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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

The median age of the population, 41.2 years in 2022, is increasing slightly but remains relatively stable (Data Reportal). Some 18% of the population is under 15 years old and 20% is 65 years old or older (World Bank, 2021). The population growth rate is 0.5% in 2022 (CIA). On average, there are 1.5 persons per household, 71% of households are composed of people living alone and 22.8% are couples with or without children (Eurostat, 2020). There are approximately as many men as women in Sweden with 88.5% of the population living in urban areas (CIA, 2022). 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 1.659 million inhabitants in 2022 (CIA). In Sweden, 84% of adults aged 25-64 have completed upper secondary education, higher than the OECD average of 79%. This is truer of women than men, as 83% of men have successfully completed high-school compared with 85% of women (OECD, 2021). Of the active population, 31.7% are professionals, 18.3% are technicians, 16.5% are sales and service employees, 8.9% are craftsmen and skilled workers, 6.7% are managers, 5.9% are clerks, 5.3% are operators and assemblers, 4.2% occupy intermediate professions, 2% are farmers and 0.3% are military (ILO, 2021).

Purchasing Power

The GDP per capita PPP is USD 59,324, according to the latest World Bank figures. Swedish people earn USD 47,020 per year on average, less than the OECD average USD 49,165. In Sweden, the average household net adjusted disposable income per capita is USD 33,730 a year, higher than the OECD average of USD 30,490. Household consumption dropped during the COVID-19 pandemic, but rebounded since 2021. In May 2022, household consumption grew by 5.2% compared to May 2021, measured in volume, working day adjusted (Statistics Sweden). The Gini index is relatively low at 29.3 though it is increasing (World Bank). According to OECD data, in Sweden, the gender pay gap stands at 7.4% (the average gender wage gap in the OECD is 11.7%). Women's average monthly salaries in Sweden are 90% of men's – 95% when differences in choice of profession and sector are taken into account (Statistics Sweden, 2020).

Consumer Behaviour

Sweden is a progressive and forward-looking country, and consumption patterns reflect both individuality and equality. Swedes are discerning in how they consume, valuing function and quality as much as design and branding in their purchasing decisions. Nonetheless, price is one of the main factor in purchasing. Other factors that may be involved in purchase decisions are the seller's know-how and the after-sales service. Swedish consumers are increasingly less loyal to brands. The Covid-19 pandemic boosted online shopping. E-commerce increased by 20% in 2021, generating revenues worth USD 15.5 billion (ecommerceDB).

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.

The use of social media and mobile communication is high. There were 9.88 million internet users in Sweden in

January 2022. Internet penetration in Sweden stood at 97% in January 2022, whereas social media penetration in Sweden stood at 90.8% (Data Reportal). Facebook is by far the most used network. Among the ways to make buying decisions, following influencers is the most important. Overall 44% of Swedes trust authorities to protect their personal data.

Following the outbreak of the COVID-19, consumers try to decrease spending. 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. In 2021, the organic products market was worth USD 1.138 billion and per capita expenditure was USD 109.62 (Organic Trade Association). 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. Around three quarters of Swedish consumers say that they are impacted by sustainability issues when purchasing goods or services. The use of collaborative platforms such as Airbnb, Uber, is widespread among Swedish consumers. 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

The official model for written declarations to customs is the [Single Administrative Document \(SAD\)](#). The SAD serves as the EU importer's declaration. It encompasses both customs duties and VAT and is valid in all EU Member States.

As part of the "SAFE" standards advocated by the World Customs Organisation (WCO), the European Union has set up a system of import controls- the "Import Control System" (ICS)- which aim 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 Programme eCustoms, has been in effect since 1 January 2011. Since then, operators are required to fill out 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. The EU recently introduced a new import control system called ICS2

to implement the EU customs pre-arrival security and safety programme.

Non-agricultural goods entering EU territory must adhere to customs formalities (ENS). This declaration must be carried out by the person bringing the goods to the territory. The Summary Declaration can be made electronically or on a form provided by the customs authorities. The deadline for lodging the ENS depends on the mode of transport carrying the goods.

Since July 1, 2009, all companies established outside of the EU are required to have an EORI number if they wish to lodge a customs declaration or an Entry/Exit Summary declaration. Once a company has received an EORI number, it can use it for exports to any of the 27 EU Member States.

Customs duties are the same for all EU member states. A value-added-tax (VAT), on the other hand, is established by the tax authorities of each member country, and differs for each country. Most goods imported to Sweden are subject to a VAT. The general VAT rate is 25 percent, with a lower rate of 12 percent for food and certain services and 6 percent for books and periodicals.

Goods in transit only need a single EU transit document.

Inward processing is free of customs treatment. This procedure allows raw material (non-Union good) to enter temporarily without customs fees if it will be processed (or repaired) and re-export the finished products out of the EU territory. In this case, the importer gives a guarantee (from an insurance company or bank) equal to the amount of customs duties that would have been due on the imported raw material. This guarantee will be reimbursed when the final product is exported. This process also applies to goods planned to be re-exported. Only goods sold in the EU market are eligible to import duty and taxes.

For outward processing, duties and taxes apply only to the value added during the process. Only firms located in Sweden or in the EU may take advantage of this measure.

Check the website of the [EU Customs Union](#) periodically for updates. For more information, please visit the [Swedish Customs website](#).

Specific Import Procedures

The Union Custom Code - adopted on 9 October 2013 as Regulation (EU) No 952/2013 - Title V provides for the following customs simplifications:

- Simplified declaration (Article 166 UCC)
- Centralised clearance (Article 179 UCC)
- Entry in the declarant's records (Article 182 UCC). This type of customs declaration is not allowed for all customs procedures (e.g. exclusion of transit).
- Drawing-up of customs declarations for goods falling under different tariff subheadings (Article 177 UCC)
- Self-assessment (Article 185 UCC)

Distribution channels

The Swedish market-place has traditionally been dominated by domestic brands and by a small number of large chains, especially in the high-volume clothing, furniture and food retail segments. It has therefore remained relatively untapped by international retailers. Two examples of this are Swedish H&M, the second largest apparel retailer in the world, and IKEA, the world's largest furniture retailer. However, in recent years many international brands have entered the Swedish retail market. According to Retail Guide Sweden 2021-2022, the retail turnover (e-commerce and physical trade) reached SEK 824 billion in 2020. The growth rate in retail sales was 3.5%, and it is estimated that one third of total household expenditure is spent on retail. E-commerce is showing strong growth (+40% in 2020), the turnover reached SEK 130 billion in 2021. Internet retailing emerged as the most important trend within non-grocery retailing, but it was still a minor part of overall grocery retailing (4% in 2020). The major players are ICA and Coop. In 2020, sales of food and beverages amounted to SEK 325 billion, up by 6.6% compared to 2019 (Statistics Sweden). According to Ibis World, supermarkets and grocery stores in

Sweden generated EUR 29 billion in 2022.

Climate change is one of the single greatest issues engaging Swedish consumers, and they are increasingly expecting brands to commit actively to sustainable development. There has been a booming demand for organic and other premium alternatives. 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. 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 exhibit slower performance than supermarkets 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, display varying performances: Forecourt retailers continue to struggle due to the comparatively high prices charged; Convenience stores perform 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.

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 accounting for around 90% of sales:

- Ica Sveridge AB (Ahold group)) with about 52% market share in 2020. The Swedish grocery retail group ICA operated almost 1,300 stores in the country, with an operating profit of approximately 4.2 billion Swedish kronor.
- Axfood AB with 20% market share; it specialises in 'soft discounts', i.e. very large discount stores.
- Coop Sveridge AB (KF) with 20% market share in 2020.
- Bergendalhs group with 5.3% market share in 2019
- Lidl with 5.1% market share in 2019

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): Minimum SEK 25,000.

Shareholders and liability: Liability is limited to the amount of capital contributed.

Public limited company

Number of partners: At least three directors

Capital (max/min): Minimum SEK 500,000

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: Unlimited for active partners, limited for sleeping partners.

Setting Up a Company	Sweden	OECD
Procedures (number)	4.0	5.2
Time (days)	7.5	9.5

Source: Doing Business - Latest available data.

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 [Statistics Sweden](#), the average gross monthly wage was about SEK 37,100 in 2021.

Social Contributions

Social Security Contributions Paid By Employers: Swedish social security contributions for employed personnel are payable by the employer at a rate of 31.42 percent of the gross salary. There are no upper limits in respect of employer contributions.

Social Security Contributions Paid By Employees: Swedish social security contributions are payable by the employee at the rate of 7 percent of the net earned income with a cap at an annual income of SEK 572,970 (maximum contribution SEK 40,100).

Intellectual Property

National Organisations

The organisation responsible for the protection of intellectual property in Sweden is the [Swedish Patent and Registration Office](#).

Regional Organisations

Patent Protection: the [European Patent Office](#)

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)

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; artists' own sales of works of art.

Lowest rate of 6%: domestic passenger transport; books (including e-books); newspapers and some periodicals; admission to cultural events (excluding cinema); writers and composers; admission to sports events; use of sports facilities.

Zero-rated: 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.

For a detailed list of items subject to reduced rates, consult [Skatteverket's website](#).

Other Consumption Taxes

Customs tariffs are only applied to goods from non-EU states. Sweden applies excise duties on alcohol, tobacco, fuel and electricity. Fuels are subject to energy tax, carbon dioxide tax, and sulphur tax.

Certain electronics and household appliances are also subject to excise taxes.

Sweden also levies a [carbon tax](#).

Corporate Taxes

Company Tax

20.6%

Tax Rate For Foreign Companies

A company is considered resident if it is incorporated under Swedish Companies Act. Under 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.

Capital Gains Taxation

Capital gains from a business-related sale of shares in a resident company are generally tax-exempt (conversely, losses are not deductible). 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 20.6%.

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.

Generally, interest payments made to related companies can be deducted if certain conditions are met. These conditions include the true lender being a resident in the European Economic Area (EEA), a jurisdiction with a comprehensive double taxation agreement, or being subject to a minimum tax rate of 10% on the interest earnings. The deduction for negative net interest related to internal and external loans in the corporate sector is limited to 30% of EBITDA.

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. A 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, and buildings at rates between 2% and 5%/year of the taxable basis. The maximum allowance is 100% of the tax basis of the improvement/building.

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 not permitted.

Other Corporate Taxes

Business premises are subject to an annual real estate tax rate of 1% based on the assessed value of the property. However, for industrial property, the tax rate is reduced to 0.5%. Different tax rates apply to special property categories.

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, the carbon tax and the sulphur tax.

Other Domestic Resources

[Swedish Tax Agency](#)

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Swedish Tax Treaty Network](#)

Withholding Taxes

Dividends: 0 (residents and non-resident individuals)/30% (non-resident companies, exceptions may apply);
Interests: 0%; Royalties: 0%.

