

SWEDEN

General information*

- Capital: Stockholm
- Population: 9.593 million
- GDP: \$579.7 billion

CSO legal forms and their characteristics

Voluntary association

- General membership based organisational form, without obligation to register in order to have a legal personality.

Foundation

- General non-membership organisational form created to gather the financial assets for public benefit purposes or mutual benefit purposes.

Key CSO laws



- Foundations Act 1994;
There is no special law on “voluntary associations”. Following resources have been used for completing the information on their establishment:
- Voluntarius: How to create a voluntary association;
- Charity Law, jurisdictional comparisons: Country note on Sweden by Michael Karlsson and Mannheimer Swartling, First, edition 2012;
- European Foundation Center: Country profile on Sweden, 2011;
- GHK: Study on volunteering in the European Union, Country report Sweden, 2012.

* Source: World Bank, 2013.

1. Existing forms of CSOs and their characteristics

? What forms of CSOs exist? What are their main characteristics?

The existing CSO forms include: **Voluntary Association** (*ideel förening*) and **Foundation** (*stiftelse*). Foundations Act recognises “**ordinary foundations**” (*stiftelser i allmänhet*), “**fundraising foundations**” (*insamlingsstiftelser*) and “**collective agreement foundations**” (*kollektivavtalsstiftelser*). For the purposes of this Handbook we will provide information on voluntary association and ordinary foundation.

? Are there any restrictions on the permissible goals and activities of CSOs?

Voluntary association & Foundation: An association or a foundation cannot pursue activities that are against law and moral standards.

2. Requirements on the founders of a CSO

? What is the minimum number of founders required by law?

Voluntary association: There are no formal requirements. However, for an association to exist in the legal sense, an agreement of cooperation has to be made by two or more individuals or legal entities.

Foundation: 1.

? What are the eligibility requirements for founders? Are foreign citizens allowed to serve as founders?

Voluntary association: No specific requirements, both individuals and legal entities are eligible.

Foundation: No specific requirements, both individuals and legal entities are eligible.

? Are there any property or cash contribution requirements for the founders?

Voluntary association: No.

Foundation: No.

3. Registration procedure

? Which authority is responsible for the registration?

Voluntary association: There is no registration requirement. An association is established and has legal personality when it successfully fulfils generally accepted criteria. However, there is an optional registration, if an association decides to do so.

Foundation: County government (local authority).

? What is the registration fee?

Voluntary association: No registration fee.

Foundation: 180 Swedish crowns (SEK) (EUR 19).

? Are there any other direct financial costs of the establishment of a CSO?

Voluntary association: No, unless a voluntary association is going to conduct *business activities* (*ideell förening med näringsverksamhet*), hereinafter *economic activities* there are no other costs related to the establishment.

Foundation: Costs of the notarial verification/official certification of the copies of the documents submitted to the registration authority.

? How long should the registration process take?

Voluntary association: No obligatory registration.

Foundation: The relevant laws do not provide any specific timeframe for registration. County regulation may provide details on the registration process.

? Which documents are required for registration?

Voluntary association: For an association to exist in the legal sense, an *Agreement of cooperation* has to be made by two or more individuals or legal entities. The agreement must be formalised by the adoption of the *Statutes* which must include information on the name and main purpose of the association. Also, a *Board of the association* has to be appointed and responsibilities within the board members have to be divided. Hence, the documents proving that the association has been established as a legal entity are:

- Minutes of the founding meeting;
- Statutes;
- Minutes of the board meeting.

Foundation:

- *Application form for the registration* (including information described in Chapter 10 of the Foundations Act);
- *Founding document (Deed of foundation)*, written form, signed by the founder;
- *Copy of a foundation's decree (Statutes)*;
- *Confirmation about the transfer of assets*.

**Is electronic submission possible?****Voluntary association:** —**Foundation:** Yes.**Is there a requirement to have an office in the country?
Are there any specific requirements related to it?****Voluntary association:** No.**Foundation:** A foundation shall have a registered office or seat. If there is no fixed office, it may be also place from where the foundation is managed.**Are there additional requirements related to registration?****Voluntary association:** No.**Foundation:** A foundation's name shall contain the word "foundation" (*stiftelse*) referring to its legal form.**Are there additional administrative procedures related to registration?****Voluntary association:** If a voluntary association carries out economic activities it must be registered at the official commercial register (*handelsregistret*).**Foundation:** If a foundation wants to conduct economic activities the board or the administrator shall submit a registration to the foundation record. The application for registration shall indicate the name under which the economic activities will be performed and the nature of the economic activities.**What are the legal grounds for denial of registration?****Voluntary association:** The registration is not compulsory. If the application is complete and a Voluntary Association meets all the requirements there are no legal grounds for denial of registration.**Foundation:** The law does not specify any grounds for denial, it is determined by the county regulations. However, from the general provisions can be derived that registration is denied if a foundation aims to pursue activities that are against the law and/or moral standards.

4. Sources of funding

? What are the possible sources of funding?

Voluntary association & Foundation: Available sources of income include:

- Public funding (national, regional & local level);
- Organisational grants distributed by public and non-governmental actors;
- Donations from domestic and foreign individuals and legal entities;
- Membership fees;
- Funding from corporate foundations and/or endowment funds;
- Lotteries and other games of chance, a permit is needed for organising these activities;
- International and EU funding mechanisms;
- Income from supply of goods and services.

? What are the restrictions on the possible sources of funding?

Voluntary association: As long as the sources of funding are obtained or gained in a legal way, there are no restrictions.

Foundation: Foundation must invest its assets in an acceptable manner and avoid speculative investments.

5. Tax treatment of CSOs

? What is the income tax treatment of CSOs?

Voluntary association & Foundation: If associations or foundations fulfil the requirements stipulated under the Chapter 7 Articles 3–6 and Article 10 of the Income Tax Act they have to pay taxes only on the income from capital gains and losses and on income from economic activities. All the other forms of income are not subject to income tax.

In addition, associations fulfilling requirements described above may be exempted also from the tax on: (A) income from activities that are related to the association's statutory purposes, (B) income from activities that have traditionally been used as a source of funding for voluntary work or (C) income from possession of a property belonging to the association.

? What is the VAT treatment of CSOs?

Voluntary association & Foundation: Above mentioned activities of associations exempted from income tax are considered non-commercial and therefore exempted also from VAT. Other activities are subject to general VAT rate of 25% or reduced rate of 12% depending on the type of activity. Foundations pay VAT according to the kind of activity they engage in.

? Are there any tax benefits for donors in place?

Voluntary association & Foundation: Donations from individuals to CSOs active in charity work for the economically needy or in the promotion of scientific research are eligible to a tax deduction of 25% of the donation amount, up to a maximum of 1,500 SEK (EUR 161). In order to claim a tax deduction, donors must have made donations with the total value of at least 2,000 SEK (EUR 214) and each individual donations must amount to at least 200 SEK (EUR 22). Only monetary donations are eligible for tax benefits and the recipient of the donation must be approved by the tax authorities.

In addition, corporations may deduct some donations as business expenses, if they are related to their business activities.

6. Obligations of a registered CSO

? What are the reporting requirements of a registered CSO?

Voluntary association:

- Voluntary Association is obliged to report to the Swedish Tax Agency when it pays money or give benefits to persons in any way connected to the association (e.g. employee), exceeding 100 SEK/year (EUR 11);
- Voluntary Association is obliged to report to the Swedish Tax Agency when it pays general payroll tax (*arbetsgivaravgift*) and social security.

Foundation: Foundations with assets over 1.5 million SEK (EUR 160,468), foundations conducting economic activities and foundations set up by the state or municipality must for each financial year prepare an annual report including activity report, income statements, balance sheets and notes. Smaller foundations must make a statement of their accounts.

? Are there additional obligations of a registered CSO?

Voluntary association:

- Voluntary Association with assets exceeding 1.5 million SEK (EUR 160,468) have an obligation to keep books.

- Voluntary Association that conducts economic activities have an obligation to keep books.

Foundation:

- All foundations must submit an annual tax declaration to the tax office;
- Each foundation that is required to submit an annual report (as described under question “*What are the reporting requirements of a registered CSO*”) has to pay for annual supervision, depending on the type of foundation. Fee for ordinary foundation is 400 SEK (EUR 43);
- All foundations must pay an annual record keeping fee: (A) SEK 425 (EUR 46) if the value of the foundation’s assets at the end of the previous fiscal year exceeds 1.5 million SEK (EUR 160,468), (B) SEK 200 (EUR 22) all the other foundations.

7. Internal governance of the organisation

What are the basic requirements related to the governance and internal structure as provided by law?

Voluntary association: There are no legal provisions, internal governance shall be determined by the association’s Statutes. All associations must have a **governing body** and a **general meeting**. General meeting is the supreme decision-making body. The governing body is responsible for implementing the decisions of the general meeting, representing the association vis-à-vis third parties and overall management of the association.

Foundation (Chapter 2 of the Law on Foundations): The internal governance should be determined by the foundation’s deed, provided it is not against law. There are two different forms of foundations’ management: “**own management**” and “**attached management**”:

- In case of “own management” one or more individuals create 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 case of “attached management”, a legal entity manages the foundation — this legal entity is the administrator of the foundation and acts through its governing body.

According to the Law, the board members should ensure that the wishes of the founder, the statutes, and the law are respected; the assets are well invested and the accounting is done in accordance with the legal provisions.

There are no legal rules about supervisory boards.

Are there any eligibility requirements to the members of the governing bodies?

Voluntary association: A board member may not be minor, bankrupt or have a guardian pursuant to the Chapter 11 Article 7 of the Children and Parents Code. A board mem-

ber should normally also be a member of the organisation if the statutes don't give an exception to this rule.

Foundation: A board member may not be minor, bankrupt or have a guardian pursuant to the Chapter 11 Article 7 of the Children and Parents Code.

Are foreign citizens allowed to serve on the board?

Voluntary association: Yes.

Foundation: Supervisory board is made up of county government authorities.

Are founders and members financially liable by law?

Voluntary association: The members are not financially liable by law. However, a representative of a voluntary association (normally a board member or a person authorised to sign on behalf of the organisation) can in some cases be held economically responsible for the voluntary association's taxes and fees if these are not paid according to the tax laws and regulations.

Foundation: Board members, administrators and auditors can be held liable for damages caused by intentional or negligent acts to the foundation or third parties. They can also be held criminally liable under the Criminal Code.

8. Staff and members of the organisation

Are there any eligibility requirements of the staff and members of a CSO?

Voluntary association: There are generally no eligibility requirements of the members of a voluntary association. For the staff, only Swedish employment laws in general apply. If the staff is a representative or a person authorised to sign on behalf of the organisation he/she must also meet the same requirements as the board members.

Foundation: If a member or staff represents a foundation based on the Board's or administrator's authorisation, he/she may not be minor, bankrupt or have a guardian pursuant to the Chapter 11 Article 7 of the Children and Parents Code.

Is there a requirement to have a full-time employee?

Voluntary association: No.

Foundation: No.



Is there a requirement to have an accountant?

Voluntary association: Voluntary association must have an internal auditor. To be obliged to have an accountant a voluntary association should have:

- more than 50 employees
- more than 40 million SEK (EUR 4,281) in reported assets
- more than 80 million SEK (EUR 8,563) in reported net profits

Foundation: There is no obligation to have an accountant, but there is a requirement to keep the books. Also, every foundation must have at least one auditor. If a foundation is required to prepare an annual financial report, at least one auditor must be either a qualified authorised public accountant or an approved public accountant.

9. Voluntary dissolution and liquidation



What is the liquidation procedure in case of voluntary dissolution of a CSO?

Voluntary association: There is no written procedure for liquidation. The traditionally used one is that firstly claims of creditors shall be satisfied and then the remaining assets shall be used in accordance with the provisions of the Statutes. When there are no such provisions in the Statutes, the assets shall be distributed to the association's members.

Foundation: As soon as there is a reason to believe that the value of the fund's assets is less than the debts, board of directors or administrator shall prepare a balance sheet. If the balance sheet shows that the assets are less than debts, a petition for liquidation should be filed with the appropriate court.

The court shall appoint one or more liquidators that replace board of directors or administrator and are recorded in the register. A financial statement shall be prepared for the period when the accounts have not been audited. The liquidators should also publish a notification about liquidation of a foundation for the unknown creditors. When the period for creditors' claims has expired and all known debts have been paid, the liquidators use the remaining funds for the same purpose the foundation pursued or for a similar one.

The dissolution of small foundations (provided they do not have any debt) 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. In case of dissolution, the assets have to be spent for the same purpose the foundation pursued or used for a similar one.