



# Sweden

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## QUICK FACTS

**Legal forms of philanthropic organizations included in the law:** Association, Foundation, Corporation, Benefit Corporation, Trust, Society, Economic Association

**Five main social issues addressed by these organizations:** Arts and Culture, Health and Medical Research, Environment, International Causes, Human Rights

**Average time established by law to register a philanthropic organization:** 0-30 days

**Average cost for registering a philanthropic organization:** US \$0

There is no cost for registering a PO with the tax authorities, but a small fee is required to register with the Swedish Companies Registration Office. All registration is voluntary (see narrative).

**Government levels primarily regulating the incorporation of philanthropic organizations:** Central/Federal Government

### Philanthropic Environment Scores:

Year	Ease of Operating	Tax Incentives	Cross-Border Flows	Political Environment	Socio-Cultural Environment	OVERALL SCORE
2018	5.0	3.0	5.0	4.5	4.0	4.30

**I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)**

*The three questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration, (B) operations, and (C) dissolution.*

**Question 1: To what extent can individuals form and incorporate the organizations defined?**

<b>Score: 5.0</b>
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There are no requirements to register POs in Sweden; anyone is free to start any kind of organization at any time. Organizations can choose to register with the tax authorities in order to receive an organization number that allows them to be recognized as a legal entity in relation to authorities, other organizations, and individuals. The application is performed on a one-page form found on the tax authority website or at their offices. A short written by-law and a protocol from the founding meeting should be attached to the application (Skatteverket, 2016). The registration process takes, on average, two weeks from the day the form is mailed in. The PO can also choose to register with the Swedish Company Registration Office in order to get legal protection of their name. This costs SEK 1200 (US \$130), and the registration takes, on average, seven working days (March 2017). There are no limitations on legal purposes, on who the founder can be, and no minimum requirements on capital or other assets for either type of registration. All correct applications are approved, as they are a voluntary service to the organization.

Both the tax authorities and the company register are Swedish government bodies and, as such, they rank among the least corrupt and most transparent institutions in the world. The initiation and formation of POs are, on a more general note, actively encouraged by Swedish government and across the political spectrum. There are several ways in which social enterprises, cooperatives, and other POs can receive public funding and professional know-how in their startup phase (as well as later).

**Question 2: To what extent are POs free to operate without excessive government interference?**

<b>Score: 5.0</b>
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There are no laws regulating the structure or internal affairs of organizations in Sweden. Commercial activities, employment of staff, and other professional work performed by the PO are regulated the same way as any type of organization or business.

There are extensive tax exemptions for POs on almost all sources of income, but to be eligible for the tax-exempt status they must meet some general criteria. They need to work for a cause in the public's interest, which is interpreted broadly from sports and culture to environment and social needs, etc. (Skatteverket, 2016). In addition, they must devote most of their income to that specified cause, and they need follow basic business ethics with regard to things like accounting (more about this further down).

There are no restrictions on what an organization can and cannot do in Sweden. An organization cannot be “illegal,” rather, only the actions of its individual members are. Criminal motorcycle gangs are, for example, not illegal, only the crimes of its members. Only if the organization seeks public funding do they need to be non-violent and democratic. Youth organizations are universally eligible for public funding in Sweden, and there are a handful of examples where an organization has been cut off from funding due to concerns about the conduct or values of the organization. All POs communicate freely within Sweden, as well as internationally, using any type of media.

**Question 3: To what extent is there government discretion in shutting down POs?**

**Score: 5.0**

The termination and dissolution of a PO is decided by its members at a general assembly, the decision to do so cannot be delegated to the board of the organization. The by-laws of all organizations should state what happens to the assets of the PO in case of termination. Organizations can, under special circumstances, be terminated by the Swedish Companies Registrations Office or by a court of law. These circumstances are 1) the number of members are fewer than three; 2) the by-law of the organization requires termination; 3) the organization has filed for bankruptcy but failed to dissolve voluntarily; or 4) the organization is clearly run in a manner different from what was stated at the registration with the company register. This type of forced termination is carried out by an appointed legal supervisor, normally a lawyer that could be suggested by the organization (Bolagsverket, 2017).

## **II. Domestic Tax and Fiscal Issues**

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

**Question 4: To what extent is the tax system favorable to making charitable donations?**

**Score: 1.0**

There are no tax incentives to give to charities, neither for individuals nor corporations in Sweden. Sweden introduced a system of tax deductions for charitable giving from private individuals in 2012, but the reform was revoked in 2015. The reason for abandoning the tax incentives was that they were “expensive and ineffective,” as stated by Minister of Finance Magdalena Andersson. The Social Democratic and Green Party government favored a return to their long-held principle that public and private money should not be mixed (Trägårdh and Vamstad, 2009).

Public money for public causes and private money for private causes seems to be the principle. Charitable giving is encouraged and it is generally considered an act of civility in Sweden, as in most countries, but it is also considered a private matter. Making charitable gifts is, in other words, in no way prohibited. It is, just not considered a relevant aspect of the tax system (Trägårdh and Vamstad, 2009). The Swedish tax system is also one of the most simplified in the world, as it has few and simple deductions; information about individual citizen’s income are collected by the tax authorities, and all taxes are pre-calculated. Swedish tax returns are standardized and, in part, already filled out when delivered; in most cases they are just signed – on paper or on the internet – and returned.

Keeping the tax system simple and predictable for all citizens is a serious and recurrent argument against tax deductions for charitable giving (Trägårdh and Vamstad, 2009).

**Question 5: To what extent is the tax system favorable to POs in receiving charitable donations?**

<b>Score: 5.0</b>
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POs serving a very broad definition of “the public interest” (allmännyttig) are exempt of all taxes on income, except for some incomes from business and property, under specific circumstances. POs in the following areas can be considered to serve the public interest: sports, culture, environment, children and youth, politics, religion, health care, social aid, voluntary defense organizations associated with the Swedish Armed Forces, education, science and areas relating to any of the above (Skatteverket, 2016). A PO serving the public interest in any of these areas does not have to pay taxes on any kind of income that funds the main purpose of the organization. The rule of thumb is that about 90 percent of the income must serve that purpose in order for it to have full, tax-exempt status (Skatteverket, 2016).

There is no upper limit to the sums the POs can raise from the public, as long as the money fund states their main purpose (sports for sports organization, culture for culture organizations etc.). The POs are also exempt from all incomes from services provided for the members, so long as the services are associated with the main purpose of the organization (Skatteverket, 2016). The current Swedish government, which took office in 2014, modernized and clarified some of the tax laws of POs and, as a consequence, POs had to pay tax on incomes from second hand stores and flea markets.

The following outcry from civil society and the general public forced the government to backtrack and again make this source of income tax-exempt. POs that do not serve the public interest are also exempted from taxes on all incomes from membership fees, gifts, and contributions. Examples of such organizations are labor unions, business organizations, parent cooperatives, and different kinds of social clubs (Skatteverket, 2016). The income tax exemptions are applied broadly to a wide range of different types of organizations and they are, therefore, easy to obtain. POs are also exempt from property tax on properties serving any of the following purposes: national defense, health care, sport and swimming, culture (theaters, cinemas, and museums), worship, and some other public buildings like youth centers (Skatteverket, 2016).

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

**Question 6: To what extent is the legal regulatory environment favorable to sending cross-border donations?**

**Score: 5.0**

Sweden is a small, open, and export-dependent economy integrated and interdependent with the European Union, as well as much of the rest of the world. There are no restrictions or fees associated with either receiving or sending international donations in Sweden. The tax incentives Sweden had between 2012 and 2015 applied equally to causes in Sweden and the 106 foreign countries with which Sweden has tax agreements (2017). Sweden, like all EU-countries, is prohibited from limiting tax incentives to domestic causes since it would go against the founding EU principle of free movement of capital within the union.

**Question 7: To what extent is the legal regulatory environment favorable to receiving cross-border donations?**

**Score: 5.0**

There are, as stated above, no restrictions or fees associated with either receiving or sending international donations in Sweden. There are very few philanthropic causes in Sweden receiving money from abroad. The lack of regulation may reflect this lack of beneficiaries in Sweden. On a related topic: there are also no formal restrictions on political organizations, parties, or candidates receiving money from abroad, except for extreme cases in which foreign powers attempt to corrupt or disturb the political process in Sweden. An individual accepting money in such a hypothetical case could risk two years imprisonment, but there has been no such cases in modern times.

### IV. Political and Governance Environment

*The three indicator questions in the next two sections concern the political and governance context, socio-cultural characteristics, and economic conditions that influence the environment for philanthropy.*

**Question 8: To what extent is the political and governance environment favorable for philanthropy?**

**Score: 5.0**

The Swedish government and the philanthropic sector (and civil society in general) are entwined in a long-standing relationship of institutional corporatism. Labor unions, business organizations, interest organizations, and other large civil society organizations – including philanthropic aid organizations – are an important part of the political policy process in Sweden. All major government

bills go through a process of public inquiry in which civil society organizations, as well as other public institutions, are invited to write an opinion of the suggested legislation. These opinions are public, as are the records of how they are integrated in the final proposal that is delivered for approval in parliament.

The public inquiries have a long history in Sweden; much never is the compact between the state and the civil society from 2008. This compact is modelled after the British one, signed in 1998, and it draws up the division of responsibility between national, regional, and local government and civil society. Sweden has also recently introduced a new type of public-private partnership with the express purpose of making it easier for philanthropic organizations to compete with the already successful for-profit businesses in many welfare areas. There are some early examples of successful such partnerships in the wake of the 2015-2016 refugee crisis in Sweden. This temporary crisis strengthened the position of philanthropic organizations somewhat, as the power of voluntary mobilization became apparent in a country otherwise used to handling many social issues through the public sector. The political climate in Sweden is stable and the economy is sound, and there is not any threat to the autonomy or sustainability of the philanthropic sector.

**Question 9: To what extent are public policies and practices favorable for philanthropy?**

**Score: 4.0**

The government in Sweden has traditionally promoted a philanthropic tradition characterized by unpaid voluntary work, grassroots organizations, and social movements. The support for charitable giving has been more indirect. Leading politicians and, not least, members of the Royal Family have been important supporters of various charitable causes in Sweden.

Private philanthropic organizations have used the public broadcasting system to perform widely popular and successful national fundraising campaigns, dating back to the late 1940's (Vamstad and von Essen, 2013). However, the government has been reluctant to support private giving through tax incentives, often arguing that it is more rational to address social causes directly with public funding instead of indirectly by encouraging giving (Trägårdh and Vamstad, 2009). The government has a longstanding partnership with the largest philanthropic aid organizations, like the Swedish Red Cross and the City Missions. These are supported and integrated in the national infrastructure for social aid, and they have gained additional importance since the arrival of needy, non-citizens in Sweden, especially vulnerable EU-migrants not covered by the public welfare services. The government also supports local initiatives for this group and groups like refugees, both in the reception and further integration of foreign nationals and new Swedes.

## **V. Socio-Cultural Environment**

**Question 10: To what extent are socio-cultural values and practices favorable for philanthropy?**

**Score: 4.0**

Philanthropy, in a broad sense of the word, is deeply rooted in Swedish society. There is a strong tradition of volunteering and mutual help, and charitable giving is widespread across class and other

divides in the population (Vamstad, 2015). The social democratic welfare state in Sweden is an important part of the sociocultural environment of philanthropy in Sweden. The Marshallian concept of social rights to basic welfare in Sweden has led to expectations on national, regional, and local government to provide services in some areas that could otherwise have been provided through philanthropic acts. Charitable giving has, for this reason, been directed to causes like international aid and medical research and less on social causes in Sweden (Vamstad and von Essen, 2013). There is, in other words, no crowding out of philanthropic activities by the social democratic welfare state, but it is fair to say that the large public sector has helped define both the actual need for philanthropy and the public perception of which issues philanthropy should address.

It should also be noted that many public welfare institutions once started as private, philanthropic initiatives with the expressed ambition of becoming part of the public welfare sector. Politically progressive philanthropists, in this way, played a significant part in shaping the early Swedish welfare state (one could even go as far as to consider the welfare state itself a philanthropic project) (Qvarsell, 1993; Trägårdh, 2013, Berg, 2009). Some researchers, like Morey (2013), have also pointed out the significance of American philanthropic institutions in the development of the Swedish welfare state.

## VI. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

### Current state of the philanthropic sector

The Philanthropic Sector in Sweden is in a historically strong position. There is talk of a return to private philanthropy, as the welfare needs are becoming more diverse. The welfare state may not have the resources or the know-how to address some new social issues, and POs are becoming a much more active collaborator in the efforts to address some of them. This development is rooted in the Swedish tradition of a strong and active civil society, but the forms in which the POs organize and work is becoming internationalized and professionalized.

Sweden has also seen the emergence of a more informal type of philanthropy beyond the traditional POs, especially through the use of social media. Examples of such initiatives include collections of food for needy families or social events or language trainings organized for refugees to find missing people. Traditional forms of engagement are, however, still important, Sweden – a country with 10 million inhabitants – has close to a quarter of a million associations with 32 million memberships.

### Three major recent events affecting the philanthropic landscape between January 2014 and December 2016

- New social issues (refugees and EU-migrants);
- Ongoing hybridization; and
- Removal of tax incentives.



## **Future development trends in the philanthropic landscape**

The Philanthropic sector in Sweden has gradually moved away from the traditional social movement model to a more international and professional model. The previous model was based on mass membership and unpaid grassroots volunteering. Now, POs in Sweden are adopting professional staff and management, modern fundraising techniques, new means of communication, and so on.

The Philanthropic sector is gaining importance in Sweden as both left and right-leaning governments recognize the importance of civil society in solving problems in society. Civil society has always been important but social democratic governments have, in the past, preferred to rely on the public sector first, which is now changing. This development has been going on for at least two decades, but recent events have sped up the process. The refugee crisis of 2015 and the arrival of vulnerable EU-migrants are important events, as they concern groups of individuals that are not Swedish citizens, and are thus not entitled to most of the welfare services provided by the public sector.

The importance of POs is mentioned in association with a wide range of different issues, such as gang-related crimes, youth unemployment, local democracy, and other domestic issues, which is a shift in Sweden where most philanthropic causes typically have been internationally-focused in the past. There is also a growing recognition of the importance of philanthropic causes in the Swedish business sector. Swedish industry has always contributed large sums of money to fund research, but now they are diversifying their causes. There is also an ongoing process of hybridization, where public, private for-profit, and private philanthropic actors are increasingly addressing domestic and international causes jointly.

## **Three key recommendations to improve the environment for philanthropy**

- Government should continue the process of including POs in addressing old and new social issues in Sweden;
- Tax incentives for charitable giving by private individuals should be re-introduced; and
- Corporate sponsorships of charitable causes should be made deductible at the same level as business expenses.