximum of ten weeks' vacation. Sweden has 12 public holidays per year. Most are connected with religious (Lutheran) holidays.

PUBLIC HOLIDAYS

New Year's Day, Epiphany, Good Friday, Easter Day, Easter Monday, Labor Day, the Ascension of Christ, Whit Sunday, National Day, All Saint's Day, Christmas Day and Boxing Day.

Parental leave

Parental leave is regulated by the state social insurance system. Fathers and mothers are both entitled to draw parental allowances. Both parents are entitled to 480 days' leave from work to care for a child, starting at birth. Sixty of these 480 days are reserved for each parent, but outside this the parents are free to decide how to arrange their parental leave. The state social insurance system pays 80 percent of



the normal wage for the first 390 days, up to a maximum of SEK 403,000 (€ 44,300/US\$ 60,500) per year, to the parent who has decided to stay at home. After that, a parent will receive SEK 180 (€ 20/US\$ 27) per day, regardless of income. Fathers also may take ten days' leave in connection with the birth of a baby.

Parents are entitled to leave from work to care for sick children, up to a maximum of 60 days per child per year, with 80 percent of the normal wage paid by the state insurance system.

Sick pay

The employer pays 80 percent of the total loss of income for days 2–14. No compensation is paid for the employee's first day off work for a period of sickness. From day 15 and onward, the social insurance system pays employees a sickness benefit of 80 percent of income. Maximum annual sick pay for an employee is 7.5 times the so-called "basic amount", a figure set annually by the Swedish Tax Agency. In 2008, this corresponds to a total of SEK 307,500 (€ 33,800/US\$ 46,100) and a daily maximum of SEK 654 (€ 72/US\$ 98).

Work environment rules

The statutory foundations are set out in the Work Environment Act (AML) and defines the framework of the work environment regulation. The AML came into force on 1 July 1978.

A work environment must be satisfactory with regard to the nature of the work and social and technical progress in

the community. Working conditions must be adapted to people's differing physical and mental abilities.

The employee is to be given the opportunity to participate in the design of his or her own work situation and in processes of change and development affecting his or her own work.

Technology, work organization and job content are to be designed in such a way that the employee is not subjected to physical or mental strain that can lead to ill-health or accidents. Forms of remuneration and the distribution of working hours shall also be taken into account in this connection. Closely controlled or restricted work must be avoided or limited.

Efforts shall be made to ensure that work provides opportunities for variety, social contact and co-operation, as well as coherence between different tasks. Furthermore, efforts are to be made to ensure that working conditions provide opportunities for personal and vocational development, as well as for self-determination and professional responsibility.

Work environment inspections

The Swedish Work Environment Authority (*Arbetsmiljöverket*) has been tasked to issue detailed regulations on the work environment. This is done by Provisions and General Recommendations specifying the requirements to be met by the work environment. Provisions can, for example, refer to hazards, building and engineering work, dangerous substances or machinery. The provisions are translated into English and can be downloaded from the authority's web page.

The choice of workplaces for inspection is based on an assessment of the workplaces presenting the greatest risk of ill-health or accidents. If the inspection shows that the employer is not discharging his obligations under the Work Environment Act, he will be issued with stipulations. If the employer does not comply with them the authority can issue an injunction or prohibition, i.e. prohibit a certain kind of handling or a certain operation, or order the employer to remedy the work environment deficiencies which have been described. An injunction or prohibition may carry a contingent fine or a penalty.

Laws against discrimination in the workplace

Sweden has four specific laws prohibiting discrimination in the workplace. They cover:

- 1) equal employment opportunities for men and women;
- 2) measures against ethnic discrimination in working life;
- 3) measures against discrimination based on sexual orientation;
- 4) and the prohibition of discrimination in working life against persons with functional disabilities.

These laws also prohibit discrimination against job applicants and employees. They apply during hiring procedures, in the making of decisions regarding promotion or selection of employees for training leading to promotion, when employers adjust pay or employment conditions, and in lay-offs or employment contract terminations.

Gender equality in the labor market

The principle of equal pay for the same work has long applied in Sweden and is affirmed by collective agreements on gender equality. Pay differentials between men and women are small compared with many other countries, but women still earn less on average.

The labor force consists of approximately 4.2 million workers, of whom at least half are women. This means that Sweden has the world's highest percentage of women in work. In 2006, some 75 percent of women aged 16–64 were in employment, compared to approximately 80 percent of men. A considerable percentage of women have part-time jobs (less than 35 hours a week) to combine work and child care.

SWEDEN'S MAIN LABOR LAWS

- ▶ Employment Protection Act (employment protection, etc.)
- ▶ Co-Determination at Work Act (union consultations, collective bargaining, industrial actions, etc.)
- ▶ Employee Board Representation Act (employee board representation in companies bound by collective bargaining agreement)
- ▶ Discrimination Acts (several at the moment but will be unified into one, probably from 1 January 2009).
- ▶ Work Environment Act (health, safety and environmental standards in the workplace)
- ▶ Working Hours Act
- ▶ Holidays Act
- ▶ Promotion of Employment Act (obliges the employer to notify the Swedish Public Employment Service of redundancies)
- ▶ Labor Disputes and (Judicial Procedure) Act (stipulates what judicial procedure is to be followed in employment-related disputes).

LINKS AND ADDRESSES

For more information, please read the following fact sheets, available at www.isa.se:

- ▶ Occupational pension and insurance
- ▶ Social security costs in Sweden
- ▶ Living and working in Sweden

Confederation of Swedish Enterprise (*Svenskt Näringsliv*)

Storgatan 19
SE-114 82 Stockholm, Sweden
Tel: +46 8 553 430 00
www.svensktnaringsliv.se

Federation of Private Enterprises (*Företagarna*)

Regeringsgatan 52
SE-106 67 Stockholm, Sweden
Tel: +46 8 406 17 00
www.foretagarna.se

Swedish Work Environment Authority (*Arbetsmiljöverket*)

Ekelundsvägen 16
SE-171 84 Solna, Sweden
Tel: +46 8 730 90 00
www.arbetsmiljoverket.se

Swedish Employment Service (*Arbetsförmedlingen*)

Tel: +46 771 416 416
www.arbetsformedlingen.se

Equal Opportunities Ombudsman (*Jämo*)

Drottninggatan 92–94
Box 3397
SE-103 68 Stockholm, Sweden
Tel: +46 8 440 10 60
www.jamobud.se

Taxes in Sweden

Sweden's corporate income tax rate is competitive by international standards. A favorable holding company regime and the absence of withholding tax on dividends and royalties contribute to an attractive tax package for foreign corporate investors.

Low taxes may not be the first thing people would associate with Sweden. But Sweden's reputation as a high-tax country rests solely on its relatively high personal income taxes. In fact, Sweden is one of the most competitive locations for corporate taxation in Europe. Its precedence in this area is confirmed in comparative surveys on national business environments and competitiveness and in analysis by international tax consultants.

Corporate income tax

Companies in Sweden pay a national corporate income tax on their annual profit. No local corporate tax or business license tax is payable. The corporate income tax rate is competitive at 28 percent. Opportunities for deferring corporate tax by allocating up to 25 percent of net profit to so-called tax allocation reserves create even lower effective rates. However, a deemed interest income is calculated on the tax allocation reserve. This is calculated as 72 percent of the government loan interest rate at November 30 of the previous fiscal year, multiplied by the opening balance of the accumulated tax allocation reserve.

Taxable income is calculated according to accepted international auditing standards.

Swedish annual reports and financial statements are noted for a high degree of transparent disclosure. Such reports and statements are based on universally accepted principles of historic costs, actual accounting, immediate recognition of loss risks and not creating income until actually earned.

Capital gains on sales of business assets are taxed as regular business income. A Swedish company is generally taxable on its worldwide net profit. Losses in a company can be carried forward indefinitely. Capital gains on sales of unlisted shares are tax-exempt. Special rules apply on sales of listed shares.

Statutory employer social security contributions amount to 32.42 percent (in 2008) of total salary and benefits paid to the employee. These contributions are deductible from taxable corporate income.

The tax rules for a Swedish branch are in most cases the same as for a Swedish company. Foreign companies running a business from a permanent establishment in Sweden are liable to pay tax on their business operation. A permanent establishment is considered to be any fixed place through which a business is run, either wholly or in part.

Dividends paid from Sweden

A final withholding tax of 30 percent is levied on dividends paid by a Swedish company to its foreign shareholders. An exemption or lower rate may apply under a bilateral dual taxation treaty. Sweden has extensive network of tax treaties with more than 80 countries at present. Generally



speaking, the tax rate is reduced to 5 percent if the non-resident company holds 25 percent or more of the Swedish company. In other cases, the rate is normally reduced to 15 percent. Under the Swedish legislation which implements the provisions of the EC Parent-Subsidiary Directive, no withholding tax is charged on outbound dividends paid to a qualifying parent company in another member state if the parent company holds at least 25 percent of the equity in the Swedish company. Shares in a listed company must have been held for more than one year at the time of the dividend distribution or no exemption will be granted. Under domestic law, no withholding tax is imposed on dividend distributions made in respect of business-related shares to a non-resident company.

Profits of a Swedish branch of a foreign company may be remitted abroad without being subject to any tax other than standard corporate income tax.

There are no restrictions on the value of dividends that a Swedish corporation may transfer to foreign owners or shareholders. However, to be able to distribute a dividend the company must have retained earnings. Sweden has no foreign exchange controls or restrictions.

Business-related shares and non-resident companies

A shareholding is considered business-related if it consists of shares in an unlisted company or represents at least 10 percent of the voting rights in a listed company. Listed shares must also be held for more than one year to be deemed to be business related.

Provided the recipient foreign entity is a legal entity and resident in a country with similar taxation on corporate income to Sweden, the Swedish withholding tax on dividends is waived on holdings in Swedish unlisted shares irrespective of the holding period and amount of voting rights. This condition of similar taxation is met if the company's net profit (calculated in accordance with Swedish rules) is taxed at a rate of at least 10-15 percent. Moreover, there is a presumption of similar taxation if the company is resident in a country with which Sweden has signed a tax treaty and the company in question is covered by the tax treaty.

Shares in a listed company must have been held for more than one year at the time of the distribution of the dividends or no exemption will be granted, the holding, as said above, must exceed 10 percent of the voting rights when it comes to listed shares.

Dividends paid to Sweden

A dividend from an unlisted company is normally (i.e. the holding is business-related) tax-exempt in Sweden. Special rules (i.e. the holding must represent 10 percent of the voting rights in the company and must have been held for at least one year) apply with respect to dividends from a listed company. Sweden has signed dual taxation treaties with more than 80 countries. These treaties waive or reduce the withholding tax on dividends (also on interest and royalties). Sweden's treaties generally follow the OECD model treaty. A treaty may be invoked only to reduce, not increase, the tax liability.

No thin-capitalization rules

Swedish tax law has no specific rules on thin capitalization of companies. Hence, a Swedish company may be capitalized with loans without there being any risk that interest paid at arm's length to the parent company will not be tax-deductible. Sweden does not impose any withholding tax on interest payments.

Royalties

No withholding tax is imposed on royalties under domestic law. Royalty payments made to non-residents are generally considered to be the income of the non-resident recipient, which is deemed to have a permanent establishment in Sweden. Thus the recipient is taxed in Sweden on the net royalty income (i.e. the gross royalty less expenses related to the royalty) at the ordinary corporate income tax rate of 28 percent. Under Sweden's implementation of the EC Interest and Royalties Directive, royalties may be exempt.

Controlled foreign companies (CFC rules)

The CFC rules states that a Swedish resident company or individual or any resident with a permanent establishment in Sweden that holds an interest (25 percent of the equity or voting rights) in certain foreign legal entities is subject to immediate taxation on its proportionate share of the foreign legal entity's profits if the foreign entity is subject to tax that is lower than 15.4 percent. The Swedish Income Tax Act, provides a "black and white list", informing whether CFC rules apply.

Swedish holding companies

Sweden's tax framework has created one of Europe's most favorable tax environments for holding companies. Generally speaking, no restrictions apply to holding companies when it comes to deducting interest costs. Sweden operates a system of "group contributions," whereby a holding company which holds more than 90 percent of the shares in another Swedish company can generally contribute the subsidiary's profits to the parent company to cover its interest costs.

VAT

Sweden's Value Added Tax (VAT) Act is harmonized with the EC VAT directives. Known in Swedish as moms, VAT is charged at a standard rate of 25 percent. However a reduced rate of 12 percent applies for example to food and hotel charges and a rate of 6 percent to personal transportation, newspapers, books and magazines, entrance fees to commercial sport activities, ski lift transport and cultural events.

Certain services are VAT-exempt, including medical and dental care, social services, and banking and financial services.

Personal income tax

Individual earned income is taxed mainly by municipality of residence, at rates ranging from about 29 to 35 percent. On taxable earnings above (in 2008) SEK 340,900 (€ 37,500/US\$ 51,100), individuals pay another 20 percent

in national income tax and above SEK 507,100 (€ 55,800/US\$ 76,100) another 5 percent is added to the national income tax. Net income from capital interest, dividends, capital gains, etc. is generally taxed at 30 percent. Interest payments are fully deductible. Up to 100 percent of capital losses may be deducted from capital gains, but in some cases only 70 percent of the losses are deductible. A deficit in the calculation of net capital income results in a tax reduction of 30 percent of the deficit up to SEK 100,000 (€ 11,000/US\$ 15,000). The tax reduction on deficits above SEK 100,000 is 21 percent.

Tax relief for foreign key personnel

Foreign key personnel – executives, experts, researchers and others – may qualify for specific tax relief when working in Sweden. In such cases, personal income tax and social security contributions are based on only 75 percent of income. Tax relief is granted for three years, provided the stay in Sweden is not expected to exceed five years. A number of “perks” (moving costs, children’s schooling, home travel, etc.) are tax-exempt. Applications for tax relief must be submitted by the employer or foreign person within three months of the start of employment to a special Taxation of Research Workers Board (*Forskarskattenämnden*) within the Swedish Tax Agency. In 2001–2005 more than 1,500 foreign key personnel were granted tax relief by the Swedish Tax Agency (*Skatteverket*).

LINKS AND ADDRESSES

For more information, please read the following fact sheets, available at www.isa.se:

- ▶ Tax relief for foreign key personnel
- ▶ Taxes in Sweden

Taxation of Research Workers Board (*Forskarskattenämnden*)

Brunnsgränd 4
SE-111 30 Stockholm, Sweden
Tel: +46 8 764 79 57
www.forskarskattenamnden.se

Swedish Tax Agency (*Skatteverket*)

Tel: +46 771 567 567 (from abroad +46 2 707 34 98)
www.skatteverket.se

Banking and finance

Sweden, and particularly Stockholm, is the natural capital of the wider Nordic region on account of its market size and central location. The major Swedish banks – Handelsbanken, Nordea, SEB and Swedbank – have a strong presence across the region and important markets in the Baltic states.

Many of the leading international banks are represented in Sweden. The banks provide a full range of services such as payment handling, cash management, financing, trade finance and treasury operations and financial institutions.

Bank accounts

Opening a bank account will take approximately one week if all necessary documents have been duly supplied. They should be held in English and presented in original. A power of attorney, with specimen signatures showing all persons empowered to operate the account, is required.

Other required documents are:

- Certificate of incorporation/registration
- Corporate resolutions/articles of association and/or memorandum/minutes from a board meeting
- Annual report
- Photocopies of the signatories' passports
- Letter of recommendation from the company's bank

Financial incentives

In Sweden, financial incentives – grants, loans, credit guarantees and suchlike – are available to help companies establish a business and to expand in Sweden. The range of financial incentives is fairly narrow but areas where assistance is offered include investments in either tangible assets for soft investment, such as skills and knowledge, and for hiring, training and educating staff.

The Swedish Agency for Economic and Regional Growth (*Nutek*) is Sweden's central public authority for industrial policy issues. Its role is to promote sustainable growth throughout the country and it is also responsible for information about financial incentives.

LINKS AND ADDRESSES

Handelsbanken

Kungsträdgårdsgatan 2
SE-106 70 Stockholm, Sweden
Tel: +46 8 701 10 00
www.handelsbanken.se

Nordea

Smålandsgatan 17
SE-105 71 Stockholm, Sweden
Tel: +46 8 614 70 00
www.nordea.com

SEB

Kungsträdgårdsgatan 8
SE-106 40 Stockholm, Sweden
Tel: +46 771 62 10 00
www.seb.se

Swedbank

Brunkebergstorg 8
SE-105 34 Stockholm, Sweden
Tel: +46 8 585 900 00
www.swedbank.se

Swedish Agency for Economic and Regional Growth (*Nutek*)

Götgatan 74
SE-102 61 Stockholm, Sweden
Tel: +46 8 681 91 00
www.nutek.se

Premises

Sweden hosts one of Europe's most transparent and efficient property markets. The quality of management and advisory services is high.

Leasing real estate

The regulations that govern real estate in Sweden are stable and efficient. Leases tend to be standardized and cover relatively short periods. The market is transparent and cost-effective and the overall physical standard of property is high.

Length of lease

Commercial leases typically are for terms of three to five years, with rents linked to changes in the consumer price index (CPI). Commercial leases are also subject to mandatory regulations stipulated in the Swedish Land Code (*Jordabalken*). Most parties in Sweden therefore use standard contracts for commercial leases. Such contracts consist of a four-page document with single-page appendices relating to index-linked rent and containing a property tax clause.

Payment terms

Rents for premises are generally quoted in Swedish kronor (SEK) as a total sum for the space agreed. Rental statistics and comparisons are quoted in SEK per square meter and year. A standard agreement anticipates advance quarterly rental payments. Rent adjustments during the term of the lease are normally based on changes in the Swedish CPI.

Items included in the rent

Leased office space is normally fitted to the tenant's needs (insofar as these are reasonable). Retail and industrial space is provided without fittings. In general, rent includes heating and water but not electricity. Rent also includes cleaning of common areas and snow removal. Property tax is charged on top of the rent.

Day-to-day management and maintenance

The landlord bears the costs of day-to-day management and exterior maintenance, as well as insurance. The tenant is responsible for internal maintenance. Generally, landlords in Sweden are required to bear a larger share of operating costs than in other countries.

Key money and deposits

Key money is rarely charged in the office segment, but is common in the retail segment, particularly in attractive locations. A security deposit or bank guarantee equivalent to between three and six months' rent is common.

Improvements

Construction work in the rented unit may only be undertaken subject to the express approval of the landlord. Such work is generally performed at the tenant's expense and includes an obligation to return the unit to its original state at the expiry of the contract.

Acquiring real estate

All Swedish land is divided into property units which are

individually identified by a name and a code. A property unit may be demarcated horizontally as well as vertically. An important feature is that ownership is not only restricted to the land. The property unit also consists of accessories such as buildings or other facilities built above or below ground for permanent use.

The boundaries of all property units and their ownership are registered in the Swedish Land Register (*Fastighetsregistret*). The Land Register contains information regarding the location of the property unit, the title holder, plans and regulations, mortgages, easements, tax assessment values and the purchase price for the last transfer.

The Planning and Building Act, PBA (*Plan- och bygglagen*) is the main piece of Swedish legislation on the regulation of the use of land. According to PBA, each municipality must adopt plans regulating the utilization of land and water within the municipality. A so-called detail plan applies to a limited part of the municipality and is binding on the authorities as well as individuals during the time it is to be achieved. The detail plan contains detailed regulations with respect to the use and design of buildings, plantations, the use and design of public places, etc. The property owner is in principle entitled to a building permit if the development project adheres to the detail plan and construction standards. The decision of the local building committee may be appealed to the County Administrative Board (*Länsstyrelsen*).

The use of standardized contracts and documentation, simple and straightforward handling of mortgages and title

registrations, and non-bureaucratic public authorities are factors that facilitate and accelerate transaction processes. As a result, advisory fees are comparatively low. Access to advisory services and financing is straightforward. Few restrictions exist with regard to transfers of Swedish real estate, and there are no restrictions on foreign ownership.

Consulting services

Whether you are leasing or buying a property, the process is managed either by a broker or by the client directly. It is advisable to consult a local real estate specialist to help you find and negotiate the best possible rental agreement in respect of factors such as location, rental conditions, size of premises and expansion possibilities.

LINKS AND ADDRESSES

For more information, please read the following fact sheet and publication available at www.isa.se:

- ▶ Guide to Swedish commercial rents
- ▶ Real Estate

National Land Survey of Sweden (*Lantmäteriet*)

SE-801 82 Gävle, Sweden
Tel: +46 771 63 63 63
www.lantmateriet.se

Environmental protection

Sweden is acknowledged for its work with environmental protection, combining robust regulation with extensive public and private initiatives to tackle environmental problems and develop new, clean technologies. The country has a strong track record of innovation in this field and is known as a fast adopter of environmentally friendly technology.

Towards sustainability

Environmental awareness has long been strong in Sweden and the country has taken a proactive role in areas such as recycling and pollution control for several decades and more recently in biofuel development.

In the last few years Sweden has adopted legislation aimed at achieving a transition to a sustainable society and ending oil dependence by 2020. The Swedish Environmental Code sets out 16 environmental quality objectives for society to achieve en route to sustainability (see chart on next page). Government agencies, county administrative boards and the business sector are key players in meeting these objectives.

Businesses are specifically urged to take steps to reduce emissions, minimize their use of hazardous chemicals, promote more efficient energy use and improve waste management.

Responsibility

Strong legislative and regulatory frameworks are in place to ensure that companies meet their responsibilities. The precautionary principle, the polluter pays principle and the product choice principle all apply, as do principles on resource management, ecocycles and suitable locations for activities.

The Environmental Code extends the concept of environmental crime. Government regulatory bodies are empowered to impose environmental sanction charges in the case of breaches. Fines or even imprisonment may also be imposed.

Those engaged in activities that may damage the environment must present an environment impact assessment when applying for a permit. If a permit is granted, the regulatory authority in charge will state certain terms and conditions.

Companies are always encouraged to contact relevant authorities at an early stage to ensure compliance with environmental laws and to reduce the risk of any breaches. A number of agencies have special responsibility for ensuring action on the national environmental quality objectives (see chart on next page). Municipal and county administrative boards also play a key role as regulators.

AUTHORITIES RESPONSIBLE FOR THE ENVIRONMENTAL QUALITY OBJECTIVES

Authorities	Responsibility
Swedish Environmental Protection Agency (<i>Naturvårdsverket</i>) www.naturvardsverket.se	The central environmental authority co-ordinating and promoting environmental work on both a national and international level.
Swedish Radiation Protection Authority (<i>Statens strålskyddsinstitut</i>) www.ssi.se	Central regulatory authority charged with promoting effective radiation protection.
Swedish Chemicals Agency – Kemi (<i>Kemikalieinspektionen</i>) www.kemi.se	Supervisory authority promoting legislation and rules to attain a non-toxic environment.
Geological Survey of Sweden (<i>Sveriges geologiska undersökning</i>) www.sgu.se	Responsible for matters relating to the geology of Sweden and the management of mineral resources.
Swedish Forest Agency (<i>Skogsstyrelsen</i>) www.skogsstyrelsen.se	Expert authority on forests and forest policy with a mission to work for a sustainable utilization of the Swedish forests.
Swedish Board of Agriculture (<i>Jordbruksverket</i>) www.sjv.se	Expert authority in the field of agricultural and food policy responsible for preserving a varied agricultural landscape.
National Board of Housing, Building and Planning (<i>Boverket</i>) www.boverket.se	Responsible for planning the management of land and water resources, urban development, building and housing.

ENVIRONMENTAL QUALITY OBJECTIVES

- ▶ Reduced climate impact
- ▶ Clean air
- ▶ Natural acidification only
- ▶ A non-toxic environment
- ▶ A protective ozone layer
- ▶ A safe radiation environment
- ▶ Zero eutrophication
- ▶ Flourishing lakes and streams
- ▶ Good-quality groundwater
- ▶ A balanced marine environment, flourishing coastal areas and archipelagos
- ▶ Thriving wetlands
- ▶ Sustainable forests
- ▶ A varied agricultural landscape
- ▶ A magnificent mountain landscape
- ▶ A good built environment
- ▶ A rich diversity of plant and animal life

Living and working in Sweden

Quality of life has high priority in Sweden. It has many components – education, health care, cultural activities, good housing, efficient infrastructure, respect for the environment, opportunities for the fulfillment of personal goals, and the countless other factors that combine to create general welfare.

The individual Swedish worker enjoys benefits, by law or by union contract, that include five weeks of paid holiday, paid time off for illness or child-care, 16 months of paid parental leave, regulated working hours, overtime compensation and pension benefits. Labor is granted insight into major company decisions affecting employment and is represented on corporate boards of directors (*see also Employment and labor market, pages 11–19*).

Social security systems

Social insurance in Sweden aims at providing financial security through a stable and secure welfare society for all. The social security system has many facets, ranging from parental leave and child care to sickness and accident insurance, disability assistance and care for the elderly. The system is administered by the Swedish Social Insurance Agency (*Försäkringskassan*). It covers all Swedish residents and is primarily financed by employer social security contributions, pension fees, interest on funds, and taxes. Some social insurance benefits are also funded wholly by the government.

Employees themselves contribute about 7 percent of their wages or salaries to the pension system via the general pension fee (*allmän pensionsavgift*). This contribution is included in income tax and is deducted by the employer along with the preliminary tax.

Unemployment insurance

Unemployment insurance, financed by employer contributions backed up with state funding, is administered by the trade unions. An unemployed individual receives 80 percent of his or her previous year's income during the first 200 consecutive days of unemployment. Payments are reduced to 70 percent from day 200 to day 300. If the unemployed person is eligible for a new compensation period, payments fall to 65 percent. The maximum daily compensation payable is SEK 680 (€ 75/US\$ 100).

Although unemployment payments depend on membership of a trade union, there is also a supplementary insurance fund, enabling any employee to be covered for loss of income.

Wage guarantee

If an employer is in the process of being declared bankrupt and its assets are insufficient to cover employees' salaries and wages, the state will answer for the payments under the terms of the Wage Guarantee Act (*Lönegarantilagen*). These payments can cover claims for the three months immediately preceding the petition for bankruptcy and for the periods of notice of dismissal, though not for more than six months. The wage guarantee is financed by employer contributions.

Health and medical care

A number of reports (for example, the British Medical Journal 2003 and the Swedish Association of Local Authorities and Regions 2005) show that the health care services in Sweden perform well compared to those in other developed countries. This applies to access to care, quality of care, medical outcomes and health effects. Since good outcomes are achieved through average expenditure (in comparison to other countries) the overall efficiency of Swedish health services would appear to be high by international comparison.

Quality of life index

2007, country rank

1. Iceland
2. Norway
3. Australia
4. Canada
5. Ireland
6. Sweden
7. Switzerland
8. Japan
9. Netherlands
10. France

Source: Human Development Index; UNDP, 2008

The index is calculated for 177 countries and measures the achievements in three basic dimensions of human development: a long and healthy life, knowledge and a decent standard of living. UNDP includes 70 countries on the list of "high human development".

The reports' conclusions reflect the fact that Sweden, compared to other countries, provides for most health care needs (using the percentage of elderly in the population as an indicator); has a moderate cost level (measured as cost per capita and year and as a percentage of GDP); has a moderate resource level (measured as the number of physicians and nurses per capita); has good accessibility to care (measured as number of operations per capita for common interventions, e.g. cataracts, hip replacements and bypass surgery); and has good medical outcomes and effects (e.g.

Corruption perceptions index

2007, country rank¹

1. Denmark
1. Finland
1. New Zealand
4. Singapore
4. Sweden
6. Iceland
7. Netherlands
7. Switzerland
9. Canada
9. Norway

1) The index may give the same ranking to two or more countries

Source: Corruption Perceptions Index; Transparency International, 2007

The index draws on a number of expert opinion surveys that poll perceptions of public sector corruption in 180 countries. While many countries are perceived to be facing serious domestic corruption, Sweden's high levels of civil service integrity continue to facilitate business and public sector efficiency.



the lowest infant mortality rate, high survival from cardiovascular diseases, low mortality from cancer, etc.).

Vacations and holidays, parental leave and sick leave

See Employment and labor market, pages 11–19.

Child care

Public childcare is extended to children aged 1–12. In Sweden, compulsory school begins at the age of seven but prior to that almost all six-year-olds attend voluntary pre-school classes designed to prepare them for the first grade. Children who have yet to start school or pre-school for six-year-olds can attend regular pre-schools, family daycare homes and open pre-schools, while older children have access to after-school clubs, family daycare homes and open leisure-time activities.

International schools

Sweden has a large number of international schools, some of which are for boarders. Students are mainly children of foreign business people, diplomats, researchers and others on postings in Sweden, though some are Swedes who desire an international education.

Schooling is obligatory in Sweden for children aged 7–16. Pre-school is voluntary and caters for children younger than 7. The international schools generally apply either American or British curricula and grade systems. The Swedish curriculum, followed by some schools, consists of primary level (*lågstadium*), grades 1–3; middle

school (*mellanstadium*), grades 4–6; junior high school (*högstadium*), grades 7–9; and upper school (*gymnasium*), grades 10–12.

LINKS AND ADDRESSES

For more information, please read the following fact sheets, available at www.isa.se:

- ▶ Living and working in Sweden
- ▶ Social security costs in Sweden

Swedish Social Insurance Agency (*Försäkringskassan*)

Adolf Fredriks kyrkogata 8
SE-103 51 Stockholm, Sweden
Tel: +46 8 786 90 00
www.forsakringskassan.se

“Of all the international investment promotion agencies that we met, ISA is by far the most professional and forthcoming.”

A. Vishwanath, Manager – Intl Business, Tata Sons Ltd



ISA – Your business facilitator

Invest in Sweden Agency (ISA) is the Swedish national agency responsible for facilitating foreign direct investment (FDI) to Sweden and is a publicly funded government body. ISA may contact companies directly to present a case for investing in Sweden or handle requests from companies that already have identified Sweden as an interesting investment location.

In either case, ISA will work closely with the investors to help them achieve their investment. ISA can provide useful sector-specific, regulatory and financial information and connect foreign investors with potential Swedish partners or decision-makers. Professional guidance is guaranteed since most ISA staff has corporate backgrounds and extensive expertise in the investment process.

In 2006, ISA was ranked as the world's leading inward promotion agency by MIGA, a division of the World Bank, and DTZ Corporate Consulting.

What ISA offers

ISA works closely with its regional partners in Sweden to provide assistance to investors. This involves facilitating the process of identifying, planning and implementing individual investment projects in Sweden. The assistance may involve the following steps and are free of charge:

- Comprehensive information on business opportunities in Sweden, key business sectors and the Swedish economy.
- Tailor-made regulatory and financial information as well as advice on how to proceed when establishing a business in Sweden.
- Introductions to relevant contacts with Swedish authorities, utilities and professional service companies such as lawyers, accountants, relocation specialists and recruitment companies.
- Assistance in finding and arranging visiting programs to the most suitable locations in Sweden.
- Help in finding companies for possible joint ventures or other forms of cooperation.
- Contacts with ISA's regional network throughout Sweden.

ISA collects and publishes on its website valuable information which gives foreign investors an overall picture of what Sweden has to offer so as to facilitate business entries. *(See page 36 for more information.)*

ISA ESTABLISHMENT SERVICES

establishmentservices@isa.se
Tel: +46 8 402 78 23

Authorities and service providers

Swedish public sector services are efficient, easily accessible and available online in English. Red tape is kept to a minimum and officials are helpful and service-minded. On offer are some of the most advanced electronic public services in the EU. Forms and information are available in English as well as in other languages.

Skilled professionals, smooth business procedures and receptivity to international ownership make Sweden an easy country in which to operate. Advisors have substantial experience in cross-border investments and a large pool of talented service providers is available. Invest in Sweden Agency knows where to turn for the most appropriate professional assistance in Sweden. Most documentation is in English.

LINKS AND ADDRESSES

Almi Företagspartner AB

www.almi.se

Financing and business development consultation for small and medium sized enterprises.

Central Bank of Sweden

www.riksbank.com/swedishstat

Economic and financial data for Sweden.

Confederation of Swedish Enterprise (*Svenskt Näringsliv*)

www.svensktnaringsliv.se

A pro-business non-profit organization representing 54,000 Swedish companies consisting of 50 trade and employer association members.

Equal Opportunities Ombudsman

www.jamombud.se

Supervising compliance by employers and universities/colleges with the legal provisions requiring them to actively promote gender equality. Provides information and offer advice and support.

Federation of Private Enterprises

www.foretagarna.se

Works towards improving conditions for starting, running, developing and owning small businesses in Sweden.

National Board of Trade

www.kommers.se

Swedish governmental organization dealing with foreign trade and trade policy.

National Land Survey of Sweden

www.lantmateriet.se

Responsible for the Swedish cadastre, carries out cadastral surveys, information about Sweden's real estate.

Taxation of Research Workers Board

www.forskarskattenamnden.se

Tax relief for key foreign personnel.

Statistics Sweden

www.scb.se

Statistics from most economic sectors of Swedish society.

Swedfund International AB

www.swedfund.se

Governmental organization capital company specialized in investments in developing countries.

Swedish Agency for Economic and Regional Growth

www.nutek.se

Sweden's central public authority for industrial policy issues.

Swedish Agency for Innovation Systems

www.vinnova.se

Integrates R&D in technology, transport and working life.

Swedish Companies Registration Office

www.bolagsverket.se

Registers companies requiring registration.

Swedish Environmental Protection Agency

www.naturvardsverket.se

Co-ordinates and promotes environmental work on both a national and international level.

Swedish Export Credit Corporation

www.sek.se

Financial partner for customers and investors in Sweden.

Swedish Export Credits Guarantee Board

www.ekn.se

Provides tailored financial solutions for the public and private sectors, including foreign investors.

Swedish Migration Board

www.migrationsverket.se

National authority responsible for visas, work and residence permits and citizenship.

Swedish Social Insurance Agency

www.forsakringskassan.se

Administrates the social security system.

Swedish Tax Agency

www.skatteverket.se

Tax administration, enforcement service and population registration.

Swedish Trade Council

www.swedishtrade.com

Promotes Swedish exports.

Swedish Work Environment Authority

www.arbetsmiljoverket.se

The administrative authority for questions relating to the working environment.

ISA publications and fact sheets

ISA PUBLICATIONS

ISA collects and publishes on its website valuable information which gives foreign investors an overall picture of what Sweden has to offer so as to facilitate business entries.

General information:

- ▶ Business and investment opportunities – Report 2008/09
- ▶ Innovation Hotbeds
- ▶ Looking North for New Business
- ▶ Sweden in Fact

Automotive:

- ▶ Intelligent Vehicle Safety Systems

ICT and electronics:

- ▶ ICT in Fact
- ▶ Swedish High Technology Law

Life Science:

- ▶ Biotech Tools
- ▶ Clinical Trials
- ▶ Metabolic Disease
- ▶ Neuroscience
- ▶ Pharmaceuticals & Biotechnology
- ▶ Stem Cells

Packaging:

- ▶ Packaging

Real estate:

- ▶ Real Estate

Shared Services Centers:

- ▶ Contact Centers
- ▶ Logistics
- ▶ Shared Services Centers

All publications are available on the ISA website at www.isa.se

ISA FACT SHEETS

- ▶ Contracts of employment in Sweden
- ▶ Costs for establishing a business
- ▶ Establishing a business in Sweden
- ▶ Financial Incentives
- ▶ Foreign employers' liability for social security charges
- ▶ Guide to Swedish commercial rents
- ▶ Guidelines for insurance operations

- ▶ Guidelines for starting a branch office
- ▶ Guidelines for starting a franchise business
- ▶ Guidelines for starting a limited liability company
- ▶ Living and working in Sweden
- ▶ Occupational pension and insurance
- ▶ Social security costs in Sweden
- ▶ Tax relief for foreign key personnel

- ▶ Taxes in Sweden
- ▶ Useful addresses when setting up a business
- ▶ Visas, work and residence permits

Fact sheets are available on the ISA website www.isa.se (downloads)

Welcome to visit the ISA website www.isa.se

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Throughout the world, ISA cooperates with Swedish embassies and consulates.

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