

# New tax rules for the corporate sector

Sweden: Corporate tax reform 2019

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# Base erosion and profit shifting (BEPS) by multinational firms

- OECD (2015) estimates that revenue losses due to BEPS amount to
  - Revenue losses of between USD 100 and 240 billion annually at 2014 levels
  - 4-10 percent of the global revenue from the corporate income tax
- OECD (2015) suggests that multinational firms' effective tax rate are 4-8.5 percentage points less corporate income tax than domestic firms



# Background

- International initiatives aiming at curbing BEPS
- OECD BEPS
- EU's Anti Tax Avoidance Directive
  - To be implemented in 2019

# Tax reform of 2019

- Considerable changes to Sweden's corporate income tax system
- Motivation:
  - Neutrality between debt and equity finance (SOU 2014:40)
  - Limiting international tax planning by multinational firms
    - OECD BEPS & EU ATAD

# Changes to Swedish corporate tax system (1)

- **General rule limiting net interest deductions**
  - 30 % of EBITDA
  - Escape clause: Net interest up to SEK 5 million is always deductible
- **Financial leasing**
  - Leasing costs need to be divided into interest costs and other costs
  - Interest costs are subject to general rule limiting interest deductions
  - Escape clause: Leasing costs up to SEK 3 millions do not have to be divided
- **Hybrids: new rules**



# Changes to Swedish corporate tax system (2)

- Changes to deemed income for tax allocation reserve and equalization reserve
- Changes to rules concerning depreciation of apartment buildings
  - Additional depreciation of 2 % for first six years
- Corporate income tax is cut in two steps
  - 2019: 21.4 %
  - 2021: 20.6 %