Cross-Border Joint Venture and Strategic Alliance Guide (Sweden)

A Practical Guidance® Practice Note by Claes Kjellberg, Hannes Snellman Attorneys Ltd.

Claes Kjellberg
Hannes Snellman Attorneys Ltd.

This Cross-Border Joint Venture and Strategic Alliance Guide (Sweden) discusses relevant law and practice related to the formation and operation of cross-border joint ventures, including corporate and contractual joint ventures, in Sweden. For other jurisdictions see the Cross-Border Joint Venture and Strategic Alliance Resource Kit.

Structures

What are the standard forms of joint ventures/ strategic alliances and common features of each?

In Sweden, there is no specific standard form of strategic alliance or joint venture. The opportunities for structuring joint ventures and strategic alliances are vast. They vary in size, assets, purpose, number of parties, duration, distribution of profits (and losses), and in a variety of other aspects that impact the provisions of the joint venture.

The most common forms of joint ventures are:

- Entity-based, such as partnerships
- Contract-based
- Hybrids of the two, such as limited liability companies where ownership is governed by a joint venture agreement

Contract-Based Joint Ventures / Strategic Alliances

Contract-based joint ventures / strategic alliances have no specific common feature, as the main rule is freedom of contract. Two parties with a goal to collaborate in a limited and specific way could enter into an agreement or collaborating arrangement specifying the relationship and the related terms. There is no equity participation in this structure. The rights, obligations, and financial terms are normally specifically outlined in the agreement governing the relationship. However, legally, an agreement between two or more parties regarding a mutual purpose may constitute a non-regulated partnership.

Entity-Based Joint Ventures / Strategic Alliances

Entity-based joint ventures / strategic alliances may be in the form of a limited liability company, an economic association, a general partnership, or a limited partnership, as detailed below.

Limited Liability Company

A limited liability company may be either private or public. A private company must have an issued share capital of at least SEK 25,000 (approximately €2,500), and a public company must have an issued share capital of at least SEK 500,000 (approximately €50,000). To be listed, a company must be public; however, a company may be public but not listed. In limited liability companies (whether public or private), the shareholders are not liable for the company's liabilities, with the exception of extraordinary circumstances.

Economic Association

An economic association requires more than three partners. This association form is a legal entity that must be registered along with its articles of association. All members have to participate in the association's economic activity

pursuant to its articles. An economic association must keep accounting records and prepare an annual report. There are no capital requirements. The members are not liable for the association's liabilities.

General Partnership

A general partnership is a legal entity, but transparent for liability purposes. All partners are jointly and severally liable for the debts and obligations of the general partnership. A general partnership is created by an agreement between two or more parties to jointly conduct business in the partnership. In order to form a general partnership, it must be registered. There are no capitalization requirements for a general partnership.

Limited Partnership

A limited partnership is similar to a general partnership, with the difference that one or more of the partners are not liable for the debts and obligations of the partnership. At least one of the partners, being the general partner, is subject to unlimited liability for the limited partnership's debts and obligations.

What are some of the key corporate governance, tax, regulatory, and timing considerations that could impact the choice of structure?

The choice of structure is mainly driven by the purpose for which the joint venture or the strategic alliance is formed. Where the joint venture or strategic alliance will be on a long term basis with broad purposes, the form of entity preferred will typically be a limited liability company. The same applies where the joint venture or the strategic alliance has an equity participation element. A strategic acquisition of a business by two investors is an example of such.

The contract-based joint venture is more common for a specific purpose typically with a foreseeable period as its term, for example entering into an agreement with respect to an infrastructure project.

The limited liability company and the economic association are subject to corporate income tax on their income. Corporate tax is levied at a flat rate of 21.4%, which however will be reduced to 20,6% from 1 January 2021. The partners of a partnership are taxed for their part of the partnership's earnings. The limited liability company and the economic association are represented by its board of directors, while the partnership, by its partners (and in relation to limited partnerships, the general partner). There are no particular regulatory and timing considerations, but it should be noted that the most developed and foreseeable set of rules are the ones governing limited liability companies.

Can a joint venture or strategic alliance be formed for any purpose?

In principle, joint ventures and strategic alliances can be formed for any purpose. Some strategic alliances are formed for a single purpose, both on a short- and long-term basis. Other strategic alliances are formed for multiple purposes, such as investments and co-operations that allow parties to benefit from the relative strengths of their partner(s), such as the ability to procure financing, reputational goodwill, and business know-how. Joint ventures and strategic alliances are also formed to effectuate expansion into new jurisdictions. Forming a strategic alliance with a local partner can offer advantages in navigating complex regulatory schemes.

Are there any industries that would not permit or would not be conducive to a joint venture or strategic alliance?

As a general rule, there are no industries that would require a permit or would not be conducive to a joint venture or strategic alliance, unless the industry is regulated or the joint venture or strategic alliance triggers any anti-corruption rules. The bank, insurance, and financial services sectors are typically regulated. The healthcare segment is also a regulated industry that may affect a joint venture or strategic alliance.

How is a joint venture or strategic alliance structured to minimize potential liability? Are there instances where parties to a venture or alliance may knowingly choose a vehicle without limited liability and, if so, why would such party make that choice?

Contract-Based Joint Ventures / Strategic Alliances

With respect to a contractual joint venture or strategic alliance, the agreement(s) governing the relationship will specify the obligations, allocation of risk, liability, and indemnification rights between the joint venture parties.

Entity-Based Joint Ventures / Strategic Alliances

The shareholders of a limited liability company, interest holders of an economic association, and limited partners

are not liable for the company or partnership's liabilities and only have their equity at risk. In contrast, in the case of a general partnership, each general partner is liable for the obligations of the partnership. This also applies to the general partners of a limited partnership.

Statutory Framework

What is the applicable statutory framework for each structure discussed in above?

The key legislation consists of the Swedish Companies Act, the Partnership Act, the Economic Associations Act, the Contracts Act, the Sale of Goods Act, Competition Act, and Securities Market Act.

The entities are subject to the relevant legislation governing such entity, while joint ventures and strategic alliances that are formed on a contractual basis are governed by the agreements governing these relationships.

Are there statutory or other limits on the duration of a joint venture or strategic alliance?

In the case of contractual joint ventures or strategic alliances, the agreements governing the relationship will specify the duration of the collaboration. The presumption is that the entities shall exist perpetually, although the legislation offers liquidation and shutdown procedures and requirements.

Do joint ventures or strategic alliances have to be registered with any federal or local body other than the Swedish Company Registration Office as described below?

Unless conducting business in a regulated business or activity, joint ventures or strategic alliances are not subject to any specific registration requirement with any federal or local body, other than filings with the Swedish Companies Registration office.

Regulatory Environment

Are joint ventures or strategic relationships specifically regulated?

Joint ventures and strategic relationships are not specifically regulated, other than if the entity is conducting business in a regulated industry, such as the financial or insurance services industries.

Are there any antitrust matters to be considered in forming a joint venture or strategic alliance?

The tasks of certain joint ventures extend beyond the mere provision of support functions for its parent companies. In such cases, where these entities have a lasting market presence and are full-function joint ventures, Swedish merger control legislation applies. Notification must be provided to the Swedish Competition Authority (the SCA) if the full-function joint venture, together with its parent companies, fulfils the turnover thresholds laid down in the Swedish Competition Act (the Act).

The potential anti-competitive effects of the joint venture are assessed based on general provisions of Swedish competition law. The relationship between the parties (i.e., whether the parent companies are actual or potential competitors, upstream or downstream, or in a neighboring market) gives an indication as to the impact the joint venture may have on competition. A joint venture or strategic alliance between actual or potential competitors tends to increase the transparency in the market and facilitate coordination. Such coordination may in turn lead to undesired negative effects on competition and thus be prohibited under the Act. Furthermore, cooperation arrangements are often seen as more harmful when coordination takes place further down the production chain (i.e., when the parties have the opportunity to influence pricing for consumers). In addition, the creation of a joint venture or strategic alliance may facilitate the exchange of sensitive information between the parties. Coordination and the sharing of sensitive information can fall within the scope of prohibited behaviors under the Act, which may consequently result in substantial fines.

Another indirect effect of the formation of a joint venture is the spillover effect, which may occur when the parent companies exchange information that may influence other neighboring markets.

If the proposed formation of a full-function joint venture is subject to review by the SCA, the parties may not close the transaction or take any action until the SCA has granted a clearing decision (standstill obligation).

Formation

What are the procedures in forming a joint venture or strategic alliance?

In the case of entity-based joint ventures and strategic alliances, a filing is required with the Swedish Companies

Registration Office. The filing would include the applicable form accompanied by both the Memorandum and Articles of Association.

To the extent that a joint venture or strategic alliance is documented in an agreement, there would be no filing because a separate entity does not exist.

What documentation/agreements are required to form a joint venture or strategic alliance?

Swedish law does not recognize joint ventures or strategic alliances as legal entities, save where such constitutes a nonregulated partnership. There is no legal definition of the terms. As a result, the content of the joint venture agreement will govern the relationship among the parties. The agreement should, at a minimum, regulate the organization and the business purpose.

If a limited liability company is established, it is very common that the parties regulate their relationship under a shareholders' agreement that will typically include rules governing contributions and financing requirements, antidilution protection in connection with capital increases or injections, transfer restrictions, exit provisions such as drag- and tag-along rights, distribution of profits and losses, and restrictive covenants.

If there is no documentation forming the joint venture or strategic alliance, is there a standard form that exists by default? Are there any attendant risks of falling within that category?

There is no standard form that exists by default. It is possible, although not recommended, to form a joint venture by oral agreement or by an implicit agreement, based on day-to-day conduct and dealings.

What filings with governmental authorities (if any) are required to form the joint venture or strategic alliance?

A limited liability company, a general partnership, and an economic association must be registered with the Swedish Company Registration Office along with its articles of association. Following such filing, the joint venture or strategic alliance becomes a legal entity and the business may commence. As the name indicates, non-registered partnerships do not have any registration requirements.

The contract-based joint entity or strategic alliance requires no specific filings.

Becoming a Member/Partner

What are the different levels of equity and voting participation in the various forms of joint ventures and strategic alliances? How flexible is each of the structures?

Contract-Based Joint Ventures / Strategic Alliances

In a contract-based joint venture / strategic alliance, there is no equity and voting participation. The parties to the agreement may freely agree to the terms in accordance with the principle of freedom of contracts. The terms are however always subject to the mandatory provisions in the Swedish Contract Act (e.g., provisions enabling unfair terms to be balanced).

Entity-Based Joint Ventures / Strategic Alliances

Limited Liability Company

Ownership interests in a limited liability company are represented by shares that constitute the equity stake of its owners. Voting rights are linked to the number of shares held by the shareholder. The articles of association allow for some flexibility regarding voting rights. Since it is possible to allow for different classes of shares, some having stronger voting power than others. This is a deviation from the general principle that all shares have the same voting power (the maximum differential between classes of share is one to ten).

General or Limited Partnership

In a joint venture / strategic alliance utilizing a general or limited partnership form, there are no specific capitalization requirements, and the partners may negotiate their mutual relationship freely in the constitutional agreement. However, in general, the agreement is required to contain information about the contributions made by the partners.

The partners may also negotiate requirements for voting participation freely in the constitutional agreement. To the extent the partners have not agreed upon the terms of voting requirements related to managing the partnership in the constitutional agreement, a partner may veto a decision.

Economic Association

Economic associations have no capital requirements relating to members subscribing for shares. However, the members have to pay a contribution (an admission fee) to the association, in accordance with the constitutional documents of the association. The fundamental rule is that

each member has one vote. However, this principle may be deviated from, and differential voting rights and even conditions to vote may be delineated in the constitutional documents. In contrast to limited liability companies, there are no limitations setting forth a maximum differential between the number of votes per member. Furthermore, there are no rules governing the conditions constituting a voting differential, provided that the criteria are reasonable and objective, and are not advantageous to some members at the expense of other members.

What forms of contributions (e.g., cash versus in-kind) may be made by members/partners?

Contract-Based Joint Ventures / Strategic Alliances

When a joint venture / strategic alliance is based on a contract, freedom of contract provides that the parties may agree on the terms regarding the forms of contribution.

Entity-Based Joint Ventures / Strategic Alliances

Limited Liability Company

When a limited liability company is founded, it is possible to pay for the shares with cash or, provided that the constitutional documents allow, in kind (for example, real property). Where payment is made in kind, the asset must be transferred to the company and a certificate from the auditor is required, expressing its opinion regarding the value of the relevant asset.

General or Limited Partnership

In a general or limited partnership, the partners can negotiate and agree freely within the constitutional agreement as to the details relating to contributions, provided these terms comply with mandatory provisions in the Swedish Contract Act.

Economic Association

In an economic association, the members must make contributions in accordance with what is set forth in the constitutional documents. Subject to the constitutional documents, the contributions may be made in cash, but the constitutional documents can also set forth that assets or labor/services are sufficient contributions.

Should contributions to the joint venture or strategic alliance be documented? If so, what is the typical form of documentation?

The constitutional agreement, constituting the foundation of a general or limited partnership and outlining the relationship between the partners, may be oral or written. However, for obvious reasons, a written agreement is preferred in the case of a conflict between the partners.

Are there any statutory or other requirements regarding the number (i.e., minimum or maximum) or type of members (as in age requirements or legal status, individual or juridical person) in the joint venture or strategic alliance?

There are multiple requirements addressing the number of and other features relating to the members in the various forms of joint ventures. Below is a sampling of a few key considerations.

Limited Liability Company

If the joint venture / strategic alliance takes form as an unlisted limited liability company, one or up to 200 persons may hold an equity stake in such company. There are no restrictions as to the equity holders of a public limited liability company.

General Partnership

A general partnership must be formed by more than one legal person or individual, and during the existence of the partnership there must be at least two partners. Regardless of whether the partners are legal persons or individuals, they are required to have capacity to acquire and hold rights and duties so that they could act in accordance with the constitutional agreement.

Economic Association

In an economic association, at least three individuals or legal persons, contributing in some form to the association, are required. For instance, if one person contributes and two do not, the legal requirements to form an economic association have not been fulfilled. Other than that, there are no other member requirements or special qualifications, unless otherwise agreed to by the members.

What documentation would typically govern the relationship between partners/members?

The documentation governing the relationship between the partners and members are referred to as the constitutional documents. The type of constitutional documents used depends on the form of the joint venture or strategic alliance. The terms and conditions included within such constitutional documents governing the relationship between the partners/members would be the product of their negotiations.

Can a public sector body be a member/partner in the joint venture or strategic alliance?

Yes; in fact, in Sweden, there is a recent trend of an increased number of joint ventures / strategic alliances between public sector bodies and private companies in PPP projects (public-private partnership projects).

What restrictions, other than contractual ones, are there on a member/partner transferring its interest in the joint venture or strategic alliance?

Contract-Based Joint Ventures / Strategic Alliances

There are no restrictions on members/partners transferring their interest in contract based joint ventures / strategic alliances, except for contractual ones (if any).

However, do note that there are certain export regulations, for example regarding war material, dual-use items and hazardous chemicals.

Entity-Based Joint Ventures / Strategic Alliances

Limited Liability Company

The general rule in Swedish corporate law regarding limited liability companies is that shares are freely transferable. In effect, there are no transfer restrictions. However, the transferability may be restricted in certain situations by law, the articles of association or on a contractual basis, which is very common in joint ventures and strategic alliances, as partners require predictability.

In the articles of association of a limited liability company, the transferability of the shares may be restricted by a right of first refusal, preferential rights, and/or prior consent to purchase clauses. To change the transferability provisions contained in the articles of association in a limited liability company, consent by all the shareholders represented at the general meeting representing at least 90% of the outstanding shares of the company is required.

General or Limited Partnership

In a general or limited partnership, the partners have to accept the dismissal of a partner that wants to resign.

Contract- and Entity-Based Joint Ventures / Strategic Alliances

In addition to the above, it should be noted that a legislative proposal, proposed to enter into force on 1 January 2021, restricts divestments of security-sensitive business operations that have an impact on Swedish security, such as critical infrastructure (e.g. airports, energy plants and information systems for electronic communication) and regional/municipal businesses relating to energy and water supply and health care. The proposal states an obligation for a company or a seller of shares, business or assets that is conducting security-sensitive business operations, *inter alia* in the form of a joint venture or strategic alliance, to perform a security and suitability assessment of the potential divestment and consult with the relevant Swedish authority as to whether the potential divestment would be secure and suitable. The authority may impose an injunction combined with a fine to ensure that the company or the seller comply with the legislative proposal and ultimately prohibit the divestment. If the company or the seller would proceed with the divestment nevertheless, the transfer could be declared null and void.

Restrictive Covenants

What restrictive covenants can apply to members/partners relating to corporate opportunity, noncompetition and nonsolicitation?

Under Swedish law, there are certain limitations to restrictive covenants. Non-compete clauses in joint ventures are usually enforceable during the lifetime of the joint venture. However, non-compete clauses that extend beyond the lifetime of the joint venture are typically, depending on the activities of the joint venture, not enforceable.

Management

How is the joint venture or strategic alliance managed in the different structures? Are there statutorily mandated supermajority provisions?

Contract-Based Joint Ventures / Strategic Alliances

The operations of contract-based joint ventures and strategic alliances are managed pursuant to the terms of the contract.

Entity-Based Joint Ventures / Strategic Alliances

Limited Liability Company

A limited liability company is subject to greater regulation and has statutorily mandated supermajority provisions. As a general rule, decisions require more than 50% of the voting capital. Such decisions may include profit/loss allocation, appointment of the board, winding-up, and instructions to the board.

The board is responsible for the organization of the company and the overall management of the company's affairs. The board's resolutions are passed with a simple majority and the chairman has the casting vote in the event of a tie. The board may appoint a CEO responsible for the day-to-day management of the business operations.

A holder of greater than one-third of the shares/votes may block certain proposals, such as those relating to the articles of association. This could include: (1) changes to the scope of the business or its capital structure, (2) the issuance of securities without regard to shareholder pre-emptive rights, (3) mergers, and (4) the reduction of the share capital.

Similarly, a minority shareholder, consisting of a party holding less than 10% shares/votes, also has certain rights, including (1) enforcing compulsory buy-out (squeeze out) rights against a shareholder owning more than 90% shares/votes, (2) calling for an extraordinary shareholders' meeting to be held for a specific purpose, (3) requiring that dividends in an amount of up to 50% of the distributable profits are made, (4) taking derivative action on behalf of the company for damages against management, and (5) effecting other fundamental amendments of the articles of association (i.e., shareholders' right to dividends, transfer restrictions of shares).

What mechanisms are there for resolving deadlocks on major decisions?

There are no specific mechanics for the purposes of resolving deadlocks; however, in certain partnerships, liquidation of the partnership may be enforced in cases of disagreements between the parties. It is therefore important to agree on how to act when conflicts prevent decision-making. Traditional corporate law dispute resolution methods are not generally suitable for a joint venture. For this reason, it may be wise to include in the underlying agreement provisions that obligate the parties to renegotiate. The agreement may also include conditions on how the alliance could be terminated (e.g., redemption or shoot-out clauses, or other similar provisions).

What procedures apply for electing and removing managers in joint ventures and strategic alliances?

In partnerships and contract-based joint ventures and strategic alliances, the procedure follows the partners' agreement and no specific procedure for elections exist.

In limited liability companies and economic associations, this is resolved by the general meeting.

Allocating Profits, Losses, and Distributions

How are profits, losses, and distributions allocated among partners/members? Are there legal or regulatory restrictions that may limit the ability of the partners/members to make such allocations on their own?

The most common manner is to regulate the allocation of profits, losses, and distributions among partners/members in the applicable joint venture agreement. Normally, the stake of a partner corresponds to the equity or the contribution made by it. If not addressed in the joint venture agreement, in the case of a limited liability company, this may be otherwise agreed to by a majority of the outstanding shares. Notwithstanding, in order to lawfully distribute dividends, the limited liability company must at all times have free reserves in an amount at least equal to that amount designated in the company's latest adopted balance sheet.

Indemnification

What Indemnification provisions would apply in a joint venture or strategic alliance?

Partners are normally reluctant to give indemnifications, and there are no statutory indemnification provisions. However, a shareholder in a limited liability company may be liable to the company or another shareholder for breaches of the Companies Act. Similarly, a party to a contract may be liable for a breach of contract. Typically, the agreement governing the relationship will specify the obligations, allocation of risk, liability, and indemnification rights between the parties.

Exit or Termination

How does a partner/member exit a joint venture or strategic alliance?

The exit strategies are vast and depend on the purpose of the joint venture or strategic alliance, and may be linked to company growth, the partners' financial situations, and current industry conditions.

Limited Liability Company

If the joint venture is in the form of a limited liability company, and not all of the partners want to exit, the existing partners can decide to sell their shares to those who remain, assuming that the parties agree with respect to the business terms of such sale.

General or Limited Partnership

If the joint venture or strategic alliance is in the form of a general or limited partnership, a partner has no right to unilaterally exit. This rule forbidding a partner from unilaterally exiting a partnership is due to the overriding principle that business enterprise is based on a voluntary agreement between the partners to cooperate. If a partner wishes to exit, the partnership agreement must be amended, with the practical effect that, as a general rule, a partner can exit the joint venture or strategic alliance only with the consent of the other partners.

However, as mentioned above, a partner may terminate the agreement and thereby enforce a liquidation of the partnership with a six months' notice period, provided that the partnership agreement does not set forth a different notice period.

Economic Association

A member in an economic association can unilaterally exit the association, subject to the articles and any agreement with the other members.

How is a joint venture or strategic alliance terminated?

Contract-Based Joint Ventures / Strategic Alliance

Contract-based joint ventures will have the terms of dissolution set forth in the operative agreement.

Entity-Based Joint Ventures / Strategic Alliances

Limited Liability Company

In limited liability companies, the shareholders' meeting may, on a proposal from a shareholder, resolve to liquidate. The liquidation will then be reported to the Companies Registration Office. The decision requires a simple majority, unless otherwise stated in the Articles of Association. Irrespective of the provisions of the articles of association, simple majority in favour of liquidation is always sufficient if there is a reason for forced liquidation. In addition, limited liability companies could also liquidate upon the occurrence of certain events. For instance, the sale of all shares in the company, merger, demerger, and bankruptcy are all available options for terminating the joint venture or strategic alliance.

General and Limited Partnership

In general and limited partnerships, the company will automatically enter into liquidation six months after the partnership agreement is terminated.

Economic Association

Economic associations are most commonly dissolved by merger, liquidation, or bankruptcy. Liquidation can be optional or forced.

Is the termination of a joint venture or strategic alliance subject to the approval of any governmental body?

The termination of an entity-based joint venture will normally not require regulatory approval or oversight. However, certain formal requirements may apply for the entity, such as filing its annual report and demonstrating the payment of all outstanding debts and taxes.

Foreign Members/Partners

What statutes or rules govern joint ventures or strategic alliances with foreign parties?

Regulation (EU) 2019/452 applying from 11 October 2020 (the FDI Regulation) and certain restrictions in the Swedish Military Equipment Act, govern joint ventures or strategic alliances with foreign parties.

What are the material provisions of such statutes or rules?

Under the FDI Regulation, foreign parties investing in Sweden, *inter alia* in form of a joint venture or strategic alliance, may be required to provide information to the Swedish Inspectorate of Strategic Products (the ISP) on the planned or completed direct investment in Sweden, e.g. regarding the ownership structure of the foreign investor, the approximate value of the foreign direct investment, and the source of funding. Under Swedish law, the ISP may further impose an injunction combined with a fine on the foreign investor to provide the relevant information. Any planned or completed foreign direct investment likely to impact another Member State's security or public order, can be commented on by another Member State or be subject to an opinion by the European Commission. It may further be noted that Sweden currently has no screening mechanism of foreign direct investments in place.

Under the Swedish Military Equipment Act, the direct or indirect foreign ownership of a Swedish limited liability company producing or supplying military equipment may be restricted to a certain percentage of shares.

Furthermore, international private law regulates, among other things, jurisdiction and choice of law. When the parties through an alliance have formed an association, there are certain rules regarding those associations.

What constitutes a "foreign" member or partner of a joint venture or strategic alliance? If there is an attribution rule that traces the ultimate ownership of a local member/partner to a foreign entity, what are the equity-holding and voting-rights thresholds for deeming "control" at each ownership chain?

Under the FDI Regulation, a "foreign investor" means a natural person of a third country or an undertaking/company of a third country, intending to make or having made a foreign direct investment.

Under the Swedish Income Tax Act, a foreign legal person is a company that, under the laws of the state in which it belongs, meets the following three conditions:

- It can acquire rights and undertake obligations.
- It can institute legal proceedings.
- Individual partners cannot freely dispose of assets owned by the association.

There is no specific equity-holding or voting-rights rule for determining control, as control may be exercised by way of the rights or undertakings under a joint venture agreement. Fifty percent of the voting rights in a limited liability company typically implies control; however, the voting powers may be restricted by the joint venture agreement.

What permits, consents, or registrations are required by foreign members/partners of a joint venture or strategic alliance?

An individual or a legal person is not required to obtain any specific permits or consents to start a business or to become a member of a joint venture or strategic alliance, unless the business is regulated or antitrust aspects apply.

Are there any economic incentives for foreign direct investments in a joint venture or strategic alliance?

Sweden has a well-developed and sophisticated environment for investments. There are many sectors that are attractive to foreign investors.

Are there mandatory minimum or maximum equity investments or contributions for a foreign joint venture or strategic alliance member/partner?

There are no mandatory minimum or maximum equity investments regulations.

Are there any restrictions regarding distributions to, or repatriation of profits by, foreign partners/members?

A company is generally considered a tax resident in Sweden if it is registered in Sweden. A resident company in Sweden is liable to pay corporate income tax on its worldwide profits. Also, dividends paid by Swedish limited liability companies to non-residents are generally subject to a 20%–30% withholding tax (depending on the applicable tax treaty). However, non-resident legal entities are often exempted from withholding tax, either under Swedish domestic law or relevant tax treaties.

Are there any differences in the answers to any of the questions above in the case of joint ventures or strategic alliances with foreign members?

There are no differences, unless in very rare situations or if special provisions apply.

Claes Kjellberg, Partner, Hannes Snellman Attorneys Ltd.

Claes specialises in private equity and M&A transactions and advises international corporate as well as private equity clients. Claes has extensive experience primarily in M&A and is known for his competence and capability in large corporate deals, divisional carve-outs, as well as infrastructure and energy related deals. He is also experienced in both review and establishment of private equity and venture capital funds.

This document from Practical Guidance®, a comprehensive resource providing insight from leading practitioners, is reproduced with the permission of LexisNexis®. Practical Guidance includes coverage of the topics critical to practicing attorneys. For more information or to sign up for a free trial, visit lexisnexis.com/practical-guidance. Reproduction of this material, in any form, is specifically prohibited without written consent from LexisNexis.

LexisNexis.com/Practical-Guidance

LexisNexis, Practical Guidance and the Knowledge Burst logo are registered trademarks of RELX Inc.
Other products or services may be trademarks or registered trademarks of their respective companies. © 2020 LexisNexis

LexisNexis®