

Guidelines for starting a branch office

A foreign company wishing to establish a business in Sweden without forming a limited liability company may conduct its operations through a Swedish branch office.

A foreign company that intends to operate a business in Sweden without registering a subsidiary can normally register a branch office (*filial*). A branch office is not a separate legal entity but is part of the foreign company, a divisional office. One and the same foreign owned company can only have one branch office in Sweden. It must be independently run in Sweden according to the regulations laid down in the Act (1992:160) on Foreign branches. Under the same act a branch office may as a rule be established without permission from Swedish authorities.

Characteristics

The foreign company operating a branch office is liable for the debts and obligations of the branch office. The branch office itself has no share capital. Its assets and liabilities are part of the total assets of the foreign company.

A branch office in Sweden shall have a managing director who is resident within the European Economic Area (EEA). In case the managing director is based in another European country than Sweden, a person authorized to accept service of process, a local manager, who is resident in Sweden must be appointed. The managing director shall be responsible for the branch office's operations. The foreign company shall issue a power of attorney for the managing director. Such power of attorney shall authorize the managing director to act on behalf of the foreign company in all matters concerning its activities in Sweden, to accept service of process on behalf of the foreign company, and be the legally responsible representative of the foreign company.

Accounts and audits

All persons carrying on a business activity are under an obligation to maintain accounting records under the Bookkeeping Act (1976:1259) and are required by the Act to adhere to generally accepted accounting principles. The accounts of the branch office must be kept separate from the accounts of the foreign company. A (certified) public accountant authorized in Sweden or an approved accountant or a registered accounting firm shall audit the administration and accounts of the branch office.

If the foreign company is based outside the EEA area, the managing director of the branch office must annually submit to the Swedish Companies Registration Office a certified copy of the branch office's accounts and the auditor's report for the latest financial year, as well as corresponding documents for the foreign company as a whole. All documents must be in Swedish. The requirement to submit a certified copy of the branch office's accounts and the auditor's report to the Swedish Companies Registration Office does not apply when the foreign company is subject to the legislation of a state within the EEA and which has a legal form which is comparable to a Swedish limited liability company.

Registration of a branch office

An application for registration of a branch office in Sweden must be sent to the Swedish Companies Registration Office before starting any business activities. To be able to register a branch office in Sweden, the foreign company must be registered as a legal entity according to the laws of its country of origin and must carry on business there.

To summarize, the application for registration of a branch office

- must be made in writing
- preferably on application form 887, Bolagsverket
- in original, and
- dated and signed by the managing director of the branch.

The application must contain detailed information of the foreign company, including the proposed name and address of the branch office and information about the managing director and auditor of the Swedish branch. A number of attachments are required such as, for example, proof that the foreign company is not bankrupt and a document showing that the person, the managing director, who signs the power of attorney on behalf of the foreign company is authorized to do so.

The branch office will not be registered before the registration fee is paid. When the registration procedure is completed, the branch office is given a registration number composed of ten digits. This registration number is used as the branch's identification number and remains as long as the branch office exists. After receiving the registration number, the branch office can start its business activities. The registration number must appear on the branch office's letterhead, invoices and order forms.

Registration of name

The branch office activities conducted by a foreign company in Sweden shall be carried on under a name that includes the name of the foreign company and its company form with the addition of the word "filial". The name shall also clearly indicate the nationality of the foreign company. The name of the branch office must be registered with the branch office register kept by the Swedish Companies Registration Office. Please note that the registration can be delayed if the proposed name of the branch office is too similar to a name or trademark already registered with the Swedish Companies Registration Office.

Registration for taxes

Branch office tax rules are similar to those of a limited liability company (*aktiebolag*).

Employers must register as such by filling in the form *Skatte- och avgiftsanmälan* (Notification of Tax and Contributions Liability, SKV 4620) and send it to the Swedish Tax Agency. Once registered the employer will automatically be sent all the documents, VAT and PAYE returns and information required to account for and pay VAT, income tax and social contributions.

Summary of the tax obligations

Income derived from business activities – natural persons

Natural persons resident abroad running a branch office in Sweden are liable to pay income tax and, as a rule, employee's contributions, payroll tax and general pension contribution.

Income tax for legal entities

Legal entities are subject to a tax of 28 percent of their taxable income. This tax is calculated on a preliminary basis by the tax authority and is charged regularly throughout the fiscal year.

Obligation to submit tax returns

The branch office is liable to submit a tax return for the income derived from the business activity once a year.

Employee's contributions, payroll tax and special wage tax on pension costs

Employers are expected to pay employee's contributions, payroll tax and special wage tax on pension costs on behalf of their employees. Charges are calculated on the basis of the total gross wage and other taxable benefits.

Tax deductions

Employers are expected to deduct tax at source on behalf of their employees in the percentage specified in the current tax table.

Value Added Tax (VAT)

Employers who conduct commercial activities and sell goods or services liable to VAT shall pay directly to the Tax Agency. The employer has to pay the difference between the VAT that is charged on sales (output VAT) and the VAT that is paid for the purchases (input VAT). If goods are imported, VAT shall be paid to Tullverket, the Swedish Customs.

Miscellaneous

A branch office's letterhead, invoices and order forms shall contain:

- Information about the foreign company's legal form and registered office.
- the foreign register in which the foreign company is registered
- the foreign company's registration number
- the branch office's registration number and
- the Swedish register in which the branch office is registered.

Foreign banks and other financial institutes with branch offices in Sweden are registered by the Swedish Financial Supervisory Authority (*Finansinspektionen*).

For further information, please contact:

*The Swedish Companies Registration Office (Bolagsverket)
SE-851 81 SUNDSVALL
Phone: +46 60 18 40 00
Fax: +46 60 12 98 40
bolagsverket@bolagsverket.se
www.bolagsverket.se*

The Swedish Companies Registration Office is the authority that registers corporate information when establishing a business in Sweden. The website provides information concerning various business forms and regulations for establishing a business in Sweden. Most of the information is in Swedish, but some is also translated into English.

*The National Tax Board of Sweden (Skatteverket)
SE-171 94 SOLNA
Phone: +46 270 734 00
Fax: +46 8 28 03 32
huvudkontoret@skatteverket.se
www.skatteverket.se*

Skatteverket is the Swedish authority for taxation, tax collection, and national registration of residents. All of Sweden's tax and enforcement authorities are represented in the Skatteverket group.

Please note that the contents of this fact sheet should be regarded 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.