BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile
The median age of the population, 41.1 years and increasing slightly but remains relatively stable. Some 28.6% of the population is under 24 years old and 32% is over 55 years old. The population growth rate is 0.8%. On average, there are 1.9 persons per household, 51.4% of households are composed of people living alone and 38.3% are couples with or without children. There are approximately as many men as women in Sweden with 87.4% of the population living in urban areas. The southern region is more populated because of the better climate and access to Europe. Dense areas exist especially along the Baltic Sea. Stockholm is the main city with 1.583 million inhabitants. The level of education in Sweden is high with 83% of adults aged 25 to 64 having a secondary education and 40% going to university. Of the active population, 24.5% are professionals, 23.1% are sales and service employees, 13.8% are technicians, 9.4% are craftsmen and skilled workers, 8.5% are clerks, 7.1% are operators and assemblers, and 6.9% work in the legal and management sector. 5.6% occupy intermediate professions, 0.8% are farmers and 0.2% are military.

Purchasing Power
The GDP per capita PPP is 475,099 SEK. The average annual salary is 404,400 SEK. Purchasing power has increased very slightly in 2017 (0.25%) and is expected to stabilise in 2018. Adjusted disposable income per capita is SEK 285,716, about the same as the average for OECD countries. Consumption increased slightly in 2018, despite two declines in the first and third quarters. It is common that at these times of the year consumption decreases in the country. The Gini index is relatively low at 29.2 though it is increasing. The average annual salary of a man is SEK 428,400 while that of a woman is SEK 380,400. The wage gap between the two sexes is slightly below the European average.

Consumer Behaviour
Sweden is a consumer society. Price is the main factor in purchasing, followed by quality. Other factors that may be involved in purchase decisions are the seller's know-how and the after-sales service. Most consumers research products before making a purchase with 53% of Swedes search online before going to an outlet and 13% inquire in-store before buying online (Postnord). The choice of payment methods is also an important factor. Even if the majority of consumers go to stores and supermarkets for their purchases by 2035, 50% to 75% of purchases will be made on the internet. Consumer confidence has been falling since November 2017, falling below the average for OECD countries. E-commerce grew by around 16% in 2017, and represents 67 billion Swedish kronor. It represents 8.7% of the market share of retail sales in 2017, against 3% in 2007. The main products purchased are
the electronics, clothing and shoes, books, furniture, DIY products, sport and games. Although consumers are relatively open to international brands, Sweden's favourite brands are national. In the top 10 favourite brands, only 2 international brands appear (Apple and Google in 9 and 10th position).

Swedish consumers are increasingly less loyal to brands with 77% of loyalty programs failing within 2 years. Clients are no more loyal if they are in a program or not. The penetration rate of social networks is 72%, and 58% of Swedes use them every day. Facebook is by far the most used network. Among the ways to make buying decisions, following influencers is the most important. In August 2017, the two main influencers were Anna Nyström (4.9 million followers) and Thisis MansWorld (2.1 million). Overall 44% of Swedes trust authorities to protect their personal data.

Sweden is among the leading countries where health is important when it comes to consumption. The demand for fresh, eco-friendly and health-friendly products that are transparent on ingredients is on the rise. For the beauty sector, for example, the demand for natural products is growing. The consumption of organic products is rising. Regarding supply the market grew by 9.3% in 2017 and reached 28 billion Swedish kroner. However, it is slowing down compared to double-digit growth in previous years. The second-hand market is expanding on the internet and in stores, as consumers are increasingly attracted to the circular economy and the benefits to the environment. In 2016, 15% of the population used collaborative platforms such as Airbnb, Uber, etc. The cities of Stockholm, Gothenburg, Malmö and Umeå will also become test cities for the national sharing economy program. The most common platforms allow you to share cars, clothes, games or even housing.

**Consumer Recourse to Credit**

In Sweden, credit and debit cards are widely used, although the latter are more widespread. Household debt is high and rising reaching 88.5% of the country's GDP. However, despite an increase, the credit market is slowing down. Most loans are mortgages, followed by student loans and other consumer loans (vehicles, holidays and consumer durables). In total, the outstanding amount amounts to SEK 4,177 billion in 2018. In addition, more credits are granted online, without human contact. Consumer credit is expected to continue to grow at a moderate pace.

**Growing Sectors**

Personal care, accommodation, food services, holidays, transport services, telephony, furniture, education, home textiles, soft drinks, recreational, cultural services, food, newspapers, books, stationery and medicines.

**Consumers Associations**

[Konsument Verket](#), Swedish Authority for Protection of Consumers
[Sveriges Konsumenter](#), Association of Swedish Consumers
[The Swedish Consumer Coalition](#), Coalition of Swedish Consumers

**IMPORTING & DISTRIBUTING**

**Import Procedures**
When goods are imported into Sweden, it is the responsibility of the importer or their agent to make the Customs declaration by filling out the SAD (single administrative document). The document may be presented in Swedish, Norwegian, Danish, English or German. An invoice must be presented with the SAD completely filled out. For more information, please visit the Swedish Customs website.

As part of the "SAFE" standards set forth by the World Customs Organisation (WCO), the European Union has set up a new system of import controls, the "Import Control System" (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community Program eCustoms, has been in effect since January 1, 2011. Since then, operators are required to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.

For more information, please visit the website of the EU Customs Union.

Specific Import Procedures
The importing of food containing meat or milk for personal consumption is prohibited, unless the goods are accompanied by the necessary documents from the veterinary services of the country of origin.
Products for toddlers: milk, food and special food on medical prescription may be imported on condition that they do not need to be refrigerated before opening, that they are packed under a brand name for direct sale to the final consumer, and that they are not damaged.
Other prohibited products include: human semen, earth, cordless phones, medicine for personal use, dangerous objects as defined by IATA, perishable goods (except for member States of the EU), arms, fauna and flora.

Distribution channels
According to Euromonitor, the packaged food retail market in Sweden reached US$14.5 billion in 2015. Sales of US$15.4 billion are predicted by 2020, a 5.7% growth. Grocery retailers' revenues increased by 2% in current value terms in 2015. The Swedish market is not typical: although consumer confidence and optimism is increasing, sales in 2015 in the grocery channel were less dynamic. On the other hand, there has been a booming demand for organic and other premium alternatives, with a 38% increase in 2015. As a consequence, all grocery players increased their assortments of organic and healthy private label ranges in order to facilitate the rising demand for these premium products.

The competitive landscape between grocery retailers in Sweden is highly consolidated, with three main players, the first of them - ICA Sverige - with more than 50% of market share.

Supermarkets are by far the largest grocery channel in value terms, accounting for a 50% share of overall value sales of modern grocery retailers in 2015. There is a well-established and long-standing grocery retail channel in Sweden. Supermarkets are typically located in city centres or suburbs, while hypermarkets and discounters are typically found outside city centres. Hypermarkets exhibited slower performance than supermarkets in 2015 and are more dedicated to families. They are located outside the cities, sometimes in a shopping centre where consumers can also make non grocery purchases. The smaller grocery retail formats, such as convenience stores, forecourt retailers and discounters, displayed varying performances in 2015: Forecourt retailers continued to struggle due to the comparatively high prices charged; Convenience stores did better thanks to Swedish consumers' increasingly hectic lifestyles. In addition, convenience stores
are often located in the centre of cities and villages, making them a good option for those who shop for groceries on a daily basis. Discounters compete mainly with supermarkets and hypermarkets, as increasingly price-sensitive consumers led to a surge in low-priced alternatives.

Internet retailing emerged as the most important trend within non-grocery retailing, but it was still a minor part of overall grocery retailing. The major players ICA and Coop starting their online sales as late as the end of the 2015, and it is still limited.

**Distribution market players**

Swedish distribution of consumer goods is very structured even though there is still a large number of specialised retailers. Food distribution, for example, is concentrated around three groups:

- Ica Sveridge AB (Ahold group) with 50.8% market share.
- Coop Sveridge AB (KF) with 19% market share.
- Axafood AB with 16.4% market share; it specialises in ‘soft discounts’, i.e. very large discount stores.

A new group - the Bergendalhs group - has appeared with 7.7% market share.

**Retail Sector Organisations**

Svensk Handel (Swedish Trade Federation)
Association of Trade Partners Sweden

**OPERATING A BUSINESS**

**Type of companies**

**The Aktiebolag or AB**
(private limited company)

*Number of partners:* One or more.
*Capital (max/min):* 500,000 SEK minimum capital.
*Shareholders and liability:* Liability is limited to the amount of capital contributed.

**The Enskild naringsidkare**
(individual company)

*Number of partners:* Only one.
*Capital (max/min):* No minimum capital.
*Shareholders and liability:* Liability is unlimited.

**The Handelsbolag or HB**
(partnership)

*Number of partners:* 2 partners minimum.
Capital (max/min): No minimum capital.
Shareholders and liability: Liability is joint and unlimited regarding third parties.

The Kommanditbolag (limited partnership)
Number of partners: 2 partners minimum.
Capital (max/min): No minimum capital.
Shareholders and liability: Liability is limited to the amount of capital contributed, in agreement with the other partners. However, a shareholder must pledge his unlimited liability.

<table>
<thead>
<tr>
<th>Setting Up a Company</th>
<th>Sweden</th>
<th>OECD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures (number)</td>
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<td>4.8</td>
</tr>
<tr>
<td>Time (days)</td>
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<td>8.3</td>
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Source: Doing Business.

Cost of Labour

Minimum Wage
There is no minimum wage in Sweden and instead salaries are negotiated by collective bargaining between trade unions and employers.

Average Wage
According to OECD data, the average gross monthly wage was about SEK 33,000 in 2016 (lastest available data).
According to the Statistics Agency of Sweden, the average wage is SEK 180 per hour in 2018.

Social Contributions
Social Security Contributions Paid By Employers: Social security taxes are paid by the employer in the form of a withholding tax, with a 2015 average of 31.42%. For employees born in 1990 or later, the rate is 15.49%. For employees born between 1938 and 1949, the rate is 10.21%. For employees born in 1937 or earlier, the rate is 0%. Employees under the age of 26 follow special rates depending on their specific age. For more details, visit the Deloitte guide on Sweden.

Employers must also pay a supplementary salary tax of 24.26%, not included in the base for social security contributions.

Self-employed individuals are taxed on their net taxable profit at a rate of 28.97%. For self-employed individuals born in 1990 or later, the rate is 23.69%. For employees born between 1938 and 1949, the rate is 10.21%. For employees born in 1937 or earlier, the rate is 0%. For passive income, the rate is 24.26%.

Social Security Contributions Paid By Employees: Employees must pay a 7% pension insurance fee on employment income up to SEK 478,551, which is credited against other income taxes. Other social security contributions are withheld by the employer.
Intellectual Property

**National Organisations**
The organisation responsible for the protection of intellectual property in Sweden is the Swedish Patent and Registration Office. For copyright, this is the Copyright Office. Patents are protected for an annual fee.

**Regional Organisations**
Governing trademarks, designs and models: the European Union Intellectual Property Office

**International Membership**
Member of the WIPO (World Intellectual Property Organization)
Signatory to the Paris Convention For the Protection of Intellectual Property
Membership to the TRIPS agreement - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

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**TAX RATES**

**Consumption Taxes**

**Nature of the Tax**
Mervärdesskatt (Moms) or Value-Added Tax (VAT)

**Tax Rate**
25%

**Reduced Tax Rate**
Reduced rate of 12%: some foodstuffs; non-alcoholic beverages; take away food; minor repair of bicycles, shoes and leather goods, clothing and household linen; hotel accommodation; restaurant and catering services; some works of art, collectors’ items and antiques.
Lowest rate of 6%: domestic passenger transport; books; newspapers and some periodicals; admission to cultural events (excluding cinema); writers and composers; admission to sports events; use of sports facilities.
Zero-rated: exports of goods and related services; supplies of intangible services made to either another taxable person established in the EU, or to any recipient outside the EU; medicines supplied on prescription or sold to hospitals; printing and other services related to the production of magazines for non-profit making organisations; intra-community and international passenger transport.

**Other Consumption Taxes**
Customs tariffs are only applied to goods from non-EU states. Sweden applies excise duties on alcohol, tobacco, fuel and electricity.
Sweden also levies a carbon tax.
Corporate Taxes

**Company Tax**
- 21.4% for 2019
- 20.6% after 31 December 2020

**Tax Rate For Foreign Companies**
A company is considered resident if it is incorporated under the Swedish Companies Act. Under the Swedish law, a company is deemed to have a permanent establishment if it has a place of management, branch, office, factory, or workshop in the country.

For information related to corporate taxes following the COVID-19 crisis (including the postponement of payments), visit the dedicated page on the website of the Swedish Tax Agency (Skatteverket).

**Capital Gains Taxation**
Capital gains from a business-related sale of shares in a resident company are generally tax-exempt. Quoted/listed shares are considered held for business reasons if the company has a holding corresponding to at least 10% of the voting rights or the shares are held in the course of the business for a period of at least one year; while shares that are not quoted or listed are always considered as held for business reasons. Capital gains that are not considered business-related are treated as commercial income and are taxed at 21.4%.

**Main Allowable Deductions and Tax Credits**
Expenses incurred for business operations are generally deductible, including arm’s length interest payments, rents and royalties, depreciation, losses and reserves. General start-up expenses for generating and maintaining business income are normally deductible.

Interest expenses on external loans are fully deductible, whereas interest paid to affiliated companies are deductible only if an exception applies under the Swedish interest stripping restrictions and if the arm’s-length principle is respected. Bad debts are deductible if they are proven wholly or partially worthless, while charitable contributions are generally non-deductible.

Certain items such as profit distributions, entertainment expenses exceeding a certain amount and taxes are non-deductible. Double taxation relief is provided for Swedish companies that are taxed abroad. Foreign tax credit may not exceed the amount of Swedish income tax attributable to the foreign-sourced income.

Land improvements may be depreciated at the rate of 5%/year of the acquisition cost, buildings at rates between 2% and 5%/year of the taxable basis.

Net operating losses can be carried forward indefinitely, except in the case of a direct or indirect change in the ownership structure of the company. The carryback of losses is technically not permitted; however, the tax allocation reserve (“periodiseringsfond”) allows companies to offset their incurred losses by profits of previous years (capped at 30% of the income before taxes in a tax year).
**Other Corporate Taxes**

The annual real estate tax rate on business premises ranges from 0.2% to 2.2% of the tax assessed value (determined by tax authorities based on the information provided by the owner on their property). The rate is usually lower for industrial property (around 0.5%).

For the transfer of real properties, a stamp duty of 4.25% is levied on the acquisition value or the value estimated by tax authorities (the highest value is used for the calculation) when the transferee is a legal person. The rate varies between 0.4% and 2% for mortgages.

Mandatory social security charges payable by employers on remuneration to employees (or by the self-employed) are levied at 31.42%. Reduced rates (0% or 10.21%) are applicable for people born between 1938-1953. Pension benefits beyond the mandatory system are customary amongst most Swedish employers. A special salary tax is levied at around 24% on these additional pension premiums/commitments and is deductible for corporate tax purposes.

Various environmental taxes have been introduced in recent years, including the energy tax, carbon tax and sulphur tax.

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**Other Domestic Resources**

**Swedish Tax Agency**

Consult Doing Business Website, to obtain a summary of the taxes and mandatory contributions.

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**Double Taxation Treaties**

**Countries With Whom a Double Taxation Treaty Have Been Signed**

**Swedish Tax Treaty Network**

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**Withholding Taxes**

Dividends: 30% (non-resident); Interests: 0%; Royalties:0%/21.4% (for Swedish-sourced royalties paid to foreign recipients)