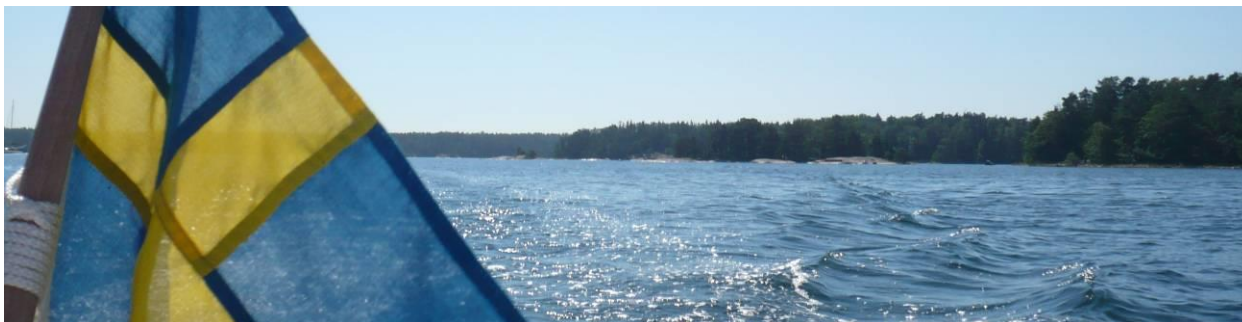
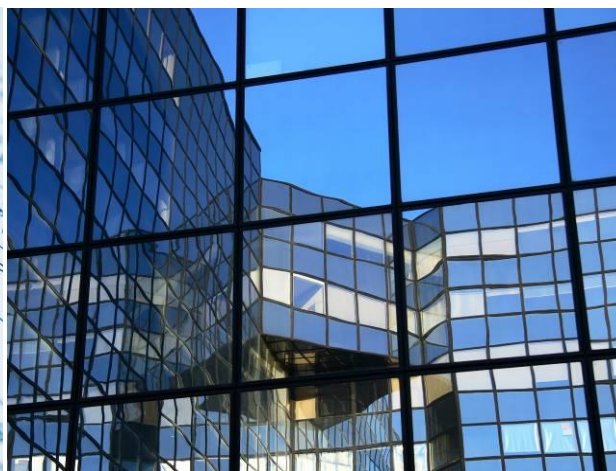




THE SWEDISH TRADE & INVEST COUNCIL



Sweden: Investment incentives for Datacenter Operations



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Financial Incentives

Regional development grants are aimed at stimulating economic growth and achieving balanced regional development. These are divided into regional investment grants and regional employment grants. A grant is only made if it is considered necessary to bring about the investment.

A company can obtain support either in the form of regional investment grant or a regional employment grant, but never both.

Regional investment grant

Investments in a regional development area (RDA) in Sweden can be approved for regional investment grants. The grants are mainly administered by the Swedish Agency for Economic and Regional Growth (Swe. Tillväxtverket, www.tillvaxtverket.se).

Activities eligible for grants

Subsidies are available to companies for activities such as:

- ▶ Industry and industry-like operations
- ▶ Industrial service operations
- ▶ Service operations aimed at more than a purely local or regional market
- ▶ Other activities of special and strategic importance to regional business development

Investment subsidies may be granted for investments such as new properties, fixed equipment, and expansion of existing property.

Location

The main rule is that the investment should be made in RDA A or B.

A few area specific limitations in those areas apply.

Size of grants

The size of a regional investment grant is defined as a percentage of the total investment cost.

There are three determining factors:

- ▶ Type of investment
- ▶ Type of company
- ▶ The RDA in which the company invest (see table below)



Type of investment	Maximum financing share
Machinery, equipment, buildings, etc. and intangible investments	Large companies and groups of companies RDA A 15 % RDA B 10 %

Financial grants for large investments

For investments above 50 million €, certain grants levels applies.

Investments between 50 million € and 100 million € are subject to a grant size of up to 50% of the ordinary levels for regional investment grants for the certain investment.

Investments above 100 million € applicable to regional investment grants are subject to a grant

size of up to 34 % of the ordinary levels for regional investment grants for the certain investment. The regional investment grant is approved before the investment starts. An investment should normally be implemented within two years of the subsidy being granted.

Incentives for Recruitment and Training

Regional Employment Grant

The Swedish Agency of Economic and Regional Growth offer regional employment grants in regional development areas (RDA) in Sweden.

Regional employment grants in regional development areas are aimed at stimulating economic growth and achieving balanced regional development.

Companies starting up new operations in RDA A or B may seek a regional employment grant to finance recruitment of new staff. A few geographical exceptions exist in the RDA's.



The following conditions should be observed:

- ▶ A regional employment grant can only be obtained for certain business activities such as service activities (the business cannot be exclusively aimed for a regional market) or industrial activities.
- ▶ The activity must be deemed to be profitable and lead to lasting employment.
- ▶ The grant must be deemed necessary to bring about the planned employment increase.
- ▶ The recruitment must aim at permanent employment and involve people who are out of work or about to lose their jobs.
- ▶ The regional employment grant cannot be combined with a job creation subsidy from the Swedish Public Employment Service (*Arbetsförmedlingen*).

(detailed map available on request)

Size of grants

The size of a grant is determined based on factors such as its effect on employment and economic growth and the importance of the business activity to society. Each application is individually assessed.

A basic principle is that the funding should not exceed the amount required to bring about the increase in employment.

The maximum financing share for each new full-time employee (1,650 annual working hours) and year is 6,503 € in RDA A and 3,940 € in RDA B (exchange rate SEK/EUR 1 Feb 2010). This financial support can be given during a three year period and is granted for the second and third year under the conditions that the employment increase continues.

After receiving a preliminary decision on financing, the company applies for disbursement for each of the three calendar years. Such an annual application must have reached The Swedish Agency for Economic and Regional Growth by August 31st the following year.

Application

The application for a regional employment grant can be submitted at any time during the year but in all cases before the recruitment takes place. Applications are sent to the Swedish Agency for Economic and Regional Growth.

The small print

There are several requirements connected to the grant:

- ▶ The business operations must comply with the conditions of the market.
- ▶ In deciding whether an employment grant should be awarded, special attention must be paid to whether the grant will influence the competitive situation on the market where the business is going to operate.
- ▶ The work environment must be satisfactory and the pay and other employment conditions at least equal to those of a relevant collective agreement.
- ▶ In handling matters concerning employment grants special attention must be paid to whether the intended investment will give both women and men job opportunities.
- ▶ The company shall fulfill the requirements for active measures according to the Gender Equality Act and the Act on measures against working life discrimination due to ethnicity, religion or other faith.
- ▶ The company shall offer skills enhancing education or training, at least 125 hours, during the first two years.
- ▶ Collateral security shall be provided for the eventuality of grant reclamation.
- ▶ The company must have a chartered or registered accountant.

Tax relief for foreign key staff

Sweden offers a special income tax relief to encourage highly skilled people, such as international executives, experts, researchers and others with special skills, to work in Sweden and to make it easier for companies to attract experts and other key people from abroad to work in Sweden. Employees qualifying for the tax relief are taxed on only 75% of income in their first three years of employment in Sweden. The remaining 25% is tax free.

The tax relief for key foreign employees also offers a financial incentive to employers, where the employer contributions are based on only 75% of total income.

Discount for companies with foreign R&D staff

- ▶ Sweden offers a tax reduction for companies with R&D operations in Sweden
- ▶ The tax reduction applies to R&D operations and directly lowers the labor costs with approximately 7.7%*
- ▶ Favorable definition of R&D operations: Qualified and structured work that leads to new knowledge or products
- ▶ Total yearly maximum discount for a company group is € 292,000 (SEK 2,760,000)
- ▶ The discount works in favor of the company even if the company does not make a profit
- ▶ No pre-qualification or limitation in time
- ▶ Companies deduct eligible R&D labor costs directly in company reporting to Swedish tax agency
- ▶ No restrictions on location in Sweden, size of company or type of R&D operations

EXAMPLE OF LONG TERM BENEFIT OF R&D DISCOUNT**			
Year	No. of R&D employ.	R&D discount (€)	Accum. R&D discount (€)
1	1	5,319	5,319
2	3	15,957	21,276
3	5	26,595	47,871
4	5	26,595	74,466
5	5	26,595	101,061

*Companies with R&D staff within operations eligible for R&D discount pay a lower amount in employer contributions for eligible staff