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In the Finance Bill for 2013, the Swedish government recently proposed significant changes concerning Swedish taxation. This is a short summary of the proposed changes.

The corporate income tax is proposed to be lowered to 22 %

The government proposed that the corporate income tax is lowered from the current 26,3 % to 22 %, as an incentive for investments in Sweden and in order to promote growth. Sole traders and partnerships shall also benefit from the reduction by a corresponding compensation of the expansion fund tax (sw. expansionsfondsskatt) which is supposed to be reduced. If the bill is adopted the Swedish corporate income tax will most likely fall below the average tax rate within the EU, currently 23,4 %. Fifty percent of the reduction will be financed by the proposed limitations on interest deductions, read more in: Delphi Tax Alert, June 2012.

The reduction of the tax rate is proposed to take effect on January 1, 2013.

A new investment deduction is proposed

The government also presents a new investment deduction, aimed to enhance access to capital in smaller growth companies and to promote entrepreneurs. The proposed investment deduction shall give physical persons who acquire shares in smaller enterprises, when the enterprise is formed or through a new issue, a possibility to deduct half of the acquisition value. It is proposed that the deduction shall be limited to SEK 650 000 (approximately EUR 76.000) per person and year, which corresponds to an investment of SEK 1 300 000 (approximately EUR 152.000). In order to reduce the risk for tax avoidance several conditions are set on the investor as well as the enterprise. For more information please contact us.

The investment deduction is proposed to take effect on September 1, 2013 at the earliest.

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Analysis

It shall be especially noted that no transitional rules has yet been presented though it is likely that we will see such rules should the proposal be adopted. Our initial conclusions due to the current proposal are that the reduction of the corporate income tax can make it preferable to use possibilities to allocate earnings and maximize the level of depreciation during the current income year. Further, the bill entails that several tax calculations will be affected – among others, the value of tax loss carry forwards and the value of deferred tax in connection with real estate transactions. Certain items in a company's balance sheet will also be affected which has to be taken into account.

Delphi's Tax Group will follow the development carefully. Do not hesitate to contact us should you have any questions regarding how the expected changes may affect you.

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