



STARTING A PRIVATE LIMITED LIABILITY COMPANY

OPERATING GUIDE

A limited liability company is the structure that foreign enterprises most often use when setting up business activities in Sweden. Investors can purchase a limited liability company off-the-shelf or form the company themselves. Either way, it is a quick procedure.

LIMITED LIABILITY COMPANIES – THE BASICS

A limited liability company (*aktiebolag*) is a legal entity that draws a clear distinction between the company and its owners. It can enter into contracts and own property, such as real estate, and other assets. It can also be a party in legal proceedings. A limited liability company has a registration number composed of ten digits. This serves as its identification number and remains as long as it exists.

There are two forms of limited liability company: private and public. Certain differences exist between them in terms of applicable regulations. Since the vast majority of international companies choose to set up a private limited liability company, that is the focus of this guide.

Private limited liability companies

A private limited liability company cannot offer its shares to the public on the stock exchange, any other organized marketplace or to a broader group of people. Minimum share capital is SEK 50,000.

FORMING A LIMITED LIABILITY COMPANY

Very few companies choose to go through the process of forming a limited liability company themselves and therefore that process will not be described in this fact sheet.

BUYING A LIMITED LIABILITY COMPANY OFF-THE-SHELF

The easiest and most common way to set up a private limited liability company in Sweden is to use an “off-the-

shelf” solution provided by a company agent or law firm. Many business services firms have this readily available, enabling a fast start-up process.

Using an off-the-shelf solution gives quick access to a brand new, pre-registered limited liability company that has not previously traded or been engaged in commercial activity. The off-the-shelf solution means that the company can start business as soon as the share purchase agreement is signed and, the share capital (minimum SEK 50,000) is transferred to a bank account specially opened for the company. Once this is confirmed, a general power of attorney is received by the shareholders enabling them to act on the company’s behalf.

The new shareholders must then hold an extraordinary general meeting to change the articles of association to reflect the nature of the business (see “Articles of association”, below) and to appoint a new board of directors, decide the company’s new name (see “Registering a company name”, below) and elect a chairman of the board of directors and a managing director, where applicable. The changes must be registered with the Swedish Companies Registration Office (*Bolagsverket*).

The cost associated with purchasing a pre-registered limited liability company off-the-shelf is generally SEK 10,000–25,000+, depending on the services provided.

The vast majority of foreign companies that set up a limited liability company use the off-the-shelf solution.



IN BRIEF

- ▶ Off-the-shelf solution an easy way to start
- ▶ Shareholders may reside in any country
- ▶ No personal liability for shareholders

Articles of association

The articles of association must always include:

- ▶ The company name
- ▶ The location in Sweden of the registered office of the company
- ▶ The object of the business
- ▶ The share capital
- ▶ The number of shares
- ▶ The number of board members
- ▶ The number of alternate board members
- ▶ The number of auditors (if appointed)
- ▶ How the general shareholder's meetings will be convened
- ▶ The financial year

If there is a need to prevent unwanted share transfers, three types of provisions in the articles of association are allowed to limit the unrestricted transferability of shares; the post-sale purchase right clause (most common), the right of first refusal clauses and the consent clause.

“THE SWEDISH PEOPLE ARE INNOVATIVE AND ON TECHNOLOGY’S CUTTING EDGE. WE HIGHLY RECOMMEND SWEDEN AS A MARKET FOR FOREIGN INVESTMENT.”

CANNING FOK, MANAGING DIRECTOR,
HUTCHISON-WHAMPOA GROUP

Registering a company name

The company name is registered with Bolagsverket to ensure it will not be taken by another business. The name protection for a limited liability company is valid for Sweden and for the business activity that the company has registered. Certain rules apply when applying for company names. The name must not be similar to any other registered company name or trademark; it must not be misleading; and it must do more than merely describe the business activity. All company names also include the Swedish word for limited liability company, *aktiebolag*, or its abbreviated form, *AB*.

Registering for tax

Companies register for tax by filling in a Notification of Tax and Contributions Liability form (*Skatte- och avgifts-anmälan*) and sending it to the Swedish Tax Agency (*Skatteverket*).

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

BOARD OF DIRECTORS AND MANAGING DIRECTOR

In a private limited liability company the board of directors may consist of one or more board members. If less than three board members at least one deputy board member must be appointed. The number of board members and deputy board members must be stated in the articles of association (*bolagsordning*).

A managing director is not mandatory in a private limited liability company but the board of directors may appoint a managing director if it wishes. The chairman of the board of directors of a private limited liability company may also serve as managing director.

The duties of the board of directors vary according to the size of the company and whether a managing director has been appointed. The board of directors is in charge of the organization and management of the company and appoints the managing director.

The board of directors convenes the general meeting of shareholders and decides who is authorized to represent the company (power to sign). If the board of directors comprises more than one member, a member must be appointed as chairman. This person leads the work of the board and ensures that the board performs its duties.

The name of the chairman of the board must be reported to Bolagsverket.

Rules of procedure for boards of directors

The board of directors is responsible for ensuring that taxes are paid in due time and that annual accounts are prepared and filed with Bolagsverket. The board must also report any changes in the company. The board's responsibilities are extensive and its members may in certain circumstances be held personally liable for the company's debts.

Power to sign

If no individual is registered as having power to sign, the board of directors is entitled to sign on the company's behalf. In such cases, more than half of the board members must sign jointly. Other rules may apply in other context.

EEA residence

The following persons must be resident within the European Economic Area (EEA):

- ▶ At least half of the board members
- ▶ At least half of the deputy board members
- ▶ The managing director
- ▶ The deputy managing directors
- ▶ At least one of the specially authorized signatories

If these conditions can not be met, the company may apply to Bolagsverket for special dispensation.

If the company has no authorized representative resident in Sweden, the board of directors must authorize a person resident in Sweden to receive service of process on the company's behalf. This person must be registered with Bolagsverket. The person needs to reside in Sweden but does not need to be employed by the company.

SHAREHOLDERS AND SHARE REGISTER

Shareholders may reside in any country. The board of directors must draw up a share register and a list of shareholders. The share register is a public document and must be kept available to the public at the company's office. When a share is sold, the new shareholder must be entered into the share register. Bolagsverket does not register the ownership of the shares.

ACCOUNTING GUIDELINES

All companies that carry on a business activity are obliged to maintain accounting records under the Swedish Accounting Act (*Bokföringslagen*) and to comply with generally accepted accounting principles. Annual accounts are to be filed with Bolagsverket within seven months of the end of the financial year.

Failure to submit accounts in time results in a fine. If the annual accounts and audit report have not been filed 11 months after the end of the financial year, Bolagsverket may liquidate the company.

AUDIT GUIDELINES

The role of the auditor is to ensure that the company's management complies with the Companies Act (*Aktiebolagslagen*) and articles of association. The auditor may never keep the company's accounts.

Only a certified accountant and public accounting firms registered by the Supervisory Board of Public Accountants (*Revisorsnämnden*) may audit limited liability companies.

A limited liability company 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

A limited liability company must appoint a qualified auditor who has passed professional competence examinations if the company meets one or more of the following main criteria:

- ▶ Average of more than 50 employees in past two years
- ▶ A balance sheet total exceeding SEK 40 million in past two years
- ▶ Annual net sales exceeding SEK 80 million

Public limited companies, financial companies and companies with a special dividend restriction must always have a qualified auditor.

Annual tax return

The company must submit an annual tax return for the revenue derived from its business activities.

FINANCIAL YEAR

The financial year of a limited liability company covers 12 months. The first financial year begins on the day the company is registered, even if the company does not engage in active business until a later date. The company's financial year is stated in the articles of association.

A financial year may be identical with a calendar year or it may be split over two calendar years. Hence, a company can choose the month in which its financial year will start.

It is permissible to have a financial year of less than 12 months or to extend the financial year to a maximum of 18 months when a company is formed or changes its financial year.

DOCUMENTS TO BE FILED ANNUALLY WITH BOLAGSVERKET

- ▶ Annual accounts – including balance sheet, income statement, directors' report, additional notes to the directors' report and financial statements. Large companies must also submit a cash flow statement
- ▶ Audit report, when needed
- ▶ Minutes of the general meeting of shareholders, if the meeting has adopted a dividend payment resolution
- ▶ Consolidated accounts and audit report for the majority of parent companies, if the company is part of a group

All documents must be in Swedish. Annual accounts must be signed by all board members and, where applicable, the managing director.

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