

Sweden introduces tax deductions for investors

Written by Johan Nylander

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The Swedish government has launched several tax measures in a bid to attract international businesses and investors, including cutting corporation tax below the EU and OECD average.

Now the government plans to introduce new tax deductions for investors in small companies.

Those who obtain shares in a small company will be eligible for a deduction of up to 50 percent of the cost of acquiring the shares. The deduction has a maximum limit of 650,000 kronor (\$100,000) per individual per annum and a maximum investment of 1.3 million kronor.

"Reduced corporation tax and the proposal for an investment deduction strengthen Swedish competitiveness and makes Sweden more attractive to domestic and foreign investors," Finance Minister Anders Borg said in an opinion piece.

Isabella de Feudis, acting CEO of Swedish Private Equity & Venture Capital Association in Stockholm, welcomed the tax deduction, but hoped that it would be extended to include corporate investors, and that the maximum limit would eventually be increased. She pointed out that many Stockholm based startups are financed by venture capital.

"Stockholm is attractive in many ways. Here you'll find an entire network for start-ups," she said. "Stockholm is significantly more reliant on operational capitalisation and capital imports than other parts of Sweden."

In a move to attract business investment, create new jobs and prevent companies from leaving the country, the government slashed corporate tax to 22 percent from 26.3 percent at the turn of the year.

The Wall Street Journal said the Swedish tax cut would strengthen the country's competitiveness: "...it will leave famously high-tax Sweden with one of the lowest corporate tax rates in Western Europe," the influential newspaper said.

This tax deduction proposal is expected to take effect from 1 September 2013 and will require clearance from the European Commission.

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