

Swedish Tax Newsletter*

September 2008

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*The Swedish Tax Newsletter is a summary providing a general update on the tax system and highlighting recent developments during the year within the area of Swedish tax and related legal matters. This issue just provides for updates pursuant to some **important new tax proposals** and the proposals announced in the recent Budget Proposal.*

In general, enforcement late this year and applicability as from 1 January 2009 is proposed.

1. Swedish Corporate Taxation

- The Swedish corporate tax rate is proposed to be reduced to 26.3%, partly to be financed by the newly proposed interest deduction restrictions (applicability for financial years commencing 1 January 2009, or later).
- The proposed interest deduction restrictions for prevention of “interest carousels” within the corporate sphere have been further defined in a committee report, following the massive criticism on the earlier proposal. According to the new proposal, interest deductions would generally be fully refused on any intra group loans related to acquisitions of shares from an affiliate, unless the creditor is taxed for the interest at least 10% (tax rate comparison), or it is shown that the share transfer and debt is based on commercial reasons. Applicability is proposed for interest payable already after 31 December 2008.
- The Government’s immediate removal of Swedish partnerships from those entities qualifying for the special reorganisation provisions enabling below market value transfers of assets of mid April, have now been followed by a formal proposal, not deviating very much from the interim provisions.
- Foreign tax credit changes are proposed, with an extended carry-forward period (to 5 yrs) and further details on the allocation of expenses to the foreign income for the purposes of the computation of the maximum credit available, as well as clarifications in cases of mergers and tax-commissionaire relationships.
- It is also proposed to equal off-the-shelf companies with newly established companies for the purposes of qualifying for the group contribution regime.
- The price threshold for direct depreciation (immediate deduction) of fixed assets is proposed to be increased as from July 1, 2009.

2. Swedish Individual / Small Business Tax

- Certain tax reductions on employment income are proposed, as well as increased deductibility for travel expenses to work, and an increased tax free threshold for lease income of dwellings, are proposed for individuals. Winnings in foreign EEA lotteries and lottery-bonds are also proposed to be tax exempt.
- It is proposed to reduce the social fees with 1 per cent (employers and self-employed), and further reductions are proposed for young people. Hitherto strict provisions on tax registration of self-employed are proposed to be relieved. Some partly positive adjustments to the technicalities and base-levels of the closely held company provisions which provide for beneficial tax treatment of active shareholders, are also proposed.