

General guidebook for establishing Japanese entities in Sweden

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Introduction

As per the latest report by the Swedish Agency for Growth Policy Analysis, during 2022 there were 278 companies in Sweden controlled by Japanese entities.¹ This guidebook aims to provide valuable information for Japanese companies that are considering establishing an entity in Sweden or commencing business activities in Sweden.

Chapter 1 presents the existing types of establishments according to Swedish company law. Chapter 2 focuses on the advantages and considerations to be taken into account regarding the two most common forms of establishment in Sweden for foreign-based companies, i.e. limited companies and branch offices. Chapter 3 explains the registration procedures for these types of establishments. Chapter 4 outlines the general requirements for obtaining a residence and work permit in Sweden. It includes a summary of the most common types of Swedish work permits and provides an overview of exemptions from the work permit requirement as well as the Posted Workers Directive. Chapter 5 covers the topic of employer reporting obligations.

We hope this guidebook will be useful to readers contemplating establishing a legal entity or commencing business activities in Sweden.

¹ https://www.tillvaxtanalys.se/download/18.4642e51f192ff9dd504599c4/1731327987139/Statistik_2024_04_utl%C3%A4ndska_f%C3%B6retag_2022.pdf

I Overview of business types in Sweden

There are different forms of establishment for foreign entities performing business activities in Sweden. The typical establishments for conducting business in Sweden by foreign entities are through a limited company (*Sw. Aktiebolag*) or a branch office (*Sw. Filial*). This is due to several reasons which are outlined further below. While this guidebook will include other forms of establishment for the sake of completeness, the primary focus will be on Swedish limited companies and branch offices.

Prior to establishing a business presence as a foreign entity in Sweden, it is of importance to seek tax and legal advice to determine the most suitable form of establishment for the specific circumstances. Key considerations include tax implications, the type and volume of the business activities to be performed in Sweden, commercial requirements, employment law considerations, and the estimated duration of the foreign-based companies business activities in Sweden.

The forms of establishment can be categorized based on the level of liability the owners have regarding actions by or through the entity/branch, as outlined in the table below.

General level of liability	Form of establishment
Low	Limited company
	Economic association
Medium	Limited partnership
High	Trading partnership
	Branch office

1. Limited company

A limited company (*Sw. Aktiebolag*) is a legal entity with its own rights and responsibilities, owned by its shareholders. However, the shareholders' liability for the company's debts is limited. Limited companies are classified into two types: public and private, with the main difference being that public limited liability companies can offer their shares to the public. For further differences between private and public limited liability companies, please see the table below.

Criteria	Private Limited company	Public Limited company
Minimum share capital	SEK 25,000	SEK 500,000
Minimum number of directors	One (1) ordinary director and one (1) deputy director	Three (3) ordinary directors
Managing director	Optional	Mandatory
Auditor	Recommended and sometimes mandatory dependent on the size of the company.	Mandatory

For the purposes of this guidebook, when referencing to limited companies *private* limited companies are intended. Due to the relatively small capital contribution, as well as the fact that a foreign-based entity may establish a limited company by themselves without the involvement of another entity, limited companies are a well-suited option for establishment by foreign investors.

2. Economic association

An economic association (*Sw. Ekonomisk förening*) is a legal entity that does not require any starting capital. However, it does require three or more partners with a common economic interest to be established and registered. Furthermore, all members must pay an initial contribution to the association, participate in the association's economic activity unless they are categorized as "investing members" and possibly pay an annual membership fee to the association, making it an unusual type of association for establishment by foreign investors.

3. Limited partnership

A limited partnership (*Sw. Kommanditbolag*) is a type of trading partnership that requires two or more partners, with at least one general partner and one limited partner. A limited partnership does not require a capital contribution from its partners. The general partner is personally responsible for all agreements, debts, and other liabilities within the limited partnership. Due to the requirement of having at least two partners, it is not well-suited for establishing a presence in Sweden.

4. Trading partnership

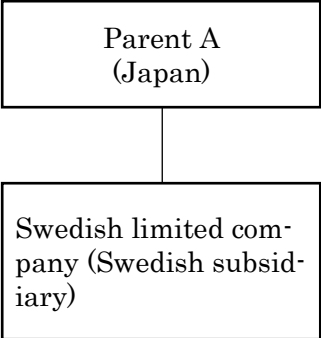
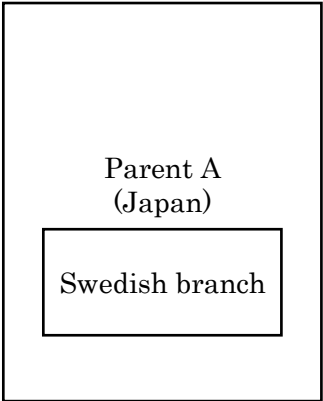
A trading partnership (*Sw. Handelsbolag*) is its own legal entity where the partners are personally responsible for the partnership's debts and liabilities. It requires two or more partners to be registered but does not require a capital contribution from its partners. Due to the requirement of having at least two partners, it is not well-suited for establishing a presence in Sweden.

5. Branch office

A branch office (“Branch”) (*Sw. Filial*) is a part/extension of the foreign-based company and, therefore, not its own legal entity. It may be seen as the foreign company's local office in Sweden, with its own administration, separate bookkeeping, and corporate identity number. However, it does not have any independent capital, and all assets and liabilities are part of the foreign-based company's total assets. Due to these facts, a branch is a good option for foreign-based companies that wish to establish a presence in Sweden without creating a new entity.

II Overview of typical business types adopted by foreign companies

The table below provides a comparative overview of a Swedish limited company and a Swedish branch.

	Limited company	Swedish branch
Applicable law for establishment	Swedish Companies Act (SFS 2005:551)	Foreign Branch Offices Act (SFS 1992:160)
Example	 <pre> graph TD A[Parent A (Japan)] --- B[Swedish limited company (Swedish subsidiary)] </pre>	 <pre> graph TD subgraph Parent_A [Parent A (Japan)] B[Swedish branch] end </pre>

Detailed information on the advantages and considerations of limited companies and Swedish Branches are summarized below.

1. Limited companies

(1) Overview

A Swedish limited company is a separate legal entity from its foreign-based parent company and is a common option for foreign-based companies when establishing a presence for business activities in Sweden. Such entities are often referred to as a local or Swedish subsidiary. Unlike a branch, the Swedish subsidiary can enter into agreements on its own and is responsible for its own rights, assets, and liabilities.

The owners of the Swedish subsidiary are its shareholders. It is common for the foreign-based company to own 100% of the shares in the local subsidiary. While it is possible for foreign-based companies to acquire a minority stake in an already established Swedish limited company, this approach is less common for the purpose of establishing a presence for business activity in Sweden due to the reduced amount of control over the company it entails.

(2) Advantages

- A separate legal entity and the agreeing party towards third parties meaning that the foreign-based company is not liable for the subsidiary's debts and liabilities.
- In case of disputes, the limited company will be the responding party, and the foreign-based company will therefore partly be shielded from legal and economic consequences directed towards the subsidiary.

(3) Considerations

- A minimum share capital of SEK 25,000 is required.
- A board of directors is required of which at least half must be resident within the European Economic Area (EEA), unless special permission is granted from the SCRO.
- At least one representative of the company (director, managing director or authorized signatory) must reside in Sweden unless an agent for service of process is appointed.
- An annual general meeting must be held yearly which must adopt the financial statements within six months from the end of the financial year.
- In the case of the dissolution of a limited company, the liquidation process is rather time-consuming and usually takes eight to twelve months to complete. However, it is possible to expedite the process through the use of a 'quick liquidation,' where the limited company is emptied of all assets and liabilities before being sold to a service provider who facilitates the liquidation.
- A bank account from a bank within the EEA is necessary before incorporation in order to deposit the share capital.

2. Swedish branch

Unlike a limited company, a Swedish branch is not its own legal entity. Instead, it is a part of the foreign-based company. The agreeing party towards third parties is the foreign-based company through its Swedish branch. The foreign-based company is the holder of all rights obligations and liabilities connected to the branch. Furthermore, the branch must operate within the same line of business as the foreign company.

Eventual profit or loss connected to the branch directly impacts the foreign-based company. If the branch is considered to be a Permanent Establishment (PE) it will be subject to taxation in Sweden.

(1) Advantages

- No capital requirements exist for Swedish branches.
- No separate board of directors is required, however, a managing director within the EEA must be appointed for the branch unless exemption granted by the SCRO.
- Annual general meeting is not required.

(2) Considerations

- Not its own legal entity. The foreign-based company is therefore responsible for all debts and liabilities of the Swedish branch.
- A branch must keep its own accounting records that must be held separate from the accounting records of the foreign company.

3. Details of business structures adopted by foreign-based companies in Sweden.

The table below provides a detailed comparison between limited companies and Swedish branches.

Item	Limited company	Branch
Estimated processing time with the SCRO ²	7 business days ³	11 business days ⁴
Registration fees	SEK 2,200 ⁵	SEK 2,500 ⁶
Document required for registration	<ul style="list-style-type: none">• SCRO notice 816• Memorandum of association• Articles of association• Bank certificate from a Swedish bank or a bank within the EEA• Share subscription list	<ul style="list-style-type: none">• SCRO notice 887• Power of attorney• Certificate of registration of the foreign-based company• Certificate proving that the foreign-based

² From when a complete application has been filed. Please note that the processing times vary. The current processing time is updated daily and available on the SCRO's website <https://bolagsverket.se/en/omoss/varverksamhet/varservice/varahandlaggningstider.2081.html>

³ Per 2025-01-31

⁴ Per 2025-01-31

⁵ <https://www.bolagsverket.se/en/sjalvservice/avgifter/avgifterforaktiebolag.4358.html>

⁶ <https://www.bolagsverket.se/en/sjalvservice/avgifter/avgifterforfilial.4370.html>

		<p>company has not been declared bankrupt</p> <ul style="list-style-type: none"> • Current article of association of the foreign-based company • The annual account of the foreign-based company and, if applicable of the parent company, covering the two most recent financial years.
Shareholders	One or more	N/A
Annual General meeting	Must be held within 6 months from the end of the financial year	
Directors	Minimum one ordinary director and one deputy director	N/A
Managing director	Not required	Mandatory
Liabilities	Recorded by the local subsidiary (Sweden)	Recorded by the Japanese Parent
Financial statements	Must be filed with the SCRO within 7 months from the end of the company's financial year	A branch of a company within the EEA, equivalent to a Swedish Limited company, must file a certified copy of the foreign-based company's annual report each year. However, the branch must always keep its own accounting records that must be held separate from the accounting records of the foreign-based company. The branch's accounting records must be closed with either annual accounts or an annual report. There is no legal requirement to submit the annual report

		<p>of the branch, but you can if you want to.</p> <p>If the foreign-based company is not equivalent to a Swedish Limited company, an annual report of the branch must also be submitted to the SCRO.</p>
Auditor	Subject to audit if exceeding the audit threshold	Subject to audit if exceeding the audit threshold

III Registration procedures

1. Limited companies

There are two different options for establishing a limited company in Sweden: either via incorporation through the SCRO or by the acquisition of a shelf company through a service provider.

The incorporation of a new company through the SCRO normally takes approximately 2-3 weeks from the day a complete application is filed with the SCRO. However, before the application is filed, a bank account to which the share capital of the limited company should be deposited needs to be opened. For foreign-based companies, this is often a rather complicated and time-consuming process, which may require in-person meetings between representatives from the bank and the founders.

The acquisition of a shelf company from a service provider can be performed almost instantly, with the limiting factor being the transfer of the service provider's fee. Since the share capital can initially be deposited into the bank account of the service provider, a bank account owned by the Swedish subsidiary may be established after the foreign-based company has gained control of the company. A shelf company is a newly founded company by a service provider without any history, assets, or liabilities. The shelf company can be used by way of a power of attorney as soon as the purchase agreement is signed and the service provider has received the deposited share capital. The processing time with the SCRO for the change of company name, board of directors, etc., is approximately 25-30 business days.⁷ For the purposes of this guidebook, only the incorporation of a limited company via the SCRO will be described.

The procedure for incorporating a Swedish limited company is as follows, with details provided in the subsequent sections.

1. Drafting of incorporation documents	The founders of the company must draft a memorandum of association and the articles of association. The memorandum must include the share price, information about the directors and a draft of the articles of association
2. Subscription and payment of shares	The founders subscribe for the amount they wish to acquire by inserting the necessary information in the memorandum of association.
3. Bank certificate	Obtaining of a bank certificate that shows that the shares have been paid for. This

⁷ Per 2025-01-31. Please note that the processing times vary. The current processing time is updated daily and available on the SCRO's website <https://bolagsverket.se/en/omoss/varverksamhet/varservice/varahandlaggningstider.2081.html>.

	requires a bank account being opened in the “to be” incorporated company's name.
4. Signing of memorandum of association	Should be signed by all founders of the limited company.
5. Filing of documents	Filing for registration of the company with the SCRO and payment of the registration fee (SEK 2,200). ⁸
6. Register beneficial ownership information.	The company must register information regarding beneficial ownership within 4 weeks of registration of the company via the filing of a notice with the SCRO.

(1) Drafting of incorporation documents

The first step in establishing a limited company is for the founders to draft the necessary incorporation documents, consisting of a memorandum of association and the articles of association. The memorandum of association includes information regarding the share price and details about the directors in the company to be incorporated, while the articles of association contain the rules of the company, including but not limited to the conduct of the general meeting, limits on the amount of shares and share capital, and the business name.

(2) Subscription of shares

Once the necessary incorporation documents have been drafted, the founders may buy (subscribe to) shares in the company. All subscribers must sign the memorandum of association and state the number of shares they will buy. However, there is no requirement for all founders to subscribe to shares in the company.

(3) Bank certificate

Once the subscribers have been listed in the memorandum of association, they must deposit the share capital into a specific bank account. The founders must then obtain a bank certificate from a Swedish bank or a bank within the EEA. The certificate must be issued or translated into Swedish. It must be issued on a special form, i.e., an ordinary deposit receipt is not sufficient, proving that the share capital has been paid. Due to Swedish and European bank regulations, this is often a rather time-consuming process and may require meetings in person between the bank and the company's founders. It is therefore advisable to initiate the process of opening a bank account in Sweden or elsewhere in the EEA, before beginning to draft the incorporation documents and subscribing to the shares. Foreign based company's often try to use European connections within the bank they already use, in order to be assisted with opening a bank account within the EEA.

⁸ <https://www.bolagsverket.se/en/sjalvservice/avgifter/avgifterforaktiebolag.4358.html>

(4) Signing of memorandum of association

Once the shares have been subscribed for and the share capital has been paid, the founders may sign the memorandum of association. Once the memorandum of association has been signed by all the founders, the company is formally formed.

(5) Filing of documents

Within six months of signing the memorandum of association, the founders must file form 816⁹, along with the memorandum of association, the adopted articles of association, the bank certificate, and the share subscription list with the SCRO in order to apply for registration of the limited company. The company must also pay the SCRO's registration fee of SEK 2,200.¹⁰ Once the SCRO has processed the application and registered the limited company, they will assign the company a registration number and issue a certificate of registration. From a Swedish corporate law perspective, once the certificate of registration has been issued, the company becomes a legal entity and can begin its business activities in Sweden.

(6) Ultimate beneficial ownership

After the limited company has been registered by the SCRO, the company must register ultimate beneficial ownership information with the SCRO within 4 weeks from the registration date. An ultimate beneficiary owner ("UBO") is one or several natural persons who ultimately owns or controls the company either via voting rights or through another type of influence over the company. The most common ways of qualifying as a UBO is either through:

- Holding directly or indirectly 25 percent of the voting rights in the company; or
- Having the right to appoint or remove more than half of the directors of the board.

However, a person may qualify as being a UBO through gaining controlling influence over the company via shareholder agreements or provisions in the articles of association or similar documents.

Should the company find that there are no UBOs, or if it is not possible to identify whether there are UBOs based on the information available, this too should be registered with the SCRO. If the ultimate owner of the company is listed on a stock exchange, the company does not need to register beneficial ownership information.

(7) FDI

Sweden has implemented comprehensive regulations for Foreign Direct Investment (FDI) screening to prevent investments that could threaten national security, public order, or safety. According to the Screening of Foreign Direct Investments Act (SFS 2023:560) investments affecting Swedish companies engaged in sensitive activities require notification to the Inspectorate of Strategic Products (ISP). The definition of "sensitive activities" is broad, particularly concerning "essential services" that support societal functions. The Swedish Civil Contingencies Agency (MSB) provides further guidance

⁹ <https://bolagsverket.se/download/18.46f4138717c599ee403ab3fa/1675933779846/816e.pdf>

¹⁰ <https://bolagsverket.se/en/sjalvservice/avgifter/avgifterforaktiebolag.4358.html>

on these services. If the established company plans to conduct business involving sensitive activities or essential services, a notification to the ISP is required.

(8) Ongoing requirements after establishing a Swedish limited company

Limited companies must present their auditor with an annual report, including a directors' report, profit and loss statement, balance sheets, and notes, no later than six weeks before the Annual General Meeting (AGM). The company must file the annual report with the SCRO every year within seven months from the end of the company's financial year, and within one month of the adoption of the financial statements at the AGM. Failure to comply with this requirement leads to late filing penalties, and in some cases, forced liquidation.

Smaller limited liability companies are exempted from the requirement of appointing an auditor. However, if the company (for the past two years) exceeds at least two of the following criteria, an auditor needs to be appointed:

- Balance sheet total of more than SEK 1.5 million,
- A net turnover of more than SEK 3 million, or
- More than 3 employees on average.

For limited companies, there are certain rules when it comes to the storage of bookkeeping materials outside of Sweden. All accounting information should be archived in an orderly condition and in a reassuring and transparent manner in Sweden for at least 7 years. However, it is possible to store machine-readable data abroad under certain conditions. For example, it is allowed to temporarily store bookkeeping material outside of Sweden for consolidation purposes.

(9) Residency requirements

For limited companies, there are two different residency requirements that must be fulfilled at all times. According to the Swedish Companies Act, at least half of the directors and the deputy directors, counted separately by function, must reside within the EEA. Furthermore, the managing director and the deputy managing director must reside within the EEA. Should the limited company be unable to fulfill these requirements, special permission must be granted by the SCRO via an application for exemption from the residency requirements. Depending on the circumstances at hand, the SCRO may grant an exemption for a period of two years at a time.

Furthermore, a limited company must have a representative (director, managing director, or authorized signatory) residing in Sweden. If no representative resides in Sweden, an agent for service of process must be appointed. The agent for service of process must reside in Sweden.

(10) Dissolution

There are two main ways of winding up a limited company.

A voluntary liquidation is the process of winding up a limited company by selling its assets in order to pay its debts. Any surplus left after the debts have been paid is divided among the company's shareholders. Once the process is completed the company

ceases to exist and is struck off the company register. A liquidation takes approximately 8-12 months to complete.

A “quick liquidation” is the same as a voluntary liquidation with the key difference being that it is a service provider that conducts the liquidation process as described above, after they purchased the company from the current shareholder.

The company that is to be liquidated is emptied of its assets and liabilities prior to being sold to a service provider.

Once the liquidation process is finished and the company has been dissolved, the service provider notifies the former shareholder that the process is completed.

If the company is more or less empty, i.e., no assets or liabilities to be handled, no agreements, no employees etc., a quick liquidation is usually the fastest option to dissolve a company in Sweden and can be initiated immediately and finalized within weeks. However, should any pre-structuring be required, this option could be more time-consuming.

2. Swedish branch

The procedure for establishing a Swedish branch are as follows, with details provided in the subsequent sections.

1. Formal decision by the foreign-based company	The foreign-based company decides to set up a branch in Sweden.
2. Appointment of managing director	The foreign-based company appoints a managing director for the branch. The managing director must have a power of attorney from the foreign-based company, granting the individual a non-restricted right to represent the foreign-based company in Sweden.
3. Application for branch registration is filed with the SCRO	<p>The foreign company applies for registration with the SCRO. Along with a registration form, they must also provide the SCRO with the following documents:</p> <ul style="list-style-type: none">• Power of attorney (for the managing director of the branch)• Details of the foreign-based company including: a certificate of incorporation, a certificate proving that the foreign-based company has not been declared bankrupt, the current articles of association of the foreign-based company, the annual accounts of the foreign-based company and, if applicable,

	<p>the parent company of the foreign-based company covering the two most recent financial years.</p> <p>The foreign-based company must also pay a registration fee to the SCRO (SEK 2,500). ¹¹</p>
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(1) Formal decision

The first step in establishing a Swedish branch is for the appropriate organ within the foreign-based company to formally decide to establish a Swedish branch in accordance with the legislation of the foreign-based company's home country.

(2) Appointment of managing director

Once the decision to register a Swedish branch has been made by the foreign-based company, a managing director must be appointed via a special power of attorney granting the managing director the ability to:

- Act on behalf of the foreign-based company in all matters regarding their business operations in Sweden.
- Accept service of process on behalf of the foreign-based company.
- Speak and act on behalf of the foreign-based company or through another person.

The managing director must reside within the EEA. If not, the foreign-based company must appoint a person resident in Sweden to receive service of process on behalf of the branch and apply for an exemption from the residency requirements for branches. The foreign-based company must provide justification for appointing a managing director living outside of the EEA when the branch is based in Sweden. Foreign-based companies without an established presence within the EEA, usually opt for applying for exemption from the residency requirements for branches or employ a person residing within the EEA for the position as managing director of the branch.

(3) Application of branch registration

To apply for branch registration, SCRO notice number 887 must be filed with the SCRO along with the following documents:

- Power of attorney (for the managing director of the branch)
- Details of the foreign-based company, including:
 - A certificate of incorporation

¹¹ <https://bolagsverket.se/en/sjalvservice/avgifter/avgifterforfilial.4370.html>

- A certificate proving that the foreign-based company has not been declared bankrupt
- The current articles of association of the foreign-based company
- The annual accounts of the foreign-based company and, if applicable, the parent company of the foreign-based company covering the two most recent financial years

The foreign-based company must also pay a registration fee of SEK 2,500 to the SCRO.¹² The processing time for registration of branches with the SCRO is approximately 11 business days.¹³

Once the application has been filed, the SCRO will review the application. During their review, the SCRO will examine, among other things, the power of attorney for the managing director and the business activities of the branch, as well as decide whether or not the proposed business name of the branch can be approved. After approving the application, the SCRO will register the branch, send the branch a certificate of registration, and assign the branch a Swedish registration number.

(4) Ongoing requirements after establishing a Swedish branch

A branch of a company within the EEA, equivalent to a Swedish limited company, must file a certified copy of the foreign-based company's annual report each year. However, the branch must always keep its own accounting records, which must be held separate from the accounting records of the foreign-based company. The branch's accounting records must be closed with either annual accounts or an annual report. There is no legal requirement to submit the annual report of the branch, but you may do so if desired.

If the foreign-based company is not equivalent to a Swedish limited company, an annual report of the branch must also be submitted to the SCRO. The annual accounts and report must be submitted to the SCRO within three months from the date they were presented to the company's shareholders and within seven months from the end of the financial year of the branch. Should the branch not comply with Swedish regulations on bookkeeping, this is subject to criminal liability.

The table below illustrates the requirements for branches of different type of companies.

Type of branch	Need to file the foreign-based company's annual report with the SCRO?	Type of document the branch's accounting records be closed with?	Need to file the branch's annual report with the SCRO?
Branch of a company within the EEA that is	Yes	Annual accounts or annual report	Voluntary

¹² <https://bolagsverket.se/en/sjalvservice/avgifter/avgifterforfilial.4370.html>

¹³ <https://bolagsverket.se/en/omoss/varverksamhet/varservice/varahandlaggningstider.2081.html>

equivalent to a Swedish limited company			
Branches of foreign-based companies within the EEA, not comparable with limited companies	Yes	Annual report	Yes
Branches of foreign-based companies outside of the EEA	Yes	Annual report	Yes

If the branch (for the past two years) exceeds at least two of the following criteria, an auditor needs to be appointed:

- Balance sheet total of more than SEK 1.5 million,
- A net turnover of more than SEK 3 million, or
- More than 3 employees on average.

The accounting information should be archived in an orderly condition and in a reassuring and transparent manner in Sweden for 7 years. It is possible to store machine-readable data abroad under certain conditions. Temporary storage of bookkeeping materials outside of Sweden is allowed, e.g., for consolidation purposes.

(5) Closing of branch

In order to close a branch, it needs to be deregistered from the SCRO. The deregistration is free of charge and is done via the submission of SCRO notice 889.¹⁴ Once the SCRO has processed the notice, the branch will be struck from the SCRO register.

¹⁴ <https://www.bolagsverket.se/download/18.46f4138717c599ee403ab4cb/1663245407874/889e.pdf>

IV Immigration

1. General guidelines for obtaining a Swedish work permit

A person who is a citizen of a country outside the EU/EEA will in general need to apply for and be granted a work permit by the Swedish Migration Agency to work in Sweden. If a work permit is approved for a longer period than three months, a residence permit will also be approved for the same time period. For work that will last shorter than three months, some citizens will in addition to the work permit also need to apply for a visa to be able to enter Sweden.

The following conditions are applicable when applying for a work permit with the Swedish Migration Agency.

- The work permit application needs to be sponsored by a registered company, branch or client operating in Sweden. The sponsor also needs to be registered as an employer.
- The employer must advertise the position in Sweden and within EU/EEA and Switzerland for a minimum of ten days (some exemptions may apply).
- The employer must offer terms of employment that are at least on par with those set by Swedish collective agreements or which are customary within the occupation or industry.
- The employer must offer a salary that is at least on par with those set by Swedish collective agreements or which is customary within the occupation or industry.
- The employer must provide health insurance, life insurance occupational injury insurance and pension insurance when the employee begins to work in Sweden.
- The employee must have a valid passport.
- The employee's passport must be verified prior to being granted a work permit. The verification can either be conducted digitally, or by visiting the embassy. Generally, Japanese citizens can have their passports verified digitally.¹⁵

The main rule when applying for a work permit for the first time is that the application must be submitted and granted outside of Sweden. It is generally not permitted to stay in Sweden while the work permit application is being processed by the Swedish Migration Agency. Exemptions may apply, though they are rare and evaluated on a case-by-case basis.¹⁶

As proof of the work permit, the employee will receive a residence permit card. Citizens who do not require a visa to enter Sweden, including Japanese citizens, can travel to Sweden and submit biometrics for the residence permit card at one of the Swedish

¹⁵ Migrationsverket "Digital Passport Check", <https://www.migrationsverket.se/English/Private-individuals/Digital-passport-check.html>, updated 2024-10-12

¹⁶ 5 kap. 18 § utlänningslagen https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/utlanningslag-2005716_sfs-2005-716/#K5

Migration Agency's offices. If the employee needs a visa to enter Sweden, s/he must submit biometrics at a Swedish embassy abroad and have their residence permit card issued before s/he is able to enter Sweden.

A work permit is granted for a maximum period of two years at a time and can thereafter be extended by two years at a time. For employees that have been offered an employment with a probationary period, the work permit will be limited for the same period.

During the first two years, the permit is restricted to the profession and employer which was stated in the application to the authorities. If the employee wishes to change profession or employer, a new application to update the work permit must be submitted before starting the new position. After two years, the work permit is restricted to the profession. When the permit is only restricted to a certain profession, the employee can change employer without the need to submit a new application. However, a new application is still needed before changing profession.¹⁷

2. Different types of work permits

In Sweden, there are various types of work permits available, each suitable for different types of employment and situations. Below is a summary of the most common work permits for employees who have been offered a job in Sweden and are relocating permanently or for a specific period, as well as those who have been temporarily assigned for a particular project.

(1) Standard national work permit

The standard national work permit is suitable for both short term and long-term employment in Sweden, as well as local employments and assignments. For local employments, the position must have been advertised for a minimum of ten days before it is offered to a candidate and an agreement is signed. For a smooth processing of the work permit application, it is recommended that the position is advertised on the Swedish Public Employment Service's website.¹⁸ It is recommended that the employment contract is not signed until the position has been advertised for at least 10 days.

To qualify for the standard national work permit, the employee must (in addition to already mentioned requirements in section 4.1) be offered a salary that amounts to at least 80% of the median salary in Sweden. Currently, this corresponds to SEK 28,480 per month. The salary requirement is updated every year. The median salary applicable at the time the application was submitted will be considered.

Additionally, the employee's salary must align with the rates established by Swedish collective agreements or be customary within the specific occupation or industry.

¹⁷ Migrationsverket, "Extending a work permit", <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Employed/If-you-are-in-Sweden/Extending-a-permit.html>, updated 2024-05-29

¹⁸ Migrationsverket, "When you are employing someone from a country outside the EU", <https://www.migrationsverket.se/English/Other-operators/Employers/Employing-people-from-non-EU-countries-/When-you-are-employing-someone.html>. Updated 2024-10-14.

Therefore, depending on the employee's profession, the salary requirement may exceed SEK 28,480 per month.¹⁹

Standard national work permits are divided in four different categories by the Swedish Migration Agency, depending on what industry the company operates in, and what profession the employee has. The estimated processing time of a work permit application varies between 30 days to four months depending on what category the application is handled within. The ambition of 30 days of processing time is for work permit applications for highly qualified employees who are not employed in so-called high-risk industries (for example construction).²⁰ Highly qualified professions are defined by the applicable SSYK code. SSYK codes which starts with 1-3 are considered as highly qualified professions. If additional information is requested by the Swedish Migration Agency, the processing time may take up to four months. For high-risk industries and low-skilled occupations, the estimated processing time is around four months.

(2) Intra-Corporate Transfer (ICT) work permit

The ICT permit is suitable for employees who are based in a country outside the EU/EEA and Switzerland and will be working at the company group in Sweden as a manager, specialist or are to get practical training with the company for a minimum of 90 days. Additionally, the employee must have been continuously employed for at least three months prior to relocating to Sweden and cannot be residing in the EU. Should a work permit application be deemed to qualify for ICT, it is not possible to apply for another since the ICT regulations take precedence over the standard national work permit. If the employee is assigned to Sweden within the same company group, without meeting the above-mentioned requirements, s/he should apply for a standard national work permit.

The Swedish Migration Agency defines a manager as a person who holds a leadership role, oversees the company's administration, and takes direction from the Board of Directors. A specialist is defined as a person with expertise that is crucial to the company's field of business, technology, or management. Besides evaluating the knowledge relevant to the host company, the Swedish Migration Agency also assesses whether the individual possesses a high level of expertise and appropriate professional experience for roles or activities that demand specialized knowledge, which may include an officially recognized professional qualification.²¹

¹⁹ Migrationsverket, "Maintenance requirements for work permits" <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Employed/Work-permit-requirements/Maintenance-requirement-for-work-permits.html>, updated 2024-06-20

²⁰ Migrationsverket, "Complete applications lead to quick decisions for highly skilled workers." <https://www.migrationsverket.se/English/Other-operators/Employers/News-archive-for-employers/Nyheter-Employers/2024-05-06-Complete-applications-lead-to-quick-decisions-for-highly-skilled-workers.html>, updated 2024-05-06

²¹ Migrationsverket "ICT permits", <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Employed/Special-rules-for-certain-occupations-and-citizens-of-certain-countries/ICT-permit.html>. Updated 2024-06-04.

Similar to the standard national work permit, the salary must align with customary standards within the profession and industry. The salary requirement of 80 % of the median salary in Sweden is not applicable for ICT permits.²²

An ICT permit can be granted for up to three years at a time and cannot be extended further. If the employee wishes to apply for a new ICT permit after three years, they need to leave the EU/EEA and submit a new application. The employee must show that s/he has taken out or applied for a comprehensive health insurance, covering health and medical care in Sweden. If the stay in Sweden is shorter than one year, the insurance must cover the entire stay. The estimated processing time for an ICT permit is 30 days and may not exceed 90 days according to EU legislation.²³ Swedish authorities publish salary statistics within different occupations annually.²⁴

(3) EU Blue Card

The EU Blue Card is a type of work permit which would be suitable for a non-EU citizen who has been offered a local employment for highly skilled employees. To qualify for an EU Blue Card, the person needs to have either a tertiary education equivalent to 180 credits or five years of professional experience, along with a salary that is at least 1.25 times the average gross salary in Sweden. 180 credits at a Swedish university corresponds to a bachelor's degree. The salary requirement is raised annually because of the increase in the average gross salary. The current salary requirement for EU Blue Card is SEK 49,875 per month.²⁵

The employer needs to advertise the position for at least ten days within the EU/EEA and Switzerland prior to entering an employment agreement with the employee. In addition, there is a requirement that the employee have or have applied for comprehensive health insurance covering the entire stay in Sweden.²⁶

Like the standard national work permit, the permit is granted for a maximum period of two years provided that the employment lasts for the same time period as well as the passport's validity period. It is not possible to be granted a residence permit in Sweden past the expiry date of the passport. During the first two years, the EU Blue Card is limited to a certain employer and profession. After two years in Sweden, the EU Blue Card is limited to a profession. From the 1st of January 2025, new rules have been implemented meaning that an employee with an EU Blue Card limited to either employer or profession, needs to notify the Swedish Migration Agency if s/he changes employment. In addition, it is required to notify the Swedish Migration Agency if the

²² Migrationsverket, "ICT permits". <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Employed/Special-rules-for-certain-occupations-and-citizens-of-certain-countries/ICT-permit.html>, updated 2024-06-04

²³ Ibid

²⁴ www.statistikdatabasen.scb.se

²⁵ Migrationsverket, "EU Blue Card" <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Employed/Special-rules-for-certain-occupations-and-citizens-of-certain-countries/EU-Blue-Card.html>, updated 2025-01-23

²⁶ Ibid

conditions of the employment change.²⁷ The rules are beneficial compared to the standard national work permit, where a new work permit application is required when changing employer or profession.

The estimated processing time for an EU Blue Card is 30 days. According to EU legislation, the processing time may not exceed 90 days.

3. Accompanying family members when the employee has a temporary work permit

Family members to an employee holding a temporary residence and work permit can be granted a residence permit for the same period as the employee. Family members older than 16 also receives a work permit if the permit is valid for at least six months and are allowed to take any employment in Sweden. Residence permits for family members of work permit holders are not limited to a certain employer or profession. Family members are defined as wife/husband, cohabiting partner, registered partner, and unmarried children under the age of 21. Children older than 21 can in general not be granted a residence permit as family members.²⁸

A maintenance requirement applies for the employee if he or she has family members who applies for residence permit, meaning that the employee must have an income that covers the cost of housing and living expenses for themselves and their family members.²⁹

4. Permanent residence permit

An employee who has had a work permit in Sweden for four years during the past seven years might be eligible for permanent residence permit. The requirement is to have worked in Sweden for at least 44 months while fulfilling the work permit requirements.

The employee must have a long-term ability to support themselves through employment to be granted permanent residence permit. There is also a requirement that the employee lives an orderly life, meaning that the Swedish Migration Agency will review the criminal records prior to granting a permanent residence permit.³⁰

(1) Accompanying family members when the employee has a permanent residence permit

Different rules for family members apply when the employee has been granted a permanent residence permit. The employee who holds a permanent residence permit must have an income covering the living and housing costs for each family member that

²⁷ Ibid; Migrationsverket "New EU Blue Card rules now apply, [New EU Blue Card rules now apply - Migrationsverket](#), updated 2025-01-07

²⁸ Migrationsverket, "Permits for family members of a person who has a work permit", <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Permits-for-family-members.html>, updated 2024-10-14

²⁹ Migrationsverket "Maintenance for employees who wish to bring their family to Sweden", <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Permits-for-family-members/Support-the-family.html>. Updated 2025-01-01

³⁰ Migrationsverket, "Extending a work permit", <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Employed/If-you-are-in-Sweden/Extending-a-permit.html>. Updated 2024-05-29

applies for residence permit. The employee must also have access to accommodation of adequate size and standard.³¹

Family members are defined as wife/husband, cohabiting partner, registered partner, and unmarried children under the age of 18. Children older than 18 can in general not be granted a residence permit as family members when the parent has been granted a permanent residence permit.³²

5. Exemptions from the work permit requirement

Generally, a person who is a citizen of a non-EU country will need a work permit issued by the Swedish Migration Agency to work in Sweden. However, there are certain exemptions in the law that enables an individual to perform certain activities in Sweden without a work permit in place³³. It is the employer's responsibility to verify a person's right to be and work in Sweden. There is no formal application process that enables an individual to be granted an exemption from the work permit requirements from the Swedish authorities. Thus, work permit exemptions should be assessed on an individual basis and utilized with caution.

Japanese citizens are permitted to stay in Sweden as tourists for up to 90 days during a 180-day period. If a Japanese employee performs activities in Sweden that are exempt from the work permit requirements, he or she does not require any additional visa or work permit in order to perform the work in Sweden. If the employee is exempt from the work permit requirements and will work in Sweden for a longer period than three months, he or she must apply for a residence permit for visits.³⁴

6. Posted Worker Directive

Posting refers to a situation where an employer from another country sends an employee to Sweden to provide a service for a specific time period. The posting must have a specified start and end date, and there must be a recipient of the service in Sweden. The recipient can be a company, organization, or private individual who compensates for the service. The rules for posted workers are standardized across EU/EEA countries to ensure the protection of their rights. In Sweden, the Swedish Work Environment Authority serves as the contact authority for employers with workers posted in the country.³⁵

When an employer sends an employee to a service recipient in Sweden, the employer from the employee's home country must register the posting with the Swedish Work Environment Authority no later than the date the posted worker begins their work in

³¹ Migrationsverket, "Residence permit to move to a spouse, registered partner or cohabiting partner in Sweden". [Residence permit to move to a spouse, registered partner or cohabiting partner in Sweden - Migrationsverket](#), updated 2024-02-07

³² Migrationsverket "Residence permit for children", <https://www.migrationsverket.se/English/Private-individuals/Moving-to-someone-in-Sweden/Residence-permit-for-children.html>, updated 2022-06-30

³³ 5 kap. 2 §. utlänningsförordning (2006:97). https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/utlanningsforordning-200697_sfs-2006-97/

³⁴ Migrationsverket, "Exemptions for the work permit requirements" <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Employed/Special-rules-for-certain-occupations-and-citizens-of-certain-countries/Exemptions-from-the-work-permit-requirements.html>, updated 2024-10-14

³⁵ Arbetsmiljöverket, "Posting", <https://www.av.se/en/work-environment-work-and-inspections/foreign-labour-in-sweden/posting-foreign-labour-in-sweden2/>, updated 2024-10-25

Sweden. The registration does not require an approval from the authorities. Additionally, the employer must provide the service recipient in Sweden with documentation confirming that this notification has been completed. If the service recipient does not receive this confirmation within three days of the posted worker starting date in Sweden, they are required to report it to the Swedish Work Environment Authority. Furthermore, the employer in the home country must appoint a contact person in Sweden and report this appointment to the Swedish Work Environment Authority. Failure to comply with these regulations can result in a sanction fee for the employer or the service recipient.³⁶

³⁶ 29–32 & 37 §§ Lag (1999:678) om utstationering av arbetstagare. [Lag \(1999:678\) om utstationering av arbetstagare](#) | [Sveriges riksdag](#)

V Employer reporting obligations

1. Swedish entities / permanent establishments

Swedish employers are obligated to deduct preliminary taxes from their employees' salaries and pay the corresponding amount to the Swedish Tax Agency. The figure to deduct is determined by certain tax tables per employee. An identification number for the employee (generally a personal identification number or a coordination number) need to be included in the reporting for the Swedish Tax Agency to allocate the taxes to the correct employee.³⁷

Employers that are required to deduct preliminary taxes also need to submit monthly employer tax returns (PAYE reports) to the Swedish Tax Agency. One form per employee ('Individual form') and one summary for the full month ('Main form') are required. The Individual form includes employee-specific information on remuneration, including type (e.g., cash, different types of benefits), whether the remuneration is basis for social security contributions in Sweden or not, but also workplace, reason for absence and similar.³⁸

The forms can either be submitted online at the Swedish Tax Agency's website or via paper forms. The online filing can be made either manually by populating the information directly on the website or by uploading an XLM file with the information (the latter alternative is normally useful if reporting is required for many employees). Even if no remuneration is paid the current month, the Main form need to be submitted ('declaring zero').³⁹

Employer tax returns need to be submitted irrespective of whether the employees are Swedish tax residents or non-residents according to Swedish rules.⁴⁰

For employees covered by Swedish social security, social security contributions should be paid by the employer. Please note that these can be full contributions (31,42 % of employee's gross monthly income) or reduced due to an employee fully or partly being covered by another country's social security system, see further below.

Employers are required to inform its employees of what has been reported to the Swedish Tax Agency. This can be done via a monthly payslip.

2. Non-established entities paying remuneration for work performed in Sweden

Employer reporting obligations in Sweden are generally connected to the employees and their potential tax liability in Sweden. Therefore, it is normally necessary to assess the

³⁷<https://skatteverket.se/service/ankar/otherlanguages/inenglishengelska/businessesandemployers/startingandrunningaswedishbusiness/declaringtaxesbusinesses/filingapayereturn/deductedtax.4.2fb39afe18dabf1e4d255d0.html>

³⁸<https://www.skatteverket.se/service/ankar/otherlanguages/inenglishengelska/businessesandemployers/startingandrunningaswedishbusiness/declaringtaxesbusinesses/filingapayereturn/howtofillintheboxbybox.4.309a41aa1672ad0c8379f84.html>

³⁹<https://www.skatteverket.se/service/ankar/otherlanguages/inenglishengelska/businessesandemployers/startingandrunningaswedishbusiness/declaringtaxesbusinesses/filingapayereturn.4.2cf1b5cd163796a5c8b107cd.html>

⁴⁰<https://www.skatteverket.se/service/ankar/otherlanguages/inenglishengelska/businessesandemployers/startingandrunningaswedishbusiness/declaringtaxesbusinesses/filingapayereturn.4.2cf1b5cd163796a5c8b107cd.html>

employee(s) situation to determine what obligations the company has. This is especially relevant for foreign companies posting workers to Sweden.

A foreign entity that pays remuneration for work performed in Sweden, and where the employee is tax liable in Sweden, is obligated to withhold Swedish taxes from the remuneration. The main rule is that 30% preliminary tax should be deducted, or 25 % if the employee has a decision that they are considered a non-resident.⁴¹

Non-established entities pay reduced social security contributions of 19,8 % of an employee's gross remuneration, if applicable. It is possible for the employer and employee to enter an agreement where the employee assumes the obligation to report and pay social security contributions.⁴²

A foreign entity that has an obligation to deduct preliminary taxes on remuneration for work performed in Sweden need to register as a foreign employer and submit monthly employer tax returns (PAYE) to the Swedish Tax Agency. The entity also needs to annually submit 'Specific information' to the Swedish Tax Agency to declare its operations in Sweden.⁴³

The reporting should be made by the foreign company, but it is possible to use an agent to reduce the administrative burden.

The reporting obligation remains as long as the company is registered with the Swedish Tax Agency, even if no employees are working in Sweden. It is required to de-register to not be required to submit the PAYE returns. Late filing fees are incurred if no reporting is made.

If a foreign entity invoices another entity for work performed in Sweden, the paying entity may have an obligation to withhold 30 % in preliminary taxes (preliminary corporate tax, in the event such would be due) on the invoice amount. If the receiving entity is registered for F-tax or the paying entity has an issued decision from the Swedish Tax Agency exempting it from the liability, there is no such withholding obligation.⁴⁴

As of January 1st, 2021, rules apply in Sweden where employees that are hired to Swedish companies (foreign companies with Swedish PE included) are tax liable in Sweden if they are considered having a Swedish economic employer. These rules broaden the scope of employees that are tax liable in Sweden and thus entities paying remuneration to them.

If an employee is working for an economic employer in Sweden, they are liable to pay tax in Sweden on income for work performed for that economic employer. Although the

⁴¹<https://www.skatteverket.se/servicelankar/otherlanguages/inenglishengelska/businessesandemployers/newtaxregulationsfrom2021regardingworkinsweden/informationfornonswedishenterprises.4.5b35a6251761e69142034e8.html>

⁴²<https://skatteverket.se/servicelankar/otherlanguages/inenglishengelska/businessesandemployers/startingandrunningaswedishbusiness/declaringtaxesbusinesses/payefornonestablishedbusinesses/employerswithoutapermanentestablishmentinsweden.4.2b543913a42158acf800024359.html>

⁴³<https://www.skatteverket.se/servicelankar/otherlanguages/inenglishengelska/businessesandemployers/newtaxregulationsfrom2021regardingworkinsweden/informationfornonswedishenterprises.4.5b35a6251761e69142034e8.html>

⁴⁴<https://www.skatteverket.se/servicelankar/otherlanguages/inenglishengelska/businessesandemployers/newtaxregulationsfrom2021regardingworkinsweden/informationfornonswedishenterprises.4.5b35a6251761e69142034e8.html>

Swedish entity / PE is considered the economic employer, obligations may arise for the foreign entity as well.

The assessment whether a Swedish entity/PE is an employee's economic employer need to consider multiple factors, such as (but not limited to):

- Which entity is providing the employee instructions and has disciplinary powers and power to decide on schedules and leave;
- which entity is in charge of the work site, controls the work performed there (incl. number of workers and necessary qualifications) and provides the employee with the necessary equipment;
- which entity is bearing the costs for the employee's work;
- which entity has power to enter and terminate work contracts.

An employee that does not work more than 15 consecutive days and not 45 days in total during a calendar year is not considered hired out.⁴⁵

Income tax and social security for individuals

3. Income tax

Individuals performing work in Sweden are generally liable to pay tax on employment income in Sweden if:

- They are a tax resident according to Swedish domestic law;
- They spend more than 183 days in Sweden during a 12-month period;
- They receive remuneration from a Swedish entity, a foreign entity with a permanent establishment (PE) in Sweden, or the remuneration costs are charged to such an entity, or;
- They are hired by a Swedish entity or foreign entity with a PE in Sweden from a foreign entity (Swedish economic employer).

Individuals can be considered tax residents in Sweden if they live in Sweden, stay regularly in Sweden, or have 'essential connections' to Sweden. To be considered staying regularly in Sweden, the main rule is that you spend more than six consecutive months in Sweden. Shorter stays outside the country are generally not considered and the assessments can be complex.⁴⁶

Tax residents in Sweden should submit an annual income tax return and their worldwide income is, according to domestic rules, subject to Swedish tax. Tax rates on employment income vary between approximately 30 – 50 % for tax residents, not considered tax

⁴⁵<https://www.skatteverket.se/service/ankar/otherlanguages/inenglishengelska/businessesandemployers/newtaxregulationsfrom2021regardingworkinsweden/thosewhoreceivepaymentfromanonswedishemployer.4.5b35a6251761e6914202ed7.html#Bosattutomlands>

⁴⁶<https://www.skatteverket.se/service/ankar/otherlanguages/inenglishengelska/individualsandemployees/newinswedenandwillbeemployedhere/liabilityfortaxation.4.676f4884175c97df41930a7.html>

deductions / reductions. Double taxation treaties are applied to mitigate taxation, as applicable.⁴⁷

Swedish non-residents for tax purposes are limited tax liable in Sweden, meaning only Swedish-sourced income is subject to Swedish tax. An individual can generally be considered a non-resident if they do not spend more than six months in Sweden during a 12-month period. Employment income for work physically performed in Sweden is taxable. The tax rate on employment income is a flat 25 %. An application to receive non-resident status is generally required.⁴⁸

Please consider that limited tax liable individuals can be tax liable in Sweden even if they work not more than 183 days in Sweden and does not receive remuneration from a Swedish entity or PE, if they are considered having a Swedish economic employer. Please see above.

Please note that special rules generally apply for work performed for the Swedish or the Japanese state, both according to Swedish domestic law and the Double Taxation Treaty between Sweden and Japan. These rules can be complex, and a closer review is generally advised.

Non-Swedish citizens that move to Sweden to work (i.e., individuals that does not have a Swedish citizenship) can be eligible for 'Expert Tax Relief'. The tax relief means that only 75 % of the employment income is subject to Swedish taxes and social security contributions (as applicable). Benefits / reimbursement for two home leave trips per year for the employee and their family, as well as school tuition fees for compulsory / upper secondary school for the employee's children can also be tax free. To be eligible for the relief, the following criteria must be met:

- 1) The employee must not have been a tax resident (i.e., unlimited tax liable) based on residency or continuous stays in Sweden any of the five calendar years prior to the application year,
- 2) The intention must not be that the employee will remain in Sweden longer than a seven-year period,
- 3) The employer must be a Swedish company / entity or a foreign entity with a Swedish PE and,
- 4) The employee is considered either an 'expert', 'researched' or 'key person', or the employee receive remuneration for their work above a certain threshold. For 2025, the income threshold is SEK 88,201 per month.⁴⁹

The above criteria are currently (January 2025) subject to review in a government inquiry.

Please note that there is a strict deadline: An Expert Tax Relief application must be submitted within three months after the work in Sweden commenced. There are no possibilities for extension of the deadline.

⁴⁷<https://www.skatteverket.se/service/otherlanguages/inenglishengelska/individualsandemployees/declaringtaxesforindividuals/doineedtofileataxreturn.4.7be5268414bea064694c5f1.html>

⁴⁸<https://www.skatteverket.se/service/otherlanguages/inenglishengelska/individualsandemployees/newinSwedenandwillbeemployedhere/sinkspecialincometaxforforeignresidents.4.676f4884175c97df4193118.html>

⁴⁹ <https://forsarskattenamnden.se/andra-sprak/taxation-of-research-workers-board/conditions-for-tax-relief>

4. Social security

According to the Social Security Convention signed by Sweden and Japan, the main rule is that employees are covered by the social security system in the country they work. The country of work is where the social security contributions should be paid.

From the main rule, there is an exception for posting of workers, where posted employees can remain covered by the social security system in the home country. According to both Swedish domestic rules, and the agreement, an individual that is posted to work in Sweden a shorter period than a year is not covered by Swedish social security.

According to the convention, it is possible for an employee that is posted from Japan to Sweden for a longer period than one year to remain covered by Japanese social security, provided the posting is not *intended* to last longer than five years. The convention only covers pension insurances (i.e., other insurances are normally payable in the country of work). For a Japanese payor of remuneration for work in Sweden, the social security rate for 2025 is 7,79 %, which should be paid on top of the gross remuneration. The percentage differ based on circumstances and is re-calculated annually.⁵⁰ A Certificate of Coverage should be obtained to confirm social security coverage.⁵¹

⁵⁰<https://www.skatteverket.se/foretag/arbetsgivare/arbetsgivaravgifterochskatteavdrag/arbetsgivaravgifter.4.233f91f71260075abe8800020817.html> (Swedish text)

⁵¹ Agreement between Japan and the Kingdom of Sweden on Social Security (2019)

VI Summary

Before establishing a business presence in Sweden, it is important to seek tax and legal advice to determine the most suitable approach for the specific circumstances. Key considerations include tax implications, the type of business activities to be performed in Sweden, commercial requirements, employment law considerations, and the reason for establishing an entity in Sweden.

The most common business types established in Sweden by foreign-based entities are limited companies and Swedish branches. The compliance requirements for the daily activities of both legal entities are generally the same, with the main differences being the requirements relating to share capital, annual general meetings, procedures for the distribution of profits, and the potential closure of the entity, which are more complicated for limited companies than for Swedish branches.

A person who is a citizen of a country outside the EU/EEA will generally need a work permit to work in Sweden. There are several types of work permits available in Sweden. The Standard National Work Permit is suitable for both short and long-term employment, requiring a salary that is at least 80% of the median salary in Sweden. The Intra-Corporate Transfer (ICT) Permit is for employees transferred within a company group for a minimum of 90 days, with salaries that must meet the standards within the occupation. The EU Blue Card is suitable for highly skilled employees who meet specific salary and educational qualifications.

Family members of work permit holders can receive residence permits for the same period employee's permit. Permanent residence may be granted after four years of holding work permits within a seven-year period, provided that certain conditions are met. Some activities may be exempt from work permit requirements, which are assessed individually.

The Posted Workers Directive regulates employees sent to Sweden by foreign employers to work for a service recipient in Sweden.

Swedish entities as well as foreign entities paying remuneration for work performed in Sweden generally has employer reporting obligations in Sweden. For foreign entities paying remuneration for work performed in Sweden, it is important to assess the employee's tax liability to determine what liabilities arise for both the employee and employer. Generally, if the employees are tax liable, the foreign entity need to register as a foreign employer.

Individuals can be limited or unlimited tax liable in Sweden. Unlimited tax liability means that worldwide income is subject to Swedish tax, limited tax liability that Swedish-sourced income is subject to Swedish tax (depending on the circumstances, sometimes no Swedish taxes are due). It is important to assess whether limited tax liable individuals have a Swedish economic employer. For unlimited tax liable employees, one of the first things that should be done is assess whether Expert Tax Relief is applicable.

For all employees working in Sweden, it should be assessed whether they should be covered by the Swedish social security system. There is a social security agreement in place

between Sweden and Japan, which sometimes make it possible to remain in one country's system while – during a limited time – working in the other country.