

An international conference on the current research related to transfer of ownership and the impact of measures such as taxation.

Stockholm, Sweden, 25th – 26th March 2010

## Transfer of Ownership in Private Businesses – European Experiences

[www.ownershiptransfer2010.org](http://www.ownershiptransfer2010.org)

### Conference Newsletter February 2010



#### With today's taxes ownership of IKEA and Tetra Pak would have stayed in Sweden

So says Göran Grosskopf, chairman of Ingka Holding AB, owner company of IKEA. As one of the foremost tax experts in Sweden, he helped IKEA and Tetra Pak move their headquarters out of Sweden. With today's taxes and a stable tax system in the long term, he is convinced they could have been kept in Sweden. Find out more on the next page.

## FBN Sweden Competence Development

In family business, the most intriguing question for the senior generation is if the next generation is willing to take over the family business. However, for the younger generation, the question is if the senior generation is really able and willing to let go?

FBN Sweden, a network of business owning families, was founded in 1996 with the purpose to exchange experience between and within families on these questions. But most importantly, FBN Sweden was created to provide knowledge and education on topics that you'll seldom find in the curricula of business schools; succession, communication, ownership as well as family and corporate governance.

Since 2000, FBN Sweden has provided education to more than fifty Swedish family businesses. Using Swedish and internationally renowned faculty, FBN Sweden has developed programs in Ownership, Governance and is now also launching a program for non-family Key Executives as well as a program for Spouses. At the conference, you will hear more about the different programs including the governance program which focuses on developing the younger generations ability, skills and attitudes to contribute as an owner in supervisory boards and in Owner's Councils.

The Owner's Program, supports the entire owner families to better understand, plan for and cope with the challenges of being a family owning and managing businesses together. The roles and responsibilities of being an owner, are in focus; ranging from responsibilities for both family and corporate governance, business development and succession planning to healthy family communication.

Together with Annelie you will meet two members of the Spendrup family business, sharing how the family was inspired to take the next steps in ensuring family business continuity. As a result of the exchange between participating families, faculty and intense discussions within the Spendrup's family, they have developed and clarified the different roles and responsibilities within the family and corporate governance structures. Ensuring a Yes! to both of the questions above.



Annelie Karlsson,  
Executive Director  
FBN Sweden.

## IKEA CHAIRMAN GÖRAN GROSSKOPF:

## With today's taxes, ownership of IKEA and Tetra Pak would have stayed in Sweden

Göran Grosskopf may not be a celebrity to the general public, but he was and remains a key figure in Swedish business. As one of the foremost tax experts in Sweden, he advised Ingvar Kamprad and the Rausing family and helped them move the ownership and headquarters of IKEA and Tetra Pak out of Sweden. Today, he is an internationally active businessman and chairman of the board of both IKEA and the major construction company PEAB.



According to Grosskopf, a combination of taxes and other issues come into play when firms choose where to base operations. During the establishment phase, the first thing decision-makers look at is corporate taxation – that is, how much the firm will have left after tax that can be used to grow the business. Once the firm is established, owner taxation takes over as the primary issue.

“When people have a choice, I believe taxes are quite significant. I see how taxes vary from one canton to the next in Switzerland and there is no question that this controls business establishments within the country,” says Grosskopf.

Göran Grosskopf was advisor to both IKEA and Tetra Pak, and can now look back at the decisions to move their headquarters to other countries. Tax matters were crucial factors in these decisions.

“You have to understand that most families are incredibly loyal and emotionally attached to their companies, and reasonable and modest taxation in connection with transfer of ownership is essential. When I started working in this area, inheritance tax within the immediate family was 50 percent, and 60 percent outside that circle. This eviscerated companies. Even when the tax was cut to 30 percent, the nominal figures were still very high. A lot of business owners found it difficult to amass any personal savings alongside the company. It was still hard to generate the resources to finance taxation. It was an untenable situation,” says Grosskopf.

There has been a dramatic improvement in conditions for transfer of ownership in Sweden in recent years. The inheritance, gift and wealth taxes are all gone, and Göran Grosskopf is enthusiastic about the change.

“This is hugely important for Sweden and a remarkably good development. Sweden is a tax paradise as long as you leave income taxes out of the equation.

Business owners think this is great, but there are two problems. First, there is little confidence in the permanence of the reforms, and secondly, Sweden still levies both direct and indirect taxes on labour,” says Grosskopf.

One reason for repealing the wealth tax was to induce capital to find its way back to Sweden. As Göran Grosskopf sees it, this has not reached full impact because the government has yet to generate confidence that this is a long-term solution.

“The wealth tax is connected to inheritance and gift taxes insofar as that as soon as a business owner is forced to take funds from the company to finance the wealth tax, it becomes an additional burden. Wealth tax on owner capital bleeds the firm, so it really cannot be isolated from other taxes,” says Göran Grosskopf.

### **IKEA and Tetra Pak would still be in Sweden**

Taxes have pushed a lot of firms to move ownership and headquarters out of Sweden. Göran Grosskopf firmly believes that companies like IKEA and Tetra Pak would have been able to keep their headquarters in Sweden if tax conditions then had been as they are now; that is, if there had been no inheritance, gift, or wealth taxes.

“There is no doubt in my mind that they would have done so if they had felt confident in the long-term stability of the tax system. Business and ownership taxes are no longer demerits for Sweden. They are in Sweden's favour,” says Grosskopf.

In the Swedish debate, inheritance tax is mainly associated with the problems of small businesses, but Grosskopf believes the notion that it only affects small businesses is off the mark.

“As for the really big firms, you are dealing with an entirely different set of problems, and there are a number of very large family businesses from the international perspective.”

## Recommendations for getting more headquarters in Sweden

“When it comes to localizing headquarters, the capacity to attract foreign labour is pretty important. It is less important for companies like PEAB, but looking at IKEA, attracting skilled workers is imperative. High taxes are significant, but other things like access to international schools are also important when a firm goes about deciding where to base operations. Taxes are not the only issue; the situation is more complex than that.

Grosskopf’s former client Hans Rausing has suggested that the corporate tax should be done away with altogether, but Grosskopf believes the Swedish corporate tax rate of 26.3 percent, along with options for provisions, is pretty good. Normal business taxes are not lower in other countries.

“I was relatively deeply involved in the restructuring of taxation in the 1980s. My recommendation then was to set the corporate tax rate at 10 percent, which would have been revenue-neutral compared to the previous rates. Sweden probably has to have a corporate tax of at least 15 percent to work in international terms. Otherwise the country would encounter problems with CFC taxation in other countries. I wrote an article that suggested taxation of dividends as an alternative to the corporate tax.”

Göran Grosskopf has a clear message to policy-makers interested in persuading business owners to move back to Sweden.

“Generate confidence in an enduring tax policy. For companies, this is central to long-term decision-making, while politicians only have to think about their terms in office,” says Grosskopf.

Göran Grosskopf currently lives in Switzerland, as do a lot of Swedish business owners who see how Sweden has become extremely attractive in recent years. Switzerland still has an inheritance tax and some cantons even levy wealth tax. There is a heated debate about tax competition ongoing between Switzerland and Germany, in which German politicians are expressing annoyance about business owners moving to Switzerland. According to Göran Grosskopf, the debate between Germany and Switzerland could also apply to Sweden. German business owners have simply not woken up yet to the favourable Swedish tax conditions.

### ABOUT GÖRAN GROSSKOPF

Born in Borås, Sweden in 1945 and currently residing in Switzerland.

Professor of Jurisprudence in Umeå 1976-83, Professor of Commercial Law in Lund, 1983-83 and Professor of Tax Law in Göteborg, 1984-90.

Chairman of the Board of Ingka Holding BV, IKEA’s owner company, and Chairman of the Board of the construction company PEAB. Former Executive Chairman of the Board of the Tetra Laval Group.

## The conference is approaching – register as soon as possible!

The most important conference of the year on transfers of ownership in private businesses is only a few weeks away. In its breadth, the conference program offers fascinating themes for a wide range of interests. And the mix of entrepreneurs, scholars, experts and policy-makers will set the stage for discussions across sector lines.

**Deputy Prime Minister Maud Olofsson** will deliver the Swedish perspective on transfers of ownership, partly against the backdrop of how taxes have been changed to make it easier for the next generation to take over.

**Joseph Astrachan**, the eminent American professor and scholar, will focus his talk on success factors for transfers of ownership in family businesses. In addition to his accomplishments as a scholar, Astrachan comes from a family business background. He has authored or co-authored more than ten books, including *Guidelines for Family Business Leaders and Their Families*.

The conference will be held in Stockholm 25th–26th March and in addition to interesting seminars will include a gala dinner at Operaterrassen. For more information about the conference please visit us online at [www.ownershiptransfer2010.org](http://www.ownershiptransfer2010.org).



Deputy Prime Minister and Minister for Enterprise and Energy Maud Olofsson

Photo: Pawel Flato



Joseph Astrachan  
Professor, Cox Family Enterprise Centre,  
Kennesaw State University, US

# Greater understanding of the risks of entrepreneurship has eased transfers of ownership

Interview with Gunnar Hjertquist of Gärde Wesslau Advokatbyrå

## Why is Gärde Wesslau involved in the conference on transfers of ownership?

"As a law firm specialising in commercial law and dealing with transaction law on a daily basis, it made sense for us to get involved with the conference. A transfer of ownership of a business, especially a family business, entails a number of considerations for the parties concerned. We are intrigued at the prospect of learning more about the non-legal factors even as we are delighted to provide representatives from our own network who can explain the purely legal aspects."

## Have the conditions for transfers of ownership changed in Sweden since 2000?

"Yes, I would say so. Not least importantly, the business climate has changed from a more general perspective. The public have gained greater understanding of the risks involved in entrepreneurship. Based on that understanding, the political assemblies have contributed with key decisions that - in any event - have simplified the conditions for transfers of ownership. I refer mainly to the repeal of the inheritance, wealth and gift taxes midway through the past decade."

## Compared to other countries, what is your take on laws and regulations in Sweden?

"Actually, I would like to hold off on my answer to that question until after the conference. As a Swedish lawyer, our own legal system gives me more than enough to do. I was recently retained by a Finnish colleague to handle an international corporate merger for which the main base of operations would be located in Sweden. The owner family based their decision on the simpler tax regulations in Sweden compared to Finland. Perhaps that can serve as part of the answer to the question."

## What are the key national differences in laws and regulations among EU Member States? Does any country stand out from a favourable and/or unfavourable point of view?

"That is another question I would like to wait to answer. There will be at least seven lawyers from different EU countries at the conference. I am sure we will be able to arrive at the answer to this question together."



## At the conference, you will be moderating the session "Tax and law issues in ownership transfers: European experiences from a business law perspective." What do you think will be the main topics of discussion among you and your colleagues from countries including Germany, France and the UK?

"I imagine we will thoroughly discuss the law surrounding transfers of ownership with regard to the transfer of assets. For instance, what techniques will be useful for carrying out the smoothest possible transfer without losing the company's value base? I think another interesting topic will be questions of power and how they are contractually resolved in family businesses - especially from the point of view of generational change."

## Generally speaking, what are your expectations from the conference on transfers of ownership?

"I am looking forward to the mix of participants from various sectors, such as government, academic research, the business community and experts in disciplines closely related to entrepreneurship. Hearing and discussing perspectives on transfers of ownership that differ from my own is going to be exciting."

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### For more information, you are invited to contact

Annika Hall (PhD)  
Center for Family Enterprise and Ownership  
Jönköping International Business School  
mobile: +46 (0)708 98 90 93  
mail: annika.hall@ihh.hj.se

Carl-Erik Holmqvist  
Scantech Strategy Advisors AB  
mobile: +46 (0)705 34 70 15  
mail: carl-erik@scantechab.se