NATIONAL FOREIGN TRADE COUNCIL, INC.

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July 21, 2008

Anders Borg
Minister of Finance
103 33 Stockholm
Sweden

Dear Mr. Borg,

The National Foreign Trade Council, organized in 1914, is an association of some 350 U.S. business enterprises engaged in all aspects of international trade and investment. Our membership covers the full spectrum of industrial, commercial, financial, and service activities. Many of our members have for many years been significant investors in many foreign countries, including Sweden (both as a final destination, and as a Nordic hub). Sweden has, in part, been a favored destination for inward investment both because of its stable tax regime, and because of a consistent effort by Swedish lawmakers to provide an attractive investment environment. However, the Ministry of Finance has now released a report from the Tax Administration which proposes dramatic restrictions on the deductibility of interest in certain related party settings. Furthermore, there is only a shortened summer comment period which does not seem appropriate for such a radical change. Were this proposal to be enacted in its current form and on the current timetable, then it could have a very serious effect on inward investment into Sweden. We would, at the very least, encourage you to postpone the effectiveness of any provisions until 2010, and extend the comment period to allow proper consultation on, and consideration of, these proposals.

We understand that at least part of the reason for this potential law change is a perception that corporations are using debt to reduce their corporate tax base in Sweden. We believe that a country is entitled to protect its tax base from direct stripping of that base. However, any such rules should be carefully targeted, and take into account international norms, as well as legitimate business practices. The proposed rules, as currently drafted, do none of these. First, they are unnecessarily broad. Second, they would be, in some respects, much stricter than any other similar rules, putting companies doing business in Sweden at a competitive disadvantage. Third, they would ignore several important areas of normal and legitimate business practice, for example post-acquisition restructurings, and normal in-house treasury activities. Finally, the loan tracking provisions have the potential to be exceptionally burdensome.

We understand that another reason for this change is to provide the funding for a cut in the corporate tax rate. While we always welcome sustainable cuts in taxes, if the combined effect of rate cuts and base broadening increases the overall corporate tax burden for a company, that increase will discourage investment.

We would urge you not to jeopardize your hard-won reputation as a stable, welcoming environment for multinational business and investment. You could do this by the hasty adoption of an interest restriction regime which would hit legitimate business transactions, and greatly add to the cost of doing business in Sweden. Our members would be more than happy to meet with you and your officials to discuss this further, and help in the crafting of any new proposal..

Sincerely,

William A. Reinsch
President