

Sweden

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1. Types of tax

1.1 Inheritance 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 not subject to inheritance/gift tax.

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 three 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 2016, this fee amounts to SEK825).

1.3 Property tax

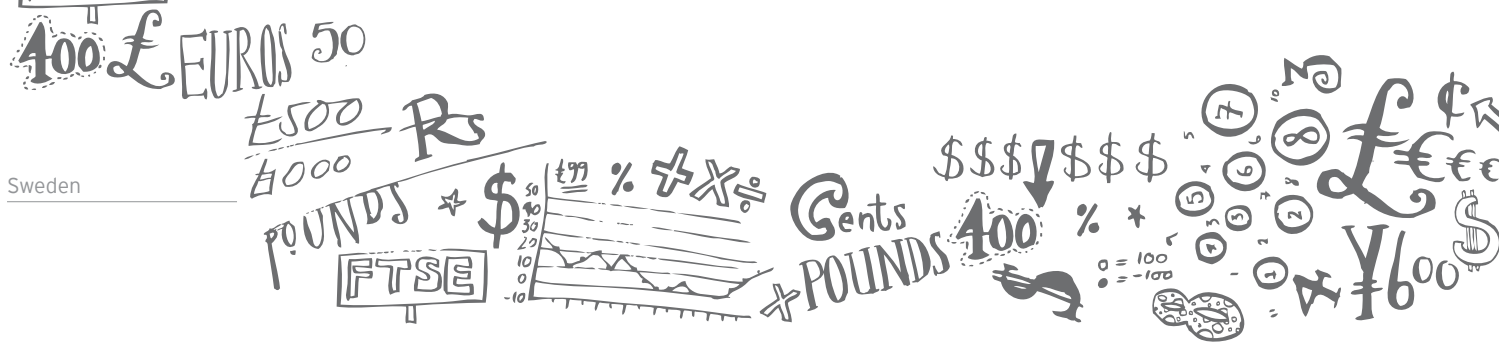
There is no property tax levied in Sweden on private housing. The tax has been replaced by a yearly municipal property charge. However, commercial and industrial buildings are still subject to property tax at a certain percentage of the assessed value.

The municipal property charge is based on the assessed value of the property with a maximum of SEK7,412 or 0.75% (for 2016) of the assessed value for single family houses. 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 whose assessment value does not exceed SEK50,000. Special rules apply to retired individuals (the fee may not exceed 4% of the early income). There is no property charge for individuals owning their apartment by a tenant owner's association. New buildings containing dwellings are exempt from fee for the first five years, and the fee is half for the following five years (for 2016, 0.375% of the assessed value or maximum SEK3,706). 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

There is no wealth tax in Sweden.



2. Who is liable?

Furthermore, nonresidents are tax liable on certain Swedish-sourced 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 that were acquired when living in Sweden, if they have been tax resident in Sweden at any time during the 10 calendar years immediately preceding the year in which the transaction occurred. Tax treaties often shorten the 10-year period.

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 be regarded as tax resident, if they have essential ties to Sweden.



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% ($5/6 \times 30\%$).

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 similarly 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 two 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 five income years. Qualified shares are taxable at 30% at two-thirds 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 30% to 60%. If the company has a silent partner owning at least 30% of the shares, all dividends or gains are taxed at 25%, assuming the silent partner is not related to the active shareholder.

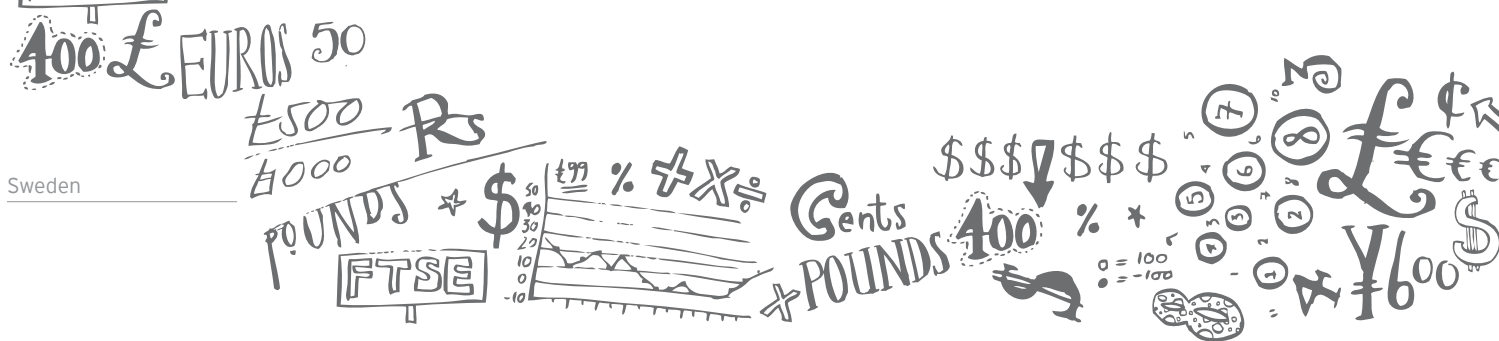
Special rules apply to holdings in mutual investment funds. The tax is a yield tax and the tax rate amounts to 30%. The taxable base is 0.4% of the fair market value (FMV) as of 1 January. The effective tax rate will therefore be 0.12%.

Sweden has a special type of investment account (*Investeringsparkonto*, or ISK), which is available to private investors investing in listed stock or mutual funds. The investment account is taxed on a standardized basis, calculated as the value of the assets quarterly and transfers during the year of cash or investments. The taxable base is multiplied by 0.75% + the government borrowing rate as per 1 November the prior year (0.65% for 2015), however, never less than 1.25%. Capital gains are not taxed and capital losses are not deductible for investments on this account. For nonresidents, tax treaties must be considered.

4. Exemptions and reliefs

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 for individuals to carry forward those.



5. Filing procedures

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 three 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 could be regarded either as taxable capital income, as an inheritance or as 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 exempt 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 insurance 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 six months of the income year
- ▶ Half of the value of premiums paid during the last six months of the income year

As per 2016, the base will be multiplied with the government borrowing rate as of 30 November the year before + 0.75%, however a minimum of 1.25%. The yield tax is 30% of the calculated base for yield tax.

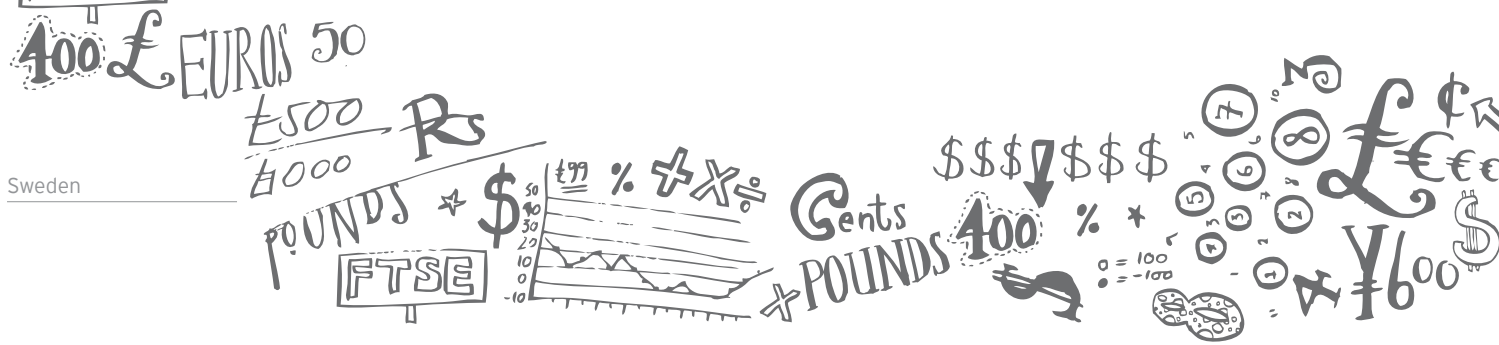


10.1 Estate planning

10.2 Succession

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

If the deceased was married at the time of death, the main rule is that the spouse inherits everything. If there are heirs in the first or second category, the spouse inherits the property 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 of the deceased that are not the children of the spouse (stepchildren), then the stepchildren can take out their part of the property right away.



If there are no heirs in either one of the three categories of succession, the estate will be accrued to the Swedish inheritance fund. The foundation has a nonprofit character that works to promote activities supporting children, youths and people with disabilities.

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 (see Section 10.2). 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's property. The other half of the deceased's estate can be bequeathed away.

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 the condition that it should be the separate property of the recipient. A prenuptial contract may be entered into before or after the wedding day.

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

A will should be in written form and have two witnesses. The testator should sign the will in the presence of two 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 brothers-in-law nor close relatives can be the witness 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 in 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 five-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 Convention. 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, Armenia(d), Australia, Austria, Azerbaijan (d), Bangladesh, Barbados, Belarus, Belgium, Bermuda, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, British Virgin Islands, Bulgaria, Canada, Cayman Islands, Chile, China (a), Croatia, Cyprus, Czech Republic, Denmark (b), Egypt, Estonia, Faroe Islands (b), Finland (b), France, Gambia, Georgia, Germany, Greece, Guernsey, Hungary, Iceland (b), India, Indonesia, Ireland, Isle of Man, Israel, Italy, Jamaica, Japan, Jersey, Kazakhstan, Kenya, Korea (Republic of), Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mauritius, Mexico, Morocco, Namibia, Netherlands, New Zealand, Nigeria, Norway (b), Pakistan, Philippines, Poland, Portugal, Romania, Russian Federation, Serbia and Montenegro (c), Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Switzerland, Taiwan, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United Kingdom, United States, Venezuela, Vietnam, 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 treaty with former Serbia and Montenegro, unless a law is enacted providing otherwise.
- d. Signed in February 2016 but not yet in force

Sweden has entered into tax information exchange agreements with the following jurisdictions: Andorra, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Bahrain, Belize, Brunei, Cook Islands, Costa Rica, Gibraltar, Grenada, Guatemala, Hong Kong, Liberia, Liechtenstein, Macau, Marshall Islands, Monaco, Montserrat, Panama, Qatar, Samoa, San Marino, Seychelles, St. Lucia, Turks and Caicos Islands and Uruguay.