

Starting Up a Business

Information and guidance
from the authorities



Considering

I am considering starting a business. What do I have to bear in mind?

Starting

I have decided to start a business. How do I go about it?

Running

I am running a business. What's the best way for me to do it?

Developing

I want to develop my business. How can I move forward?

Closing down

I am going to close down my business. How do I go about this?

Do you have an idea?

Do you want start a business? This brochure provides you with an overview of what you need to know and do to start up and run a business.

We present the information in phases that many entrepreneurs go through: considering, starting, running, developing and closing down. Our headings give you a view of what life as an entrepreneur may be like.

This brochure is one of several products from six cooperating authorities where we bring together information and services to make it easier for you. You can also check out the website for those who run or are about to start a business, verksamt.se, where you can find more information, tools and e-services from several authorities gathered in one place.

Good luck!

Contents

Considering	4
Starting up a business while employed	4
Starting up a business while unemployed	4
Starting up a business as a student	5
Starting up a business when under the age of 26	5
Starting	6
Financing your start	6
Find out whether you need a permit or not	6
Choose the form of business enterprise	7
Protect the business name	10
Register your business enterprise	10
Getting started with marketing	11
Finding premises	11
Protecting your ideas	12
Insuring yourself and your business	12
Running	14
Do you need a cash register?	14
Making tax deductions	14
Paying tax on the earnings of the business	14
Receiving remuneration or salary	15
Paying dividends and receiving bonuses	15
How VAT works	16
Closing the accounts and filing an income tax return	16
Submitting your income tax return, your VAT and PAYE return and your payments on time	17
Submitting an annual report	17
Employing staff	17
Contracting another business operator	18
International trading	19
If you fall ill or have children	21
Developing	23
Reaching out to new markets	23
Financing growth	23
Managing a growing business	23
Closing down	24
Selling the business	24
Generational ownership changes	24
Bankruptcy	24
More help available here	25



Considering

If you want to succeed as an entrepreneur, you must be passionate about your business, work hard and enjoy doing business. You have to be able to see the big picture in your finances, manage your costs and generate revenues.

Earning money quickly by running a business is a myth. Many entrepreneurs have to go without a salary for a pretty long time after starting up their business.

One way of starting is to convert your hobby into a business. To assess whether an activity is a hobby or a business, the Swedish Tax Agency (Skatteverket) looks at three things: independence, duration and the objective of making a profit.

If you sell your own products, you are always considered to be independent. If you carry out assignments for others, you must have control of how the assignments are to be carried out to be considered independent. Your business must be conducted on a regular and lasting basis, meaning over an extended period of time. The purpose of the business must be to earn a profit. You must be able to show that your business is estimated to provide a financial surplus on the long term.

If your business meets these three requirements, it is considered to be a business enterprise and not a hobby. If so, it may be time to apply for F tax (corporate tax) with the Swedish Tax Agency and begin life as an entrepreneur.

Starting up a business while employed

You can combine employment with running your own business. However, you may not work with anything that competes with your employer's business, nor do anything disloyal

to your employer. In some cases, your employment contract will specify your options for running your own business alongside your employment. It is always best to discuss your plans with your employer before starting up your business.

The amount of tax you pay will be determined by your total income from employment and your own business. If you are a sole trader, you should apply for an FA-tax card (FA-skattsedel).

Starting up a business while unemployed

The Swedish Public Employment Service (Arbetsförmedlingen) offers assistance to jobseekers with a business concept, who want to start up their own business. To qualify, you have to be unemployed and registered with the Public Employment Service. The Public Employment Service can help you with a variety of services, such as an assessment of your business concept or training in how to start up a business.

In some cases, the Public Employment Service is also able to provide financial assistance through the labour market programme "Start-up Grants". Under this programme you can get financial assistance for up to six months while working on getting your own company off the ground.

The Public Employment Service decides whether to grant you financial assistance. An external consultant helps to assess your business concept. It has to be profitable and able to provide long-term financial support. The Public Employment Service will also consider your ability to run your own business. You can have begun the work of starting your business, but you may not in principle have received any revenue. For instance, you may not have raised a bank loan or sent any invoices to customers.

The financial assistance consists of an activity grant that is equivalent to your unemployment benefit. You may still be eligible for the grant even if you are not entitled to unemployment benefits, but the grant would provide less money. This support is taxable and treated as income for pension calculations.

To receive an activity grant, you must

- › be unemployed or at risk of becoming unemployed
- › be registered with the Swedish Public Employment Service.

In cities within the regional policy support zone, those who are employed are also eligible for support to start their own business. This support can be combined with the “Special Business Start-up Grant” programme. This is aimed at people who want to start their own business, but have a disability that entails a diminished work capacity. This support is to be used for investments, etc. The Public Employment Service can provide information on the amount of assistance available.

Starting up a business as a student

You may start a business while you are studying. Just remember that if you are receiving financial aid from the Swedish National Board of Student Aid (CSN), both your student loan and study grant will be reduced if you earn more before tax than a set maximum amount. How much you can earn per six-month period depends on how many weeks you receive student funding.

Starting up a business when under the age of 26

If you start a business as a sole trader or are a partner in a trading partnership or limited partnership and have not turned 26 years of age by the beginning of the year, you pay less self-employed social security contributions. Self-employed social security contributions. They are national fees you pay for national social insurance as a business operator.



Photo: Katarina Nyman

“It was good that we didn’t know so much about how things are ‘usually’ done. If we did, we might not have dared to try,” says **Erika Hillergren**, one of the women behind the ecological grocer’s, Sjölunda gård Ekogrossisten AB.

“With our ecological candies, we succeeded in finding a product that was missing from the Swedish eco-shelves. Our goal is to introduce new products. And we’ll soon be able to take out a salary.”



Photo: Michael McLain

“Today, we have several different departments for butchering, production, processing and import. But in the middle of the 1990s, when we saw that the demand for Halal meat was growing, we had a hard time getting the financing needed to develop the business,” says **Namir Zetali**, one of the founders of Halal butcher’s, Qibbla Halal Kött AB.

“My best tip for those seeking financing at the bank is to have documentation for everything, preferably with figures as well. Everything from a business plan to market surveys and statistics.”



Photo: Tore Tobliasson

“After the start-your-own-business course, I began putting flyers in letterboxes where I knew many people lived who needed household services and home-help service,” says **Monika Baker**, nurse and owner of Hem och Hälsa Eko AB.

“I’ve always put my heart and soul in my company, although I’ve stretched myself to the limit sometimes. Today, I work for both the municipality and private customers and have several part-time employees.”

Starting

Regardless of what you intend to work with, you gain a great deal by planning your business start and being well prepared. One way of getting started is to describe your business concept in a business plan.

The business plan is a tool that helps you plan your business start. In the business plan you describe how you are going to put your business concept into effect so that you have clear objectives for your operations. Think through your business concept carefully before starting up. Describe

- › what product or service you will be selling
- › who will be buying the product or service
- › the market
- › your advantages and disadvantages compared with competitors.

The business plan must be easy to understand. Although it has to be factual, it must also attract interest. Keep in mind that suppliers and customers may want to see your business plan.

A business plan may vary in detail depending on the nature of the business. It has to be a living document that keeps pace with the development of your business and is updated regularly.

Your business plan should include three budgets – a start-up budget, a profit budget and a cash flow budget.

You need the business plan for yourself in particular. Only when you yourself have a good grasp of what you want to do in your business and how it is going to be done can you be more convincing in getting other people to listen and take an interest.

Financing your start

You need money to start up a business. For many businesses, bank loans are the most important form of finance. To approve loans, lenders prefer businesses to be making good sales and turning over a profit. New businesses are unable to do this. In this situation, the bank will usually want you to provide private security or name a guarantor for the loan.

How much you can borrow depends on the estimated risk involved in your business concept. This risk factor also determines how much collateral you must provide.

Remember to include interest and loan repayments in your budget to give you a good overall view of the costs and expenses in your business.

If you only need a small amount of money, banks offer an overdraft facility. Then you can use the credit on your account to finance your purchases for a period of time. This may be more expensive than a bank loan, but could work well as a short-term loan.

You can also finance your business by renting, leasing or buying items on instalment instead of paying for everything at once. It may be more expensive than borrowing or using your own funds, but you do not need to have access to as much cash when you begin.

Find out whether you need a permit or not

When you start a business, it is important to find out whether the business needs to have a permit from, register with, or make some other notification to any public authority. This may involve special requirements on

- › you as the business operator
- › the premises
- › the business itself.

Licensing and supervisory authorities may be local, regional or national. Local and

regional authorities include municipalities, county administrative boards and police authorities. The Swedish Data Inspection Board (Datainspektionen) and the National Food Administration (Livsmedelsverket) are examples of national authorities.

When you contact an authority, keep in mind that the processing time and the fees you must pay can vary. There are often special electronic services or forms you can use to submit information.



Use the tool **Find permits** on verksam.se. Search for your business to get suggestions of permits. Some of the permits you may apply for electronically through the website.

Choose the form of business enterprise

When choosing the form of business enterprise, it is important to consider all of the characteristics of the form of the business enterprise and reflect on what suits you and your situation the best. A summary of the most common forms of business enterprise is shown below.

Sole trader business

As a sole trader you run and are responsible for the business as a private person. You are personally responsible for agreements being kept and liabilities being paid, but you must keep the finances of the enterprise separate from your own private finances. No starting capital is required for sole traders. In most cases, the business does not have to be audited, although taking expert financial advice may nevertheless be wise. Your business will be identified by your personal ID number.

If you run your business as a sole trader you can employ staff. However, you cannot employ your husband or wife. If you both work in the business, you may instead share the profit between you. The same rules apply for cohabiting partners with mutual children.

You may, but do not normally need to register the enterprise with the Swedish Companies Registration Office (Bolagsverket). If you do so, the business name is protected in the county in which you are registered. Besides the name protection, there may be other reasons to register the enterprise with

the Swedish Companies Registration Office. For instance, you may have to be registered if your business submits tenders in public procurement processes or if a licence or permit is required for certain activities.

Trading partnership

If you want to run your business with somebody else, you can form a trading partnership. The trading partnership has to have at least two owners, referred to as partners. You are not counted as employees, but the trading partnership may employ staff.

A trading partnership must always be registered with the Swedish Companies Registration Office. The enterprise gets its registration number and business name through the registration. The name of a trading partnership is protected in the county in which it is registered. The partners have to agree to operate a trading partnership before registering with the Swedish Companies Registration Office. This agreement should be in writing so you remember what you decided on the division of labour, how profits or losses are to be distributed and what happens if a partner wants to leave the trading partnership, for instance. This type of agreement is known as a partnership agreement or articles of partnership.

No starting capital is required for a trading partnership. You yourselves decide how much you want to invest in the enterprise. The starting capital need not be registered anywhere.

As partners, you represent the trading partnership and have joint influence. No



partner may do anything against the other's will, unless you have specially agreed on it. You are personally and jointly responsible for ensuring that the partnership's agreements are kept and that its debts are paid. Consequently, you may be forced to pay the partnership's debts from your own private finances alone. You can then in turn make a claim against the trading partnership or the other partners for their share of the debt.

If any of the partners is a legal entity the trading partnership must have an approved or authorised public accountant as an auditor. Even if the partnership is not required to have an auditor, it may be wise to have a competent financial advisor.

Limited partnership

The rules for a limited partnership are the same as for a trading partnership, with a few exceptions. The largest difference is that a limited partnership has at least one general partner, who is liable for all the debts of the partnership. The partners who only invest capital are called limited partners and are only liable for the capital investment they made in the company. Therefore, this investment has to be registered with the Swedish Companies Registration Office.

Limited company

When you start a limited company, a minimum of SEK 50,000 in share capital is required. The share capital may consist of funds or of property that the company has a use for. When you own shares in a limited company, you are at risk of losing the invested capital if the limited company goes bankrupt. However, most people who start a limited company are themselves members of the Board of Directors and may be the managing director of the company and thereby have a significantly larger responsibility if they mismanage their assignments. Small companies may choose not to have an auditor. Read more at www.bolagsverket.se.

You must register your limited company with the Swedish Companies Registration Office. Before registering, you should decide in writing to start the company by setting up a special document, known as the memorandum of association. When you register with the Swedish Companies Registration Office, the limited company will be given a registra-

tion number. Limited company names are protected throughout Sweden.

Economic association

An economic association is formed by a minimum of three members. The association is created to enable members to benefit financially from the association's operations, which may – for example – involve producing or trading goods or services. Every member normally has a vote at the general meetings of the association. It is usually said that associations are based on democracy, commitment and responsibility.

Every member pays a contribution and usually an annual membership fee. The association itself decides how large the contribution should be. Members are not personally liable for the association's debts and other commitments in excess of their contribution. However, those who are members of the Board can be held personally liable if they mismanage their assignment.

An economic association must be registered with the Swedish Companies Registration Office before it can start doing business. Members of the association start the association and write the association's regulations. The economic association will be given a registration number when it registers with the Swedish Companies Registration Office. Economic association names are protected throughout Sweden. An economic association must have an auditor. The auditor of smaller economic associations does not need to be an approved or authorised public accountant. It suffices if he or she is competent for the assignment.

Attend a "Starting up a business" day!

Six authorities take a look at what you need to know and do to start up your own business. The lectures are held in Swedish. Register for a "Starting up a business" day at www.verksamt.se/starta-foretag-dagen.

Verksamt.se

Choose the form of business enterprise

	Sole trader	Trading partnership	Limited partnership	Limited company	Economic association
Legal entity	No	Yes	Yes	Yes	Yes
Number of owners	Only 1 person	At least 2 people or enterprises	At least 2 people or enterprises	At least 1 person or enterprise	At least 3 people or enterprises
Owner liability	The business operator is personally liable for the agreements entered into and for the debts of the enterprise.	The partnership can enter into agreements, but if it cannot pay its debts, the partners are liable.	The partnership can enter into agreements, but if it cannot pay its debts, the general partner is liable.	The company can enter into agreements and is liable for its debts.	The association can enter into agreements and is liable for its debts.
Capital requirement	No	No	General partner: no Limited partners: at least SEK 1	At least SEK 50,000.	Yes, in the form of a cash or work investment.
Representatives	The sole trader	The partners	The general partner	The board of directors	The board of directors
Registration	With the Swedish Tax Agency and possibly the Swedish Companies Registration Office	With the the Swedish Companies Registration Office and the Swedish Tax Agency	With the the Swedish Companies Registration Office and the Swedish Tax Agency	With the the Swedish Companies Registration Office and the Swedish Tax Agency	With the the Swedish Companies Registration Office and the Swedish Tax Agency
Name protection	In the county	In the county	In the county	Nationwide	Nationwide
Form of taxation	F or FA tax (FA tax for income from both the business and employment)	The partnership: F tax Partners: SA tax (special debited A tax)	The partnership: F tax Partners: SA tax (special debited A tax)	The company: F tax The owners: A tax (employees)	The association: F tax The members: A tax (employees)
Taxation	The business operator is taxed for the surplus (income tax + social security contributions).	Partners are taxed for their part of the partnership's surplus (income tax + social security contributions).	Partners are taxed for their part of the partnership's surplus (income tax + social security contributions).	The company is taxed on its profit (corporation tax). The owners are taxed on salary withdrawn and possible dividends (income tax + possible gains tax).	The association is taxed on its profit (corporation tax). The members are taxed on salary taken out and possible dividends (income tax + possible gains tax).
Annual report and auditor	Only annual accounts	If the partnership has other enterprises as co-owners, it must prepare an annual report and appoint an auditor and submit the annual report to the Swedish Companies Registration Office.	If the partnership has other enterprises as co-owners, it must prepare an annual report and appoint an auditor and submit the annual report to the Swedish Companies Registration Office.	An annual report must be prepared. Small companies may choose not to have an auditor.	An annual report must be prepared and an auditor must be appointed.
Allocation of profit and loss	Normally only to the business owner. Exceptions are spouses and cohabitants with mutual children.	As per agreement if such an agreement exists. Equal distribution otherwise.	As per agreement if such an agreement exists. If no agreement exists and the partners cannot agree on the allocation, the issue must be decided in court.	Profit can be allocated to the shareholders in the form of a dividend.	Profit can be divided between the members in the form of a bonus.
Income as the basis of sickness benefits	Surplus	The surplus for the partners individually.	The surplus for the partners individually.	Salary withdrawn	Salary withdrawn
Choice of qualifying period	14, 30, 60 or 90 days	14, 30, 60 or 90 days	14, 30, 60 or 90 days	No	No
Sick pay or sickness benefits	Sickness benefits from the Swedish Social Insurance Agency	Sickness benefits from the Swedish Social Insurance Agency	Sickness benefits from the Swedish Social Insurance Agency	Sick pay from the company	Sick pay from the company

Protect the business name

When you start up a business, it is important to choose a business name. The most common and simplest way of protecting the name of the enterprise is to register it with the Swedish Companies Registration Office. This protection means that you are granted exclusive rights to the name, including the right to prevent others from using a similar business name or trademark in the same industry. For limited companies, partnerships and economic associations, registration is necessary for you to be able to conduct business.

For limited companies and economic associations, name protection applies nationwide. For sole traders, trading partnerships and limited partnerships, the protection applies within the county.

Examples of business names

- › Imaginary words, such as Cajin Aktiebolag.
- › Imaginary words + industry words, such as Cajin Mode Aktiebolag.
- › Place name + industry word, such as Ronneby IT Aktiebolag.

Examples of business names that are not approved

- › A business name that can be confused with another business name or trademark.
- › A business name that contains somebody else's surname. However, you may use a first name different from your own.
- › Only information about what the enterprise works with, such as Bilverkstad AB or Bageriet Handelsbolag.

Check your business name

When you have a suggestion for a business name, you can check if it is available with the Swedish Companies Registration Office's electronic service the Swedish Trade and Industry Register (Näringslivsregistret). Even if you do not find a similar name, it is not certain that the name can be registered since the Swedish Companies Registration Office also takes other factors into account.

Do not order printed materials, signs and so on until the business name has been registered.

Register your business enterprise

If you have an electronic identification, you can quickly and easily take care of your matters related to your business enterprise through Mina sidor (My Pages) on verksamt.se. This e-service is at present only available in Swedish. You can currently:

- › register and protect the business name at the Swedish Companies Registration Office
- › apply for an F-/FA-tax certificate with the Swedish Tax Agency
- › report to the Swedish Tax Agency that you should be registered as an employer
- › report to the Swedish Tax Agency that you should be registered for VAT
- › register changes to or strike off your business.

You can easily obtain electronic identification from a bank or Telia; read more at www.e-legitimation.se.

How to register your business enterprise

All forms of business enterprise except for sole traders have to be registered with the Swedish Companies Registration Office before starting to operate. As a sole trader, you can choose just to register for tax with the Swedish Tax Agency. If you want to protect your business name as a sole trader, you also need to register with the Swedish Companies Registration Office. You then get a certificate of registration from the Swedish Companies Registration Office.

Regardless of the form of business enterprise, you make a report to the Swedish Tax Agency where you provide information to

- › apply for F tax or FA tax
- › apply for VAT registration if VAT must be reported in your business
- › register as an employer if you are going to employ staff
- › provide details for the calculation of your preliminary tax.

Once these registrations are done, you get an F- or FA-tax certificate, a certificate that you are registered for VAT and information on how much preliminary tax you must pay.

To make sure that you will receive your certificates on time before starting your business you should send in your information well in advance.

Having an F-tax certificate means that you are responsible for paying taxes and social security contributions for your business. If your new enterprise is a sole trader business and you will also have income from employment, you must instead apply for an FA-tax certificate. If you have both an F-tax certificate and an A-tax certificate (FA tax), you must notify the client in writing when you use the F-tax certificate in an assignment. If you do not do so, the A-tax certificate applies. You can submit written notification in a tender document, invoice or similar.

All partners earning an income from a trading partnership or limited partnership must complete a preliminary VAT and PAYE return (self assessment). Based on this self tax assessment, the Swedish Tax Agency decides on the partners' preliminary A tax (special A tax).

Getting started with marketing

Marketing is important to you as an entrepreneur. It is something you must actively work on the entire time, both before starting up and once the business is running. You need to find different ways of telling customers that you exist so they can choose your product or service.

One of the keys to success is identifying customers' needs or problems, and then offering a solution. Once you have done this, the next step is to provide information about what you offer. You can do a lot of your mar-



keting with relatively limited resources and your own work.

Finding premises

Many people start their business at home, while others need commercial premises. Begin by thinking about your requirements for the premises. Is a central location important or is it more important to have a loading dock and a large car park? Do you need an office, warehouse or staff rooms?

When you have found premises you would like to rent, be sure to read the lease carefully. You need to know what the rent includes and the period of notice. The premises must also meet requirements imposed by the authorities. What requirements are set, depend on your business.

Contact the landlord if you want to make changes to the premises. Find out whether the landlord is willing to bear the costs of renovation and if you need building permits. Also contact an insurance company and find out if they have any requirements regarding the premises before insuring them.

Protecting your ideas

If you want better protection for your business products, you should first decide if you should apply for a patent, design protection or trademark protection with the Patent and Registration Office (Patent- och registreringsverket).

If you have made a technical invention, you can apply for patent protection. If you want to protect the name or logotype of your product, you can apply for trademark protection. If you have developed a product with a special look, you may need design protection.

There are many reasons to seek protection. You get protection for your own investments at the same time that you block competitors. It is also easier to attract financiers. Patent rights can be sold or licensed.

Insuring yourself and your business

Keep in mind that your private home insurance will not cover your business. You should therefore think about what insurance coverage you and your business should have.

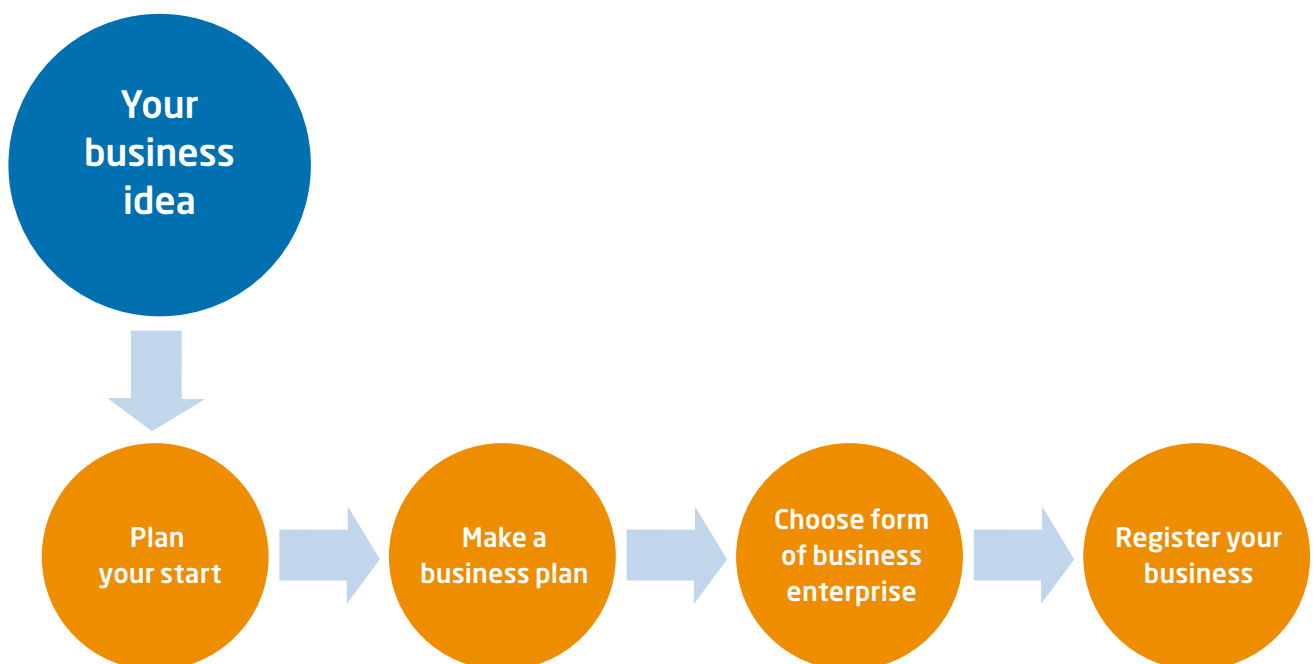
Business insurance

There are several types of business insurance.

- › Property insurance protects equipment, goods and other objects in the event of burglary, fire, water damage and so on.
- › Third-party insurance provides protection if anyone were to claim damages from your business.
- › Consequential loss insurance provides compensation for losses that can arise as a result of an interruption in business.
- › Legal expense insurance reimburses legal and court costs.
- › You may need partnership insurance if you run the enterprise together with somebody else.

Unemployment insurance

As an entrepreneur, if you were to become unemployed and seek compensation from unemployment insurance, special rules apply in addition to the general conditions. You are considered to be unemployed only after your personal involvement in the business has ended. As long as it is not a seasonal break,





you can still receive compensation in connection with a temporary interruption, but in such a case, no activity whatsoever may be conducted in the business. You can only receive compensation in connection with a temporary interruption in the enterprise once per business.

You must be a member or associate of an unemployment fund in order to claim income-related benefits when you become unemployed.

Life and accident insurance

You should consider obtaining life and accident insurance. An insurance of this kind will provide you with compensation if you are

injured or disabled at work. If you have to quit working due to the injury, you can receive a disability pension and a supplementary pension. Survivor's protection is provided in case of death.

Labour market insurance is mandatory if you employ staff and are bound to a collective agreement or a so called "local collective agreement" with a trade union organisation.

Pension insurance

Your surplus, or the salary you receive, will affect your future pension. If you do not earn much money from the business, it may be wise to supplement your national pension with pension insurance.



Running

It is important that you study the rules that apply to your tax payments early on.

Moreover, you will benefit from having proper accounting from the beginning. It saves time, money and unnecessary work.

You are obliged to keep accounts of all financial transactions in the business. A transaction refers to when you buy or sell something or raise a loan, for example.

Book-keeping is a useful tool in your business. Your accounts enable you to monitor operations and steer your business towards its targets. The answers to many questions are in your accounts. How much money can you withdraw for yourself? How is the business doing? Can you make the investments you were planning on? Can you afford to employ staff?

Accounting is also important when you need to show others how your business is doing. You may want to borrow money from the bank or obtain credit from a supplier. You can also obtain details from your accounts for your VAT and PAYE return.



Whether you do the book-keeping yourself or hire help depends on how much you know, how interested you are and how much time you can devote to it. However, even if someone else does your accounts, you still need to understand them. Responsibility always rests with you.

Sole traders and trading partnerships owned by natural persons and with a turnover of less than SEK 3 million are permitted to compile simplified annual accounts. Simplified annual accounts consist of an income statement and a balance sheet. More information is available on the Swedish Tax Agency website.

Do you need a cash register?

If you sell goods and services for cash payment or payment by credit card, you must have a certified cash register. Some businesses are exempt from this rule. More information about cash registers is available on the Swedish Tax Agency website.

Making tax deductions

You may make deductions in your income tax statement for what you need to be able to maintain the business. This may, for example, be a matter of having a company car or an office at home or costs you had before the business began operating.

Paying tax on the earnings of the business

The profit of the business is taxed in a variety of ways depending on the form of business enterprise. The profit is the difference between income and expenses. Income consists mainly of the funds received by the business when

it sells goods and services. Expenses are the expenditures necessary to run the business. Some expenses may not be fully deducted at the time of purchase, but must instead be depreciated over several years.

Sole traders, trading partnerships and limited partnerships are not taxed on their profits. The profit instead provides the basis for the taxation of the trader or the partners. More information on how taxation works is available in the section Receiving remuneration or salary.

In a **limited company** or an **economic association**, the actual company or association is taxed on the profit through corporation tax. You must pay preliminary tax on the profit or surplus, see the section Receiving remuneration or salary. You pay the preliminary tax through deposits into your tax account at the Swedish Tax Agency and they must be recorded no later than the due date, usually the 12th of every month. A couple of times a year you should check that you are paying the correct preliminary tax. You should neither pay too much nor too little. If your preliminary tax needs to be adjusted, you can file a preliminary VAT and PAYE return with the Swedish Tax Agency at any time.

Receiving remuneration or salary

If you conduct business as a **sole trader, trading partnership** or **limited partnership**, you may not draw salary from your business. If you deposit or withdraw money from the business, the profit is not affected. Consequently, it also does not affect how much tax you must pay.

As a **sole trader**, you make a standard deduction from the profit in order to calculate the surplus from business operations. Income tax and social security contributions are calculated based on this surplus. The Swedish Social Insurance Agency (Försäkringskassan) also uses this surplus to calculate the income on which your sickness benefits are based.

In a **trading partnership** or **limited partnership**, the partners (co-owners) share the profit or loss. Based on each partner's individual share of the results, a standard deduction is made to calculate the surplus. This surplus is then used when calculating each partner's

income tax and social security contributions. The Swedish Social Insurance Agency also uses the partners' surplus to calculate the income on which their sickness benefits are based.

You pay **national income tax** on income over a certain amount. Keep in mind that national income tax is calculated on the total income from your employment and from your business activities.

In a **limited company** or an **economic association**, as an owner or member, you are also viewed as an employee if you are active in the company or association. The remuneration you withdraw from the company is thereby considered to be salary. This salary and your employer's contributions are deductible expenses for the company or association.

The fact that you, as an owner or member, are viewed as an employee means that you must register the company or association as an employer with the Swedish Tax Agency. The company or association is your employer and must therefore pay employer's contributions and preliminary income tax for you and other employees.

Paying dividends and receiving bonuses

A limited company can pay all or part of its profits to its shareholders. This payment is not regarded as a salary to the shareholder, but is taxed as income from capital.

Remember that dividends do not form a basis for calculation of your future pension or the income on which your sickness benefits are based. Special rules apply for what are known as close companies. A close company is a limited company or an economic association where four or less partners own shares that correspond to more than 50 per cent of the votes.

If an economic association makes a profit, the association can pay money back to its members as a bonus. This bonus is not regarded as a salary. Consult the Swedish Tax Agency for more information on taxation of such bonuses.

How VAT works

As consumers, we all pay value-added tax (VAT) as a part of the price when we buy goods or services. As a business operator, you pay VAT to the state. When you make purchases for your business, the VAT does not constitute an expense in most cases, since you are entitled to make deductions for the VAT with a few exceptions.

Most enterprises that sell goods or services in Sweden must charge 25 per cent in VAT on the price before VAT. Some industries have a lower VAT rate, 12 per cent or 6 per cent, and some industries are completely exempt from VAT.

The VAT you charge on your sales is called output VAT. The VAT you pay on your purchases is called input VAT. If you have more output VAT than input VAT, you must pay the difference to the state. If the difference is negative, in other words you have more input VAT than output VAT, you are entitled to a refund.

You have to declare the VAT paid and received by the enterprise. Depending on the turnover of your enterprise, you should do so every three months or every month in a tax statement or just once a year in your income tax statement.

You may report VAT once a year if your business operations as a sole trader, your lim-

ited company or your economic association produce a turnover of no more than SEK 1 million a year. The same applies if your trading partnership or limited partnership has a turnover that does not exceed SEK 200,000. Trading partnerships and limited partnerships must always report VAT in a VAT and PAYE return.

If you report VAT in the VAT and PAYE return, you must do so even if you had no output or input VAT for a certain period.

Closing the accounts and filing an income tax return

Once the financial year is over, you have to sum up how the year went, i.e. close your annual accounts. Simply put, this means that you sum up the income and expenses in an income statement as well as assets and liabilities in a balance sheet. The rules on the closing of the accounts differ depending on the form of business enterprise you have and the size of your turnover.

You then complete your income tax return using the information in your annual accounts.

Sole traders report their profit or loss in a special supplement to their income tax return.

Trading partnerships must file an income tax return. Each partner reports his or her share of the trading partnership's or limited partnership's profit or loss on a special supplement to their income tax return.

Limited companies and **economic associations** must file an income tax return and report the company's profit and the taxes the company must pay itself. Shareholders or members of the economic association file information on their salary and any dividends or bonuses in their income tax return.

Then submit the return with the Swedish Tax Agency, which calculates your tax liability for the year and compares it with the preliminary tax you have paid during the year. If you have paid too little tax over the year, you have to pay more; but you will receive a refund if you have paid too much. You can easily file the return on the Swedish Tax Agency website.

Reporting VAT

Sales ≤ SEK 1 million	
Income tax return	once a year
or	
VAT and PAYE return	every three months/every month
Sales ≤ SEK 1 million	
VAT and PAYE return	every three months/every month
Partnership/Limited partnership	
Always in a VAT and PAYE return	every three months/every month
(sales ≤ SEK 200,000)	once a year

Submitting your income tax return, your VAT and PAYE return and your payments on time

You will have to pay a penalty if you file your return late. If you pay the enterprise's tax, VAT or employees' taxes and social security contributions too late, you must also pay the interest expense and are at risk of the debt being transferred to the Swedish Enforcement Authority (Kronofogden) for collection. This costs extra and the enterprise is issued with a record of non-payment. Moreover, your F-tax card can be revoked.

If you have difficulties in paying your taxes or social security contributions, you should contact the Swedish Tax Agency as soon as possible. The Swedish Tax Agency has a special creditor function that can help business operators with liquidity problems.

You can also be issued with a record of non-payment if you do not take care of payments other than taxes and social security contributions, such as payments to suppliers. With a record of non-payment, it may be difficult to get a loan, buy something on instalment, get a credit card, etc. If you conduct business as a sole trader, your private finances are also affected and it may be difficult, for example, to rent a flat or arrange a telephone subscription.

The credit-rating agencies decide whether or not you are issued with a record of non-payment. They do so by making an assessment of a large amount of information from various sources, including the Swedish Enforcement Authority. This data is used to provide information to people or enterprises when you want to borrow money, make purchases on instalment or the like. These people or enterprises then decide whether or not you can borrow money or make such purchases.

Submitting an annual report

In some cases, business operators must prepare an annual report and submit it to the Swedish Companies Registration Office. This applies to

- › larger sole trader businesses
- › trading partnerships and limited partnerships with legal entities as partners and larger trading partnerships and limited partnerships
- › all limited companies
- › larger economic associations.



Employing staff

If you hire somebody, you become an employer. This is true even if it is you yourself you hire (if you have a limited company or an economic association). Becoming an employer has several implications:

- › You must register as an employer with the Swedish Tax Agency.
- › You must withhold taxes and report these taxes for employees.
- › You must pay employer's social security contributions on the employees' wages.

You report salaries, taxes and employer's contributions every month in a VAT and PAYE return. After the end of the year, you file statements of earnings and tax withholdings for your employees.

The Swedish Public Employment Service offers a free service when you have to recruit staff. In some cases, you can receive financial support when you are hiring.

If you are registered as an employer, you must file a VAT and PAYE return. This should be done each month - even if you have not paid any salary.

Important dates

12th of every month

- Pay preliminary tax (F or SA tax).
- Report & pay VAT (for business operators with sales over SEK 40 million, VAT must be reported and paid no later than the 26th of the month).
- Report & pay tax and employer's contributions for employees.

31 January

Last day to file income statements of earnings and tax withholdings for employees.

12 February

An extra tax payment must be recorded on the tax account to avoid an interest expense if a deficit of final tax exceeds SEK 20,000.

12 March

Deficit as per the final tax notice must be recorded on the tax account.

2 May

Last day to file the income tax return.

3 May

An extra tax payment must be recorded on the tax account to avoid an interest expense if a deficit of final tax is less than SEK 20,000.

31 July

Last day to file annual report (financial year = calendar year).

1 December

Preliminary personal tax return should be filed for a new calculation of the preliminary tax for the coming income year.

15 December

Final tax statement.

When an employee falls ill, you must pay sick pay up to and including the fourteenth sick day. The first sick day is always a waiting day. The employee receives no remuneration at all for this time. Then you pay sick pay for days 2-14. On day 8, the employee must submit a medical certificate. If the employee is still ill after day 14, you must file a notification of illness with the Swedish Social Insurance Agency, which can pay sickness benefits.

The rules regarding sick pay apply as of the first day of employment if the employment agreement applies until further notice or is limited in time to one month or longer. For shorter periods of employment, the Swedish Social Insurance Agency can pay sickness benefits.

In the restaurant and hairdresser industries, a special ledger called the personnel ledger must be kept. Everyone working in the premises of the enterprise must be recorded there. More information on this is available on the Swedish Tax Agency website.

Contracting another business operator

If you purchase a service from a sole trader, such as a craftsman to furnish your premises, you have to check whether that person has an F- or FA-tax card. If the person you engage only has an A-tax card, you must withhold taxes and, in some cases, pay employer's contributions on the pay for services rendered.

If the person you engage has written on an invoice, tender or the like, that he or she has an F-tax card this information applies. If you nonetheless want to check that the person has an F-tax card, you can contact the Swedish Tax Agency.

International trading

Does your business idea extend beyond the borders of Sweden? Then it is important that you find out what rules apply in Sweden as well as in the country in which you intend to conduct business.

You do not need a general permit to begin international trade, but you may need a permit to import or export certain goods, such as weapons or endangered plants or animals. Certain other goods, such as clothing from certain countries, require an import licence. In Sweden, these licences are issued by the National Board of Trade (Kommerskollegium).

The rules for international trade vary depending on what type of goods or service you trade in, if you trade with companies or private persons, and if they are in countries within or outside the EU.

Remember that you must pay customs duty and VAT if you purchase goods from a country outside the EU.

Trading goods within the EU

Goods are subject to free movement within the EU. This means that you do not need to report goods to Customs if you buy them from or sell them to another EU country. Instead, you file this information with the Swedish Tax Agency in your VAT and PAYE return or your income tax return. In some cases, you must also provide statistics to Statistics Sweden (SCB).

When you sell goods to a VAT-registered company in another EU country, you should not charge VAT on the invoice if the following two conditions are met:

- › The goods you sell will be physically transported from Sweden to another EU country.
- › The buyer must be registered for VAT in an EU country other than Sweden and you must have information on the company's VAT number in the other country.

A VAT number is a number given to all who conduct activities subject to VAT and have been registered with the Swedish Tax Agency. VAT stands for value added tax.



If either of these conditions is not met, you must add Swedish VAT.

It is important that you check with the Swedish Tax Agency that the buyer's VAT number is valid. On the invoice, you must include both your enterprise's and the buyer's VAT numbers. You can find information on what an invoice must include on the Swedish Tax Agency website. In addition to your regular VAT and PAYE return or income tax return, you must also report your VAT-free EU sales to the Swedish Tax Agency in a periodical report (EC sales list).

If, instead, you buy goods from another EU country and for transport to Sweden, the situation is the opposite. You must provide your VAT number to the seller in the other EU country, who should not invoice any VAT. You can find your VAT number on your VAT registration certificate. In the VAT and PAYE return or income tax return, you include output VAT calculated on the value of the purchase converted into SEK. You are entitled to make deductions according to the same rules as for other VAT on purchases.

Read more about the EU member states in the Gateway to the European Union:
http://europa.eu/abc/european_countries

Trading goods outside the EU

Goods sent to a customer outside the EU are known as **exports**. Before you dispatch your goods, you or your agent must submit an electronic export declaration to Swedish Customs, over the Internet for instance. Since the goods leave the EU, you do not need to add VAT on the invoice. When you report a sale as an export, it is therefore important that you can provide evidence of the export. You have to be able to document in your accounts that the item has left the EU VAT area. Such documentation may be freight documents, an export confirmation from Swedish Customs or import documents from the country of destination.

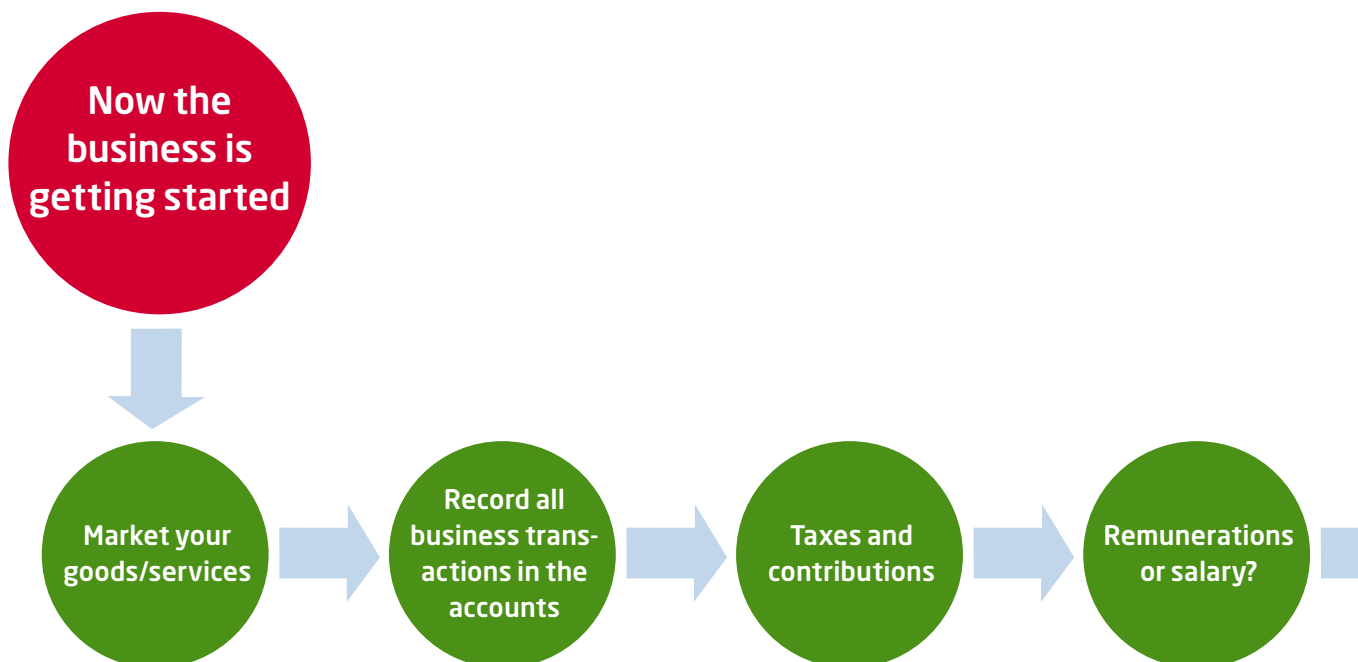
Contact the Swedish Trade Council (Exportrådet) if you need information and help regarding the rules in the country to which you intend to export, www.swedishtrade.se.

Goods brought in from a seller outside the EU are known as **imports**. When the goods arrive, they are placed in temporary storage

and the shipper notifies you that they have arrived. Before you can collect the goods, you or your agent must file an import declaration and pay customs duty and VAT to Swedish Customs. You must do so regardless of how you have ordered the goods, in other words, even if you have bought them through distance selling, such as over the Internet.

The customs duty is usually a percentage of the value of the goods, including freight and insurance to the EU border, and it varies for different types of goods. Because the customs duty is a cost that you pay in addition to the purchase price, it is important that you find out how high it is before you import any goods so that you are aware of the actual cost of your goods. Only then can you work out the right sales price if you intend to sell them on. Information regarding customs duties is available on the Swedish Customs website. You can also call Swedish Customs to get help.

You also pay the VAT to Swedish Customs and report it as input VAT in the VAT and PAYE return or income tax return. More information on how to calculate VAT on imports is available on the Swedish Customs website.



Trading with EU areas outside the EU VAT area

Certain areas that belong to some of the EU Member States are not part of the EU VAT area, such as the Åland Islands, the Canary Islands and the British Channel Islands. Consequently, you must file a customs declaration with Swedish Customs if you trade with these areas. When importing, you pay VAT, but no customs duty.

Trading in services

The sale of services to buyers in another country may sometimes be exempt from Swedish VAT, depending on who the buyer is and what type of service you sell.

When you buy services from another country, you must in some cases report the value of the purchase and output VAT in your VAT and PAYE return or income tax return. You can find out what applies to your business in particular on the Swedish Tax Agency website.

You must also be able to report sales of services to VAT-registered companies in other EU countries in a periodical report to the Swedish Tax Agency.

If you fall ill or have children

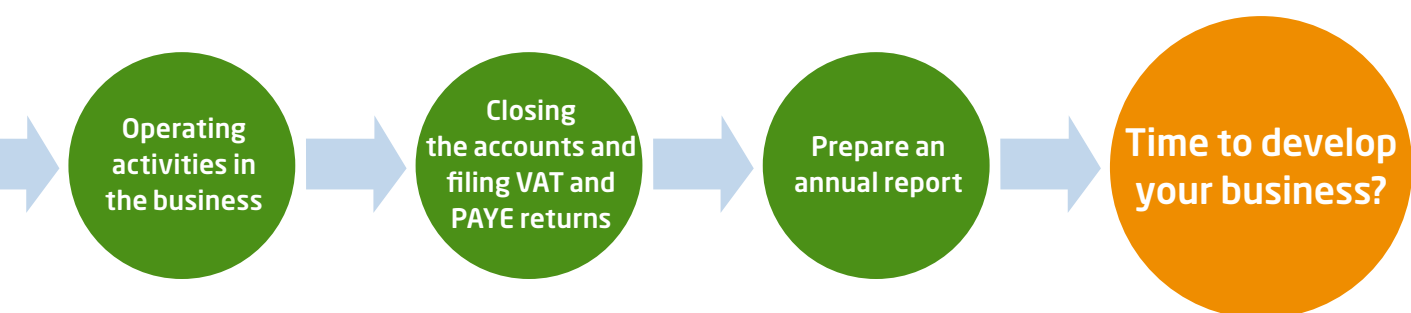
As a business operator, you are covered by health and parental insurance. The benefit you receive will be based on the income from which your sickness benefit is calculated. The Swedish Social Insurance Agency calculates this income in various ways, depending on what form of business enterprise you have.

Limited company or economic association

If you have a limited company or are a member of an economic association, you are regarded as an employee. The Social Insurance Agency then calculates the income for sickness benefits based on your salary. If you do not draw any salary, you cannot receive any compensation if you fall ill. For parental leave, you can only receive the minimum level compensation. Note that dividends from a limited company or bonuses from an economic association are not included in this income.

Sole trader, trading partnership or limited partnership

If you are a sole trader or have a trading partnership or a limited partnership, the income on which your sickness benefit is based will be calculated according to your share of the estimated surplus from the business. However, your income may not be calculated as being higher than the amount an employee with similar duties would receive as a salary.



Businesses under construction

If you are in process of starting up your business as a sole trader, trading partnership or limited partnership, the income on which your sickness benefit is based can be calculated at a higher amount than your share of the surplus. For a time, therefore, the level of your sickness benefit can be based on a fictitious income.

The Social Insurance Agency always makes individual assessments of whether businesses can be considered to be in a starting-up phase. Different types of businesses have different requirements, thus the starting-up phases may vary in length. Essentially, individuals must not end up in a poorer insurance situation initially than if the business had been fully expanded and producing a normal surplus.

Waiting days

No sickness benefits will be paid for the waiting days. If you are a sole trader or a partner in a trading partnership or limited partnership, you may choose the number of waiting days for health insurance.

You can choose a waiting period of 14, 30, 60 or 90 days. Your national health insurance contribution will be lower if you choose a longer waiting period. Even if you do not select a waiting period, you will still have to complete a compulsory waiting period of seven days if you fall ill.

The number of waiting days you select affects neither temporary parental benefit nor the standard parental benefit.

Contact the Social Insurance Agency if you would like to change the number of

waiting days. After the age of 55, you cannot change back to a shorter waiting period.

Sickness benefits from the Social Insurance Agency

If you are ill and cannot work in a sole trader business, a trading partnership or a limited partnership, you must report sick to the Social Insurance Agency on the first day of your illness. The Social Insurance Agency can then pay you sickness benefits.

If you are ill for more than seven days, you must also submit a medical certificate to the Social Insurance Agency.

Sick pay from the business

When you are employed in a limited company or an economic association, the company or association must pay you sick pay if you fall ill. The same rules apply to you as to all other employees.

The first 14 calendar days that you are, partially or entirely, unable to work due to illness is called the sick pay period. Since the first day of illness is a waiting day, you cannot receive any sick pay for that day. If you are ill for more than seven days, you must have a medical certificate.

After 14 days, when the sick pay period is over, the Social Insurance Agency can disburse sickness benefits if you are still ill. The company or association must therefore make a report and submit a medical certificate to the Social Insurance Agency.

Developing

After a few years, it may be time to further develop the enterprise. You may want to find new markets, get help to finance your growth or simply change the form of business enterprise.

There may be many reasons to continue with the business in a different form. One common reason is that you want to bring in partners to the business.

Reaching out to new markets

When you have a profitable and maximally utilised domestic market, it may be time to seek new markets. Assuming you are prepared to invest long term, exports could be profitable.

If you need tips and advice, you can contact the Swedish Trade Council, www.swedishtrade.se. If you want to reach out to the European market, you can find a great deal of help from the Enterprise Europe Network, www.enterpriseurope.se.

Financing growth

Bank loans are the most common type of external financing. This is mainly suitable when it concerns investments in tangible assets that can be sold on a second-hand market.

Venture capital is an investment that you or somebody else makes in your company with their own funds to be able to obtain a return on the investment in the future. Venture capital is suitable for particularly risky enterprises with good profit opportunities.

Venture capital also presupposes that the investor is actively involved in the business, such as through representation on the Board of Directors. The investment is usually limited in time.



Managing a growing business

A growing business requires a manager who is interested in becoming a manager on a larger scale. To succeed, it may be time to hand over control of a few parts of the business to others. Support may also be needed in the form of networks and skills development, for instance.

Closing down

At some time in the future, you will want to close down, sell or perhaps turn the enterprise over to your children.

How you close down the business depends on what form of business enterprise you have. Above all, you must think through the tax implications. It is also important that you conclude your accounts in the right way. If you begin to plan the shut-down in time, you can take control over your shift in ownership. This is true regardless of what form of business enterprise you have.

Selling the business

A shift of ownership is most successful if you have run the business in a manner attractive to an external buyer. It is important that the organisation does not rely entirely on you and that you are early aware of the problems that can arise. You must take into account legal, financial, business, organizational, psychosocial, emotional and tax aspects.

Generational ownership changes

A generation change in ownership entails special challenges both for the person leaving and the one entering. If you remain involved in the business in some capacity, it is important that you can constructively interact with your children in their new roles as owners and/or managers. Your behaviour affects their possibilities of succeeding in the business.

Bankruptcy

No one wants to end their business by going bankrupt, but if your business cannot pay its debts and will not be able to pay them for a long period of time, bankruptcy can not be avoided.

During the bankruptcy process, the assets of the enterprise is sold and the proceeds are distributed to the creditors in accordance with a certain system, to the extent possible after payment of bankruptcy costs.



More help available here

You have a great deal to think about when planning to start up a business. Here is a list of some of the authorities, organisations and services you can contact and use to get information, advice and opinions.

A number of authorities and organisations arrange various courses which you may benefit from. "Starting up a business" days are arranged throughout Sweden, for example. The lectures are held in Swedish.

Entrepreneur organisations offer training, and sometimes municipal adult education centres or study associations may have what you are looking for.

Growing numbers of public libraries offer special service to business operators. This service can include books, periodicals, access to various databases and individual guidance from librarians.

Information services and electronic services

[Verksamt.se](http://www.verksamt.se) is a new website for those who run or are about to start a business where the Swedish Companies Registration Office, the Swedish Tax Agency and the Swedish Agency for Economic and Regional Growth have gathered information, tools and electronic services that are of use to business operators. If you have questions about starting or running a business you can use the telephone service.

www.verksamt.se

020-35 10 10

[The Swedish Trade and Industry Register and European Business Register](#)

are services where you can find information on enterprises. You can reach these electronic services from the Swedish Companies Registration Office's website.

www.bolagsverket.se

Authorities

[The Swedish Public Employment Service \(Arbetsförmedlingen\)](#) can help you with staff recruitment. You can publish job advertisements and search for staff in databases by the website. You can also phone customer service or contact the local public employment office when you want to discuss recruitment. To take advantage of the service which the Swedish Public Employment Service can offer those who want to start their own business, you have to visit the local public employment office and register as a jobseeker.

www.arbetsformedlingen.se

Customer Service: 0771-416 416

[The Swedish Companies Registration Office \(Bolagsverket\)](#) is, in most cases, where you should begin the process of registering a new business. Electronic services, forms and information material are available from the Swedish Companies Registration Office website. You can also find out whether a business you are looking for exists by calling the Swedish Companies Registration Office or by using the e-service the Swedish Trade and Industry Register.

www.bolagsverket.se

060-18 40 00

The Swedish Social Insurance Agency (Försäkringskassan) provides information on sick pay, sickness benefits and parental benefits on its website. It also has special web pages for employers. You can call one of the customer service centres or the self-service line to report illness, report the care of sick children, order forms and certificates, etc.

www.forsakringskassan.se

Customer service centre: 0771-524 524

Customer service centre for partners (employer issues): 0771-179 000

Self-service phone line: 020-524 524

Municipalities and county administrative boards have business sector advisors who work to promote business in their areas. They provide assistance and grants and can help you find suitable premises or make new business contacts.

www.skl.se

www.lansstyrelsen.se

The Swedish Enforcement Authority (Kronofogden) deals with matters concerning unpaid debts, etc. General information is available on its website, but you can also call the customer service centre for personal service on general issues.

www.kronofogden.se

Customer service centre: 0771-73 73 00

The Swedish Patent and Registration Office (Patent- och registreringsverket, PRV) provides protection and sole rights to technical ideas, trademarks and designs. Information in the PRV register can help you conduct analyses of what is happening in your industry. PRV offers commissioned services in all of its areas.

www.prv.se

08-782 25 00

The Swedish Tax Agency (Skatteverket) has regular information meetings for prospective and new entrepreneurs. You can register interest in these meetings on its website at www.skatteverket.se/infotraffar. On the website, you can also book a personal meeting with the Swedish Tax Agency if you have questions concerning running a business. The Swedish Tax Agency's tax information service also answers questions on how to register for VAT or as an employer, how to apply for an F tax certificate and information on tax returns. You can download or order forms and brochures through the website or by calling the Swedish Tax Agency's service line.

www.skatteverket.se

Tax information service: 0771-567 567

Service line: 020-567 000

Swedish Customs (Tullverket) can help you if you plan on exporting or importing goods to or from countries outside the EU. Swedish Customs can provide information on what rules apply. Swedish Customs also offers courses and information meetings.

www.tullverket.se

0771-520 520

Advice and networks

ALMI Företagspartner has offices in every county and can help you if you plan on starting a business or have recently done so. Assistance is available within business development and finance when you decide to develop your business concept.

www.almi.se

Enterprise Europe Network provides information and assistance on matters concerning the EU and the European market. You can get answers to questions, attend seminars or get help with business contacts.

www.enterpriseurope.se

Insamlingsstiftelsen IFS Rådgivningscentrum, IFS, provides special assistance to those not born in Sweden who intend to start a business. You can get advice, such as help preparing a business plan, in various languages free of charge. IFS also holds information meetings. There are several advice centres throughout Sweden.

www.ifs.a.se

020-52 90 10

Jobs and Society NyföretagarCentrum has some 100 locations in Sweden. Here, you can get free advice and help in assessing your business idea. NyföretagarCentrum is backed by a broad, local network of people and companies that can offer expert advice before you start up your business.

www.nyforetagarcentrum.se

Coompanion - Kooperativ utveckling is located in every county and provides tailor-made advice from concept to successful enterprise to those who want to jointly translate their ideas into reality. This may range from assessing business concepts, selecting the form of business enterprise and addressing organisational and management issues to advice on what small enterprises can gain by working with others.

www.coompanion.se

Resource Centres for Women (Resurscentrum för kvinnor) help women start and run businesses. Local and regional resource centres seek to stimulate women's entrepreneurship. Regional resource centres can, for instance, help with training, networking and mentorship. Resource Centres for Women are located in all of Sweden's counties and several municipalities.

www.nrckvinnor.org

Other contacts

that may be useful include your bank or other advisors, such as accountants, auditors or lawyers. People in your surroundings who have experience of running a business or knowledge of the industry in which you intend to start business are other valuable contacts.



Use the Find Advisors service at verksamt.se. Here, you can easily find useful contacts for starting your business.

Read more at:

Verksamhet.se

Information and services from several authorities brought together to make it easier for those who run or are about to start a business.