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**December 2013**

# Investment deduction

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On December 1, 2013, the Swedish government introduced a new legislation on deduction for investors. Please find below a short summary of the main features of the new investment deduction.

The investment deduction is aimed at natural persons. Deduction can be granted for acquisition of shares either in connection with the formation of a company or in connection with a new issue of shares that takes place after November 30, 2013.

## **Monetary limitations**

Investment deduction may be granted with half of the cash payment for the shares, with a maximum deduction of SEK 650 000 per person and year – corresponding to an investment of SEK 1.3 million. Further, the investors' total payment for the shares in one company can amount to SEK 20 million per company and year at the most. Hence, the monetary limitations imply that the investment deduction can entail a tax relief of SEK 195 000 per person and year, at the most.

## **Requirements for deduction**

In order to be granted investment deduction, inter alia, the following conditions must be met.

### Requirements on the investor

- The investor must be a natural person.
- The investor shall not have received a value transfer from the company exceeding a certain comparative amount, during the investment year or any of the two immediately preceding years.
  - E.g. dividends are considered as a value transfer.
  - The comparative amount is calculated to the investor's part of the share capital in the company by the time of the value transfer, multiplied with the accounting profit for the income year immediately preceding the calendar year when the value transfer occurred.
- The shares in the company shall be held by the end of the investment year.

### Requirements on the company

- The company must be a Swedish limited liability company, a Swedish economic association or a corresponding foreign company resident within the EEA or in a state that has entered into an information exchange agreement with Sweden.
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- The company shall conduct business during the investment year or by the end of the immediately following income year.
- The company shall not conduct business within the shipyard, coal or steel industry.
- The company shall not be subject to company reorganization or be insolvent.
- The company must be "of small size", which implies that:
  - the average number of employees must be less than 50 persons during the investment year, and that;
  - the net turnover or the balance sheet total shall amount to SEK 80 million at the most, calculated at group level, during the investment year.
- The company must have a total payroll record that amounts to SEK 300 000 at the least, during the investment year or the immediately following income year.
- The company shall not have made certain, especially defined acquisitions, e.g. acquired business or shares from the investor, during the investment year or any of the two immediately preceding years.

### Reversal of deduction

The new legislation establishes that the investment deduction shall be reversed during certain circumstances. This applies if the investor sells the acquired shares during any of the five income years immediately following the investment year. Further, the deduction shall be reversed if the investor moves from Sweden and thus stops being liable for tax in Sweden related to a capital gain from the disposal of the shares or if such capital gain is exempt from Swedish taxation due to a tax treaty (there are certain possibilities to be granted respite for payment). Finally, the deduction shall be reversed if the investor receives a value transfer from the company that exceeds the comparative amount, during any of the five income years immediately following the investment year.



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