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The Swedish so called 3:12-rule – a confusing case of neutrality ambitions and stimulation of entrepreneurship

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Starting point!

- Since the 1991 tax reform, the Swedish dual income tax system for individuals does not tax income from **capital (30 %)** neutral compared to income from **labour (32-52 %)**.



Economic double taxation of companies – but.....



Income conversion is possible, for those who are both working and hold shares.

dividend

Company profit	100
company tax	- 20,6
<hr/>	
Dividend	79,4
tax 20/25 %	- 16/20
<hr/>	
Net after taxes	63,4/59,4

salary

Compared to!	
Salary at highest marginal tax rate	100
- (social contributions 31,42 % x 76)	- 24
- tax ca 52 % x	- 39,5
<hr/>	
Net after taxes	36,5

$100/1,3142=76$

A dual income tax dilemma

- **The Swedish so-called "3:12 rules"**
- Refer to the rules regarding the taxation of dividends and capital gains from closely held companies.
- The rules were introduced at the tax reform 1991, to secure that the owners only get a reasonable amount of (relatively) low taxed dividends and gains based on their invested capital invested. If higher dividends and gains than that, they will be taxed like salary.
 - but not deductible for the company, and without social contributions
- Since 2006 there are also incentives to hire employees. High salaries in a company may lead to a lower taxation of dividends.



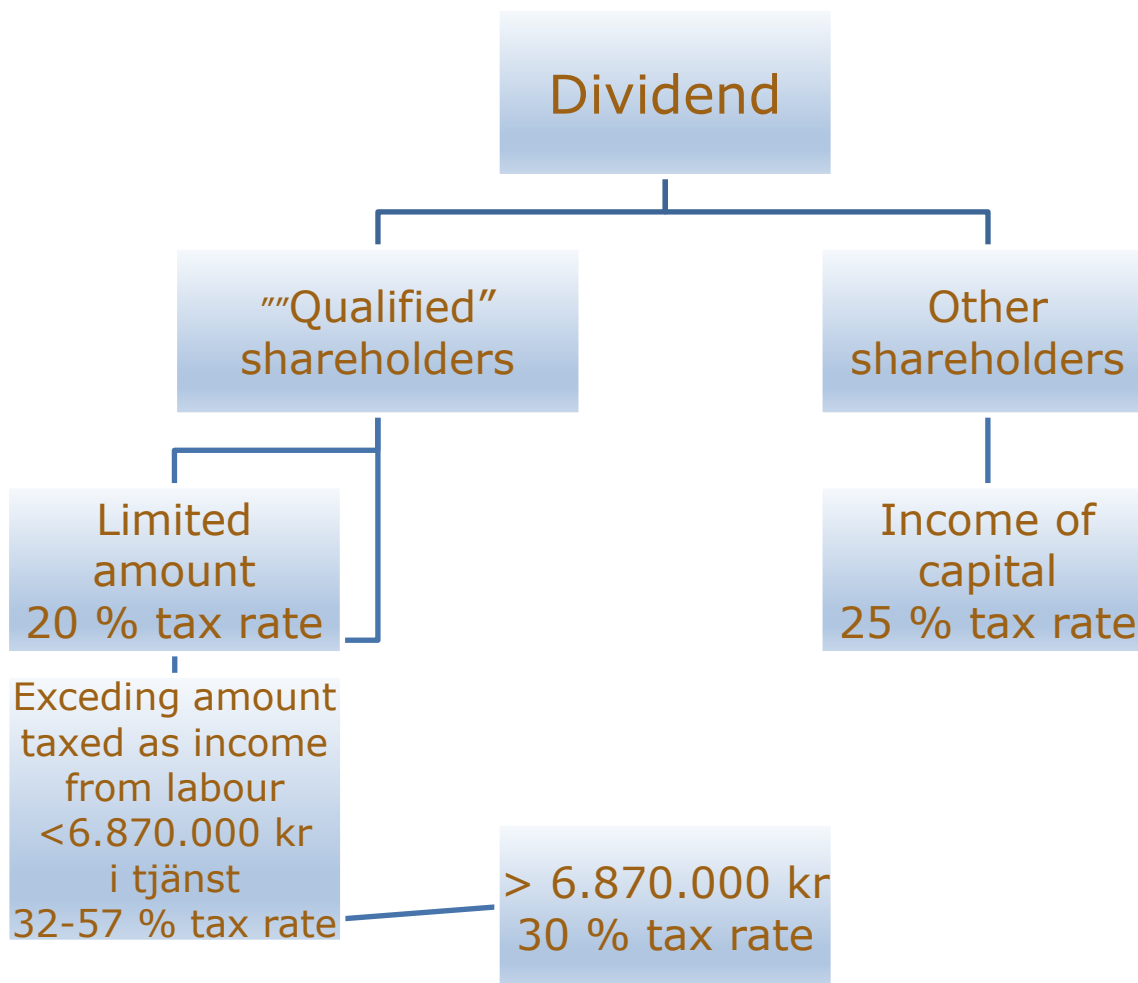
The development of the rules

- between maintaining neutrality and stimulating entrepreneurship

- 1991-2005: emphasis on hampering tax avoidance
- 2006-2013: much lower taxation (30 → 20 %) and "beefed up" space for taxation as income from capital
- 2014→: still beneficial components, but some restraints were introduced
 - Dir. 2022:44, Simplify the rules!
 - Dir. 2023:10, Also, improve the rules in order to stimulate entrepreneurship!
 - SOU 2024:36



Tax scheme dividend 2024, not listed shares, 42:15a IL, 57:20 IL



- Important definitions

- Closely held companies (fåmansföretag) 56 IL
- Extended definition, 57:3 IL
- Qualified shares (kvalificerad andel) 57:4 IL

- Calculation rules

- Limited amount (gränsbelopp)
 - » Simplification rule: 2,75 IBB per company, 57:11, 1 st., p. 1
 - » Main rule: wages have importance, 57:11, 1 st., p. 2
- Not used amount may be carried forward, 57:13 §



Simplification rule, 2024

- = 2,75 IBB (74.300 kr), 57:11, 1 IL (per company)
- May be carried forward, 57:13 IL.



Main rule, 2024

- ("Statslåneräntan" +9 %)
x invested capital

57:11, 2 IL

Bingo if many employed!



+ sum of salaries



Salary sum. 57:16 ff IL, 2024

- 50 % of paid salaries increases the limited amount
 - Salaries to shareholders are included
 - May only be used when owning at least 4 % of the shares, and own salary at least 445.800 kr (6 IBB) + 5 % of total salary sum,
or 713.280 kr (9,6 IBB)



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- The 3:12-rules are also applicable on capital gains when selling "qualified" shares in closely held companies.

