



WELLINGTON SHIELD

VERTUTIS FORTUNA COMES

Swedish Holding Companies.

Sweden offers an exceptional regime for international holding companies. On May 14 2003, the Swedish parliament enacted a new law to abolish tax on capital gains on the sale of business-related shares on or after July 1, 2003. The new law also brings favourable changes to the participation exemption rules regarding dividends and withholding tax.

In summary, **Sweden** offers a capital and dividend **participation exemption** regime coupled with the following benefits to international investors;

- An excellent double tax treaty network (about 80).
- No rules as to thin capitalisation and no limitations for interest cost deductions.
- Low corporate tax; the rate is 28% (about 25% if appropriation to tax equalisation reserve),
- No tax/stamp duty on the transfer or issue of shares.
- No requirement to use notaries.
- A registered office is required in Sweden but management of the company and the day to day administration is permitted outside Sweden.

Swedish holding companies are exempt from Swedish capital gains on the disposal of business-related shares. *There is no minimum holding period to obtain the tax exemption on the sale of unlisted shares but there will be a one-year holding requirement for listed shares.*

The definition of the term "business-related shares" will be altered, implying that:

- Unlisted shares will *always* be considered being business-related.
- Listed shares are considered business-related if the company holds at least 10% of the voting rights in the other company, or if the shares are held for organizational purposes, in the course of the business.

Both shares in Swedish companies and in foreign companies can qualify as business-related shares but foreign companies must be subject to tax at a rate comparable to the Swedish Corporate income tax in order to qualify for the regime. An income tax rate of at least 15%, computed in accordance with Swedish accounting and tax rules, should be sufficient to be comparable to the Swedish corporate tax.

As a consequence of the new tax exemption, capital losses on business-related shares will no longer be deductible.

Additionally, tax efficient funds roll-up is possible within the Swedish Company via regular savings plans through an International life assurance arrangement. This makes Sweden more attractive than countries such as Luxembourg, Netherlands and Belgium. Sweden has become one of the most attractive holding-company jurisdictions.

Wellington Shield provides full incorporation management and administration services for Swedish Holding companies via Wellington Shield AB in Stockholm.

26.01.04