

# Guidelines for starting a representative office

*A representative office is the most limited presence of a foreign business in Sweden. Since representative offices are normally not permitted to enter into commercial agreements, this form of establishment is rarely used. A representative office is not a legal entity, but a local non-operative presence of the foreign parent company.*

A representative office may not engage in any commercial activity other than pure marketing. It may not issue invoices for services rendered. This means that the representative office is not allowed to act on its own behalf by using its employees or offices for any kind of trading or business.

## **Acceptance of orders**

The representative office must not accept any orders on behalf of the foreign company. Any activities which could be regarded as "silent acceptance of orders" must likewise be avoided. The acceptance of orders must be made by the foreign company and all invoices must be sent directly from the foreign company.

Accordingly the representative office's activities must be limited to transferring information to customers on behalf of the foreign company, and to transferring offers, bids acceptance, inquiries etc., from customers to the foreign company. These regulations mean that representative offices often take the appearance of showrooms and the like.

## **No registration needed**

Unlike other establishing forms, no prior permit or authorization is required to set up a representative office, with only few exemptions for a representative office of a foreign bank. A representative office in Sweden may commence its activities at any time as there is no legislation requirement or any other formality connected with the establishment of such an office.

## **Registration for taxes**

For Swedish tax purposes, the concept of conducting business is defined as commercial operations carried on independently, with a degree of continuity and with the objective of making profits. Since a representative office may not engage in any commercial activity or making a profit, it is declared exempt from Swedish income tax.

However, taxes and social charges on employees benefits will naturally follow Swedish tax law, since employees will be considered to be employed within Swedish trade, even though by a foreign entity.

## **Summary**

In order to maintain the status of a representative office:

- all agreements should be entered into between the Swedish buyer/seller and the representative office's foreign parent company,
- all invoicing should be carried out directly from the foreign parent company, without any involvement of the Swedish representative office.

Furthermore the representative office should never:

- act on its own behalf by using its employees of office for any kind of trading or business, or
- act as a dependent representative of the foreign parent company since it is not a legal entity and since the foreign parent company is not liable to taxes in Sweden as long as the foreign parent company is not conducting business from a permanent establishment in Sweden.