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bulletin



How to start business in Sweden?

HOW TO START BUSINESS IN SWEDEN?

In this Bulletin you will find:

- ***Different ways to start business in Sweden***
- ***Main legal requirements: tax, accounting, capital***
- ***Useful web links***
- ***An interview with Mailika Hindrikson from 1Office Group***

WHY SWEDEN?

In recent years, Sweden has witnessed a surge in foreign companies seeking to enter its market. Businesses from regions like Baltic countries, Germany, The Netherlands, other Scandinavian countries, and the United Kingdom are drawn to the country's compelling factors. Sweden offers a world-class infrastructure, highly skilled workforce, and a business culture characterized by collaboration and efficiency. With a stable economy, low corruption levels, and a commitment to transparency, Sweden provides a favorable environment for foreign direct investments.

Moreover, other factors such as over 10,000 population market size, well developed industry and startup ecosystem, high level of innovations, supportive and digitalized regulatory environment also play a significant role in businesses deciding to enter Sweden.

In essence, Sweden embodies a unique blend of attributes that make it an attractive destination for business. From its innovative prowess to its resilient economy, Sweden offers a platform where businesses can expand and reach new heights.



DIFFERENT WAYS TO START DOING BUSINESS IN SWEDEN

LIMITED LIABILITY COMPANY

Pros of having Swedish Liability Company:

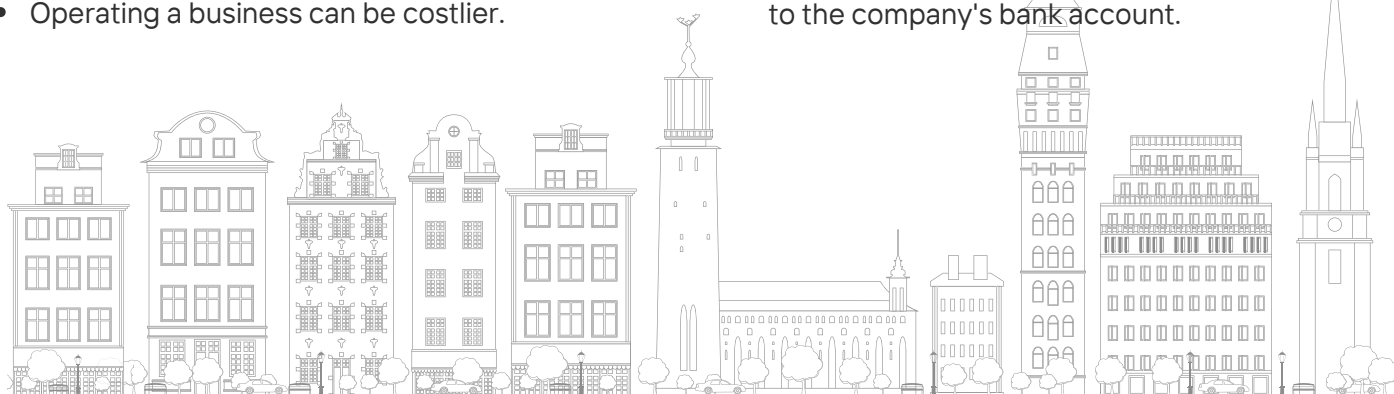
- Suitable for long-term business activities;
- Suitable if there is a plan to expand the business;
- Greater trustworthiness among Swedes;
- More competitive in the Swedish market.

Cons of having Swedish Liability Company:

- Complex and quite long formation process,
- Capital requirement,
- Accounting and reporting obligation,
- Operating a business can be costlier.

Main Aspects:

- *Overview:* A limited liability company (AB) is the most common legal entity in Sweden. It is registered in the business registry and involves certain requirements and procedures.
- *Requirements:* To establish a limited liability company, you need to prepare founding documents, including the application for registration, founding act, articles of association, and an original proof of certificate from the bank. These documents must be submitted physically to the business registry.
- *Minimum Share Capital:* The minimum share capital requirement for an AB is 25,000 SEK, reduced from 50,000 SEK in 2020.
- *Board Members:* An AB must have at least three board members. If three are not available, one to two board members and a substitute member can suffice.
- *Processing Time:* The business registry's processing time is typically 5-10 working days if the minimum share capital has been transferred to the company's bank account.



Imagine you're a tech entrepreneur from Lithuania with a groundbreaking software solution. You plan to expand your business to Sweden to tap into its vibrant tech market. In this scenario, establishing a Swedish public limited company (AB) could be your ideal choice. Why?

- **Long-term Presence:** If your goal is to establish a long-term presence in Sweden, an AB is perfect. It signals to potential Swedish partners and clients that you're here for the long haul.
- **Trustworthiness:** Swedes often trust local businesses more. Having a Swedish AB enhances your trustworthiness, making it easier to secure partnerships and clients.
- **Separate Legal Entity:** Your AB is a separate legal entity, reducing your personal liability. This is crucial in the tech industry, where risks can be high.
- **Competitiveness:** ABs are highly competitive in Sweden, making it easier to compete in the local market.

ESTABLISHING A BRANCH IN SWEDEN

Pros of having a Swedish Branch:

- Access to the Swedish market;
- Suitable for long-term presence;
- Benefit from your mother company's name and trust;
- Shared Resources with the parent company.

Cons of having a Swedish Branch:

- Affects the results of the mother company;
- Accounting and reporting obligation for a branch,
- Less trustworthy than a Swedish Liability Company.

Main Aspects:

- *Overview:* Establishing a branch of a foreign company in Sweden involves specific registration requirements.
- *Responsibilities:* The foreign company owning the branch is fully responsible for its obligations and actions. An executive director must be appointed for the branch, and a legal contact person will be necessary if the director does not reside in European Economic Area.
- *Accounting:* The branch's accounting must be kept separate from the foreign company's accounting, following local accounting rules.
- *Processing Time:* Registering a Swedish branch typically takes 5-10 working days.

Picture a Lithuanian manufacturing company with a successful product line. You want to expand your operations into Sweden. In this case, establishing a branch could be your strategy. Here's why:

- **Long-Term Presence:** If your aim is to have a long-term presence in Sweden and you're looking to build trust with local partners and clients, a branch is a suitable choice.
- **Responsibilities:** While establishing and maintaining a branch involves some responsibilities, it's less complex than forming a Swedish AB. This can be a cost-effective option in the long run.
- **Separate Accounting:** Keeping branch accounting separate from the parent company simplifies financial management and compliance.

DOING BUSINESS WITH A FOREIGN COMPANY

Pros of operation through your foreign company:

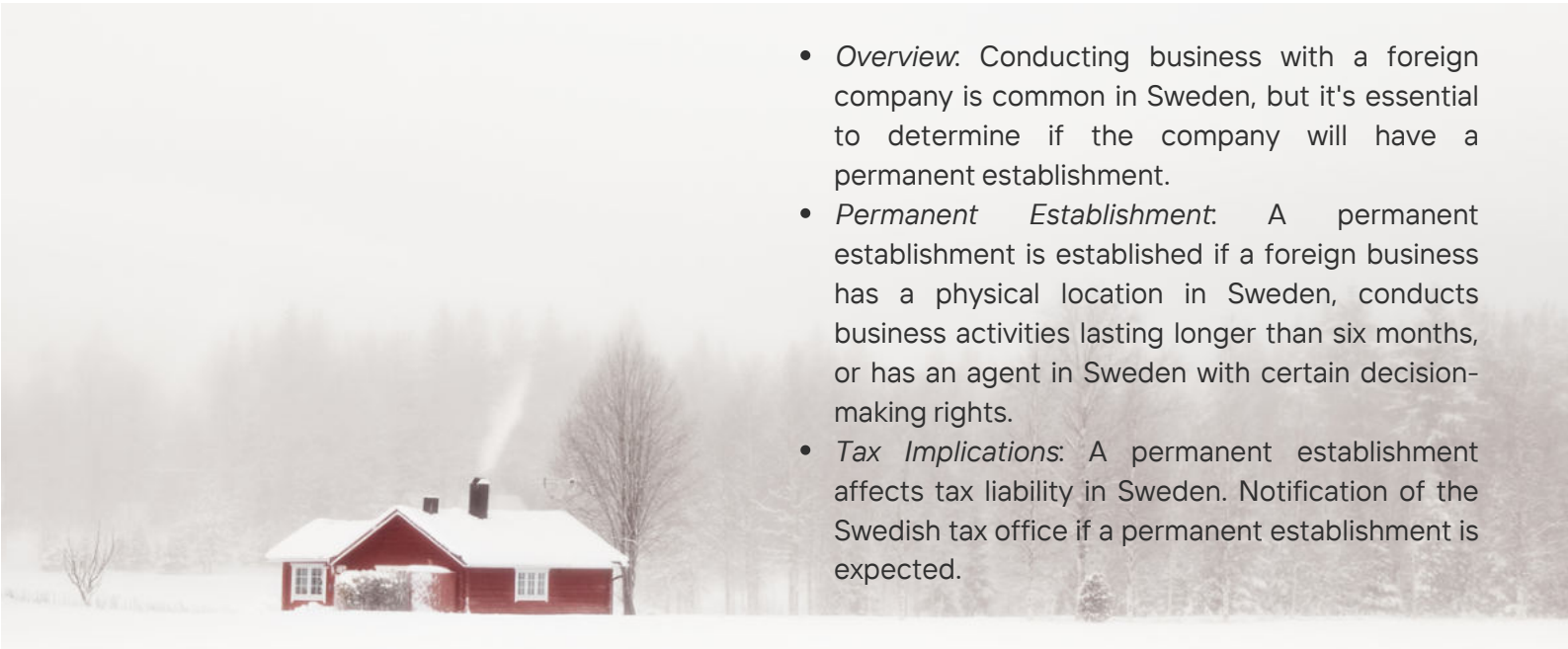
- Suitable for a short-term business activity;
- Suitable if you already have existing business partners and/or clients;
- Easier to maintain (accounting);
- Not that many obligations.

Cons of operation through your foreign company:

- Not that trustworthy among Swedes;
- The risks are higher as the company is active in multiple countries at the same time.

Main Aspects:

- *Overview:* Conducting business with a foreign company is common in Sweden, but it's essential to determine if the company will have a permanent establishment.
- *Permanent Establishment:* A permanent establishment is established if a foreign business has a physical location in Sweden, conducts business activities lasting longer than six months, or has an agent in Sweden with certain decision-making rights.
- *Tax Implications:* A permanent establishment affects tax liability in Sweden. Notification of the Swedish tax office if a permanent establishment is expected.



Suppose you're a Lithuanian entrepreneur looking to engage in short-term import/export activities with Swedish partners. Setting up a foreign company to handle these transactions may be the way to go. Here's why:

- **Short-Term Projects:** If your business activities in Sweden are short-term or project-based, doing business with a foreign company is practical. It saves you the complexities of establishing a local entity.
- **Existing Partnerships:** If you already have established business partners and clients in Sweden, operating with your existing foreign company can be cost-effective and straightforward.
- **Consider Permanent Establishment:** Be cautious, though, as certain activities may lead to a permanent establishment, impacting taxation. It's crucial to assess the nature and duration of your projects.

BARRIERS AND CHALLENGES

Entering the Swedish market is a viable option for expanding business operations, but it comes with its own set of challenges and considerations. Here are some difficulties and key considerations that a Lithuanian UAB may encounter when trying to start business in Sweden. These apply for all three main business forms we just discussed:

- **Language Barrier:** Many business-related documents and communication are in Swedish, creating challenges for non-Swedish speakers.
- **Residency Requirements:** Certain roles within a company, such as board members or legal contact persons, may require local residency, which can be a barrier for foreigners.
- **Complex Legal Requirements:** Establishing a public limited company involves various complex legal procedures and adherence to Swedish company law.
- **Minimum Share Capital:** The financial commitment required for minimum share capital can pose challenges for foreigners.
- **Bank Account Opening:** Administrative hurdles may arise when opening a bank account in Sweden.
- **Understanding Local Market:** Adapting to the Swedish market and understanding local customer preferences, competition, and regulations can be challenging.
- **Tax and Compliance:** Complying with Swedish tax and accounting regulations may be complex for foreign businesses.
- **Cultural Differences:** Navigating Swedish business culture and etiquette is important for effective business operations.

Foreign entrepreneurs can successfully establish businesses with the help of legal and business advisory services. These professionals navigate the registration process, ensure compliance, and overcome language and regulatory barriers.

There are additional business forms in Sweden, including the less common ones like sole trader, trading partnership, and limited partnership, along with scenarios in which they could be useful:

ADDITIONAL LEGAL FORMS

SOLE TRADER (ENSKILD NÄRINGSIDKARE)

- **Business Structure:** A sole trader operates a business as an individual, and there is no legal distinction between the owner and the business itself. The owner is personally responsible for all business liabilities.
- **Suitability:** Sole proprietorships are often chosen for small-scale and one-person businesses, such as freelancers, consultants, or self-employed individuals. They are straightforward to set up and manage.
- **Pros:** Simplicity, full control, and minimal administrative burden.
- **Cons:** Unlimited personal liability, limited access to capital, and potential difficulty in raising funds.

TRADING PARTNERSHIP (HANDELSBOLAG)

- **Business Structure:** A trading partnership is a business structure involving two or more individuals or entities who join forces to run a business. Partners share profits and losses based on their agreed-upon partnership agreement.
- **Suitability:** Trading partnerships are suitable for businesses that require collaboration among multiple parties and are looking for a flexible structure.
- **Pros:** Shared management and financial responsibilities, flexibility in profit distribution, and the ability to leverage each partner's expertise.
- **Cons:** Partners share profits and liabilities, and disagreements among partners can pose challenges.

LIMITED PARTNERSHIP (KOMMANDITBOLAG)

- **Business Structure:** A limited partnership consists of general partners and limited partners. General partners actively manage the business and are personally liable for its obligations. Limited partners, on the other hand, provide capital but have limited liability.
- **Suitability:** Limited partnerships can be beneficial when some partners want to invest capital without assuming full liability or involvement in day-to-day operations.
- **Pros:** Limited partners enjoy liability protection, while general partners can access capital from multiple sources.
- **Cons:** General partners bear personal liability, and managing the partnership can be complex.

When to consider these less common forms:

1. **Sole Trader:** Choose this structure if you are a solo entrepreneur with a small, straightforward business and prefer full control. However, be aware of the personal liability implications.
2. **Trading Partnership:** Opt for a trading partnership when you plan to collaborate with others on a project or business venture and want shared management responsibilities. This structure allows for flexibility in profit distribution.
3. **Limited Partnership:** Consider a limited partnership if you need capital from investors but want to limit their liability. This can be useful in scenarios where you want to expand your business with external funding while retaining management control.

It's essential to carefully assess your business goals, risk tolerance, and the level of control and collaboration you desire when choosing a business structure in Sweden. Consulting with legal and financial professionals can help you make an informed decision based on your specific circumstances.



MAIN LEGAL REQUIREMENTS: TAX, ACCOUNTING, BANKS, CAPITAL

In Sweden, there are specific legal, tax, accounting, banking, and certification requirements for businesses. Below is an overview of the main requirements.

LEGAL REQUIREMENTS

- **Business Structure:** First, choose a legal structure for your business as discussed above.
- **Business Registration:** Register your business with the Swedish Companies Registration Office (Bolagsverket) to obtain a company's identity number (Organisationsnummer).
- **Business Name:** Ensure your chosen business name is unique and complies with Swedish naming regulations.
- **Business Licenses, Permits and Trade Unions:** Depending on your industry and activities, you may need specific licenses, permits from relevant authorities, or become a member of a Swedish Trade Union. In Sweden, around 70 % of all employees are members of professional unions.
- **Employment Laws:** If you have employees, you must adhere to Swedish labor laws, including employment contracts, working hours, and employee rights.

TAX REQUIREMENTS

Tax registrations are obtained by sending a relevant application to the Swedish tax office. The processing time is quite long and will take minimally 4-12 weeks. When applying for tax registrations, you should have a good overview of the planned business activities in Sweden and what type of tax registrations are required.

Identity Number: Businesses are assigned a registration number, known as an Organisationsnummer. Nevertheless, it doesn't mean that the company is subject to taxation right away.

F-Tax Registration: F-Tax (F-Skatt) is needed to carry out business activities in Sweden. F-Tax registration is relevant for all types of legal entities in Sweden, including foreign companies.

Corporate Income Tax: Companies are subject to Corporate Income Tax (Inkomstskatt), which is currently at a flat rate of 20,6 %.

Dividend taxation: Dividend taxation depends on the tax residency of the person who owns the shares. For Swedish tax residents, the dividend taxation takes place in three parts. In the first part, the dividends are taxed with income tax. In the second part, the dividends are taxed as a private person's income tax. The third part is taxed with a capital tax.

Non-Swedish tax residents can use a 15% income tax rate if they have a tax contract. If they do not have a tax contract, the dividends will be taxed with a 30% capital tax.

Value Added Tax (VAT): If you conduct economic activities and sell goods or services liable to VAT, you must register for VAT (Moms) and charge VAT on your products or services.

1. **Standard VAT Rate:** The standard VAT rate in Sweden was 25%. This rate applied to most goods and services
2. **Reduced VAT Rates:** Sweden had reduced VAT rates for specific goods and services, including:
 - **Reduced rate of 12%:** This lower rate typically applied to items like restaurant services and certain types of food.
 - **Reduced rate of 6%:** The 6% rate was applicable to essential items like books, newspapers, magazines, public transportation services, and hotel accommodations.

If you are obligated to charge VAT, you must also report and pay VAT, regardless of the size of your sales. The obligation to report also applies to those who are registered for VAT and have the right to make deductions.

Payroll Taxes: Employers are responsible for withholding and remitting payroll taxes for their employees, including social security contributions. Currently, the social security contributions tax rate is 31,42% and it includes national pension, health insurance, parental insurance, work incapacity insurance, job market fee, and general payroll fee. The reduced social tax rate is 10,21% and applies to young people and the elderly. Private persons have a progressive income tax in Sweden, consisting of local and national income tax.

ACCOUNTING AND REPORTING OBLIGATIONS

Accounting (Redovisning): Accounting practices in Sweden are governed by Swedish accounting standards and regulations, which are designed to ensure transparency, accuracy, and consistency in financial reporting.

VAT Declaration (Momsdeklaration): If you are obligated to charge VAT, you must also report and pay VAT. The obligation to report also applies to those who are registered for VAT and have the right to make deductions despite not needing to charge VAT. There are three different accounting periods, and the general rule is to report every quarter. Depending on the size of your business and the yearly turnover amount you may choose to report either monthly or even yearly.

PAYE tax return (Arbetsgivardeklaration): As an employer, you must declare payments and deducted preliminary tax for each payee in a monthly PAYE tax return.

Annual Report (Årsredovisning): Submitting an Annual Report is mandatory for all the companies registered in Sweden, even if the company doesn't have any activities during the financial year.

In Sweden, the delay submitting the Annual Report will result in penalties right away without any warnings.

Deadline: within 7 months of the end of the company's financial year.

Usually, the financial year is the same as the calendar year in which case the deadline is July 31st.

Annual Income Declaration (Inkomstdeklaration 2):

Besides the Annual Report, each company also needs to submit the Annual Income Declaration. Deadline for the Annual Income Declaration is July 1st (on paper) or August 1st (electronically).

Audit (Revision): Depending on the size and nature of your business, you may be required to have your financial statements audited by a certified auditor. An auditor's report must be presented along with the annual report to the Swedish Companies Registration Office (Bolagsverket). Most limited liability companies in Sweden are subject to mandatory annual external audits. This requirement applies to companies that meet at least two of the following criteria during two consecutive financial years:

- Total assets exceeding SEK 1,5 million.
- Net turnover exceeding SEK 3 million.
- An average of more than 3 employees during the financial year.

Even if a company is not legally required to undergo an external audit, it may choose to do so voluntarily. Some companies opt for voluntary audits to enhance transparency and credibility.

BANKS AND CAPITAL REQUIREMENTS

Bank Account (Bankkonto): Opening a bank account in Sweden is generally straightforward, and the country has a well-developed banking system. Various banks operate in Sweden, and you can choose one that suits your needs. Opening a bank account is more complicated and time-consuming for non-residents who want to do business in Sweden.

Share Capital Requirements (Aktiekapital): In Sweden, the share capital requirements for limited companies (Aktiebolag, AB) are relatively low and the minimum share capital requirement for a Swedish AB is 25,000 Swedish Kronor (SEK). The share capital must have been paid into a traditional bank account.



SUMMARY AND CONCLUSION:

HOW TO START AND WHAT ARE THE NEXT STEPS?

In this comprehensive guide, we've explored the allure of the Swedish market for foreign entrepreneurs and delved into the various business structures available. Sweden offers a world-class business environment characterized by a robust infrastructure, skilled workforce, low corruption levels, and a welcoming business culture. Now, let's wrap up with the essential steps to initiate your business venture in Sweden and practical insights to help you choose the right path.

- 1. Business Structure Selection:** Your first decision is to determine the most suitable business structure for your venture. Consider your business goals, risk tolerance, and collaboration preferences when choosing between a public limited company (AB), establishing a branch, doing business with a foreign company, or exploring less common options like sole trader, trading partnership, or limited partnership.
- 2. Registration and Compliance:** Depending on your chosen structure, you'll need to complete the necessary registration and compliance requirements. This may include obtaining tax registrations, securing a legal address, and ensuring adherence to local accounting and reporting regulations.
- 3. Seek Professional Guidance:** Navigating the Swedish business landscape can be complex. Seek assistance from legal, financial, and business professionals who can guide you through the registration process, taxation, and compliance matters.
- 4. Professional advice:** Consider leveraging professional consultancy companies which have experience in the country. They will cost some money, but save you time, minimize risks and provide comprehensive service packages based on your specific needs. These services streamline the setup process and ongoing operations, ensuring a smoother start to your business journey in Sweden.
- 5. Ongoing Growth and Success:** Once your business is up and running, focus on ongoing growth and success. Sweden's favorable business climate, coupled with your strategic choices and dedication, can pave the way for a prosperous venture in this dynamic and innovative country.

In practice, here is how you would most likely proceed to get your company registered in Sweden:

1. Find a service provider. They will help you to understand what structure and strategy suits you best.
2. Think of your address in Sweden and find a location. Many service providers offer address service.
3. If you opt for AB creation, you require a local Swede to be in the management board. Some service providers can offer it as a service.
4. Accounting and compliance must be done on a recurring basis. Never risk with the fines which you will receive when accounting is not done. Proper service provider can help you here.
5. Be patient – all registrations take at least a month, but reality is more like 2 to 3 months.

As you embark on your entrepreneurial journey in Sweden, remember that careful planning and a solid understanding of the local business landscape are your keys to success. With the right support and a well-thought-out strategy, you can confidently take your business ambitions to new heights in the thriving Swedish market.



USEFUL LINKS TO OFFICIAL SITES

Swedish Companies Registration Office (Bolagsverket)

This is where you can find the latest information about companies. You can find information about your assignments and about people you are going to do business with. You can also buy different documents and certificates.

Link: <https://www.bolagsverket.se/en/1.html>

Swedish Tax Agency (Skatteverket)

This is where you can access tax-related information, apply for tax registrations (F-Tax, VAT and employer registration), file tax returns, and get details on various tax matters in Sweden.

Link: <https://www.skatteverket.se/servicelankar/otherlanguages/inenglish/engelska/businessesandemployers.4.12815e4f14a62bc048f5159.html>

Swedish Migration Agency (Migrationsverket)

The Migration Agency handles immigration and asylum matters in Sweden. Their website offers information on visas, residence permits, and asylum procedures.

Link: <https://www.migrationsverket.se/English/Private-individuals.html>

Swedish Work Environment Authority (Arbetsmiljöverket)

This is where you can find information on what posting is, what obligations you have as an employer when you post workers to Sweden and what rights the posted workers have.

Link: <https://www.av.se/en/work-environment-work-and-inspections/foreign-labour-in-sweden/Posting-foreign-labour-in-sweden/employers-obligations/>

ID06

ID06 is a Swedish electronic identification and access control system primarily used in the construction industry. It is a standardized system that allows workers and contractors to access construction sites and log their working hours electronically. The system helps track and manage personnel on construction projects, ensuring that workers have the required qualifications and permissions for their tasks.

Link: <https://id06.se/english/>



AN INTERVIEW: PRACTICAL TIPS

Here we present the interview with Mailika Hindrikson, Scandinavian Market Manager, 1Office Group.

Mailika has been living and working in Sweden for many years. She is responsible for Swedish market at the 1Office Group, which support entrepreneurs, who do business abroad, offering strong local expertise to start, run and grow businesses. We were interested in practical tips and lessons learned in her practice while supporting Baltic businesses expanding to Sweden.



What is the sequence of steps a small company should take when entering Swedish market?

When entering the Swedish market as a small company, there's a sequence of steps we recommend following to our clients at 1Office. First, conduct thorough market research to understand the business landscape, target audience, and competitors. Then, ensure legal and regulatory compliance, which includes permits and licensing.

Next, decide on the right business structure and register your company in Sweden. A good consultant can help with the specifics and model a few options based on the needs of the business.

And last but not the least, set up a correct accounting structure. This can either be done in-house or as we recommend, outsourced from market specialists, since this can save you time and money rather than having to figure it out by yourself or let someone who does not have experience with the specifics of the market.

When everything is set up as it should be and everything meets the standards and compliance regulations, businesses can start working with their clients or start building up their network within the Swedish business community.

What are most common or the largest challenges Lithuanian or Baltic small to medium companies face when starting business in Sweden?

Baltic SMEs entering the Swedish market often encounter challenges such as understanding and adapting to local regulations, because the know-how is very low. Having to fully understand Swedish business regulations can be time consuming which makes it difficult to adapt to.

Other challenges they face are cultural differences, dealing with language barriers, and facing intense competition. Finding the right partners, clients, and effective marketing strategies can be quite demanding without the understanding of the Swedish business climate.

Has 1Office had any clients from Lithuania or Baltic states who had struggled with a specific issue and how they overcame it?

Certainly, we've worked with many clients from Lithuania and the Baltic states who have struggled with issues mentioned before. Understanding the Swedish bureaucracy and local market nuances can be difficult to grasp and when you have your business to take care of, there is only so much you can divide your focus between. And in these cases, 1Office has provided support in areas like company formation, accounting, and regulatory compliance. By offering our expert guidance and assistance, many of our clients have successfully overcome these challenges and were able to put more focus on growing the business rather than dealing with regulatory complications.

What are your major tips for Do's and Dont's when starting business in Sweden?

When starting a business in Sweden, there are some important do's and don'ts. Do conduct thorough market research, understand local regulations, and build a strong local network. Don't underestimate the importance of compliance, disregard the value of local relationships, and assume that business practices from your home country will apply seamlessly in Sweden.

How can 1Office help such companies?

1Office provides personalised and comprehensive support to foreign companies entering the Swedish market. Our services cover company formation, legal and financial compliance, virtual office solutions, accounting, and tax advisory. We also help businesses navigate the regulatory landscape, allowing them to focus on their core activities while ensuring they meet all necessary legal requirements in Sweden.

THANK YOU!

We wish to express our huge thank you and appreciation to the 1Office Group who has tremendously supported the preparation of this first informational bulletin.

They have vast expertise in Scandinavian and Swedish markets and can help starting your business fully online! They provide local know-how and comprehensive service packages based on your specific needs such as ready-made company formation, tax registration assistance, legal address services, and automated accounting solutions. Join over 4,000 satisfied clients to let them make your entry to Swedish market easier!

<https://1office.co/>



Discount offer from 1Office Group:

Every company starting their journey in Sweden are welcome to contact us and get a personalized consultation adjusted to their business specifics.

This consultation is offered free of charge to the clients directed via this Bulletin (the normal fee is 2400 SEK+VAT) with a discount code 'LPSClub' to be used at the checkout when registering at <https://1office.co/sweden/product/starting-business-in-sweden-consultation/>

Contact:

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TO BE CONTINUED...

This is the first information bulletin that Lithuanian Professionals in Stockholm Club has issued . The series of bulletins aims to provide local knowledge on various topics that are important to Lithuanian businesses aiming to expand or start in Sweden.

In preparing bulletins we utilize our network and professional contacts that own specific knowledge so that bulletins are comprehensive, competent, and useful for Lithuanian small and medium businesses.

LITHUANIAN PROFESSIONALS IN STOCKHOLM CLUB – LPS CLUB

We are a non-profit organisation which unites Lithuanian professionals in Sweden to support each other's professional growth, promote Lithuania, and enjoy joint activities. Our Strategic Directions are:

- Lithuanian business enablement in Sweden.
- Better visibility and image of Lithuania in Sweden.
- Networking, fun, high professionalism and knowledge of our members.

LPS club website: <https://lpsclub.se/>
info@lpsclub.se



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<https://swelitfund.org/>



We thank our partners for consultations and dissemination of the bulletins:

Innovation Agency in Lithuania

<https://inovacijagentura.lt/>

Swedish Chamber of Commerce in Lithuania

<https://swedish.lt/>

Vilnius Chamber of Commerce, Industry and Crafts

<https://www.cci.lt/>

Kaunas Chamber of Commerce, Industry and Crafts

<https://chamber.lt/>

Embassy of the Republic of Lithuania in Sweden

<https://se.mfa.lt/>