



STARTING A BRANCH

OPERATING GUIDE

A foreign-based company can begin business activities in Sweden without opening a subsidiary by starting a branch. The branch is legally a part of the foreign-based company and has no individual share capital.

A BRANCH - THE BASICS

A branch (*filial*) is not a separate legal entity but a part of the foreign-based company – a divisional office. It is subject to Swedish law and the decisions of Swedish authorities on legal matters arising in connection with its business activities in Sweden.

A foreign-based company can only have one branch in Sweden. A branch is independently run in Sweden in compliance with the Foreign Branch Offices Act (*Lag 1992:160*).

A branch has no share capital; its assets and liabilities are part of the total assets of the foreign-based company. However, the branch keeps its own accounting records and must hold these separate from the foreign-based company.

In Sweden, a branch needs to have a managing director who is resident in the European Economic Area (*EEA*). Exceptions from these requirements may be granted by the Swedish Companies Registration Office (*Bolagsverket*).

If the managing director of the branch does not reside in the EEA, the foreign company must authorize a person resident in Sweden to receive service of process on the branch's behalf. The person does not need to be employed by the branch but must be registered with Bolagsverket.

The managing director is responsible for the branch's operations and will have a power of attorney from the

foreign-based company authorizing him or her to act on behalf of the company in all matters concerning its activities in Sweden, to accept process on the company's behalf, and to be the company's legally responsible representative in Sweden.

REGISTERING A BRANCH

A company seeking to register a branch in Sweden must be registered as a legal entity in its country of origin. Registering a branch will require certain documents from the foreign company, that is not needed when starting a limited liability company. The registration process may therefore be more time consuming.

The first step is to submit an application for registration of a branch to Bolagsverket. The application should contain detailed information on the foreign-based company, including a certificate of incorporation for the foreign-based company as well as copies of the foreign-based company's two latest annual reports. In addition, it should include a certificate that the foreign-based company is not bankrupt, a power of attorney for the managing director of the branch and proof that the persons signing the power of attorney are authorized to do so.

The branch can be registered once all the necessary information has been provided and approved and the registration fee of SEK 2,000 has been paid.

When the registration procedure is complete, the branch receives a registration number composed of ten digits.



IN BRIEF

- ▶ Straightforward registration procedure
- ▶ No share capital required to open a branch
- ▶ A branch is treated as the divisional office of a foreign-based company
- ▶ Not a separate legal entity

This serves as its identification number and remains as long as it exists. The registration number should be printed on the branch's letterhead, invoices and order forms.

Branches of banks and insurance companies

Foreign banks and other financial institutions with branches in Sweden must in addition to registering with Bolagsverket also have an authorization from the Swedish Financial Supervisory Authority (*Finansinspektionen*).

Service companies with temporary business activities in Sweden

A foreign company within the EEA delivering services as described in the EU Services Directive need not register a branch in Sweden. This only applies if the enterprise conducts temporary business activities in Sweden.

REGISTERING THE BRANCH NAME

The name of a branch in Sweden should include the word *filial*. The branch name is registered with the branch register kept by Bolagsverket. Please note that the registration may be delayed if the proposed name of the branch is too similar to a name, a trademark already registered with Bolagsverket, a family name or in any other way inappropriate or misleading.

REGISTERING FOR TAX

Branch tax rules are similar to those for limited liability companies (*aktiebolag*).

The branch registers for taxes and as an employer with the Swedish Tax Agency (Skatteverket). This is done by completing a Notification of Tax and Contributions Liability Form (*Skatte- och avgiftsanmälan*).

Once registered, the branch will automatically be sent all the documents, VAT and PAYE returns and information required to account for and pay VAT, income tax and social security contributions.

EU/EEA COUNTRIES

EU member states

Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

EEA countries

The EEA consists of the EU member states and Iceland, Norway and Liechtenstein.

ACCOUNTING GUIDELINES

All companies that carry on a business activity are required to maintain accounting records under the Swedish Accounting Act (*Bokföringslagen*) and to comply with generally accepted accounting principles.

A branch keeps its own accounting records in Sweden and holds these separate from the accounting records of the foreign-based company. In terms of the finalization and filing of accounting records, certain differences exist between branches of foreign companies which are subject to the legislation of a state in the EEA and those that are not.

Branches of companies in the EEA

- ▶ Branches of companies in the EEA that are comparable with a Swedish limited liability company must file the foreign-based company's annual report with Bolagsverket. No separate annual report for the branch is necessary.
- ▶ Companies in the EEA that are not comparable with a Swedish limited liability company must file the foreign-based company's annual report and a separate annual report for the branch with Bolagsverket.

Branches of companies outside the EEA

Companies outside the EEA must file the annual report for the foreign-based company and a separate annual report for the branch with Bolagsverket.

AUDITING GUIDELINES

A branch needs to have an auditor if it meets at least two of the following criteria, for each and every one of the two most recent financial years:

- ▶ Average of more than 3 employees
- ▶ A balance sheet total exceeding SEK 1.5 million
- ▶ Annual net sales exceeding SEK 3 million

The auditor of the branch must be a certified accountant. If a registered accounting firm is appointed as auditor, the name of the auditor with principal responsibility must be stated. The Swedish Supervisory Board of Public Accountants (*Revisorsnämnden*) sets the qualifications for certified accountant status.

ANNUAL TAX RETURN

The branch must submit an annual tax return to Skatteverket for the income derived from its business activities. A branch is subject, for instance, to Swedish corporate income tax.

USEFUL CONTACTS

GOVERNMENT AGENCIES**Swedish Companies Registration Office
(Bolagsverket)**

SE-851 81 Sundsvall
+46 771 670 670
www.bolagsverket.se

The Swedish Companies Registration Office is the government agency that registers new companies as well as changes in established companies and receives annual accounts, etc.

Swedish Tax Agency (Skatteverket)

SE-171 94 Solna
0771 567 567 (from Sweden)
+46 8 564 851 60 (from abroad)
www.skatteverket.se

The Swedish Tax Agency is the government agency for taxation, tax collection and national registration of residents.

**Supervisory Board of Public Accountants
(Revisorsnämnden)**

Karlavägen 104
Box 24014, SE-104 50 Stockholm
+46 8 783 18 70
www.revisorsnamnden.se

The Supervisory Board of Public Accountants is a government agency that handles matters relating to chartered accountants and chartered accounting firms.

FURTHER INFORMATION

At www.business-sweden.se

- ▶ Starting a business in Sweden – an introduction
- ▶ Running a business in Sweden – an introduction
- ▶ Corporate taxes in Sweden
- ▶ Business costs and prices of key services