

Public Law Conditions for Entrepreneurs

Overview of the Swedish tax system and the legislation on the taxation procedure
by Björn Forssén (2025-10-24)

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Abbreviations

BFL, *bokföringslagen (1999:1078)*, the Book-keeping Act
 BFN, *Bokföringsnämnden*, the Accounting Standards Board
 BFNAR, *BFN:s allmänna råd*, the BFN's general advice
 C, curia (about the CJEU)
 Ch., Chapter
 CJEU, the Court of Justice of the EU
 Cp., compare
 DAC, Directive on Administrative Cooperation
 EBM, *Ekobrottsmyndigheten*, the Economic Crime Authority
 EC, European Community
 EEA, European Economic Area
 e.g., *exempli gratia*, for example
 EU, the European Union or the Union
 F, *företagare* [entrepreneur, in the expression *F-skatt* (F-tax)]
 FATCA, Foreign Account Tax Compliance Act
 FK, *Försäkringskassan/-orna*, the Social Insurance Agency/-ies
 FL, *Förvaltningslagen (2017:900)*, the Administration Act
 FU, *förundersökning*, preliminary investigation
 IAS, International Accounting Standards
 IASB, International Accounting Standards Board
 i.e., *id est*, that is
 IFRS, International Financial Reporting Standards
 IL, *inkomstskattelagen (1999:1229)*, the Income Tax Act
 JFT, *Tidskrift utgiven av Juridiska Föreningen i Finland*, The journal published by the Law Society of Finland
 KFM, *Kronofogden*, the Enforcement Authority
 KU, *kontrolluppgift*, Control Information
 MCAA, Multilateral Competent Authority Agreement
 OECD, Organisation for Economic Co-operation and Development
 p., page; pp., pages
 para, paragraph
 PFS, *Pedagogiskt Forum Skatt*, Pedagogical Forum Tax (platform on www.forssen.com)
 PGI, *pensionsgrundande inkomst*, pensionable income
 Prop., *Regeringens proposition*, the Government's bill
 RSV, *Riksskatteverket*, the National Tax Board (nowadays the SKV's head office)
 SAL, *socialavgiftslagen (2000:980)*, the National Social Security Fees Act
 sen., sentence
 SFB, *socialförsäkringsbalken (2010:110)*, the Social Insurance Code
 SFF, *skatteförfarandeförordningen (2011:1261)*, the Taxation Procedure Regulation
 SFL, *skatteförfarandelagen (2011:1244)*, the Taxation Procedure Act
 SFS, *svensk författningssamling*, Swedish Code of Statutes
 SKV, *Skatteverket*, the tax authority
 SOU, *statens offentliga utredningar*, the Government's official reports
 TL, *tullagen (2016:253)*, the Customs Act
 Tullkrim, customs crime – i.e. the operative department of the Customs
 UCC, the Union Customs Code
 USA, the United States of America
 VAT, value-added tax
 www, world wide web

Outline of this memo

The review of the conditions that the taxation procedure means for the entrepreneur's activity begins with a **background to Skatteverket (SKV), the tax authority**, which administrates the taxation procedure (the tax account system) and which taxes and fees an entrepreneur must regard first in his or her activity in that respect and that **the Customs** is the taxation authority regarding "importation VAT". However, the SKV is taxation authority concerning "importation VAT" if the importer is a VAT registered enterprise, whereby "importation VAT" is comprised by the tax account system. [p. 4]

Inter alia on my website, www.forssen.com, I use the acronym **IMPAKT** as a commemorative word to describe *which are the most important taxes and fees for an entrepreneur*. With that made up word, I also show if it is *the SKV* or *the Customs* that is taxation authority regarding the respective tax and fee. [p. 5]

Thereafter, I am going through *which material and procedural legislations that apply for the taxes and fees represented by the commemorative word*. [p. 6]

Moreover, I show how the collection of the taxes and the fees in question shall be conducted, i.e. **how these shall be accounted for and paid** to the SKV and the Customs respectively and thereby **to the State**. [p. 7]

I also mention **Bolagsverket** (the Companies Registration Office) and **Bokföringsnämnden** (the Accounting Standards Board) as important authorities for the State's control activity concerning a functioning collection of taxes and fees. In this context, I mention too that for *quoted groups of companies* the EU's IAS-regulation is mandatory. The regulation is directly applicable in Sweden as an EU Member State. [p. 8]

Thereafter, I mention that **the entrepreneur** at the start of his or her activity **needs approval from the SKV to apply the tax form F-skatt (F-tax)**. The approval works like a kind 'driving licence' to show the clients so that they normally will not be responsible for the contractor's taxes and fees. In that context, I am emphasizing that it in practice is the bank that is decisive in the start of a new enterprise, since the enterprises partly need a bank account, partly need to loan money for their investments. In the last-mentioned respect, I mention that **Kronofogden** (the Enforcement Authority) may become a problem for husband and wife concerning the family's home, for instance a villa, being drawn into a matter of insolvency whereby a so-called hidden jointed ownership is asserted by the *Kronofogden* against the entrepreneur despite that husband or wife is not participating in or owner of the enterprise and is sole owner of the villa. [p. 9]

Moreover, I mention that the **rules on how the SKV in its control activity may intervene in the enterprise**. I am going through where the most important rules to be aware of in that respect are to be found in *skatteförfarandelagen (2011:1244)*, the Taxation Procedure Act. In that context, I also mention that rules have been introduced in that act which are not originating from either national or EU law sources but come from the **USA** and the **OECD**. [p. 10]

Also, I mention **the EU Commission's view on the tax systems in the Member States** and that the Commission considers that the collection question should be given priority to by them. [p. 11]

I finish by mentioning something about the entrepreneur's relationship to **Pensionsmyndigheten** (the Pensions Agency) and **Försäkringskassan/-orna** (the Social Insurance Agency/-ies). The public law conditions in that respect means that **the entrepreneur should** think about the choice of enterprise form and regardless of that question above all **consider in good time what it may 'cost with respect of taxation' to retire**. [p. 12]

Skatteverket (SKV), the tax authority – background

The rules on the taxation procedure are to be found in *skatteförfarandelagen (2011:1244)*, SFL, i.e. the Taxation Procedure Act, and *skatteförfarandeförordningen (2011:1261)*, SFF, i.e. the Taxation Procedure Regulation, concerning the tax account system which was introduced on 1 November, 1997. The tax account system comprises most taxes and fees but for instance customs are not included why material and procedural rules about that tax is to be found in *tullagen (2016:253)*, the Customs Act, and the Union Customs Code.

The SFL and the SFF were introduced on 1 January, 2012 and replaced inter alia the three previous big legislations concerning the taxation procedure, i.e. *skattebetalningslagen (1997:483)*, the Tax Payment Act, *taxeringslagen (1990:324)*, the Tax Assessment Act, and *lagen (2001:1227) om självdeklaration och kontrolluppgifter*, the Act on Income Tax Return and Control Information.

Thereby, the tax boards (*skattenämnderna*) were abolished (until 1990 named *taxeringsnämnderna*), so that nowadays decisions on final tax, decisions on value-added tax and decisions on national social security fee etc. are made by the civil servants at the SKV.

Since 2004, the SKV is one single nationwide authority. Previously, there was one authority in each county/region with Riksskatteverket (RSV), the National Tax Board, in the top of the organization. Today, the whole of the organization of the tax authority in Sweden is *Skatteverket*, which thus usually is abbreviated SKV.

The SKV has a fine website, www.skatteverket.se.

Which taxes and fees should an entrepreneur consider first?

By Björn made up commemorative word: **IMPAKT**. It stands for:

	<u>In English</u>
<i>Inkomstskatt</i>	income tax
<i>Mervärdesskatt</i>	value-added tax
<i>Punktskatt</i>	excise duty
<i>Arbetsgivaravgifter</i>	national social security fees
<i>Källskatt</i>	tax deduction at source
<i>Tull</i>	customs

What authority is the taxation authority regarding the mentioned taxes and fees?

<i>Inkomstskatt</i>	Taxation authority, the SKV
<i>Mervärdesskatt</i>	Taxation authority, the SKV
<i>Punktskatt</i>	Taxation authority, the SKV
<i>Arbetsgivaravgifter</i>	Taxation authority, the SKV
<i>Källskatt</i>	Taxation authority, the SKV
<i>Tull</i>	Taxation authority, the Customs. Concerning value-added tax (VAT) on imports, "importation VAT", the SKV is taxation authority, if the entrepreneur importing goods is VAT registered in Sweden. Otherwise, the Customs is the taxation authority also for "importation VAT" and not only for customs. (The Customs is always the taxation authority regarding a private person's "importation VAT", since private persons cannot register for VAT at the SKV.)

Note, import concerns bringing goods into Sweden from a third country, i.e. a place outside the customs union of the EU. For bringing in goods from another EU Member State, so-called intra-Union acquisition of goods, the SKV is always the taxation authority. The internal market shall function without control by the Customs of cross-border transactions of goods between the Member States. The cross-border trading of goods between Ireland and Northern Ireland is also comprised by the EU system (and Northern Ireland has the land code XI).

***Lantmäteriet** – the taxation authority regarding stamp tax**

[* the Mapping, Cadastral and Land Registration Authority]

Stamp tax – national turnover tax which (plus a service charge) is charged at purchase of or raising a mortgage in real property/leasehold land. *Lantmäteriet* is the taxation authority (www.lantmateriet.se).

[*Remark:* The SKV is the taxation authority for municipal real property fee for one or two-family houses (and for real property tax).]

Which material and procedure legislations apply for the taxes and fees?

Since 1 November, 1997, the so-called **tax account system** applies for most taxes and fees. Since 1 January, 2012 it is stipulated by *skatteförfarandelagen (2011:1244)*, **SFL**, i.e. the Taxation Procedure Act, and *skatteförfarandeförordningen (2011:1261)*, SFF, i.e. the Taxation Procedure Regulation. *Förvaltningslagen (2017:900)*, **FL**, i.e. the Administration Act, which was introduced on 1 July, 2018 is subsidiary in relation to the SFL as administrative law special legislation (see sec. 4 of the FL). The relationship between material and procedure legislations on the mentioned taxes and fees for enterprises is the following:

	Material rules	Procedure rules
Inkomstskatt	The Income Tax Act (SFS1999:1229)	the SFL
Mervärdesskatt	The Value-Added Tax Act (SFS 2023:200)	the SFL
Punktskatt	E.g. the Energy Tax Act (SFS 1994:1776)	the SFL
Arbetsgivaravgifter	The National Social Security Fees Act (SFS 2000:980)	the SFL*
Källskatt	Tax deduction at source (i.e. collection of income tax)	the SFL (Ch. 10)
Tull	The Customs Act (SFS 2016:253), TL Together with the TL, the Union Customs Code (UCC) applies, Regulation (EU) No 952/2013.**	the TL (not comprised by the tax account system)

The FL is subsidiary in relation to the SFL. There is not any procedure law directive from the EU. The competence regarding the administrative law has not been conferred to the EU's institutions but remains in principle at the Swedish Parliament (cp. The preparatory works to the EU Act SFS 1994:1500, prop. 1994/95:19, Sweden's Membership of the European Union, Part 1 p. 453; and the preparatory works to the FL, SOU 2010:29 p. 21). However, there are formal rules in e.g. the EU's VAT Directive (2006/112/EC), which have been implemented in the Value-Added Tax Act and the SFL.

**Socialavgiftslagen* (SAL), the National Social Security Fees Act, contains rules on fees for the financing of the systems for social security (social fees) – 1:1 1st para of the SAL. The obligation to pay fees according to the SAL can be limited by EU/EEA law or agreements on social security with other states (1:3 of the SAL).

- In the EU law there is no rules in particular about liability to pay social security fees or other fees for the financing of social security systems. That obligation is determined in the national legislation of each EU Member State. However, the right to charge fees on an income is due to whether the person receiving the income is comprised by the legislation on social security in an EU-country, EEA-country (Iceland, Liechtenstein and Norway) or Switzerland according to rules governing the choice of law according to the EU's Regulation (EC) No 883/2004. The regulation is supposed to co-ordinate the application of the EU and EEA countries different social security systems (see prop. 2000/01:8 pp. 64 and 65). The main rule is that a person is comprised by the legislation in the country where he or she works (the working country principle – *lex loci laboris*) – see prop. 2000/01:8 p. 65.

**The UCC is directly applicable in Sweden, since it is a regulation and not a directive from the EU.

How shall the taxes and fees in question be accounted for and paid to the State?

The tax account system, the SFL

Inkomstskatt Income tax returns shall be filed to the SKV at the latest on 2 May the year after the fiscal year (32:1)
 Period of reviewing the return (cp. prop. 2010/11:165 Part 1 p. 504)
 Decision and message on final tax at the latest on 15 December (56:10)
 On the enterprise's tax account, the SKV shall register final tax etc. to pay or tax to be counted in and payments received and made (61:1 1st para)

Income tax return 1 – natural persons, e.g. a real business activity ("sole proprietorship")

Income tax return 2 – limited companies and economic associations

Income tax return 3 – non-profit associations, foundations and registered religious communities and others

Income tax return 4 – partnerships and limited partnerships (Note, taxation on partner level)

Times according to above apply for "sole proprietorship". For legal persons deviations occur. What I want to emphasize is the period of review in the procedure concerning income tax returns which does not exist regarding current accounting of taxes and fees mentioned below.

For the following taxes and fees the returns are determined automatically according to filed return or to SEK 0 (zero) if no return is filed on time. Thus, no period of review. By the SFL the tax return has become a collective term for the following returns:

Mervärdesskatt	Value-added tax return	Filed to the SKV each month, quarterly or yearly depending on turnover (26:10 and 26:11)
Punktskatt	Excise duty return	Excise duty return and Social security fee return, filed to the SKV each month according to the main rule (26:10)
Arbetsgivaravgifter	Social security fee return	
Källskatt	(common for A and K)	

Depending on turnover, dates for filing returns and payment are different (26:26 and 26:30).

Remark: Partnerships and limited partnerships are not considered as legal persons regarding *Inkomstskatt*, unlike concerning *M*, *P*, *A* and *K*. Partnerships and limited partnerships file Income tax return 4 but are subject to taxation of income on the partner level (see above).

The customs system, the TL and the Union Customs Code (UCC).

Tull The Customs conducts customs clearance* of imported goods, and determines a customs value which constitutes the amount to charge customs on and "importation VAT" and issues a customs bill.

*Customs clearance is denoted the goods' *release into free circulation*. Imported goods undergoing such a procedure at Customs within the EU can be transported without further border control between the EU's Member States on the internal market (cp. Free movement of goods).

[*Remark:* If a return contains erroneous information or is not filed the SKV will report this to **Ekobrottsmyndigheten** (EBM), the Economic Crime Authority. The Customs leaves suspicion on smuggling to its apartment **Tullkrim**, customs crime. *Förundersökning* (FU), a preliminary investigation is started and give rise to consideration of penal law rules. The FU is led by a prosecutor who decides on eventual prosecution.]

The enterprises' relationship to *Bolagsverket* and *Bokföringsnämnden*

Bolagsverket (the Companies Registration Office)

To maintain the control possibilities concerning an enterprise's economy, it is required to maintain accounting records and normally to submit an annual report to *Bolagsverket*, the Companies Registration Office. In pursuance of the so-called stakeholder theory as motive for the requirement to maintain accounting records, there are many who might be interested of once a year being able to take part of the public accounting from the enterprises, i.e. the annual report. Concerning the official accounting in form of income statements and balance sheets the trade secrets apply until the book-keeping is made public by the enterprise submitting the annual report to *Bolagsverket*. Of course, one of the stakeholders is the SKV.

The main rule is that an enterprise shall have auditors but since 1 November, 2010 a possibility applies for small businesses to opt out having auditors.

Bokföringsnämnden (the Accounting Standards Board)

Regardless of whether an enterprise appoints an auditor or not, book-keeping shall be maintained, and a key concept is that this shall be done with regard to (*god redovisningssed* (generally accepted accounting principles)). The authority developing the concept *god redovisningssed* is *Bokföringsnämnden* (BFN), the Accounting Standards Board. This is made by the BFN issuing general advice (BFNAR) etc. Those texts are sector-oriented and should be regarded by the enterprises, since *bokföringslagen* (1999:1078), the Book-keeping Act, is completed by BFNAR etc.

In my opinion, the BFN is "uneven" concerning issuing general advice etc. Above all, the debate on profits in the welfare should have led to BFNAR for enterprises within health care, school and social care but it seems as if those are not deemed proper enterprises. Another sector where I consider that the need to develop the tool of the stakeholder theory by BFNAR etc. is for enterprises on the housing market.

Rules

The obligation to finish the book-keeping with an annual report, 6:1 *bokföringslagen* (1999:1078), BFL Exemptions from the main rule on appointing auditor, sec. 2 *revisionslagen* (1999:1079), the Auditing Act *Bokföringsnämnden* is responsible for the development of *god redovisningssed*, 8:1 1st para 1st sen. BFL.

In addition the IAS-regulation applies for quoted groups of companies

Cp. the IAS-regulation from the EU: Regulation (EC) No 1606/2002 on international accounting standards.

As from 2005, all quoted European enterprises shall in their group accounts apply the international accounting standards, International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), which together are mentioned as IFRS. IASB (International Accounting Standards Board) is responsible for IFRS. Unlisted enterprises can choose to apply these rules in their group accounts. In pursuance of the stakeholder theory model the IAS-regulation contributes above all to investors being able to evaluate and compare quoted companies within the EU which benefits the EU's strategy for a common capital market and thereby economic growth in the Union.

F-tax –the SKV’s ‘driving licence’ to the entrepreneur but the bank decides in the start

F-tax

Someone intending to carry out a business activity shall be approved for F-tax by the SKV.

An enterprise supplying services needs approval for *F-skatt* (F-tax) from the SKV. F stands for *företagare* (entrepreneur). If a contractor cannot denote ”*Godkänd för F-skatt*” (approved for F-tax) in the invoice to the client, the client is liable for the entrepreneur’s taxes and fees as if the client would be the contractor’s employer. The same applies if a contractor has such an approval from the SKV but it is obviously wrong and the client does not report this to the SKV, e.g. if a previous employee has applied for F-tax and been approved by the SKV in that respect but is not taking any business risk. Business risk is the most important sign of such independence in relation to the client to deem the contractor not as employee and thus to be approved for F-tax, entailing change of his or her A-tax certificate into approval for F-tax which nowadays is a registration matter and previously meant issuing of an F-tax certificate.

Rules on approval for F-tax: see Ch. 9 of the SFL.

The bank – an ‘authority’?

Loans to start a business. The bank etc. should at the creditworthiness evaluation only regard:

1. The business idea.
2. The leader.
3. The key ratios.

- However, banks and financing enterprises also demand collateral in the form of pledge of real property or guarantee commitment. Someone who owns a house is granted a loan but not in the first place due to an expected success with the business idea. What is the meaning of this for the economics?

- In my opinion, it is in the first place banks – not the SKV – that curb economic growth in Sweden. New money in a true sense can only be created by enterprises producing goods and services and to achieve this it is a necessary supposition that new enterprises are granted credits to start. Otherwise, there will not be any new Ericsson and similar.

- The problem is often practical – a bank account is required to start an enterprise and for me as adviser it is many times dead stop when the entrepreneur is not even assigned a bank account before applying for F-tax at the SKV.

That the banks require security in a family’s villa to grant a loan to a husband or wife starting an enterprise constitute an economic risk not only for the entrepreneur but for his or her spouse if the villa was collateral for loans to start the enterprise. If *Kronofogden*, KFM, the Enforcement Authority, takes measures of recovery against the entrepreneur concerning for instance tax debts which the enterprise, for example a limited company through which the entrepreneur is carrying out the activity, has incurred the KFM will assert that the entrepreneur has a hidden joint ownership of the villa due to it being included as collateral for loans at the start of the company. I.e., the husband or wife stands the risk of losing the villa despite that he or she solely holds the registration of title to the villa and is lacking economic authority in the limited company. In practice, the problem with hidden joint ownership is that the KFM goes on with measures of recovery if nobody is appealing and is successful with refuting the KFM’s assertions in for instance matters of hidden joint ownership.

Audit, seizure of evidence, hedging etc. – how can the SKV intervene in the enterprise?

- *Statements for control and Injunctions*

Ch. 14 etc. of the SFL – the enterprise shall submit *kontrolluppgifter* (KU, Control Information on dividends etc. and the bank on interests. The enterprise shall not submit KU on payments of salary, since information nowadays is submitted on an individual level in the social security fee return.

Ch. 37 of the SFL – the SKV can order the enterprise or others, e.g. the bank, to submit information and impose a penalty for those refusing to comply.

- *Coercive measures*

Ch. 44 of the – imposing of penalty, e.g. if the bank refers to secrecy when ordered to submit information.

Ch. 45 of the SFL – seizure of evidence.

Ch. 46 of the SFL – hedging whereby the SKV considers itself not able to "foresee" the outcome of a case on responsibility for a representative of a limited company (cp. 59:12–21 of the SFL).

- *Investigation and Control*

Control from the desk – the SKV raising questions to the enterprise about information in a return.

Visit – the SKV and the enterprise can agree on a visit, which is not expressly stated in the SFL.

Audit – the SKV issues a decision on audit or delivers it directly when control is conducted and the accounting information (the book-keeping) is fetched or audited at the enterprise. Ch. 41 of the SFL.

The USA in the SFL – how was that legislative procedure conducted?

In Ch. 22(a) of the SFL there are special rules on control information about accounts comprised by liability to be accounted for due to the so-called FATCA-agreement.

- FATCA, Foreign Account Tax Compliance Act

- Ch. 22(a) introduced in the SFL on 1 April, 2015 by SFS 2015:69 (prop. 2014/15:41)

- The FATCA-agreement means that the SKV and the American Internal Revenue Service (IRS) exchange information on capital incomes and capital assets with each other. Sweden leaves information about American persons, and the USA leaves corresponding information about Swedish persons. *Commentary*: the USA has a nationality principle for its right of taxation. Read more? See the SKV's website, www.skatteverket.se.

Also OECD-rules are incorporated in the SFL

In Ch. 22(b) of the SFL there are rules due to the Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (DAC 2 – which is expressed in Appendix 5 of prop. 2015/16:29), and due to the OECD's multilateral agreement between competent authorities on automatic exchange of information on financial accounts, MCAA (Multilateral Competent Authority Agreement), which was made public by the OECD-council in July 2014, and which was signed by Sweden on 29 October, 2014 [DAC stands for Directive on Administrative Cooperation.]

Conclusion

The enterprises are comprised by public law conditions which are not originating from either national or EU law sources. Problem: is there an OECD- or FATCA-court?

The EU Commission's view on the tax systems in the Member States

In my article *A proposal for a great tax reform in Sweden which also is a preparation for an EU tax (Förslag till en stor skattereform i Sverige som också förbereder en EU-skatt)*, JFT 5–6/2024 pp. 455–496), I mention that I already in my licentiate's dissertation from 2011 and doctor's thesis from 2013 at Örebro University emphasizes that the EU Commission already in its so-called green paper in 2010 stated that attitude to let in as many enterprises as possible into the VAT register had led wrong.

The Commission recommended giving priority to the question of collection and the registration to VAT, to counteract VAT frauds by those only interested in appropriating the State's money. In the theses, I also stress – based on my interpretation of the "Gregg"-case (C-216/97)¹⁷ – that the Court of Justice of the EU (CJEU) at the interpretation of the directive rules in the field of VAT also emphasizes the collection before the taxation question itself.

Thus, an efficient collection is very important for a functioning corporate taxation system, and lacking an empirical investigation thereby, I expressed in the article the following about the collection's importance for the taxation question

I state that the economists should not be commissioned to prepare tax tables before an empirical study has been made of what support entrepreneurs consider themselves having in a taxation case, by being able to show a chronologically organized, audited and approved bookkeeping. case, by being able to show a chronologically organized, audited and approved bookkeeping. I have written this in a preliminary study to deepened studies in *fiscal sociology*, which translate *skattesociologi* in Swedish (see www.forssen.com, under PFS Böcker the e-book with the code 010Röd).

If the entrepreneurs cannot perceive that they are comprised by a legally certain procedure their loyalty towards the tax system will tend to decrease, that is the collection to finance the welfare will lose in efficiency. In this context, it may be especially mentioned regarding the VAT that the legislator has named the entrepreneur an agent for the State with respect of collection (see prop. 1989/90:111, *Reformerad mervärdeskatt m.m.* (Reformed VAT etc.), p. 294).

The entrepreneur should consider in good time what it may cost in taxation to retire

The SKV also decides on *pensionsgrundande inkomst* (PGI), pensionable income, for a natural person [see sec. 8 of the regulation with instruction for the SKV (SFS 2017:154)]. PGI based on taxable earned income. The SKV report it to *Pensionsmyndigheten* (the Pension Agency), which calculates the individual's pension entitlement [see 2:2 *socialförsäkringsbalken* (2010:110), SFB, the Social Insurance Code]. A cap for the pension entitlement is a PGI for the earning year of 7.5 *inkomstbasbelopp*, income base amount (the so-called earning cap) – see 60:5 of the SFB. For the year 2025 the amount is SEK 650,400 ($7.5 \times \text{SEK } 80,600$).

If the earning cap can be expected to be exceeded the person carrying out the activity as sole proprietorship pays social security fees in the form of *egenavgifter* (self-employed person's social security contributions) also on such an exceeding part but without giving any additional pension entitlement. The same applies if the activity is carried out through a partnership (or limited partnership). These aspects can be reason to choose the enterprise form limited company from the beginning. Then, the partner himself or herself can govern how much he or she is taking out in salary from his or her company so that the company only pays social security fees on a consideration to him or her in correspondence with the earning cap for the pension entitlement whereby consideration is also taken to eventual income from other employment the partner has beside from the own company's activity.

When the retirement is approaching it is important regardless of the choice of enterprise form to think about the deduction for provisions for pensions – where such have been made – being comprised by liability of write-back for taxation. According to 30:7 1st para of *inkomstskattelagen* (1999:1229), IL, the Income Tax Act, a write-back shall, when the activity is ongoing, be made at the latest in the sixth fiscal year after the fiscal year when the deduction was made. However, regardless of whether the activity is carried out as sole proprietorship or if it is a matter of a partner in a partnership/limited partnership a write-back of the deductions shall be made even if the mentioned time has not run out, inter alia if business activity has ceased of being conducted (30:9 and 30:8 of the IL). Thus, a tip-off is to begin a de-escalation of deductions for provisions for pensions when the owner begins to approach the time when he or she is supposed to retire and stop carrying out the activity.

There are rules on taking over of tax allocation reserves in 30:11-14 of the IL, which concern in what cases, and on which conditions the reserves may be transferred between different enterprise forms. My perception is that if the owner considers retiring it is better if he or she has a limited company and transfer the shares to someone who continues to carry out the company's activity. Then, the question on write-back is so to speak carried forward into the future instead of the company's activity being closed.

If a transfer of the activity is not supposed to be made the entrepreneur should – regardless of under what enterprise form, he or she is carrying out the activity – de-escalate the deductions for provisions for pensions in good time before he or she is planning to retire and then is supposed to close the activity. Otherwise, the entrepreneur might not afford retirement.

See more about questions on the retirement on pp. 31 and 32 in my e-book with the code 015Grön on www.forssen.com, under PFS Böcker.

Cp. regarding the health care insurance for the entrepreneur

Concerning the health care insurance, the entrepreneur carrying out activity as sole proprietorship or in a partnership/limited partnership may apply for sickness allowance from *Försäkringskassan*, FK (the Social Insurance Agency). If the entrepreneur on the other hand is using the limited company form, he or she shall pay sick pay to himself or herself during 14 days before he or she can apply for sickness allowance at the FK. Thus, in this respect a limited company is not to advantage. Qualifying deduction shall be made from sickness allowance or sick pay. Regarding sick pay: see the Act on Sick Pay (SFS 1991:1047).