

"Sweden's smallest businesses want growth: New rules for recapitalisation are required now", writes Camilla Littorin, Secretary general of the Swedish Federation of Small Businesses.



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The Swedish Federation of Small Businesses (FöretagarFörbundet), which represents 35,000 small businesses in Sweden, asked 1,454 small business owners whether they need external capital input to expand their companies. Business owners from one in three companies, of up to nine employees, answered that they would like to take in external capital in order to grow. Half of expanding companies - those that have been running a couple of years - were interested in recapitalisation. Interest was slightly higher among businesswomen than businessmen.

But at present, it is difficult for smaller companies to attract new capital into their operations. Most therefore access their own and their family's savings. It goes without saying that there are major limitations in this approach together with the entrepreneur risking their own personal finances. In order to nurture the strong interest in, and demands for, growth, new rules must be introduced to enable easier access to capital.

The Swedish Federation of Small Businesses sees three concrete solutions to the problem:

Free up internal capital: let start-ups reinvest the first years' profit

Capital needs are strongest during the early stages of a business' life. It is therefore important that profit is allowed to stay within the company in order to stimulate growth. Our proposal, which we call start-up funding, means that new firms should be able to place 100 percent of annual profits into tax allocation, to a total of five times the registered share capital.

Increase credit rating: introduce tax credits which strengthen the company's tied-up

'Difficult for small firms to attract new capital'

Written by The Swedish Wire

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capital

Swedish small businesses often have low equity. Creditworthiness is subsequently low. This means in turn that it is difficult to get loans. Our proposal, which we call extraordinary consolidation opportunity, is an allowance of up to 20 percent of corporation tax. The tax which the company becomes exempt from is then converted into tied-up equity capital. The right to the allowance ceases when the restricted equity amounts to 50 price base amounts (SEK 2,120,000 at 2010 rates).

Increase the amount of venture capital: introduce tax incentives for individuals who invest in small businesses

Since larger funds do not invest in unlisted companies small businesses miss out on venture capital. Our proposal, which we call risk capital deduction, means that individuals who buy shares in a rights issue in an unlisted company can make a tax deduction on their tax return. This would represent 20 percent of the purchase price of the shares. Maximum tax reduction would be SEK 100,000 per year.

In addition, Almi's (the Swedish state owned listed company offering support and advice to new start-ups - ALMI Företagspartner AB) lending terms should become more competitive compared with the banks' offers. Today, Almi's offers are often worse, in terms of both interest rates and repayment terms. A thorough review of the state's credit assistance to small businesses in Sweden is required.

By enabling these, the smallest companies, the opportunity to develop and grow, important jobs can be created leading to increased prosperity for the whole country.

Camilla Littorin

Secretary general, the Swedish Federation of Small Businesses ([FöretagarFörbundet](#))

About the survey:

The survey was conducted by the Swedish Federation of Small Businesses member panel. Of the 1,457 respondents to the online survey 80 percent were entrepreneurs with a maximum of nine employees.