EFC LEGAL AND FISCAL COUNTRY PROFILE
The operating environment for foundations

SWEDEN – 2014
The operating environment for foundations

Drafted by EFC Secretariat in cooperation with Carl Hemström and Magdalena Giertz, University of Uppsala and Henning Isoz, Stiftelsetjänst

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I. Legal framework for foundations

1. Does the jurisdiction have a basic legal definition of a foundation (Description where applicable)? What different legal types of foundation exist (autonomous, non-autonomous without legal personality, civil law, public law, church law, corporate foundations, enterprise foundations)?

The main regulation is the Foundation Act/Stiftelselag SL (1994:1220) that came into force on 1 January 1996. It covers so-called ordinary foundations/stiftelser i allmänhet, fundraising foundations/insamlingsstiftelser and collective agreement foundations/kollektivavtalsstiftelser.

The Foundation Act (SL) was last modified in 2009 (2009:244). The SL was accompanied by an introductory law/Lag om införande av stiftelselagen (1994:1221). Foundations that safeguard employee interests /tryggandestiftelser, such as pension and personnel foundations, are covered by a special Act from 1967 Lag om tryggande av pensionsutfästelse m.m. (1967:531).

According to Chapter 1 Art. 2 SL, which deals with the setting up of an ordinary foundation, a foundation is described as assets that are managed independently to pursue a specific purpose according to the deed of the founder.

There are two main categories of ordinary foundations: The largest group covers grantmaking foundations that receive their income from the return of invested assets/avkastningsstiftelse, the second group consists of operating foundations with some kind of project- or business-related activities/verksamhetsstiftelse.

2. What purposes can foundations pursue?

Foundations can pursue any legal purpose that the founder has specified.

3. What are the requirements for the setting up of a foundation (procedure, registration, approval)? What application documents are required? Are there any other specific criteria for registration?

One or more founders, individuals and/or legal entities can establish a foundation. Essential elements for setting up a foundation are the deed of the foundation and the transfer of property in accordance with the deed. The deed must in general be in writing and signed by the founder. It has to describe the purpose of the foundation and the assets. The assets have to be handed over to at least one individual or the administrator of the foundation who has promised to manage the assets in accordance with the wishes of the founder (Chapter 1 Art. 2 SL). The assets have to be sufficient to pursue the stated purpose for a period of at least five or six years.

In the process of establishment, no state approval is needed – a foundation receives legal capacity as soon as it is founded. The foundation has to be given a name containing the word stiftelse.

4. Is State approval required? (approval by a State Supervisory Authority with/without discretion? Registration with a state authority or court? Notarisation by a Notary public? )

No
5. Do foundations have to register? If yes, in what register?

As of 2010 all foundations have to register in a foundation register. The foundation register is kept by seven different regional authorities (länsstyrelser). The registration is, however, not a prerequisite for the foundation to obtain legal personality.

a) If foundations are registered, what information is kept at the register?

As of 2005, not only the address and telephone number of the foundation, and details of its board members or the administrator have to be included in the registry, but also detailed information on the auditor/revisor (see Chapter 10 Art. 2 SL).

b) If foundations are registered, is the register publicly available?

Yes

6. Is a minimum founding capital required? Is the foundation required to maintain these assets or any other specified asset level throughout its lifetime?

No. But concerning ordinary foundations it must be possible to promote the purpose not immediately but in the foreseeable future.

7. What governance requirements are set out in the law?

Two different forms of foundation management or administration exist according to the SL: Foundations under their “own management”/egen förvaltning and “attached management”/anknuten förvaltning. In the case of “own management” one or several individuals form a board and administer and represent the foundation. The board shall appoint a chair. Decisions are taken by simple majority if the statutes do not stipulate otherwise. In the case of “attached management”, a legal entity manages the foundation – this legal entity is the administrator/förvaltare of the foundation and acts through its governing body. The mandate of being administrator comes to an end once the administrator informs the supervision authority and the person who has appointed him, if this person can be reached.

a) Is it mandatory to have a supervisory board?

According to the Foundation Act - the board decides in all matters concerning the foundation. Therefore the Foundation Act has no rules about supervisory boards.

b) What are the requirements concerning board members? Is a minimum/maximum number of board members specified? What are the rules concerning appointment of board members? And their resignation/removal?

A board member may not be under age or in bankruptcy or have an administrator according to Chapter 11 Art. 7 the Children and Parents Code. There is no minimum/maximum number of board members specified in the Foundation Act. The board can appoint and dismiss members of the board if the statutes do not foresee a different regulation.

c) What are the duties and what are the rights of board members, as specified by national legislation?
According to provisions in Chapter 2 SL the board of the foundation represents the foundation and ensures that: The wishes of the founder, the statutes, and the law are respected; the assets are well invested; and the accounting is done according to the law. According to Chapter 2 Art. 6 SL, loans and loan guarantees to – among others – the founder or the management of the foundation may not be granted. Board members and administrators may receive reasonable remuneration. The board or the administrator must appoint someone with a residence in Sweden to be the recipient of information on behalf of the foundation in case there is no official representative of the foundation registered in Sweden (see Chapter 2 Arts. 16 a and 23 a SL).

d) What are the rights of founders? Can fundamental decisions, such as change of purpose, be made at the discretion of the founder? What are the legal requirements in such circumstances?

The founder must not be the sole member of the board. The founder has no possibility to make decisions about the foundation.

The founder may however, on behalf of the foundation, sue a board member in cases where the board member has in the discharge of his/her duties, either intentionally or negligently damaged the foundation. The founder can also appear in court to apply for the dismissal of a board member for negligence (Chapter 5 Art. 4 and Chapter 9 Art 6 SL).

e) What are the rights of beneficiaries (e.g. right of information)?

A prospective beneficiary may, on behalf of the foundation, sue a board member in cases where the board member has in the discharge of his/her duties, either intentionally or negligently damaged the foundation. The beneficiary can also appear in court to apply for the dismissal of a board member for negligence (Chapter 5 Art. 4 and Chapter 9 Art 6 SL). A beneficiary has no more access to information than the general public through the documents held by the supervisory authority.

f) What rules are in place to ensure against conflict of interest? What is the legal definition of a conflict of interest under your legislation? How is self-dealing prohibited?

In SL (Chapter 2 Art. 14), there are rules regarding conflicts of interest. Briefly, these imply that anyone who is a member of a foundation board must not enter into agreement with the foundation, or be involved in an agreement between the foundation and a third party, if the board member has substantial interest in the question concerned, which may conflict with the interest of the foundation. A similar provision regarding conflicts of interest exists for foundations with attached management (Chapter 2 Art. 21).

g) Can staff (director and/or officers) participate in decision making? How and to what extent?

The Board may delegate its decision-making to an employee, provided that no foundation decree/statutes prohibit this delegation. The Board may also invite an employee to attend its meetings, provided that this would be in line with the foundation decree/statutes. Such an invited employee may not, however, participate in the decision making.
8. Who can represent a foundation towards third parties? Is this specified in law or is it up to the statutes of the organisation?

Provisions on governance issues are stated in Chapter 2 SL. The board or the administrator of the foundation represents the foundation.

a) Do the director and officers have powers of representation?

The board of a foundation can authorise someone else to represent the foundation and sign in its name. Such authorisation must be recorded in the register of foundations. The Foundations Act does not provide for rules regarding the managing director, but there are employees with the title managing director with the power to decide in current affairs in the day to day activities of foundations, in particular in larger operating foundations.

9. Liability of the foundation and its organs

The assets of the foundation are liable for the debts of the foundation according to Chapter 1 Art. 4 SL. Board members, administrators and auditors can be held liable for damages if they have through wilful or negligent performance caused the foundation or different third parties economic damages (Chapter 5 SL). They can also be held criminally liable according to the Criminal Code if they have committed crimes. Board members, the founder, beneficiaries and the supervisory authority, among others, have the right to sue.

a) What is the general standard of diligence for board members? Does your country differentiate between voluntary (unpaid) and paid board members?

There is no general standard of diligence for board members stated in the Foundation Act. The Foundation Act does not differentiate between voluntary and paid board members.

But if a board member causes damage to a foundation when fulfilling her/his duties, the issue of having received a fee could be relevant for measuring the actual damage.

b) Is there a “business judgment rule”, giving a board member a “safe harbour”, if she/he (1) acts on an informed basis; (2) acts in good faith, (3) acts in the best interests of the corporation, (4) does not act out of self-interest (duty of loyalty concept plays a role here), and (5) is not wasteful?

No such safe harbour, but the circumstances mentioned will have an impact in a case concerning liability.

c) What is the liability of executive staff?

There is no provision in the Foundation Act concerning the liability of a managing director or other officials. An executive director and other officials are however liable, under tort law for pure economic loss through crime. In other cases, liability may arise for any errors or omissions in service pursuant to Chapter 4. 1 § Damages Act.

d) Can the founder modify the standard of diligence for board members in the foundation’s statutes?

A board member may not be under age or in bankruptcy or have an administrator according to Chapter 11 Art. 7 the Children and Parents Code. The founder may not modify these standards.
e) Can board members be held civilly and/or criminally liable in the following cases?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>Probably yes</th>
<th>Unclear</th>
<th>Probably no</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>The foundation distributes money for a purpose which is a public benefit purpose but not accepted in the foundation’s statutes.</td>
<td>X</td>
<td></td>
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<tr>
<td>The foundation loses its status of a tax benefit foundation (because one requirement in tax law was not fulfilled).</td>
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<td>X</td>
<td></td>
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</tr>
<tr>
<td>The foundation loses money because a board member has acquired some stocks in a company which unexpectedly went bankrupt.</td>
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<tr>
<td>The foundation sells immovable property to the spouse of a board member. The board member was unaware that the price was too low.</td>
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<tr>
<td>The foundation sells immovable property to a third person. The board member was unaware that the price was too low.</td>
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</tr>
</tbody>
</table>

10. Are economic activities¹ allowed (related/unrelated)? If so, is there a ceiling/limit on economic activities (related/unrelated)?

Foundations may engage in business activities. But this must be in line with the purpose for which the foundation was established. (foundations may nevertheless own real estate)

11. Are foundations permitted to be major shareholders?

A foundation may have a dominant influence over a public company only if it is in conformity with the foundation’s decree/statutes. A foundation’s subsidiary company, which may be assumed to be unlisted, is taxed separately.

¹ For the purposes of this profile economic activity can be understood as “trade or business activity involving the sale of goods and services”. “Related” economic activity is in itself related to and supports the pursuance of the public benefit purpose of the foundation. According to the above, normal asset administration by foundations (including investment in bonds, shares, real estate) would not be considered as economic activity.
12. Are there any rules/limitations in civil and/or in tax law regarding foundations’ asset management? What, if any, types of investment are prohibited?

According to the Foundation Act (Chapter 2 Art. 4), a foundation must invest its assets in an acceptable manner. The rule means that a foundation may not engage in speculative investments. There is however, now legal ban on investment in certain asset classes. The founder can provide rules how the assets should be invested – this approach would overrule the above provision for investing in an acceptable manner.

13. Are foundations legally allowed to allocate grant funds towards furthering their public benefit purpose/programmes which (can) also generate income? (recoverable grants; low interest loans; equities)

It is possible that a foundation is considered to pursue a public benefit purpose if the foundation, according to the foundation decree/statutes, shall lend money at a low return rate.

14. What are the requirements for an amendment of statutes/amendment of foundations purpose?

The main rule is that the board or administrator of a foundation may not change the rules of a foundation unless the Kammarkollegiet (a special public board) agrees if the change concerns the purpose of the foundation, rules on investment, form of management, regulations regarding appointment of board members, decision-making, remuneration, rules for accounts and audit, and the right to sue for damages (Chapter 6 Art. 1 SL). A change of the statutes is in this case allowed only if the specific regulation has become useless or incompatible with the wishes of the founder or for other special reasons (Chapter 6 Art. 1 SL).

Regulations that do not relate to the purpose of the foundation may also be amended if there are other special reasons and regulations that relate to the purpose may only be amended if there are particular circumstances. Changes on other points may be made if the supervision authority agrees.

If the founder has stated that the managing body should have the right to change, this is possible except as concerns the purpose which may never be changed unless the Kammarkollegiet agrees.

The government has the authority to change the rules of foundations created by the state, with the exception of their purposes (see Chapter 6 Art. 4 a SL).

15. What are requirements with regard to reporting, accountability, auditing?

a) What type(s) of report must be produced?

- annual financial report
- annual activity report
- public benefit/activity report,
- tax report/tax return,
- other reports e.g. on 1% schemes)

Foundations (such as foundations with assets of over 1.5 million Swedish Crowns, foundations that conduct business, and foundations set up by the state or municipality) will for each financial year prepare an annual report including an annual activity report, income statements, balance sheets and notes. The annual activity report shall in general terms describe how the purpose has been promoted during the past year.
Smaller foundations must make a statement of their accounts.

b) Must all/any of the reports produced by the foundation be submitted to the supervisory authorities? If so, to which authorities (e.g. foundation authority, tax authority)?

All foundations must submit an annual tax declaration to the tax office.

c) Are the reports checked/reviewed? By whom (supervisory/tax authorities)?

The supervision authority makes checks concerning the annual report and the tax authorities makes checks concerning the declaration.

d) Do any or all of the reports and/or accounts of foundations need to be made publicly available? If so, which reports and where (website, upon request)

Yes

A foundation's annual report should normally be submitted to the regional authority. Those who want to have access to the filed financial statements may ask for them. If the foundation is not required to submit its annual accounts to the regional authority, the person seeking access to accounts may make a direct request to the foundation. The statement of accounts of smaller foundations need only be submitted to the regional authority upon formal request of the authority. Everyone can ask the authority to do such a formal request. Media and the public are always able to get access to a foundation’s annual report or summary.

A foundation's tax declaration is not public.

e) What are the legal requirements concerning external audit? Is external audit required by law for all foundations?

All foundations must have at least one auditor.

f) By whom should audits be undertaken? Do requirements/guidelines exist regarding international and national auditing agencies and standards?

If there is no regulation on this in the statutes, the board or the administrator of a foundation appoints the auditor. As for the qualifications required of auditors, the SL states that no person may be appointed as auditor unless he has the knowledge and experience of accounting and financial matters that are needed to successfully audit a foundation of this kind and with the respective assets.

If a foundation is obliged to prepare an annual report, the SL states that at least one auditor must be either a qualified authorised public accountant or an approved public accountant. Depending on the number of employees (more than 50) or balance-sheet total (more than 25 million Swedish kronor – SEK, approximately €2.7 million) or yearly turnover (more than 50 million SEK, approx. €5.5 million), the requirements are still somewhat stricter.

The auditor has to ensure that general auditing standards are followed. The auditor should, for example, check whether the board or the administrator has invested and used the assets of the foundation in accordance with the statutes and the purpose of the foundation. The yearly audit report is delivered to the board or administrator of the foundation; the audit report is sent to the supervision authority (county government) if the foundation is obliged to send its annual report to that authority.
If the foundation is not required to submit its annual report to the supervisory authority, the person seeking access to the auditor's report must ask the foundation itself for the information.

16. Supervision (which authority – what measures / sanctions?)

The supervisory authorities are the seven county governments appointed by the national government. The authority has the power to act if the governing body or the auditor has not acted in line with the deed/statutes or the law according to Chapter 9 Art. 3 SL. The authority has the mandate to oversee the foundation (e.g. check of documents, participate in board meetings and make inspections) according to Chapter 9 Art. 4 SL. It may take action in certain cases (e.g. sue for damages and appoint board members) and give advice.

The authority may apply to the court for the dismissal of a board member who has neglected his duty or caused mismanagement according to Chapter 9 Art. 6 SL. If such an application is lodged at the court, the authority may discharge members of the board for the period until the court has made its decision.

In addition, the supervision authority may appoint an appropriate auditor in case the foundation has failed to do so.

Some foundations fall only under limited supervision, if the founder has decided that “his” foundation should be under limited supervision in the deed of the foundation (if the foundation is a parent foundation or is engaged in economic activities the founders will is not valid). In case of limited supervision, the authority has less competence.

a) Does the supervisory authority comprise of a public administrative body, a public independent body, a combination of a governmental body and a court, or a public body and an independent body?

The county government is a public administrative body.

b) What is the extent of the supervision? Does the body review reports and make inquiries? Are public benefit organisations subject to inspection?

The body review reports and make inquiries. The body has the mandate to inspect all kinds of foundations.

c) Is approval from the authority required for certain decisions of the Board of Directors?

The board must ask the supervisory authority to approve changes to the foundation's statutes pursuant to Chapter 6 § 3 SL (see also answer to question above “What are the requirements for an amendment of statutes/amendment of foundations purpose?” on page 5/6) and the depletion of its assets under Chapter 6. 5 § SL. A foundation can also request a preliminary decision by the authority as to whether a particular intended action is permitted or not. But this is done on a voluntary basis.

d) Is it mandatory to have a state supervisory official on the board?

No

e) What enforcement measures are in place (including compliance measures and sanctions for non-compliance) concerning registrations, governance, reporting, and public benefit status?

The supervisory authority/registration authority (with some very few exceptions, the same county government) may force members of a foundation's board or the administrator of the foundation to perform their duties in a proper manner.
17. When and how does a foundation dissolve?

A foundation can be declared bankrupt. In the event a foundation with economic activities is in a critical financial situation, the board or administrator has to prepare a special profit and loss account. If the account shows that the assets are less than debts, a petition for liquidation should be filed with the appropriate court. Special regulations on the liquidation of foundations with economic activities are found in Chapter 7 of the SL.

The dissolution of small foundations (provided they do not have any debts) is foreseen if they have not been able to pursue their purposes for the last five years and were set up at least 20 years ago (Chapter 6 Art. 5 SL). In case of dissolution, the assets have to be spent on the same purpose the foundation pursued or used for a similar one.

18. Under what conditions does the civil law in your country recognise a foreign foundation?

The main principle is that a foreign foundation is recognised as a legal entity, if it is recognised as a legal entity under the law of the country where the board is located or, if the law of the country requires that the foundation is registered to obtain legal personality, the law of the country of registration.

19. Does the civil law in your country allow a foundation to conduct (some or all) activities (grant-making, operating, asset administration, fundraising) abroad? Is there any limitation?

A Swedish foundation must be based in Sweden. This is the only rule on that question.

II. Tax treatment of the foundation

1. What are the requirements to receive tax exemptions (pursuing public benefit purposes, non-distribution constraint, being resident in the country?). Is there a special approval process for receiving tax exemption? If so does the process have to be repeated every year?

If a foundation has a public benefit purpose and uses its income mainly to pursue this purpose, the foundation can receive tax exemptions (Chapter 7 Art. 3-6 IL). There is no requirement that the foundation is based in Sweden.

2. What are reporting/proof requirements to claim tax exemptions? What does the foundation have to submit to the authorities (statutes, financial reports, activity reports, other?)

A foundation that wants to be exempt from income tax on interest, dividends and capital gains must seek such relief in its tax declaration.

3. Is specific reporting required for the use of state funds?

No.

4. Is there an obligation to report on donors and beneficiaries?

No.

5. Are there specific accounting rules for foundations?

For foundations covered by the Accounting Act specific regulations apply, but only for certain aspects.
6. Is there a statutory definition in the civil law (foundation law, trust law) of your country what a public benefit purpose (charitable purpose) is? If yes, please give us the definition.

No such definition exists.

7. Is there a statutory definition in the tax law of your country of what a public benefit purpose is? If yes, please give us the definition.

The public benefit purposes enumerated in Chapter 7 Art. 4 IL are: The well-being and upbringing of children; education; help to the needy; research; Nordic cooperation; and strengthening the defense of Sweden in cooperation with public bodies.

8. Please indicate whether the following purposes would or would not be accepted for tax privileges in your country:

<table>
<thead>
<tr>
<th>Public benefit purpose</th>
<th>Accepted in tax law (for tax privileges)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Arts, culture or historical preservation</td>
<td></td>
</tr>
<tr>
<td>Environmental protection</td>
<td>X</td>
</tr>
<tr>
<td>Civil or human rights</td>
<td></td>
</tr>
<tr>
<td>Elimination of discrimination based on gender, race, ethnicity, religion, disability, sexual orientation or any other legally prescribed form of discrimination</td>
<td></td>
</tr>
<tr>
<td>Social welfare, including prevention or relief of poverty</td>
<td>X</td>
</tr>
<tr>
<td>Humanitarian or disaster relief</td>
<td>X</td>
</tr>
<tr>
<td>Development aid and development cooperation</td>
<td>X</td>
</tr>
<tr>
<td>Assistance to refugees or immigrants</td>
<td>X</td>
</tr>
<tr>
<td>Protection of, and support for, children, youth or elderly</td>
<td>X</td>
</tr>
<tr>
<td>Assistance to, or protection of, people with disabilities</td>
<td></td>
</tr>
<tr>
<td>Protection of animals</td>
<td>X</td>
</tr>
<tr>
<td>Science, research and innovation</td>
<td>X</td>
</tr>
<tr>
<td>Education and training</td>
<td>X</td>
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<tr>
<td>European and international understanding</td>
<td></td>
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<tr>
<td>Health, well-being and medical care</td>
<td>X</td>
</tr>
<tr>
<td>Consumer protection</td>
<td>X</td>
</tr>
<tr>
<td>Assistance to, or protection of vulnerable and disadvantaged persons</td>
<td>X</td>
</tr>
<tr>
<td>Amateur sports</td>
<td>X</td>
</tr>
<tr>
<td>Infrastructure support for public benefit purpose organisations</td>
<td></td>
</tr>
</tbody>
</table>

Other – please list other purposes accepted in tax law for tax privileges in your country
9. Support of “the public at large”

a) Do the activities of a tax-exempt foundation generally have to benefit “the public at large”?

No, but if the benefit is limited to a small group of people, e.g. family foundations, no tax exemption will be granted.

b) If yes, can a tax-exempt foundation support a small number of disadvantaged/underprivileged individuals?

Examples: Do the following purposes promote the public at large?

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Yes</th>
<th>Probably yes</th>
<th>Unclear</th>
<th>Probably no</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>For benefit of the inhabitants of a city with 1,000,000 inhabitants</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For benefit of the inhabitants of a village with 10,000 inhabitants</td>
<td>X</td>
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<tr>
<td>For benefit of the employees of a company</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>For benefit of the members of a family</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>For benefit of the students of a university</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Award for the best student of a university</td>
<td>X</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

10. Non-Distribution Constraint

a) Does a tax-exempt foundation generally have to follow a “non-distribution constraint” which forbids any financial support of the foundation board, staff, etc?

Yes

b) What happens with the foundation’s assets in case of dissolution?

It should normally not be dissolved as long as it has any assets. See also question above on how and when a foundation dissolves.

11. “Altruistic” Element

a) Is remuneration of board members allowed in civil law and in tax law? If remuneration is allowed, are there any limits in civil law and/or in tax law?

Remuneration is allowed in civil law. No general limits in the law but the remuneration must be reasonable. The tax law does not have any regulation about this question.
b) Does tax law allow a donor/funder to receive some type of benefit in return for a donation? (e.g. postcards, free tickets for a concert)

Not really, but a pin or a postcard would be OK.

c) Is there a maximum amount that can be spent on office/administration costs in civil law and in tax law?

There is no regulation on this in the laws. But if a foundation seems to spend more than what is reasonable for administration the audit have to react and the supervisory authority. Also the tax authority has to react if the foundation claims tax exemptions.

Fundraising foundations are subject to special provisions (Chapter 11 Art. 2 a).

If yes, how are “administration costs” defined? Please indicate which of the following types of expenditures would/would not be considered as “administration costs”:

- Personnel costs (staff salaries/payroll costs)
- Board remuneration
- Costs of external audit
- Other legal/accounting costs
- General office overheads (rent/mortgage payments, utilities, office materials, computers, telecommunications, postage)
- Insurance
- Publicity and promotion of the foundation (e.g. website, printed promotional materials)
- Asset administration costs
- In the case of an operating foundation – costs related to programmes/institutions run by the foundation
- Costs related to fundraising

12. Hybrid Structures (elements of private benefit in public benefit foundations)

a) Does the civil law of your country accept the following provisions/activities of a public benefit foundation?

<table>
<thead>
<tr>
<th>The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, his spouse and descendants.</th>
<th>Yes</th>
<th>Probably yes</th>
<th>Unclear</th>
<th>Probably no</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>The founder retains a beneficial reversionary interest in the capital of a property or other asset for his own continuing use.</th>
<th>Yes</th>
<th>Probably yes</th>
<th>Unclear</th>
<th>Probably no</th>
<th>No</th>
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<table>
<thead>
<tr>
<th>The gift is of only the freehold reversion (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favor of the founder (or another member of her/his family) as tenant.</th>
<th>Yes</th>
<th>Probably yes</th>
<th>Unclear</th>
<th>Probably no</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A foundation distributes a (small) part of its income to the founder or his family.</th>
<th>Yes</th>
<th>Probably yes</th>
<th>Unclear</th>
<th>Probably no</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
b) **Does the tax law of your country accept the following provisions/activities of a tax-exempt foundation?**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Yes</th>
<th>Probably yes</th>
<th>Unclear</th>
<th>Probably no</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, his spouse and descendants.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>The founder retains a beneficial <em>reversionary</em> interest in the capital of a property or other asset to retain for its own continuing use.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>The gift is of only the <em>freehold reversion</em> (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favor of the founder (or another member of her/his family) as tenant.</td>
<td></td>
<td></td>
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<td></td>
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<td>A foundation distributes a (small) part of its income to the founder or his family.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

13. Distributions and Timely Disbursement

a) Are foundations allowed to spend down their capital?

Normally the statutes only allow the foundations to spend their return.

b) Are they allowed to be set up for a limited period of time only?

Yes, but a foundation cannot be set up for less than 5 or 6 years

c) Does the civil law and/or the tax law of your country require a foundation to spend its income (or a certain amount of the income) within a certain period of time, e.g. within the next financial year? If so, is there a specific amount/percentage of the income that must be spent within this time? Which resources would be considered as income? E.g. would donations/contributions designated as being for building up the endowment be included in/excluded from the income to be spent? What expenditures would count towards the disbursement of income (e.g. would administration costs be included/excluded)?

Civil law: No. But if the founder has decided that the foundation must spend a certain amount of the income the board must follow that regulation.

Tax law: Yes. A foundation has to use approximately 80% of its income during a period of at least five years on the pursuit of its public benefit purpose if it wishes to retain its favourable tax status.

d) Does the civil law and/or the tax law of your country require a foundation to spend a percentage of its overall assets in the form of a "payout rule"?

No
Example: Does the **civil law** of your country accept the following activities of a public benefit foundation?

<table>
<thead>
<tr>
<th>A foundation accumulates its income for 5 years, only in the 6th year are there distributions for the public benefit purpose of the foundation.</th>
<th>Yes</th>
<th>Probably yes</th>
<th>Unclear</th>
<th>Probably no</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Example: Does the **tax law** of your country accept the following activities of a public benefit foundation?

<table>
<thead>
<tr>
<th>A foundation accumulates its income for 5 years, only in the 6th year are there distributions for the public benefit purpose of the foundation.</th>
<th>Yes</th>
<th>Probably yes</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14. **Does activity abroad put the tax-exempt status at risk?**

The Swedish Tax Agency has argued that for some activities the public benefit must take effect in Sweden. This position has been repealed by the Supreme Administrative Court.

15. **Are there any civil and/or tax law rules regulating cross-border grants by a foundation? If yes, please provide a description of the requirements the foundation must fulfil in such cases.**

No.

16. **Income tax treatment**

Pension foundations are totally exempt from income tax, according to Chapter 7 Art. 2 IL. Foundations that fulfil the criteria of Chapter 7 Arts. 3-6 IL do not pay taxes on interest, dividends and capital gains.

In addition, a number of foundations and organisations of a special character are exempt from income tax except on business income (Chapter 7 Art. 15 IL). Arts. 16 and 17 IL list organisations and foundations that only pay income tax on income derived from real estate.

How are the following types of income treated for income tax purposes?

**Grants and donations**

Contributions/grants to a tax-exempt foundation are tax free. Gifts are received free of tax.

**Investment income (asset administration)**

- Interest from fixed rate bonds

Not taxed

- Equities

Not taxed
- Income from leasing of a property that belongs to the foundation

Taxable

Foundations that fulfil the criteria of Chapter 7 Arts. 3-6 IL do not have to pay taxes on capital gains.

**Economic activities related/unrelated)**

Income derived from business activities is taxable.

If the organisation is an association there is no taxation. According to the civil law a foundation is not allowed to have economic activity only for raising its income. But if the foundation according to the statues is running a hospital there will be no taxation. Incomes from running a museum or an opera according to the statues will on the other hand be taxed.

- Income from running a hospital/museum/opera – see above
- Income from producing/selling books (e.g. art books sold by a cultural foundation) - taxable
- Income from running a bookshop inside a museum/opera run by the foundation - taxable
- Income from running a café in the hospital/museum run by the foundation -taxable
- Income from selling T-shirts (activity not related to the pursuance of the public benefit purpose) - taxable
- Income from intellectual property (e.g. royalties and licence fees) - taxable

Income deriving from grant expenditure towards public benefit purpose/programme activities (such as loans, guarantees, equities)?

Such income is taxable

Is major shareholding considered as an economic activity and taxed accordingly?

A foundation may have a dominant influence over a public company only if it is in conformity with the foundation’s decree/statutes. A foundation's subsidiary company, which may be assumed to be unlisted, is taxed separately. Dividends paid by the subsidiary company to the foundation are tax free.

17. Are capital gains subject to tax? If so, are they taxed as income or liable to a separate tax?

All foundation’s income is taxed according to the Income Tax Act as income from business up to a certain percentage. Capital gains are counted, however, under different rules to those applied to the actual business activity.

18. Does any kind of value added tax (VAT) refund scheme for the irrecoverable VAT costs of public-benefit foundations exist in your country?

Foundations pay VAT according to the kind of activity in which they engage.
19. Is capital tax levied on the value of assets, where applicable?

The former capital (property) tax was abolished in 2007.

20. Are there taxes on the transfer of assets by foundations?

A tax-exempt foundation is tax exempt regarding profits related to disposal/transfer of assets.

21. Are there any other taxes to which public-benefit foundations are subject there (e.g. real property tax)?

There is no real property tax in Sweden anymore.

22. Can a foreign foundation get the same tax benefits as a national foundation according to the wording of the tax law in your country? If yes, under what conditions – if they have to fulfil exactly the same requirements as local based public benefit foundations, please refer to above but indicate which documents need to be provided and translated:

- Statutes (translation required?)
- Last annual financial report (translation required?)
- Documents providing evidence for certain tax law requirements e.g. that income was actually spent for public benefit purposes, which may not be required by the organisation’s country of seat but are required according to the legislation of the country from which tax benefits are sought?
- Other?

Yes. Public-benefit foundations are exempt from taxation of income of capital (dividends, interest and capital gains) according to the Swedish Income Tax Act. These rules apply to all foundations, Swedish or foreign, if their activities are considered public benefit.

However, foreign legal persons are not taxable for capital income in Sweden anyway. They are only taxable for income from business (permanent establishment) and real estate. The latter income is not exempt even for charitable foundations (Swedish or foreign).

Withholding tax is levied on dividends from Swedish corporations. Foreign charitable foundations could be refunded WHT either according to provisions in Double Taxation Treaties or according to case law of the European Court of Justice.

23. Does your country apply withholding tax to the income from local investments held by domestic and/or foreign-based foundations? If so, can domestic or foreign-based foundations reclaim all or part of the withholding tax under domestic law?

Yes.
III. Tax treatment of donors of public benefit foundations

1. System of tax credit\(^2\) or tax deduction\(^3\)?

From 2012, it is possible for donors giving to foundations, as well as to other non-profit organisations active in charity work for the economically needy or in the promotion of scientific research, to receive a tax deduction of 25% of the gift amount, up to a maximum of 1,500 SEK (approximately €170). In order to claim a tax deduction, donors must have made gifts amounting to at least 2,000 SEK (approximately €225), with each individual gift having a value of at least 200 SEK (€25). Only monetary donations qualify the donors for tax relief and the recipient of the gift must be approved by the tax authorities.

In addition companies can deduct some donations as business expenditures (regularly money) if they are related to the business.

2. Tax treatment of individual donors

a) What tax relief is provided for individual donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

See above.

b) Which assets qualify for tax deductibility?

See above.

3. Tax treatment of corporate donors

a) What tax relief is provided for corporate donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

See above.

b) Which assets qualify for tax deductibility?

See above.

4. Tax treatment of donations to non-resident public-benefit foundations – do donors get the same tax incentive?

Donations to foreign-based organisations meeting the requirements for domestic donations will be approved as qualifying the donors for tax relief if Sweden has a double tax treaty with the organisation’s country of establishment that includes provisions on the exchange of information or if the organisation’s country is a part of the European Economic Area. The recipient organisation must send a statement of the donation to the Swedish tax authorities.

\(^2\) For the purposes of this profile tax credit can be defined as an amount that can be deducted from the actual tax to be paid (reduction in amount of tax paid)

\(^3\) For the purposes of this profile tax deduction can be defined as a reduction in the gross amount on which tax is calculated (reduction in taxable income/tax base)
5. Other frameworks such as percentage law systems

No such frameworks.

6. What are the requirements that the donor must fulfil/ information they must provide in order to claim tax benefits?

What information do donors have to provide to their tax authority in order receive tax incentives for their donation (e.g. submitting details on the organisation they support: statutes, annual financial report, documents providing evidence for certain tax law requirements e.g. that income was actually spent for public benefit purposes)?

An organisation which is approved by the tax authorities has to inform the tax authorities about all donations and from which persons. So regularly the donor not need to provide anything to the tax authority. But a donor has a right to be anonymous and in that case the donor has to declare the gift in income-tax return form.

7. Are there any different or additional requirements to be fulfilled when a donor is giving to a foreign-based foundation?

What information do donors to foreign-based organisations have to provide in order receive tax incentives for their donation (e.g. Statutes (translation required?)? Annual financial report (translation required?)? Documents providing evidence for certain tax law requirements e.g. that income was actually spent for public benefit purposes)?

The foreign-based PBO must send an application form (SKV 4693) to the Tax Agency and also its current statues, activity account and annual report for the last two fiscal years, preliminary budget, records to certify authorized signatory and account plan showing bookkeeping/account management tools to report the donations given and the use of the donations. The organisation must have at least one authorized/certified accountant. It is required that the organisation should meet the requirements for restricted tax liability in accordance with chapter 7 of the Income Tax Act.

The donor must inform the foreign-based organisation about his or hers personal identity number. A foreign organisation which is approved by the tax authorities has to inform the tax authorities about all donations and from which persons. So regularly the donor not need to provide anything to the tax authority. But a donor has a right to be anonymous and in that case the donor has to declare the gift in income-tax return form.

IV. Tax treatment of the beneficiary (receiving a grant or other benefit from a foundation)

1. Individuals

The individual receiving a grant from a tax-exempt foundation is also exempt from tax on the the grant.
2. Legal entities

A grant from a tax-free foundation to a corporation is taxed at the company

3. Are there any different or additional requirements that must be fulfilled by a beneficiary receiving funding from abroad?

No.

V. Gift and inheritance tax

As of 2005, Sweden abrogated its inheritance and gift law/lag om arvsskatt och gåvoskatt - 1941:416 (AGL). Before the abrogation, foundations of special public benefit were in any case free from gift and inheritance tax. Other foundations with religious, charitable, social, political, artistic, cultural, sports or similar objectives were free from gift but not from inheritance tax, according to former Art. 38 AGL.

1. Does gift and inheritance tax/transfer tax exist in your country and if yes who has to pay the tax in the case of a donation/legacy to a public-benefit organisation (the donor or the recipient organisation)?

2. What are the tax rates? Is there a preferential system for PBO’s? Which PBO’s qualify? Is there a difference according to the region or the legal status of the PBO?

3. Is there a threshold (non-taxable amount) from gift and inheritance tax for donations/legacies to public-benefit organisations?

4. Is there a legal part of the estate that is reserved for certain protected heirs and which a donor cannot give to third parties?

5. What is the tax treatment (inheritance and gift tax) of legacies to non-resident public benefit foundations?

VI. Trends and developments

1. Are there current discussions about the question of whether cross-border activities of foundations or other non-profit organisations and their donors are protected by the fundamental freedoms of the EC Treaty? Have there been any changes to your country’s legislation, resulting from the Persche, Stauffer, Missionswerk or other relevant ECJ judgments, or are changes being discussed?

The treatment of Swedish and foreign public benefit foundations is the same (except for with-holding taxes). In considering if activities of a foundation are of public benefit or not the Swedish Tax Agency has argued that for some activities the public benefit must take effect in Sweden. This position has been repealed by the Supreme Administrative Court, and thus foreign foundations could expect to be judged in the same way as Swedish foundations. In the light of these circumstances the Stauffer case has not triggered any actions in Sweden.
2. Has the fight against terrorism and financial crime led to the introduction in recent years of new laws / rules affecting the foundation sector (e.g. implementation of EU Anti Money Laundering Directive, or reactions to recommendations of the Financial Action Task Force)?

Is there a specific national/regional anti-terrorism act (legislation) in your country, (which one and date of entry into force or adoption)?
Since 2003 there has been a law in Sweden on penalties for terrorist offenses. It contains provisions for the implementation of the European Union framework decision on combating terrorism. Furthermore, there has been since 2002, a law on the punishment for the financing of particular serious crimes in certain cases. This Act contains provisions for the implementation of the international Convention for the Suppression of the Financing of Terrorism adopted by the United Nations General Assembly in 1999.

If so, has this law introduced new legal and regulatory requirements for foundations (please describe)?
No. But since 2010 the Swedish Foundations Act has required all foundations to register. One reason behind this requirement was that the international organisation, the FATF (Financial Action Task Force) working on the combating of money laundering and terrorism had expressed that Sweden should consider extending the requirement for registration.

Has the foundation supervisory authority introduced new regulatory/oversight requirements to comply with counter terrorism measures/law?
No

Has the foundation supervisory / regulatory authority(ies) introduced guidance tools to assist foundations to comply with counter terrorism measures/law?
No

e) If so, did the foundation supervisory authority engage in a consultation with the foundation sector on counter terrorism measures/ does it plan such a consultation?

3. Are there any other recent trends or developments affecting the legal and fiscal environment for public benefit foundations in your country?

Recent developments in the Swedish foundation community include the transformation of the wage-earner funds / löntagarfonderna during the 1990s into private foundations to support research as well as the transformation of the Swedish state church, a development that led to the establishment of many new foundations. The role of foundations is discussed within the context of the redefinition of the scope of the modern welfare state. The legal framework in Sweden is quite favourable and liberal, as there is no state intervention in the process of establishing a foundation. From a comparative perspective, the lack of fiscal tax incentives for individual and corporate donors is a disadvantage, even though the estimated number of foundations in Sweden is high (over 20,000 in a country of only 9 million people). It could however be added that the tax treatment of foundations involved in business activities is quite liberal.

In September 2013 the Swedish government has proposed the Parliament to decide for a powerful extension which purposes shall be accepted for tax privileges from 1 January 2014.
4. Public fundraising

Are there any specific laws that regulate fundraising and do they affect foundations?

The Swedish Foundation Act provides (in Chapter 11.1-2 § §) rules on a special foundation to be known as fund-raising foundation. This type of foundation obtains its resources through the collection of funds.

Useful contacts
Magdalena Giertz
University lecturer
Department of Commercial Law
University of Uppsala
PO Box 513
751 21 Uppsala
Sweden
E-mail: Magdalena.Giertz@handels.uu.se

Henning Isoz
Stiftelsetjänst
Knut Wallenbergs väg 16, 133 34 Saltsjöbaden
Sweden
E-mail: henning.isoz@stiftelsetjanst.nu
www.stiftelsetjanst.nu

Selected bibliography

Selected law texts online:
About the EFC Legal and Fiscal Country profiles
This profile is part of a series of profiles of the legal and fiscal environments for foundations in 42 different countries across the wider Europe, as well as some countries in other world regions. The aim of these profiles is to paint a picture of the current operating environment for foundations in these countries to better understand the legislative landscape foundations inhabit. The profiles are produced in collaboration with foundations, legal experts, and associations in each country. Each profile is written by the national-level expert. A comparative overview of the country profiles from wider Europe can be downloaded from the EFC website: “Comparative Highlights of Foundation Laws: The Operating Environment for Foundations in Europe.”

www.efc.be

About the European Foundation Centre
The European Foundation Centre, founded in 1989, is an international membership association representing public-benefit foundations and corporate funders active in philanthropy in Europe, and beyond. The EFC develops and pursues activities in line with its four key objectives: creating an enabling legal and fiscal environment; documenting the foundation landscape; building the capacity of foundation professionals; and promoting collaboration, both among foundations and between foundations and other actors. Emphasising transparency and best practice, all members sign up to and uphold the EFC Principles of Good Practice.