



## 1. Types of tax

### 1.1 Inheritance and gift tax

The Swedish unified inheritance and gift tax legislation was abolished in 2004. Hence, gifts transferred after 31 December 2004 and acquisitions of property in relation to deaths occurring after 17 December 2004 are inheritance/gift tax free.

### 1.2 Capital gains tax

Capital gains on the sale of property such as real estate, securities, art work and other personal property are taxable in Sweden. The capital gain is calculated as the difference between the proceeds received and the acquisition value of the property. When acquiring property through gift or inheritance, it is necessary to establish the acquisition value for the donor/donee.

In order for a gift to be completed, it is necessary to have it registered in some circumstances, and although gift tax was abolished from 1 January 2005, this can have certain other tax consequences. The transfer of immovable property situated in Sweden must, for instance, be registered with the Swedish Urban Land Administration (Lantmäteriet) through applying for registration of a transfer deed. This must be done within 3 months from the date of the transfer. Similarly, a gift of shares needs to be registered in the shareholders' register, which is either kept by the company itself or by Euroclear Sweden (if listed shares).

Furthermore, on the registration of the transfer of immovable property with the Swedish Urban Land Administration, stamp duty is normally levied. An individual purchasing property is normally liable to pay stamp duty corresponding to 1.5% of the acquisition value. However, transfers on inheritance or gift are not subject to stamp duty, only a registration fee (for 2013, this fee amounts to SEK825).

### 1.3 Property tax

As of 1 January 2008, there is no property tax levied in Sweden on private housing. The tax has been replaced by a yearly municipal property charge. However, commercial and industrial buildings are still subject to property tax to a certain percentage of the assessed value.

The municipal property charge is based on the assessed value of the property with a maximum of SEK 6,825 or 0.75% (for 2012) of the assessed value for single family houses. From 1 May 2009, the same applies also to apartments owned directly by individuals. From 1 January 2010, the rules also apply to (i) a plot of land upon which the dwelling is owned by another person (e.g. leasehold), and (ii) dwellings which assessment value does not exceed SEK 50,000.

New buildings containing dwellings are exempt from fee for the first 5 years, and the fee is half for the following 5 years (for 2012 0.375% of the assessed value or maximum SEK 3 412). However, as of 1 January 2013 dwellings with assessment year 2012 and onwards are exempted from municipal property charge for the first 15 years. The system with half fee is abandoned.

On properties situated outside of Sweden, there is no property tax or municipal property charge.

#### 1.4 Net wealth tax

Since 1 January 2007, there is no wealth tax in Sweden.

### 2. Who is liable?

Individuals who are tax resident in Sweden are liable to pay tax on worldwide income and assets.

Furthermore, non-residents are tax liable on certain Swedish source income. Capital gain on the sale of immovable property situated in Sweden is taxable in Sweden. Nonresidents are also taxed on capital gains on Swedish shares or foreign shares which were acquired when living in Sweden if they have been tax resident in Sweden at anytime during the 10 calendar years immediately preceding the year in which the transaction occurred. Tax treaties often shorten the 10-year period.

#### 2.1 Residency/domicile

There are no differences in Sweden between the determination of residency or domicile.

Individuals living in Sweden permanently are regarded as tax resident in Sweden. Furthermore, individuals present in Sweden for a period of 183 days or more in any given 12-month period are regarded as tax resident in Sweden. In addition, those who have previously been tax resident in Sweden may under certain circumstances still be regarded as tax resident.

Individuals who neither live in Sweden, nor reside there for a period of 183 days or more, nor have essential ties with Sweden after moving abroad are regarded as nonresident.

### 3. Capital gains

#### 3.1 Acquisition value

The acquisition value is normally the purchase price when acquiring the property, including costs relating to the purchase, such as costs for real estate agents and stamp duty.

The acquisition cost for equities should be calculated with the "average method." This means that the acquisition cost for all equities of the same type and series are added together and determined collectively, with respect to changes to the holding. For listed shares and funds, etc., the acquisition cost may, as an alternative, be determined as 20% of the net sale revenue under the "standard rule."

When acquiring an asset by gift or inheritance, the beneficiary takes over the acquisition value of the donor or the deceased. Hence, it is important for the beneficiary to receive information on the price paid by the donor or the deceased for the asset. Special rules apply for gifts given against remuneration.

#### 3.2 Rates

All capital gains are treated as investment income and are taxed at a flat rate of 30%.

The taxable base for sales of private property is 22/30 of the profit, effective tax rate of 22 %, (22/30 x 30%), and a loss can be set off against other capital gains with 50% of the loss. The taxable base for sales of industrial property is 90% of the profit, effective tax rate of 27%, (90/100 x 30%), and a loss can be set off against other capital gains with 63% of the loss.



Dividends and capital gains deriving from shares are subject to income tax at the date of payment (the cash principle). Dividends and capital gains on listed shares are fully taxable, whereas dividends and capital gains on unlisted shares are taxable at five-sixths. In other words, the effective tax rate applicable to dividends and gains on unlisted shares is 25% ( $5/6 \times 30\% = 25\%$ ).

Capital losses on listed and unlisted shares may be set off against capital income and other income as follows:

- ▶ A capital loss on listed shares can be set off against taxable gains on other shares (listed or unlisted) and other similar financial instruments. As mentioned above, dividends and capital gains on unlisted shares are taxable at five-sixths. Consequently, a loss on unlisted shares is also deductible at five-sixths and can be set off against taxable gains on shares (listed or unlisted) and other similar listed financial instruments.
- ▶ Furthermore, 70% of capital losses not set off against such aforementioned gains are deductible from the taxpayer's other capital incomes such as dividends, interest, gain on bonds, etc.

Special rules apply to qualified shares in closely held companies. There are 2 ways to determine whether a corporation is counted as a closely held company. One is based on the number of owners of the firm (main rule) while the other is regardless of the number of partners (special rule). A share is considered qualified if the shareholder or a relative is active to a significant degree so that his activity has a significant influence on the income generated by the company during the income year or any of the previous 5 income years. Qualified shares are taxable at 30% at 2/3 of the dividend and gain (or, in other words, by 20% of the dividend and gain) to the extent the dividend and gain fits within the calculated threshold amount. Any dividend that exceeds the threshold amount is taxed as income from employment, which can vary from about 31% - 57%.

## 4. Reliefs for losses

Any capital losses not set off against other capital income will be subject to a tax reduction. The reduction can be used against national and municipal tax of employment income and against federal property tax/communal property fees of the same income year. The tax reduction is 30% on capital losses up to SEK100,000 and 21% on capital losses exceeding SEK100,000. The same rules apply for all taxpayers regardless of age.

If the loss exceeds the taxes from which a reduction is made, it is not possible to carry forward the losses for individuals.

## 5. Filing of inventory of estate

The estate of individuals regarded as tax resident in Sweden at the time of their death is set out in an inventory of estate. This inventory must be filed with the Swedish Tax Agency within 3 months of the date of death. The inventory lists all assets of the deceased as well as his or her liabilities at the time of his or her death.

## 6. Assessments and valuations

Due to the abolishment of net wealth tax and inheritance/gift tax, there are no assessments or valuations in Sweden.

## 7. Trusts, foundations and private purpose funds

In Sweden, trusts are not recognized as a special type of legal entity. Nor is there any special tax regime regarding payments from family trusts. Such payments are usually regarded either as taxable capital income, as an inheritance or as a taxable income of employment, depending on how the trust is designed.

## 8. Grants

Income from grants, such as child allowance, housing grants from the social security office, scholarships, etc., is tax free in Sweden.



## 9. Life insurance

A Swedish life insurance company is obliged to pay a premium tax on life insurance. Individuals who hold foreign life insurances have to pay Swedish yield tax. As of 1 January 2012 the base for yield tax is:

- ▶ the value of the insurance on 1 January of the income year
- ▶ the value of premiums paid during the first 6 months of the income year
- ▶ half of the value of premiums paid during the last 6 months of the income year.

The base is then multiplied with the government borrowing rate 30 November the year before. The yield tax is 30% of the calculated base for yield tax.

## 10. Civil law on succession

### 10.1 Estate planning

There are special rules in Sweden regarding spouses' and co-habitants' common home and household goods. When a marriage or a co-habitant relationship ends, a split of the property has to be made. Estates are normally valued after the taxable value, but it can also be agreed between the spouses/co-habitants. If the spouses/co-habitants cannot agree who should receive the home, the spouse who needs the home the most will have the right to it. The need of the home is determined with factors such as who will have the custody of the children or if there is any sentimental value to the property (e.g., a family home throughout generations). For the division of co-habitant's household goods, only the household goods that were bought for the purpose of common use are to be included.

### 10.2 Succession

The succession hierarchy in Sweden is divided into 3 categories. The 3 categories are as follows:

- ▶ Children and grandchildren.
- ▶ Parents, siblings and their children.
- ▶ Grandparents, aunts and uncles.

In the first category are the direct heirs, i.e., children and their children. As long as there are heirs in the first category, the third and second will not inherit anything. The property will be split equally with the children. There are no differences made between children born within a marriage or not. If a child of the deceased also is dead, the grandchildren will take the place of the deceased child.

If there are no direct heirs in the first category, the parents of the deceased will inherit. If the parents are dead, the siblings will inherit. If the siblings are also dead, the children of the siblings will inherit.

If there are no relatives in the first or second category, the grandparents of the deceased inherit one quarter each. If the grandparents are deceased, their children, i.e., aunts or uncles, inherit. However, cousins may not inherit.

If the deceased is married, the main rule is that the spouse inherits everything. If there are heirs in the first or second category, the spouse inherits the property left with a right of disposal. When the spouse later dies, the heirs of the first spouse will inherit what is left from the property that was left with a right of disposal. If there are children to the deceased that are not children to the spouse (stepchildren), then the stepchildren can take out their part of the property right away.

If there are no inherits in neither one of the 3 categories of succession, the estate will be accrued to the Swedish inheritance fund. The foundation has a non-profit character that works to promote activities supporting children, youths and people with disabilities.



### 10.3 Forced heirship

Part of an inheritance can be restricted through a will or the statutory share of inheritance for the first category, i.e., children of the deceased, as mentioned above. The statutory share of inheritance is half of the inheritance property. The children of the deceased have the legal right to inherit half of the deceased property. The other half of the deceased's estate can freely be bequeathed away.

### 10.4 Matrimonial regimes and civil partnerships

Sweden recognizes a community property regime for all property, whether the property was acquired before entering the marriage or during the marriage. However, the property may be kept separate if declared through a prenuptial contract or if it was acquired as a gift from a third party or by inheritance on condition that it should be the separate property of the recipient. A prenuptial contract may be entered into before or after the wedding day.

As to debts, each spouse is responsible for his or her own debts, but spouses are jointly and severally liable to mutual debts.

### 10.5 Intestacy

To a significant extent, there is freedom of testamentary disposition in Sweden.

However, if the deceased has not left a will, there are legal rules to decide how the estate is divided between the surviving spouse and descendants. As a general rule, the surviving spouse inherits the deceased's estate.

Furthermore, children always have a right to half of the inheritance calculated under certain rules (statutory share of inheritance) of their parents, but generally they do not have access to the property until the surviving spouse is deceased. If an individual has bequeathed his or her estate in such a way that less than the statutory share of the inheritance is left in equal shares to his or her children, the children can contest the will. If they do not contest the will, the estate will be divided according to the deceased's will.

### 10.6 Probate

A will should be in written form and have 2 witnesses. The testator should sign the will in the presence of the 2 witnesses, and then the witnesses have to sign the will. The witnesses have to be above the age of 15 and cannot be the spouse, siblings, parents or children of the testator. Neither can brothers-in-law nor their close relatives be the witnesses of a will. The will does not have to be registered at any special department in Sweden.

## 11. Estate tax treaties

### 11.1 Unilateral rules

Swedish tax residents who pay tax in Sweden and a foreign country for the same income can credit the foreign paid tax in their Swedish tax returns. If a foreign real estate generates an income that is taxed in Sweden, the foreign property tax may be credited in Sweden.

### 11.2 Double-taxation treaties

Double tax relief is provided by allowing taxpayers to credit foreign taxes paid or to deduct foreign taxes paid as an expense. If a credit is elected, a 5-year carry forward is available. The credit is limited to the lesser of foreign taxes actually paid or the Swedish tax payable on all foreign-source income.



Sweden has entered into double tax treaties with many countries. Most of the treaties follow the Organisation for Economic Co-operation and Development (OECD) model. In general, the treaties provide that a credit may be taken for foreign taxes paid in the other treaty country to the extent of Swedish taxes imposed on the same income. Under Sweden's unilateral tax credit system, however, a credit may also be taken against Swedish tax imposed on other foreign-source income.

Sweden has entered into double tax treaties with the following jurisdictions: Albania, Argentina, Australia, Austria, Bangladesh, Barbados, Belarus, Belgium, Bermuda, Bolivia, Botswana, Brazil, British Virgin Island, Bulgaria, Canada, Cayman Islands, Chile, China (a), Cyprus, former Czechoslovakia (c), Denmark (b), Egypt, Estonia, Faroe Islands (b), Finland (b), France, Gambia, Germany, Greece, Guernsey, Hungary, Iceland (b), India, Indonesia, Ireland, Isle of Man, Israel, Italy, Jamaica, Japan, Jersey, Kazakhstan, Kenya, Korea (South), Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mauritius, Mexico, Morocco, Namibia, Netherlands, New Zealand, Norway (b), Pakistan, Philippines, Poland, Portugal, Romania, Russian Federation, Singapore, South Africa, Spain, Sri Lanka, Switzerland, Taiwan, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, former USSR (c), United Kingdom, United States, Venezuela, Vietnam, former Yugoslavia (c), Zambia and Zimbabwe.

- a. The treaty does not apply to Hong Kong.
- b. Sweden has signed the Nordic Mutual Assistance Treaty, together with Denmark, the Faroe Islands, Finland, Iceland and Norway.
- c. Sweden will apply the old treaties with former Czechoslovakia, former USSR and former Yugoslavia to the new republics that have not entered into a separate treaty with Sweden, unless a law is enacted providing otherwise.

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## Additional reading materials

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