

Guidelines for starting a private business

A private business is managed by a so-called sole proprietor, a natural person who operates her or his own business.

A sole proprietorship is not a legal entity; the proprietor is personally responsible for the contractual obligations of the business, including its debts, and its other liabilities.

In order to qualify as an active private business, a sole proprietorship must meet the following conditions:

- The business is conducted on a long-term basis.
- The business is independent.
- The business is operated for profit.
- The proprietor devotes the equivalent of at least one third of full-time employment to the business.

Revenues arising from a private business are taxable, and the expenses of the business are tax-deductible.

Requirements

- A founder of a private business must be a legal adult (18 years of age), not under the care of a guardian pursuant to Chapter 11, Section 7, of the Parental Code (*Föräldrabalken*), and not in bankruptcy. Nor may he or she be a person who has been banned from conducting a business pursuant to Section 6 of the Trading Prohibition Act (*Lag om näringsförbud*).
- A person resident outside Sweden and seeking to set up a private business in Sweden may register as a sole proprietor. To do so, the person must have a national registration number, which is obtained from the Swedish tax authorities. A copy of the notification of national registration number must be enclosed with the application for registration with the Swedish Companies Registration Office (*Bolagsverket*).
- If a sole proprietor resides abroad, the business must have an authorized agent in charge who resides in Sweden and has a Swedish national registration number. He or she must have the same qualifications as a founder resident in Sweden (see above).
- The name of the person responsible for conducting the affairs of the business must be registered with the Swedish Companies

Registration Office before the business begins operating.

Other features of a private business

- A private business is not subject to corporate tax as it is not a legal entity. The tax obligations of the business are those of the natural person legally responsible for it.
- A private business may have one or more employees.

Calculation of taxes and other charges

For a private business, taxes and other charges are calculated on the basis of its annual income, that is, its annual revenue minus its annual expenses. The basic rule is that all expenses incurred in the operation of the business are tax-deductible. Since it may be difficult to calculate the taxes and other charges in advance, a preliminary tax must be paid. This amount is subsequently adjusted by the Swedish Tax Agency, which determines the final tax liability for the year on the basis of the proprietor's income-tax declaration.

Bookkeeping, accounting, and auditing

1. Enterprises with a yearly turnover normally exceeding 20 price base amounts (a total of 806,000 in 2007) are obliged to prepare annual accounts (according to 1:2 and 6:1 BFL) if:

- the number of employees during the two latest financial years as an average has exceeded 10 persons or
- the net value of the business, according to the balance sheet for the financial year, exceeds SEK 24 million.

A parent company is obliged to prepare annual accounts if:

- the number of employees of the group enterprises during the two latest financial years as average has exceeded 10, or

- the net value of the assets of the group enterprises, according to the balance sheets of the latest financial year for the group enterprises, on the day of balance for the parent enterprise exceeds SEK 24 million.

2. Certain enterprises, obliged to prepare annual reports, are also obliged to - on their own accord - file the documents with the Swedish Companies Registration Office.

An enterprise is obliged to file the annual accounts with the Swedish Companies Registration Office if:

- the enterprise is carrying on business activities and the net value of the assets of the enterprise, according to the balance sheets for the two latest financial years exceed 1,000 price base amounts, or
- the number of employees during the two latest financial years as an average has exceeded 200 persons.

Parent enterprises are obliged – on their own accord – to file their annual accounts with the Swedish Companies Registration Office if:

- any of the group enterprises carries on business activities and the net value of the assets of the group enterprises, according to the adopted balance sheets for the two latest financial years, exceed 1,000 price base amounts, or
- the number of employees with group enterprises during the two latest financial years as an average has exceeded 200 persons.

3. Enterprises which are obliged to prepare annual accounts, but not obliged to file the documents with the Swedish Companies Registration Office on their accord, may be ordered to do so. The Swedish Companies Registration Office will issue such an order on request.

Parent enterprises are always obliged to file consolidated financial statements as well as auditor's report of the group with the Swedish Companies Registration Office.

Summary of the tax obligations

A private business is taxed at the rates applicable for natural persons.

- A natural person with a private business

is required to submit an annual declaration of income, including the form for a private business.

- Once a year the proprietor of a private business must submit an annual declaration of income, including the form for a private business. In addition to the income tax, the proprietor of the business is charged with an individual social security contribution (egenavgift) of 30.71%.

- A business is required to pay social security contributions, payroll tax, and a special wage tax for pension costs on behalf of its employees. These charges (*arbetsgivaravgifter*) total 32.42% of the sum of gross wages and other taxable benefits.

- Employers are required to withhold income tax on behalf of their employees at the percentages specified in the current tax table.

- VAT is to be paid on purchases of taxable goods and services from a business within the country and on intra-community purchases of taxable personal property not effectuated within the country. The seller is ordinarily liable for the tax, but there are exceptions. The VAT may be paid either annually for the whole fiscal year or monthly, though if the annual sales of the business exceed SEK 1 million, a monthly VAT payment is required.

The following tax rates apply:

25%	general tax rate
12%	food, hotel services
6%	periodicals, books

Insurance

Insurance is normally optional, but some basic coverage is often called for. For any form of insurance – property insurance, consequential-loss insurance, liability insurance, legal-expense insurance, or life and accident insurance – an insurance company should be contacted.

Registration of a company name

By implication, a private business is conducted under a name. A name for a business may be obtained by registering a private business with the Swedish Companies Registration Office. An application to

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The Swedish Companies Registration Office (Bolagsverket) is the authority that registers information on corporations and other types of businesses in Sweden. The website provides information on various forms of business and regulations for establishing a business in Sweden. Most of the information is in Swedish, but some is in English.

register the company must be submitted to the Office if the business will operate in the retailing, manufacturing, or service sector. Though not always mandatory, it is highly advisable to apply for a name and registration of a sole proprietorship before starting business operations. Once a name is registered, it will automatically be protected in the county where the business is located. A registered name also enables authorities, customers, and business partners to contact the company.

Registration for taxes

A person intending to start a private business must submit a Notification of Liability for Taxes and Contributions (*Skatte- och avgiftsanmälan, RSV 4620*) to the Swedish Tax Agency. This notification is required for obtaining necessary forms (such as F-tax, VAT, and PAYE returns) and for the accounting and payment of VAT, income tax, and social security contributions. In the submitted form, the business must provide an estimate of its income for the first year of operation. The tax authorities will then calculate the amount of preliminary tax due each month.

Licenses

It is important to determine whether a special license is required for the business. The requirement of a license is usually regulated by law, and the license may be issued at the local, regional, or national level. Police authorities, municipalities, and county councils are often involved in licensing.

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.