

Philanthropic Freedom Pilot Study: Sweden Country Report

Overall Philanthropic Freedom Score: 4.33

General Background Information on Sweden

- GDP per capita: \$57,091¹
- Population: 9.1 million²
- Percent of population reporting “giving money”: 56%³
- Percent of population reporting “volunteering time”: 11%⁴
- There are two main types of organizations: grant-making foundations (receive their income from the return of invested assets) and operating foundations (project- or business-related activities). If an organization has a public benefit purpose and uses its income mainly to pursue this purpose, it can receive tax exemptions.

Key Summary Points

Philanthropic Freedom Score Summary

Category	Score	Notes
Civil Society Regulation	5.00	<ul style="list-style-type: none"> • All individuals are free to form Civil Society Organizations and the process of doing so is simple, transparent and fair. • The organizations are free to form and design their activities and there are no restrictions on their ability to communicate through any kind of media. • The termination and dissolution of an organization is decided by its members.
Domestic Tax Regulation	3.25	<ul style="list-style-type: none"> • The basic requirement for all CSOs, foundations and faith-based organizations is to pay 26.3% in tax on all income. There are, however, so many exemptions that most CSO’s pay little or no tax on income. • Annual charitable gifts of at least \$300 and at the most \$900 are deductible for private individuals. Of the donation value, 25% can be deducted. There are no tax deductions for gifts from corporations.
Cross-Border Flows Regulation	4.75	<ul style="list-style-type: none"> • There are no additional costs or taxes on cross-border philanthropic flows. As for tax incentives, a Swedish individual giving a charitable gift to an organization in another EU-country can get the same tax deduction as for a gift to a Swedish organization, provided that the foreign organization would qualify on the same grounds as the Swedish organizations. These rules are also extended to the 82 non-EU countries that have established agreements on exchange of tax information with Sweden (including non-EU European countries, the USA, most developed countries and several developing countries).
Overall	4.33	<ul style="list-style-type: none"> • The policy environment in Sweden is relatively conducive to philanthropic activity. While the laws governing civil society, allow for a wide array of organizations to flourish, the domestic tax policy is not conducive to individuals or corporations donating gifts.

¹ World Bank. (2012). Data retrieved December 26, 2012, from World Bank Databank.

² Central Intelligence Agency. (2012). Data retrieved December 26, 2012, from The World Factbook 2012.

³ World Giving Index. (2012). Kent, UK: Charities Aid Foundation, 2012.

⁴ Ibid.

Socio-Cultural Background on Sweden's Giving Environment
Provided by Dr. Johan Vamstad
Sweden Country Expert
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The Swedish general public seems to have a dual relationship to charity. Sweden has a universal welfare state in which all citizens are entitled to a certain level of welfare as a social right. The relatively high taxes that are used for providing public health care, public schools, tuition free universities etc., do not undermine the support for the welfare state to any significant degree (according to all available data, like Svallfors 2012). There is, in other words, an expectation that the public sector handles social issues and a willingness to pay for it with taxes. This does not mean, however, that Swedes do not give money to charities.

There are several different available comparisons of the charitable giving in different countries, and Sweden gets different results depending on what is measured. The level of giving seems to be at least on average equal to a developed European country and often above average. Recent research on giving behavior in Sweden show that Swedes give money to causes that the public sector is not considered responsible for. Swedes therefore give much more money to international causes than to domestic ones, and among the domestic ones Swedes prefer to give money to research for diseases like Cancer and Aids and not for the care for disabled people in Sweden because the latter but not the former cause is considered the responsibility of the state (Vamstad and von Essen 2012). Sweden has a tradition of engaging in charitable activities even if cash donations to local or national causes have been less important in the last 70-80 years. The typical charitable activity is to do unpaid volunteer work in a grass root organization in which you are a member. The most common example of this is volunteering for a sports organization where you, or even more commonly your children, are active. There is also a strong tradition for organization in one or several of the broad social movements, like the labor movement, the temperance movement, the Free Church movement or any of the cooperative movements.

One cultural indicator of importance is the high level of generalized trust in Sweden. Swedes in general trust their public institutions and they also trust each other to a relatively large degree in an international comparison. This trust affects giving in that people expect money to reach their recipients, which, of course, makes them more likely to give money. Swedish research has also shown that CSO's receiving public funding are more likely to also receive private gifts as the trust in the state is transferred to the organizations that the state supports.

There is no requirement to register a new CSO in Sweden. If the organization makes no economic transactions there is no need to have it registered anywhere. However, if the organizations seek to become an economic entity, they have to make a registration with the Swedish Tax Authorities in order to get an organization number. This process is simple and takes a few days at the most. An additional process is required if the CSO also want to run a business. Such business must be registered with the Swedish Companies Registration Office, on the same terms as any for-profit company. This process is also relatively simple but it takes a little longer since more data must be entered into the register. The Registration Office must, for instance, make sure that the name of the new CSO is not already used by or too similar to that of another

organization etc. The Swedish Company Registration Office reports that the average application process presently takes a total of nine days (February 2013).

The average Swede is a member of three different CSOs. As a result, there are close to 30 million memberships in CSOs in Sweden, a country with a population of only 9.6 million. Membership organizations are the natural way to organize around a common goal or interest and to do so is openly and actively supported by the state. Civil Society Organizations are therefore usually not perceived as being in opposition to or even entirely separate from the public sector, but rather part of a wider community in which the state, the regions and the local municipalities are also included. This perception has developed quite naturally in this small, homogenous and democratic country. These circumstances are shared by some of the neighboring countries in the north of Europe but they are distinctly different from those in most of the rest of the world, not least North America. This explains why the practice and perception of philanthropy is quite different in Sweden compared to some other countries with which Sweden share many traditional values in other areas.

**Scoring of Sweden’s Civil Society Regulation
Provided by Dr. Johan Vamstad**

<p>Indicator Question 1: To what extent can individuals form and incorporate the organizations defined?</p>	<p style="text-align: center;">Score: 5.0</p> <p>All individuals are free to form Civil Society Organizations and the process of doing so is simple, transparent and fair. As a result, there are close to 30 million CSOs in Sweden, a country with a population of only 9.5 million. Public funding is available for many types of organizations, particularly youth and minority organizations. Basic requirements are having a chairperson, a cashier and a written code are needed to receive funding and the amount given to each organization is based on the number of members. The state wants to encourage membership in itself, not membership in any particular type of organization. For example, the largest and thereby most funded youth organization is “The Swedish Gaming Federation” which organizes young people interested in computer, card and board games, not because this activity in itself is considered especially worthy of the taxpayer’s money but because it is what the youth chose to organize around.</p>
<p>Indicator Question 2: To what extent are CSOs free to operate without excessive government interference?</p>	<p style="text-align: center;">Score: 5.0</p> <p>The restrictions of Civil Society Organizations are minimal. The organizations are free to form and design their activities and there are no restrictions on their ability to communicate through any kind of media. Only organizations conducting non-state military activities or openly criminal actions are considered unlawful. Organizations that handle firearms need special permission to do so. There are no restrictions on the political orientations of the organizations. Not only have radical political organizations been considered lawful, they have in several cases also been given public funding. For example, the youth organization of a revolutionary communist party seeking to overthrow the capitalist society was until recently given public funding since it lived up to the some of the very basic requirements for a democratic organization. A less dramatic example is the youth organization of the Swedish Pirate Party – the largest in Sweden for a few years – that want to abolish all copyright and patent laws and they openly support illegal downloading. The “Young Pirates” received more public funding than any other political youth organization in 2009 and 2010 due to their ability to attract members.</p>
<p>Indicator Question 3: To what extent is there government discretion in shutting down CSOs?</p>	<p style="text-align: center;">Score: 5.0</p> <p>The termination and dissolution of an organization is decided by the members. The decision to do so cannot be delegated to the board; it must be made in a general assembly with all voting members in attendance. The organization can also be terminated over two separate meetings, where the first requires a majority of members in favor of termination and the second a 2/3 majority. All organizations are required to in their code have stated what is to be done with the organization’s assets in case of termination. Civil Society Organizations can in some cases be terminated by the Swedish Companies Registration Office or by a ruling in a court of law. The following circumstances can lead to a forced termination: a) The number of members is less than three, b) The code of the organization requires termination, c) The organization has filed for bankruptcy but failed to terminate the organization voluntarily or d) The organization is run in a manner that is apparent not to fit the description given at registration (breach of contract). The termination and dissolution of an organization is carried out by an appointed legal supervisor who replaces the chair and the board of the organization during the process. The person is appointed by the registration office or the court but the general assembly of the organization can nominate a suitable person who in most cases would be a professional lawyer.</p>
<p style="text-align: center;">Average Score on Civil Society Regulation: 5.00</p>	

**Scoring of Sweden’s Domestic Tax Regulation
Provided by Dr. Johan Vamstad**

<p>Indicator Question 4: Are there income tax incentives (at national, state, or provincial levels) in the form of credits or deductions for individuals and/or corporations to donate money or charitable gifts?</p>	<p>There are since the first of January 2012 tax incentives for individual giving to charitable causes. This marks a milestone in a public debate on tax deductions for charitable giving that has been going on since the 1950’s. To use tax money to increase private giving was long considered a less rational and more emotional way to address social issues. It was said that causes that could stir emotions, like suffering children and animals, would get a disproportional share of the tax money at the expense of less appealing but equally important groups, such as drug addicts and troubled youths. The limited tax incentives introduced this year should be seen in this context. Annual charitable gifts of at least \$300 and at the most \$900 are deductible for private individuals. Of the donation value, 25% can be deducted. There are no tax deductions for gifts from corporations. There are also further restrictions on which organizations are eligible. The new tax law states that only “aid organizations” are eligible, which is assumed to refer to strict charities and not just any civil society organization. This has caused some concern among the organizations themselves. For example: the Swedish Red Cross has a wide range of activities and services but only some, like their aid to developing countries, are eligible for tax deductions while other, like social work in Sweden, are not. It is too soon to determine how issues such as these will be resolved. It is also too soon to determine how widely used these tax deductions will be among Swedish donors.</p> <p><i>(The country expert was not required to provide a score for this question; CGP applied a score of 2.5. On the positive side, tax deductions are available. On the negative side, the limitations on the minimum and maximum size for donations are cumbersome and restrictive. Furthermore, there are no tax deductions for corporate donations.)</i></p>
<p>Indicator Question 5: To what extent is the tax system favorable to making charitable donations?</p>	<p>The tax incentives for private gifts are still in a very early stage in Sweden. They are today quite limited (see question 4) but there is an expressed desire among some political parties to extend them gradually, as was done in neighboring Norway. The rules for receiving tax benefits are clear. The organizations send in notifications of gifts to the tax authorities and the deduction turns up on the donor’s tax return. The rules for the organizations are still a bit unclear, especially concerning which organizations are eligible (see question 4).</p>

<p>Indicator Question 6: Do CSOs receive tax exemptions in the form of property tax exemptions, income tax exemptions, or others? If so, what are these exemptions?</p>	<p>Score: 3.5</p>	<p>There are extensive tax exemptions for CSOs in Sweden. The limitations described in question 4 are unique for the specific issue of using tax money to encourage private giving. The basic requirement for all CSOs, foundations and faith-based organizations is to pay 26.3% in tax on all income. There are, however, so many exemptions that most CSOs pay little or no tax on income. CSOs only pay taxes for professional businesses (production of goods and services) aimed to make a profit. All other sources of income are tax exempt if the following requirements are met: a) The organization serves a public interest that is either religious, charitable, social, political, sports related, artistic or similar to any of these b) The activities of the organization is in accordance with its expressed purpose (see a) c) That the economic gains must be proportional to the activities of the organizations (rule of thumb: CSOs can keep a profit of 20% of turnover for future needs/investments) d) The organization must be open to everyone wanting to be a member unless the purpose of the organization clearly indicates association to a special group (like labor unions, patient organizations etc). There is, in addition to these general rules, a list of established foundations and CSOs with tax exemptions that are mentioned specifically in the tax law. This list includes entities such as the Nobel Foundation, the Olof Palme Foundation and the Anna Lindh Memorial Foundation, etc. CSOs that compensate private individuals in cash for services can deduct the taxes from the pay. This exemption does not include professional staff or professional athletes in sports clubs. CSOs have a general requirement to pay property tax but the exemptions are extensive in this area as well. CSOs generally do not pay any tax for buildings used for public interest activities such as sports, culture or religion.</p> <p><i>(The country expert was not required to provide a score for this question; CGP applied a score of 3.5. On the positive side, there is a wide range of tax exemptions available for CSOs. On the negative side, there is no tax exempt status, rather a structure of having to apply for individual exemptions.)</i></p>
<p>Indicator Question 7: To what extent is the tax system favorable to CSOs in receiving charitable donations?</p>	<p>Score: 4.0</p>	<p>There are extensive tax exemptions for CSOs concerning income, property and expenses for salaries. They are well established, accessible and transparent. The single issue of tax incentives for charitable giving concerns another aspect of tax regulation in which Sweden has taken a completely different position. As of January 2012, it is possible to get tax deductions for charitable gifts but both the size of the gifts and the type of organization you can give to are limited. The 2012 reform might be seen as a first step but in its present state it does not seem to provide much of a tax incentive for charitable giving, even if we will not know its effects until the end of 2012. All CSOs are, however free to raise as much money as they want/can from private donors, although not all of them will be tax deductible. Somewhat surprisingly, a relatively small share of income for the Swedish CSOs comes from public funding and a relatively large part come from private donations. Only 29% comes from public funding, compared with 45% for a liberal country like the United Kingdom. 12% come from private donations which should be compared to the EU average of 7% (These figures are a bit old, 2002, but should be largely correct today Source: Sivesind 2002). A large part of the explanation for this is that the CSOs in the UK and other European countries are large service providers who are paid for education, health care services and so on by the state. In Sweden only a much smaller segment of CSOs provide professional services. The largest source of income for Swedish CSOs is membership fees, which make up about 60% of their income.</p>
<p align="center">Average Score on Domestic Tax Regulation: 3.25</p>		

**Scoring of Sweden’s Cross-Border Flows Regulation
Provided by Dr. Johan Vamstad**

<p>Indicator Question 8: Are there costs/taxes on cross-border philanthropic cash and/or in-kind donations (e.g. customs, duties, VAT, etc.? If so, what are these costs?</p>	<p>Score: 4.5</p> <p>There are no additional costs or taxes on cross-border philanthropic flows. As for tax incentives, a Swedish individual giving a charitable gift to an organization in another EU-country can get the same tax deduction as for a gift to a Swedish organization, provided that the foreign organization would qualify on the same grounds as the Swedish organizations (see question 4). The same is true for donors in other EU-countries wanting to give money to a Swedish organization. These rules are also extended to the 82 non-EU countries that have established agreements on exchange of tax information with Sweden (including non-EU European countries, the USA, most developed countries and several developing countries). The total number of countries with which Sweden has these tax agreements, including EU countries, is 108.</p> <p><i>(The country expert was not required to provide a score for this question; CGP applied a score of 4.5. On the positive side, the cost of cross-border flows is minimal and the same tax deductions for international donations are available as for domestic. While there are few impediments to giving, there are also few incentives for giving to domestic and international organizations alike.)</i></p>
<p>Indicator Question 9: To what extent is the legal regulatory environment favorable to cross-border flows impeded?</p>	<p>Score: 5.0</p> <p>Sweden is a member of the European Union and therefore has an economy that to a large extent is integrated with that of the other EU countries. Sweden is, generally speaking, also a small export dependent economy with few financial barriers to the outside world. There is, however, little experience of foreign donors giving money to Swedish CSOs, or for that matter Swedish donors giving to foreign organizations. The only known instance of organizations being banned from receiving Swedish donations is those on the EU list of terror organizations that was created after 9/11 2001, following an American example. Some of these were previously considered legitimate charity organizations performing such services as providing humanitarian aid to Palestinians, transferring money from individuals in Sweden to their families on the Horn of Africa etc.</p>
<p align="center">Average Score on Cross-Border Flows Regulation: 4.75</p>	

Overall Philanthropic Freedom*: 4.33

***This score reflects equal weighting of the three categories described above.**