Nordic Innovation

Handbook to Nordic startup investor market: **unleash the full potential of Nordic startups**

KPMG

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KPMG Oy Ab

Layout:

NordicInnovation Stensberggt. 25
NO-0170 Oslo+47 47 61 44 00
www.nordicinnovation.org

Introduction

Though the Nordics account for only 8% of the European GDP, the Northern countries account for 50%of the European startups that exceed the $1bn valuation— also known as unicorns due to their rarity.

This is indicative of the Nordic countries' supportive startup environment, ease of doing business and availability of financing — all of which are generally considered cornerstones of well-functioning startup ecosystems.

The angel investor environment is continually improving as angel investor networks have become more organised, which improves investment opportunities, awareness and information about angel investing.

For angel investors, the tax and regulatory environment is crucial, as it affects the lucrativeness of investing in startups. Improved incentives for investing in startups raise the interest in angel investments.

In this handbook, we present information on the Nordic startup and investor environment and guide you through the most relevant regulatory and tax issues primarily faced by angel investors — this includes a benchmark with London, regarded as the leading European startup hub.

Oslo, 12.06.2017
Svein Berg
Managing Director

Disclaimer: This handbook is part of the project Nordic Partnership for Entrepreneurship and Finance by Nordic Innovation. KPMG are responsible for its content.

Key areas covered

1

Nordic startup environment

- How easy is it to start a business in the Nordics?
- Is the Nordic startup environment helping startups grow?
- How many unicorns have originated from the Nordic countries?
- How easy is it for startups to recruit competent professionals?

2

Nordic startup investor environment — *the angel investors' perspective*

- What financing alternatives are available in the market for startups?
- How much have angel investors invested in the Nordics?
- Are there well-functioning angel investor networks in the Nordics?
- What are the angel investors' exit alternatives in the Nordics?

3

Regulatory and tax environment

- What are the tax considerations angel investors need to take into consideration when investing?
- Does the tax and regulatory environment support startups?
- How does the Nordic regulatory and tax environment compare with that of London?

Methodology

To gain a thorough and accurate view of the Nordic startup investor market, this handbook is based on information from three sources:

Interviews

Interviews have been conducted to gather the latest knowledge from industry experts. Interviewees represented investor angel networks, startup organisations, private equity and venture capital associations, private business angels and funding market players.

Survey

Nordic Innovation conducted a survey of the Nordic startup and entrepreneurial environment. The respondents were different players in the market ranging from startup entrepreneurs to investors, enabling a broad qualitative and quantitative view of the current state.

Desktop research

As part of our desktop research, we have used a number of public publications, webpages, databases and guidebooks to garner fact-based and up-to-date information.

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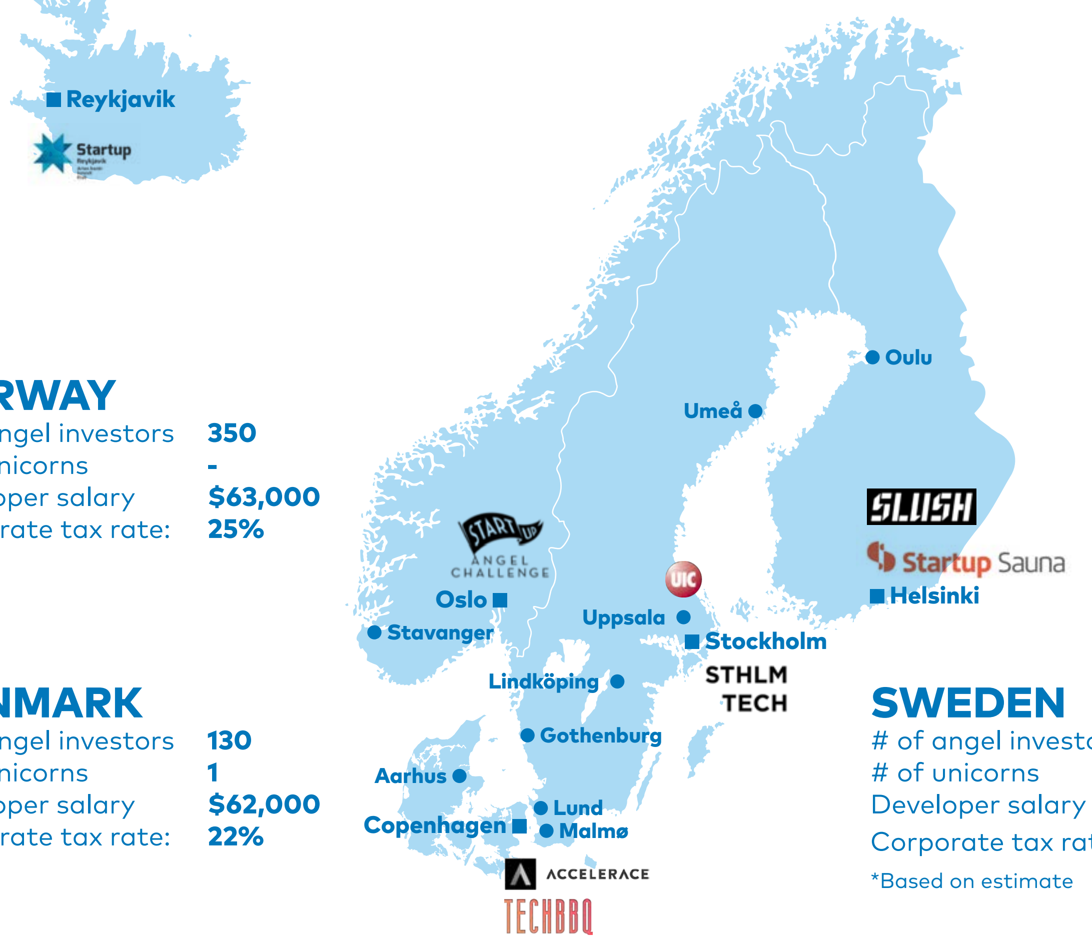
Nordic startup market at a glance

ICELAND

# of angel investors	50
# of unicorns	-
Developer salary	$81,000
Corporate tax rate:	20%

FINLAND

# of angel investors	600
# of unicorns	3
Developer salary	$41,000
Corporate tax rate:	20%



NORWAY

# of angel investors	350
# of unicorns	-
Developer salary	$63,000
Corporate tax rate:	25%

DENMARK

# of angel investors	130
# of unicorns	1
Developer salary	$62,000
Corporate tax rate:	22%

SWEDEN

# of angel investors	800-1000*
# of unicorns	7
Developer salary	$55,000
Corporate tax rate:	22%

*Based on estimate

Selected Nordic unicorns:

Supercell	Spotify	Skype	Sitecore
€10.3 bn	€8.5 bn	€8.5 bn	€1.1 bn

Executive summary

1

Nordic startup environment

The startup scene grew rapidly during 2011–16, e.g., tech meetups grew 80% p.a. in Stockholm and Helsinki.

There are several large startup events, SLUSH in Helsinki being the biggest with about 17,500 visitors annually.

Nordic accelerators and incubators are placed among the top 25 in the world.

Since 2005, 50% of the European billion dollar exits have come from the Nordics.

Globally, the Nordic countries have produced the most unicorns per capita

2

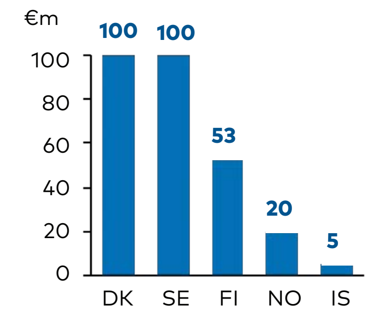
Nordic startup investor environment — *the angel investors' perspective*

In 2016, angel investors invested about €300 million in the Nordics.

Median angel investment was €20,000.

Twenty-two percent of angel investors are full-time, rest are either part-time or investing as a hobby.

Finnish Business Angel Network (FiBAN) is the most organised angel network in the Nordics and NordicBAN has been set up to improve the Nordic cooperation.



3

Regulatory and tax environment

Relevant taxes for angel investors can be divided into three groups: transaction period, holding period and exit-related taxes.

Currently, Sweden is the only country with a specific tax deduction scheme for angel investors.

London is a good benchmark for angel investors of a functioning startup environment — in particular, London provides good incentives for angel investments and competitive taxation.

"Nordics have some of the world's best engineers, and you pay maybe only 25% of what you would pay in, e.g., San Francisco."

– Startup entrepreneur

1

Nordic startup environment

Startup infrastructure has rapidly emerged and grown in the Nordics due to an outstanding environment for business — infrastructure is in place and is supportive toward entrepreneurship. As a result, the Nordics have generated 10 companies that have reached unicorn status.

The Nordic countries have produced the most unicorns per capita — 50% of European billion dollar exits[1]

League table of Nordic unicorns as of April 2016[2]

Nordic unicorns			Description	Latest valuation
1		SUPERCELL	Finland-based mobile game company, famous for Clash of Clans and Hay Day	$10.3bn[2]
2		Spotify	Music streaming service whose last valuation was at $8.5bn in 2015, rumored IPO range $11–13bn	$8.5bn
3		skype	The instant video messaging app Skype acquired by Microsoft in May 2011 for $8.5 billion	$8.5bn
4		king	Social games company, famous for Candy Crush Saga	$5.9bn[1]
5		ROVIO	Best known for its Angry Birds mobile game and has since launched, e.g., animated movies	$4.0bn
6		MOJANG	Game developer and famous for Minecraft game, acquired by Microsoft for $2.5 billion in 2014	$2.5bn
7		Avito	Avito.ru an online classifieds platform in Russia, founded by two Swedes in 2007	$2.4bn
8		Klarna	E-commerce company providing payment services in 18 markets, serving 45m customers	$2.3bn
9		Evolution Gaming	Leading B2B provider of live casino systems in Europe and publicly listed on Nasdaq First North	$1.3bn
10		sitecore	Customer experience management software; the company acquired by EQT in April 2016	$1.1bn
11		MySQL	Open source database	$1.0bn

"Starting a business is easy as there are government grants and many organisations to help you get started right from the start."

– Swedish angel investment expert

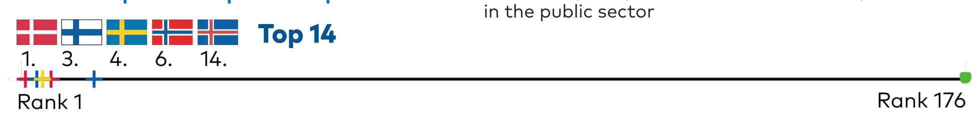
1 Nordic tech exit analysis 2016, Creandum; Note: Calculation includes exits since 2005
2 European Unicorns 2016, Survival of the fittest, GP Bullhound Research. Note: Supercell's most recent implied equity value updated: Tencent acquired 84% of Supercell in June 2016, Softbank's press release and Supercell's website "The next chapter: Our partnership with Tencent"; Total equity value of King updated as Activision Blizzard acquired King in February 2016 for $5.9 billion, Activision Blizzard's press release
3 Techcrunch, February 2017, Sources: Spotify may delay IPO to 2018 as it rethinks licencing deals

The Nordic countries are characterised by top-of-the-class business environment and business-friendly regulations

- Corruption perception is among the lowest in the world.
- Safety and security are perceived as the highest.
- Political environment is highly stable.
- The region is ranked among the top 9 in human wellbeing.
- It is also ranked among the top 20 in business-friendly regulations.

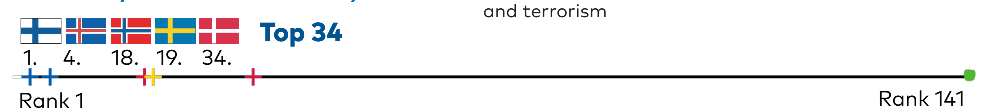
Corruption perception[1]

Measures perception for the level of corruption in the public sector



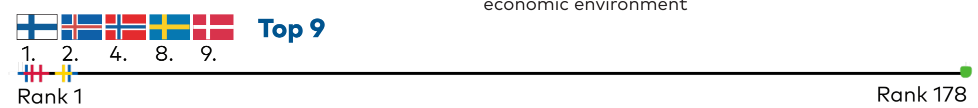
Safety and security[2]

Country's exposure to security risks, such as violence and terrorism



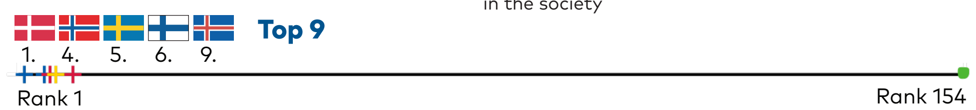
Fragile state index[3]

How stable are the country's political, social and economic environment



Human wellbeing[4]

Measures human wellbeing and equality in the society

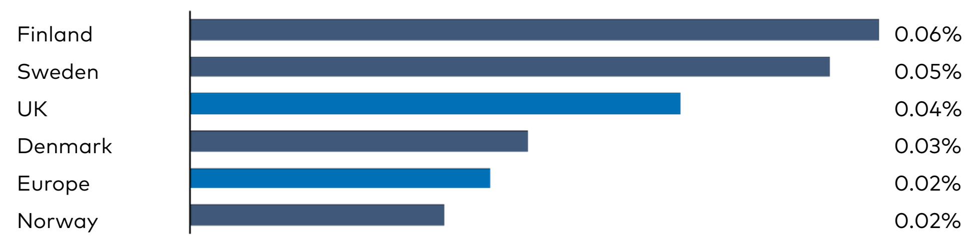


Ease of doing business[5]

Measures how business-friendly is the country's regulative environment

Nordic VC/angel investors are among the world's most active investors relative to GDP

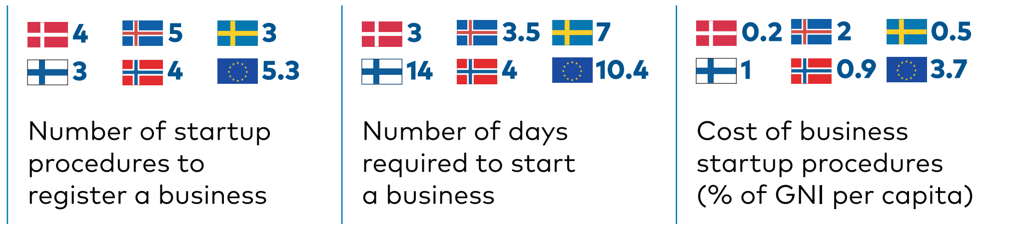
Figure 1 Share of VC/angel investments to GDP, 2014–15[6]



1 Transparency International 2016 ranking
2 World Economic Forum 2015 ranking
3 Fund for Peace 2016 ranking
4 Sustainable Society Foundation 2016 ranking
5 World Bank, Doing Business Report 2017
6 Invest Europe, Investment dataset 2007-2015

Starting up a business is an easy, fast and straightforward process in the Nordic countries

• The Nordics outperformed the EU average in World Bank's statistics.[6]



"Starting up a business was easy in Finland and it could have been done completely online. Visit to the patent and registration office is only needed if one needs the business ID straightaway."
– Finnish crowdfunding expert

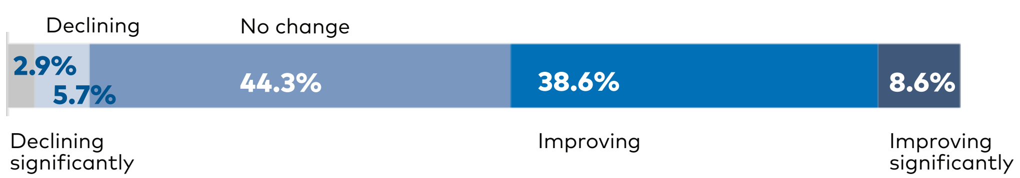
"Nordic countries have different ways of doing business but it is relatively straightforward and easy in all of them."
– Icelandic angel investor

The attitude towards entrepreneurship seems to be improving

• Appreciation for entrepreneurs is growing.
• Attitudes towards failure are improving

Figure 2 How do you see the appreciation for entrepreneurs and startups developing in your country?[7]

Figure 3 How do you see the attitude towards failure developing in your country?[7]



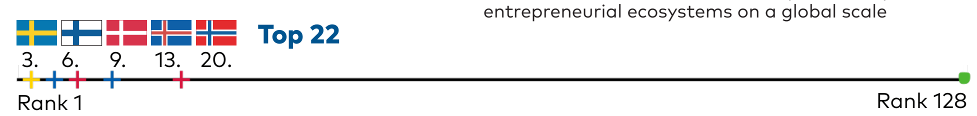
"When starting a company, handling with the local authorities might be challenging in other than the local language."
– Finnish angel investment expert

The Nordic countries are innovation hub leaders

- All countries are among the top 22 on the Global Innovation Index.
- All countries are among the top 27 on the Global Competitiveness Index.

Global innovation[9]

Measures factors related to entrepreneurship and entrepreneurial ecosystems on a global scale



Global competitiveness[9]

Measures factors related to competitiveness (e.g., infrastructure, education, labour and financial market)

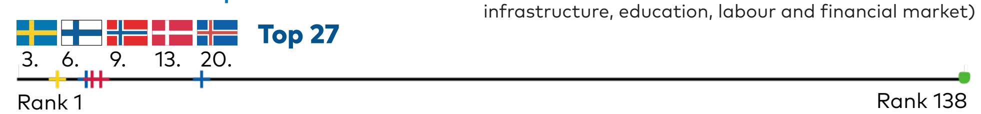
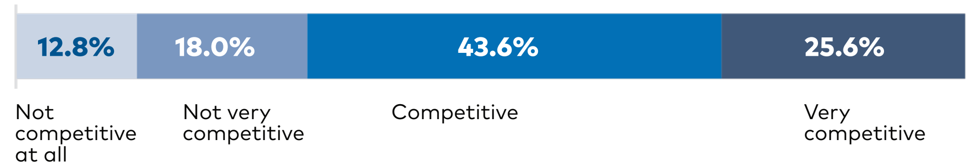


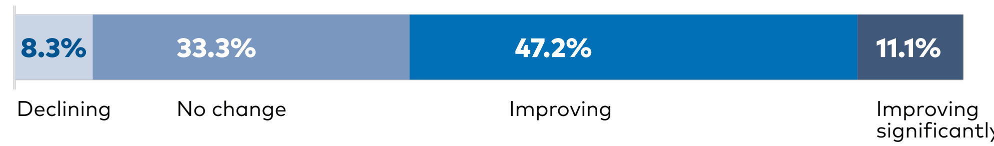
Figure 4 How competitive is the Nordic market?[10]



Nordic startup infrastructure and ecosystem are supportive and competitive at the European level[11]

- Governmental support and policies towards entrepreneurship are significantly favourable and encouraging.
- There are strong internal markets in each Nordic country.
- Finland is highlighted as the best practice example for promoting entrepreneurial environment in Europe.

Figure 5 How do you see the development of support for entrepreneurs, startups and growth companies?[10]

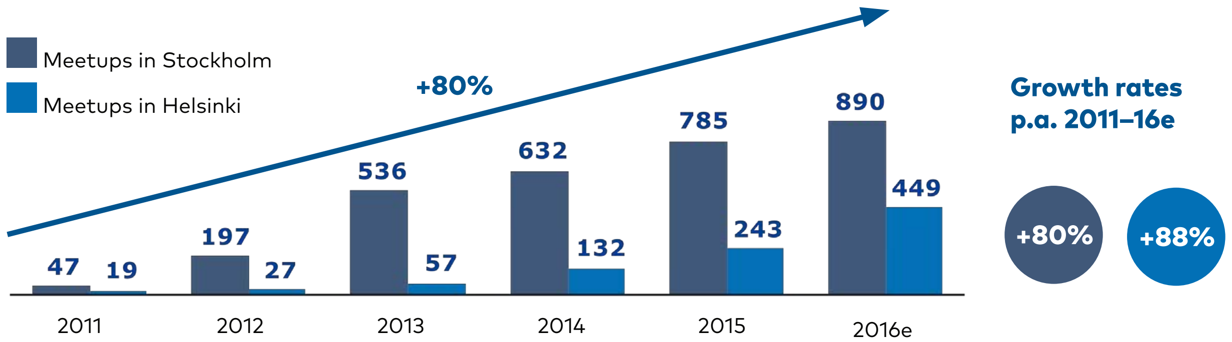


6 World Bank, Doing Business Report 2017
7 Nordic Innovation Survey
8 Global innovation index, 2016 ranking by Cornell University, INSEAD and the World Intellectual Property Organization. Global innovation index compares factors related to entrepreneurship and entrepreneurial ecosystems on a global scale.
9 World Economic Forum, Global competitiveness report 2016–17. Global competitiveness index assesses requirements for competitiveness, such as quality of institutions and infrastructure, efficiency of education, labour and financial markets and innovation and business sophistication factors, among others.
10 Nordic Innovation Survey; Competitive refers to overall perception of respondents when compared to other regions.
11 Global Entrepreneurship Monitor, Finland and Sweden 2016, Norway 2015, Denmark 2014, Iceland 2010.

The startup scene has rapidly emerged and grown in the Nordics

- A great indicator of this trend is the rapid increase in tech meetup activity as shown by statistics from Stockholm and Helsinki.

Figure 6 Tech-related meetup activity in Stockholm and Helsinki hubs[16]



Slush has grown to the European's leading startup event with over 2,000 volunteers to organise the event

Region	Event	Description	Attendees
Finland	SLUSH	Europe's leading startup event with 2,300 startups, 1,100 venture capitalists and 600 journalists participating from over 120 countries in 2016. It is student-driven, non-profit movement with over 2,000 volunteers	The main event in Helsinki has estimated to have 17,500 attendees and 1m live stream-ers in 2017
Sweden	STHLM TECH	Largest monthly startup event in Europe. Their largest event is annual tech fest in the autumn	6,000 startups and investors participated in in tech fest 2016
Denmark	TECHBBQ	Annual startup summit with estimated 1,500 startups participating in 2017	2,200 participants in 2016
Iceland	Startup Iceland	Annual event for startup founders, entrepre-neurs and investors in Iceland	2017 is the sixth year of this event being hosted
Norway	oslo innovation week	Annual Oslo innovation week offers over 50+ events during the week	10,700 attendees in 2016

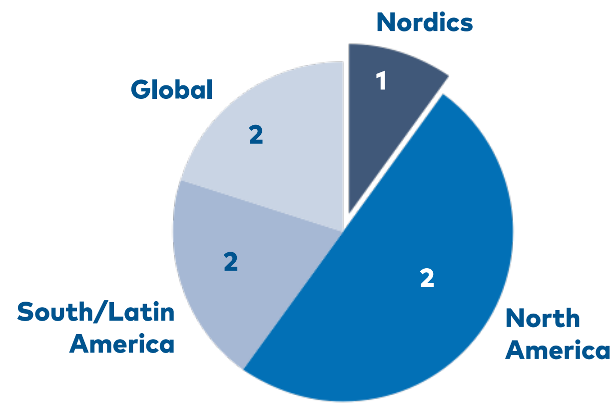
"More than half of the volunteers at Slush are female this year, and the same goes for our core team and for many of the organisations that we work with in the Nordics. They will influence the next generation in tech."[16]

– Finnish startup entrepreneur

Nordic programmes have improved their positions on the Global and European Accelerator rankings

Figure 7 Locations of global top 10 seed Accelerator programmes[18] (out of 387 programmes in 58 countries in 2015)

ACCELERACE



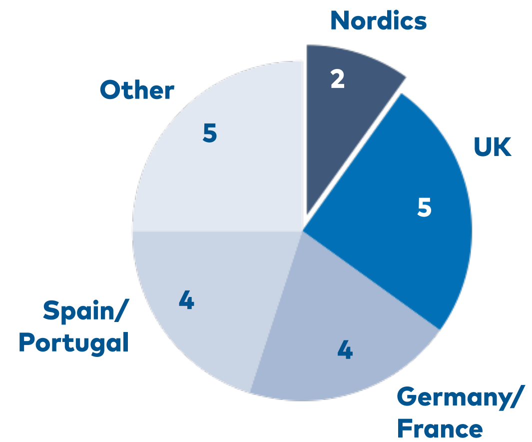
Key facts of ACCELERACE

- Founded in 2008
- Globally top-ranked seed accelerator
- Offers five-month programmes
- 265 startups accepted to-date raising €240m
- Accepts Danish-registered companies

Figure 8 Locations of top 20 active Accelerator programmes in Europe[18] (out of 113 programmes in 2015)

ACCELERACE

Startup Sauna



Key facts of Startup Sauna

- Founded in 2010
- A seven-week programme focused on finding the right product-market fit and go-to-market strategy
- Accepts companies from the Nordics and Eastern Europe
- 208 startups accepted to-date from over 4,500 applications, raising about €100m of funds

"A well-functioning startup environment needs a critical mass of entrepreneurs, startups and investors located on a fairly small geographical area."

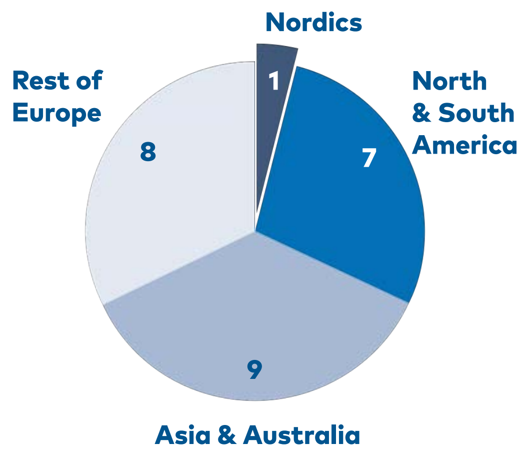
– Danish serial entrepreneur & angel investor

16 Atomico, State of the European tech 2016
17 The programs' websites
18 Global accelerator report 2015 by Gust

Nordic programmes have improved their positions on Global Incubator rankings

Figure 9 Locations of top 25 University Business Incubators in the world[19] (out of 800 university incubators in 67 countries in 2015)

UPPSALA INNOVATION CENTRE



Key facts of UPPSALA INNOVATION CENTRE

- Founded in 2004
- One of the leading business incubators in the Nordics and ranked as the world's 10th business incubator
- Admits about 80 companies and projects annually for its programmes

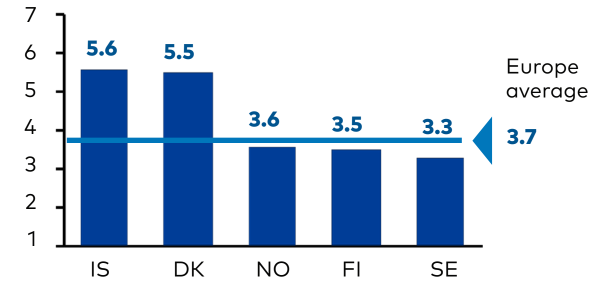
The Nordic countries have an increasing number of Accelerator and Incubator programmes, many of which are student-run, typically by the business schools' entrepreneurship societies

Country	Programme	Description
	STING	Sting provides Accelerator and Incubator programmes. Total 209 startups have participated in its programmes, raising about €470m in funds. Sting's accelerator programme was chosen as the best accelerator programme in the Nordics in Nordic startup awards 2016.
	Startup Reykjavik	The startup Reykjavik provides a 10-week mentorship-driven seed accelerator programme, which is open for all companies. It is the most famous Icelandic programme, started in 2012.
	GO → GROW	Go Grow is a four-month startup accelerator programme run by the Copenhagen School of Entrepreneurship.
	KIUAS	Kiuas provides incubator and accelerator programmes developed by student-run Aalto Entrepreneurship Society, which is known for its Startup Sauna accelerator programme.
	START UP ANGEL CHALLENGE	Since 2015, Startup Angel Challenge has had more than 130 investors and 120 startups through its programme in Norway. In 2016, six Angel Challenge programmes led to 15 investments of more than NOK30 million.

Iceland and Denmark have the most flexible regulations on hiring employees in the Nordics

- In Iceland and Denmark, it is easy to hire and lay off employees.
- In rest of the Nordic countries, the situation is less flexible.
- In some countries, companies are able to reduce their workforce only on financial grounds.

Figure 10 To what extent do regulations allow flexible hiring and firing of workers21 (N = 138)



The salary of software engineers is the highest in Reykjavik and the lowest in Helsinki[22,23,24]

Copenhagen	Helsinki	Oslo	Stockholm	Reykjavik
$62,000	$41,000	$63,000	$55,000	$80,000

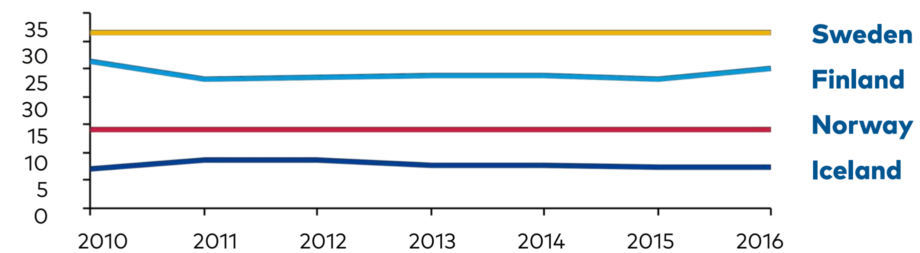
"Europe and especially the Nordics, have some of the world's best engineers, but you pay maybe only 25% of what you would pay for that talent in a city like San Francisco."

– Startup entrepreneur

Employer social security costs have remained stable in all the Nordic countries

- There are differences among the Nordic countries in social costs the employer has to pay — the costs have remained on a relatively stable level since 2010.
- Denmark is not included in the comparison, as the social security rate is a lump sum and not a percentage. Total employer contributions per employee amount to approximately DKK8–10,000/year ($1,000–1,400).

Figure 11 Social security costs payed by employer during 2010–1625



19 Swedish Research Initiative's UBI Index 2015 ranking
20 The programs' websites
21 World Economic Forum Global Competitiveness Index
22 Startup Genome, Global Startup Ecosystem Report 2017, Helsinki and Stockholm
23 www.glassdoor.com, Copenhagen and Oslo
24 www.teleport.org, Reykjavik $81,000, KPMG Iceland estimate $80,000
25 KPMG

Personnel stock option programmes and startup visas could help startups to attract competent personnel from across the world

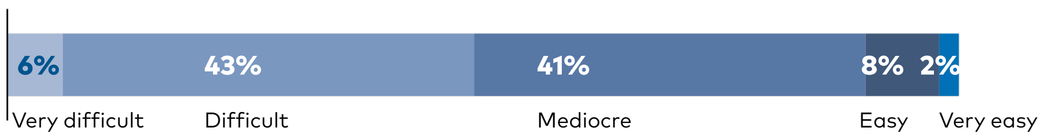
- In the current Nordic employment markets, the personnel stock option schemes are generally considered technically difficult and unfavourable.
- Startup visas — even at the Nordic level — could also improve startups' ability to attract competent personnel, particularly at the top management level.

"Europe and especially the Nordics, have some of the world's best engineers, but you pay maybe only 25% of what you would pay for that talent in a city like San Francisco."
– Startup entrepreneur

About 50% of the Nordic Innovation Survey respondents find it difficult or very difficult to recruit competitive personnel[26]

- Total 10% of the respondents find it easy or very easy to recruit employees. Total 41% of the respondents find it neither easy nor difficult.
- Respondents find it most difficult to recruit people with competencies in Marketing and Sales, R&D and Innovation, Management and ICT.
- Total 60% of the respondents do not see a change in the access of competence in near future. Total 22% believe that the situation is getting better and 2% believe that it will get significantly better. According to 16%, the situation is getting worse.

Figure 12 Easiness to recruit people with desired competencies?[26]



How could the Nordic startup environment be further developed?

By improving the startups' ability to attract talent

- As several startups may find it challenging to offer market-level fixed salaries to experienced key personnel, especially in the early stages, well-working personnel stock options could be the solution to attract them to top management positions. Currently, in Sweden, there is a proposition to decrease the taxation of personnel stock options.
- When it comes to particularly non-executive employees, startup visas could make it a lot easier to acquire relevant talent from across the world as there might be lack of competent employees in some specific areas — e.g., there is a scarcity of developers in the region due to the well-developed tech sector.
- Initiatives to attract competent and foreign talent would optimally be harmonised at the Nordic level, as the aim is to improve the Nordics as a single region, and not to increase competition among the countries.

By improving the public-funding application process

- Startup entrepreneurs should optimally be able to dedicate as much time as possible to run their business as usual, as time is usually the most scarce resource for them. Therefore, the process of applying for public funding should be simple and straightforward and information be readily available. This does not mean that criteria for public funding should be less stringent; however, the application process should be less time-consuming.

By improving information and knowledge sharing on startups and angel investing

- The startup and angel investing environment is relatively young in many Nordic countries. Therefore, general information on startups and angel investment is needed to increase the awareness. Positive publicity of startups and angel investing would also increase the awareness and attractiveness of the process.
- A well-functioning startup environment needs a critical mass of startups, entrepreneurs and investors, and therefore, effort is needed to achieve this in all the Nordic countries.

26 Nordic Innovation Survey

2

Nordic investor environment

— the angel investor's perspective

The Nordic countries have demonstrated that well-functioning finance and capital support for startups is imperative for the growth and internationalisation of startups.

How could the Nordic startup environment be further developed?

Access to capital is a lifeline for any startup ecosystem

- A functioning capital market is one of the key characteristics of a well-operating startup ecosystem.
- Lack of capital affects both the growth aspirations of current startups and the emergence of new startups.
- Angel investors are especially important due to their early-stage investments and the knowledge they bring to the table.
- There is also an increasing share of passive angel investors that provide capital but do not contribute with their knowledge in the same manner as active angel investors do.

Different startup phases require different sources of capital

- Public programmes support startups with grants, debt or equity.
- Angel investors invest primarily through equity and in most cases they are also actively involved in the development of the startup.
- Venture capital funds invest equity in startups and small- to medium companies, and provide exit opportunities for angel investors.
- Bank loan is a challenging source of capital for startups, as banks usually require positive cash flows and collaterals.
- Crowdfunding is becoming popular in raising both equity and debt from investors and serve also some angel investors.

Financing alternative	Startup maturity: Seed	Startup	Later stage	Mature companies
Public programmers	Most relevant	Most relevant	Less relevant	Less relevant
Angel investors	Most relevant	Most relevant	Less relevant	Less relevant
Venture capital	Less relevant	Most relevant	Most relevant	Less relevant
Bank loan	Less relevant	Less relevant	Most relevant	Most relevant
Crowdfunding	Most relevant	Most relevant	Less relevant	Less relevant

Most relevant
Less relevant

Several public programmes support startups in the Nordics

- In several cases, private money is needed to get public funding.
- Some of the programmes allow asymmetrical distribution of profits, which means that business angels/private investors receive a higher share of the profit than their actual ownership stake

Pre-Seed Innovation - Equity	Tekes - Grants - Debt	rannís - Grants	Innovation Norway - Grants - Expertise - Networking	ALMI - Debt - Equity - Advisory services
SYDDANSK INNOVATION - Equity	Tekes Venture Capital - Equity	Innovation Center Iceland - Grants	ENOVA - Grants	VINNOVA - R&D Grants
CAPNOVA - Equity	Elinkeino-, liikenne- ja ympäristökeskus - Equity		Investinor - Equity	tillväxt verket - Grants - Equity*
BOREAN Innovation - Grants - Equity	FINNVERA - Debt - Guarantees			
VÆKSTFONDEN - Grants - Equity - Guarantees				

"Public funding is generally available, however finding information on where and how to apply is really time consuming."

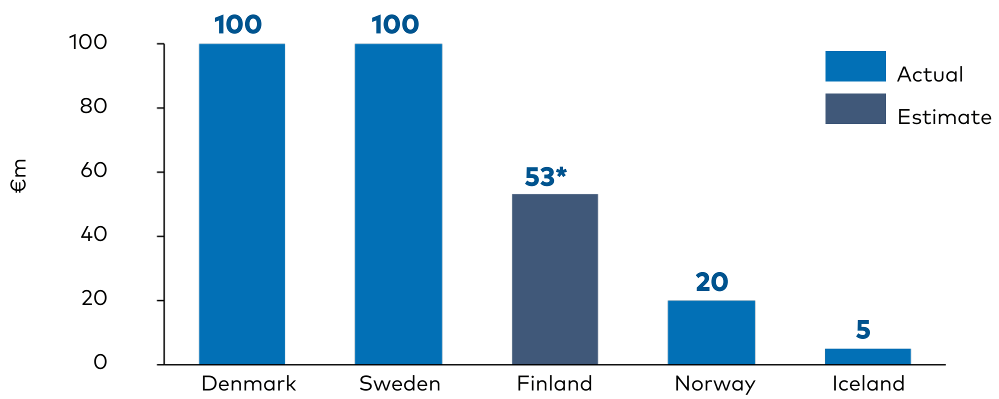
– Finnish crowdfunding expert

*Equity is invested through The Swedish Venture Initiative; the first investment is estimated to take place in the end of 2017.

Angel investors in the Nordics invested about €300 million in 2016[27]

- Sweden, Finland and Denmark are the biggest markets for angel investors; however, the Norwegian and Icelandic markets also show signs of rapid development.
- Most of the investors in the Nordics are investing in syndicates.
- There are 20 identified business angel networks in the Nordics.
- Median investment amounted to €20,000 and median stake acquired by an angel investor was 2% of equity.

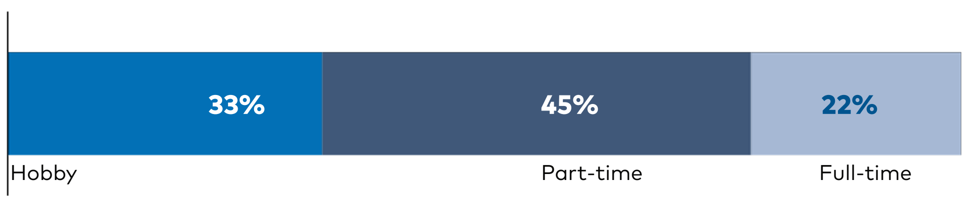
Figure 13 Angel investments in the Nordics in 2016[27]



*Based on the FiBAN's survey, which was sent to all their members, 40% responded to the survey and these respondents had invested €53 million in 2016. Therefore, the actual figure for angel investments made in Finland is higher.

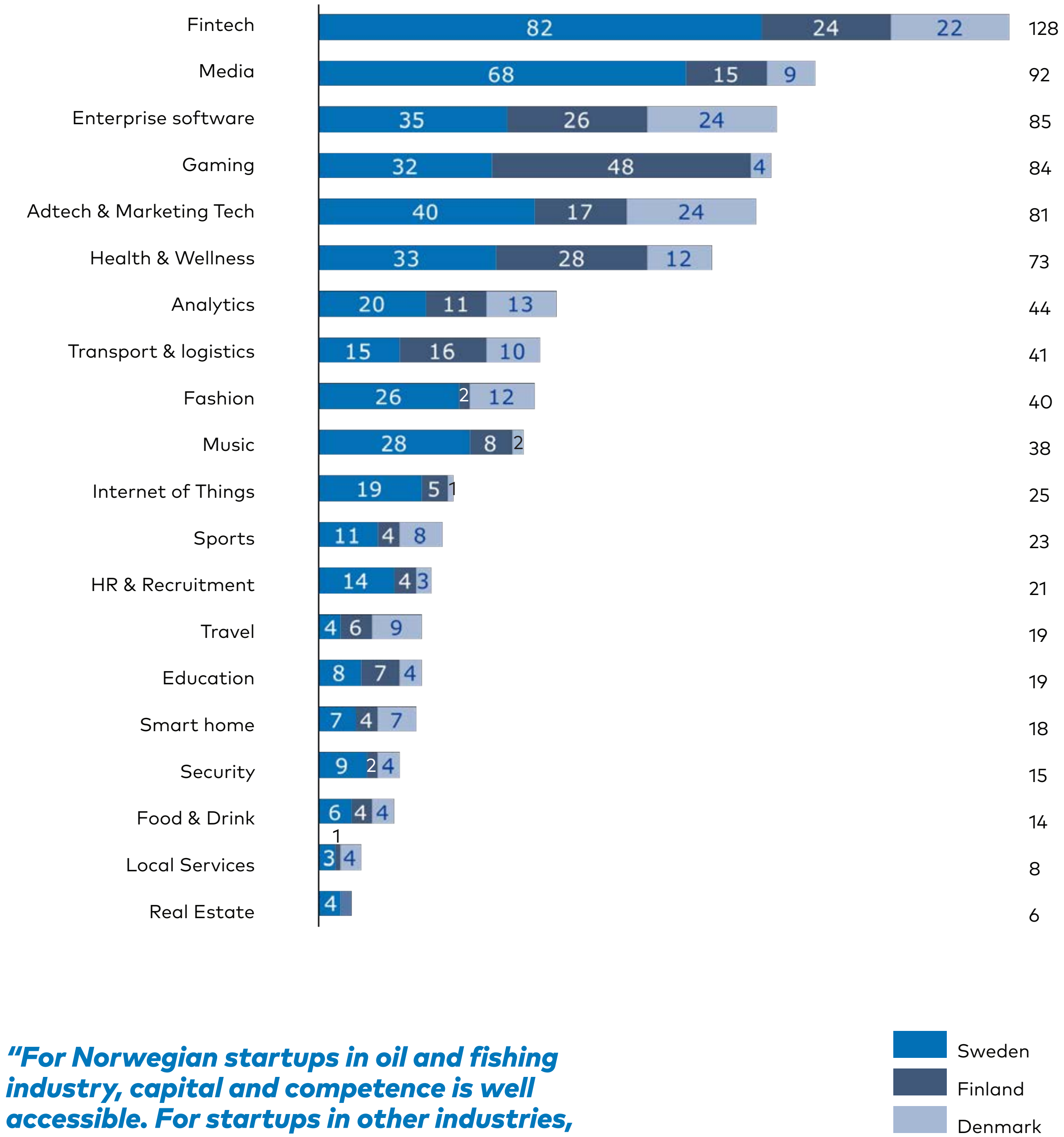
Figure 14 Angel investors' investment form[27]

Figure 15 Business angel type[28]



During 2011–16, there were about 900 tech deals done in Denmark, Finland and Sweden

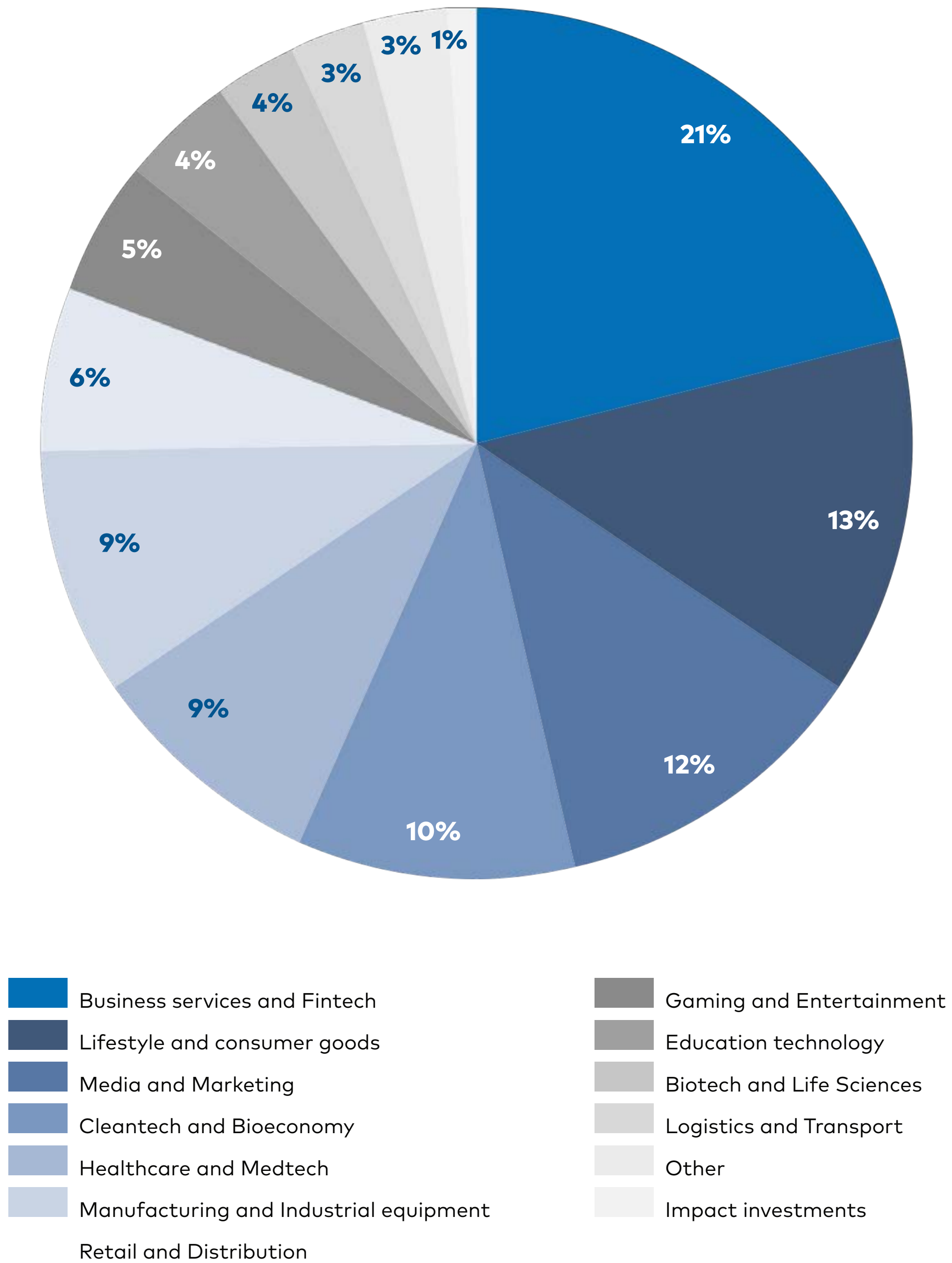
- A large number of startups in the Nordics are in tech industry, especially in Sweden and Finland.
- In Norway, the oil and fishing industries are the largest sectors with most capital and business angel competence available.



"For Norwegian startups in oil and fishing industry, capital and competence is well accessible. For startups in other industries, it can be harder to find both capital and competence."
– Norwegian angel investor

27 FiBAN
28 FiBAN, Finnish Business Angel Investments 2016
29 Atomico, The State of European Tech 2016 Edition, Norway and Iceland not included in the data

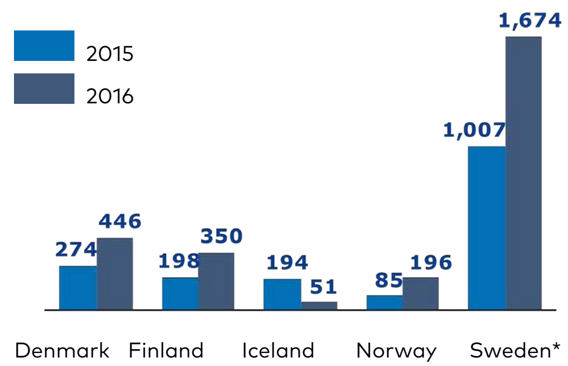
Figure 17 Angel investments, by industry in Finland in 2016[30]



30 FiBAN, Finnish Business Angel Investments 2016
31 The Nordic Web, The 2016 Nordic Funding Analysis
32 Nordic Innovation Survey

An active and well-functioning venture capital market provides exit opportunities for angel investors

Figure 18 Total amount of capital raised per country31 ($ million)



*Includes Spotify's fund raising, $526m in 2015 and $1,000m in 2016

Figure 19 Number of venture capital investments in the Nordics, 2014–1631

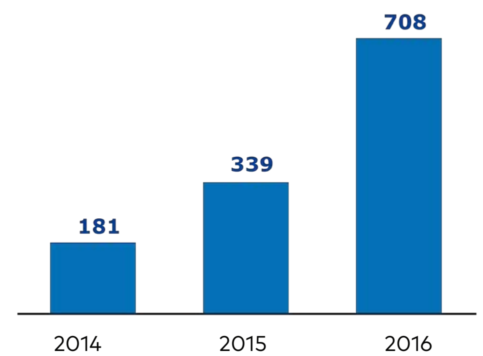


Figure 20 What was the size of the funding round?[32]

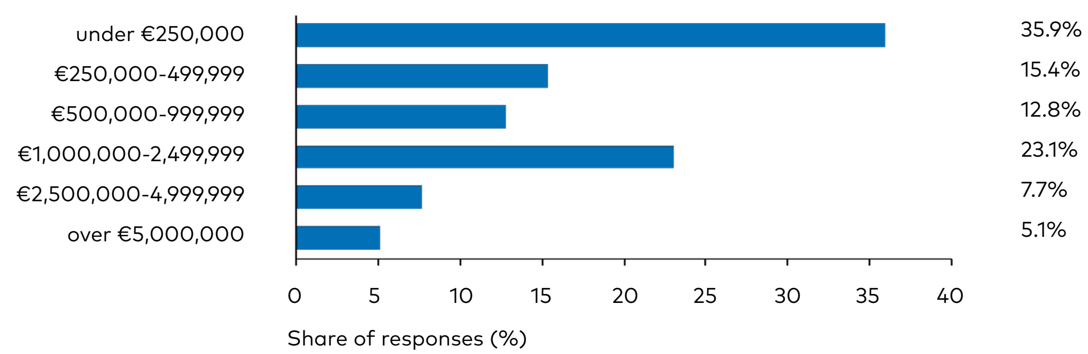
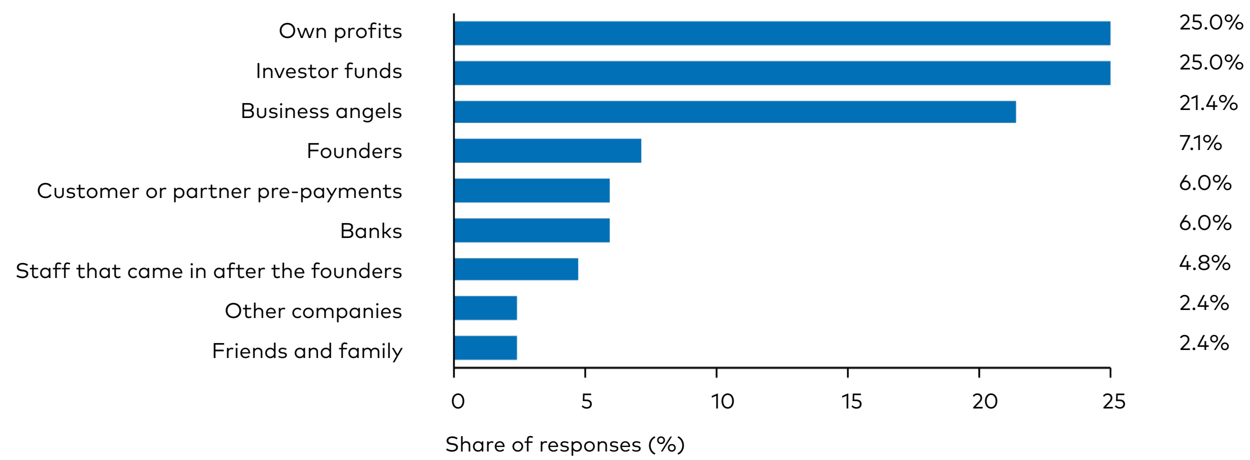


Figure 21 Most important sources of funding during the next 12–24 months; choose maximum three alternatives.[32]



Crowdfunding makes it easy especially for passive angel investors to invest in startups — the platform can also be used by lead angel investors to find co-investors

- Crowdfunding functions as a digital fundraising platform — making it easy and transparent for angel investors to make investments.
- It makes it possible to invest both debt and equity.
- Minimum investment can be relatively low, easy for investors to diversify investments in several companies.
- Crowdfunding platforms can be used for both smaller private fundraising rounds and for larger public rounds.
- The Nordic Crowdfunding Alliance is a partnership committed to developing crowdfunding in the Nordics.

List of Nordic crowdfunding platforms

	Company	Key market
	Booomerang	Denmark
	Invesdor	Europe
	Karolinafund	Iceland
	Bidra	Norway
	FundedByMe	Europe
	Kameo	Nordic
	Pepins	Sweden
	Sciety	Sweden
	Tessin	Sweden

"Crowdfunding platform is a digital fundraising tool, making the fundraising process easy, transparent and cost-efficient."
– Finnish crowdfunding expert

There are a number of Nordic business angel networks that drive their members' agenda and contribute to matchmaking between investors and startups

- NordicBAN is an angel network in the Nordics and the Baltics, currently having about 1,500 business angels in its network.
- NordicBAN functions as a channel for lead investors looking for co-investors.
- NordicBAN is also improving investment opportunities in Nordic level syndicates.

List of Nordic angel and investment networks

	DanBAN, Danish Business Angels
	Keystones
	FiBAN, Finnish Business Angels Network
	No official networks
	Angel Challenge
	NorBAN, Norwegian Business Angel Network
	Connect Norge
	STOAF, Stockholm Business Angels
	Connect Sverige
	Angelr
Nordic	NordicBAN
Nordic	The Scandinavian Angel Investment Network
Nordic	Nordic Female Business Angel Network

European Angels Fund (EAF) supports business angels by matching the amount of their investments

- EAF helps business angels to increase their investment capacity by co-investing in innovative companies in seed, early and growth stages.
- All investment decisions are taken by the business angels — EAF matches the business angel's investment, i.e. invests the same amount as the angel in to the startup.
- EAF is not co-investing on deal-by-deal basis, instead they enter into long-term agreements with business angels.
- EAF is currently operational in Austria, Denmark, Finland, Ireland, the Netherlands and Spain. It has plans to extend to other European countries as well.

33 EAF website

Finnish Business Angels Network (FiBAN) is one of the best business angel networks in Europe

- FiBAN has been recognised not only in the Nordics but also around the globe by business angels and business angel networks for its actions to improve private startup investing. Below is a snapshot of FiBAN.

FIBAN® FINNISH BUSINESS ANGELS NETWORK

Key facts:

- Establishment: 2011
- No of members: about 600
- No of employees: 3
- No of events/year: 100
- FiBAN's key task is to inspire private startup investing. To achieve this, FiBAN performs the following:
  - Matches startup with business angels, free of charge
  - Shares angel investor best practices
  - Shares voice of business angels in Finland

Key success factors:
- Very active and open angel members
- Good quality deal flow
- Dynamic communication
- Active cooperation with the business ecosystem

FiBAN's next steps:
- Building international relations to support co-investing.
- Developing the exit market for angels.
- Actively promoting the Nordic level development of business angel networks.

Most important achievements:
- Chosen by EBAN as the 'Best European Business Angel Network' in 2012 and 2014.

"FiBAN is an exceptional angel investor network, unfortunately there is not a similar network in the other Nordic countries."

– Norwegian angel investor

There are three key alternatives for angel investors to exit

1. Merger or acquisition
- Finding a buyer for the company either within the own industry or from another industry

2. IPO
- Main list on stock exchange
- Lists targeted for early-stage companies, e.g., First North, Aktietorget, Oslo Access and Merkur Market

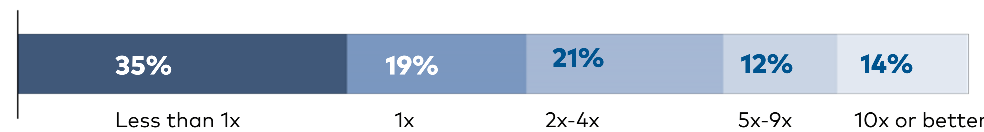
3. Closing down/ bankruptcy
- Closing down the company since future outlook is not promising
- Forced to declare bankruptcy

Two most common ways to exit account for over 90% of all exits[34]

- Acquisition has been the most common way to exit (65%), followed by closing down (28%).
- Total 65% of the exits were positive in 2016 (return multiple <=2x or more).

Figure 22 Type of exit for angel investors in Finland in 2016[34]

Figure 23 Exit multiples in Finland in 2016[34]

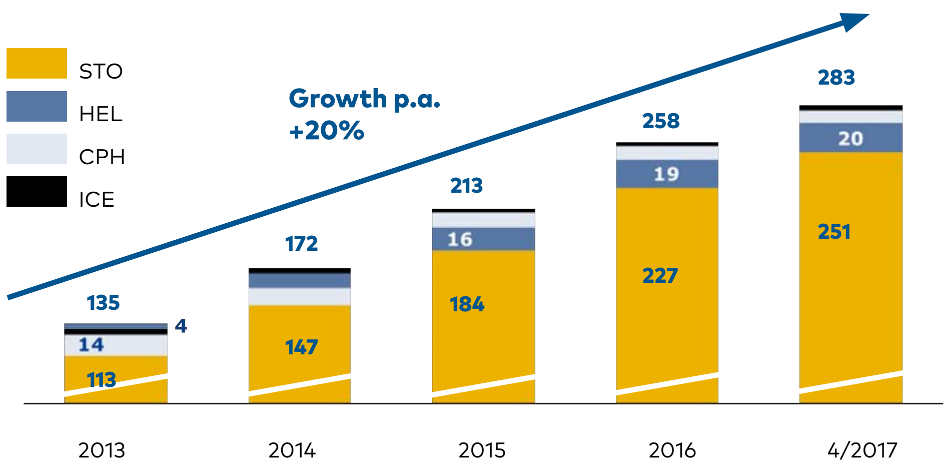


34 FiBAN, Finnish Business Angel Investments 2016

Nasdaq First North has become a popular exit option, especially in Sweden

- First North list in Sweden has had the highest growth and it is currently clearly the largest one in the Nordics.
- In Finland, the number of listed companies on First North has increased from 4 in 2013 to 20 in April 2017.
- Denmark and Iceland are the only market places where the number of listed companies has decreased.

Figure 24 Number of companies on First North in 2017[35]



Bankruptcy and closing down the business are relatively usual among startups – bankruptcy legislation can be cumbersome and impact on overall attitudes towards entrepreneurship

- Investments in startups involve high risk and therefore bankruptcy rate is relatively high.
- Alternatively, startups can just close down the business.
- Bankruptcy legislation can be cumbersome and there may be restrictions on starting a new business if the entrepreneur's previous business has gone bankrupt, which can have an adverse impact on overall attitudes toward entrepreneurship.

How could the Nordic startup investor environment be further developed?

By improving incentives to act as a lead angel

- Lead angels are handling the fundraising process in syndicate investments. Currently, the incentives to act as a lead angel are low — the lead angel is taking the responsibility but not receiving anything for the effort. Proposed incentives to improve this are to give lead angels a higher stake in the company or a higher stake in exit.
- Most of the angel investors invest in syndicates and therefore it is important to improve syndicate investments.

By increasing education opportunities about angel investing

- Angel investing is still relatively young in the Nordics and therefore more education about this is needed. Increasing the knowledge about angel investing could help attract new angels to invest, which would increase the number of angels and capital available for investments. With more angels, the opportunities in co-investments would also improve.

By improving angel investor networks

- Angel investor networks act as a forum for angels to share knowledge and to get to know other angels. Since angel investing is risky, several angels want to know the co-investors well before investing. Improved angel networks could therefore also function as a platform for angels to find co-investors.
- All the Nordic countries should have one national angel network looking after the interest of angel investors in general. Example could be taken from FiBAN in Finland.

By improving public funding by increasing investment matching and asymmetrical distribution of profits

- Public funding is one of the key sources of capital and understanding the way these funds are distributed to startups is very important. Increasing public investment matching to angel investments increases the angels' funds available and possible investment opportunities. European Angel Fund is a good example of improving matching.
- Asymmetrical distribution of profits is another way to increase the attractiveness of angel investing. In this, public capital would receive a smaller portion of the profits than their actual stake in the company. This would directly improve business angels' investments as they will receive a higher share of profits in proportion to their stake.

By improving cooperation between startups and large companies

- Increased cooperation could contribute to the growth of startups e.g. by bringing industry knowledge and technologies to the use of startups.
- Large companies could gain from the cooperation by being able to identify potential startups for future acquisitions – through acquiring startups large corporations also acquire new startup innovations.
- Cooperation could also improve exit opportunities of startups and thereby benefit angel investors.

3

Regulatory and tax environment

There are a number of relevant regulations for angel investors, especially related to taxation in different phases of the investment. In addition, there are taxes that affect angel investors indirectly through the taxation of startups.

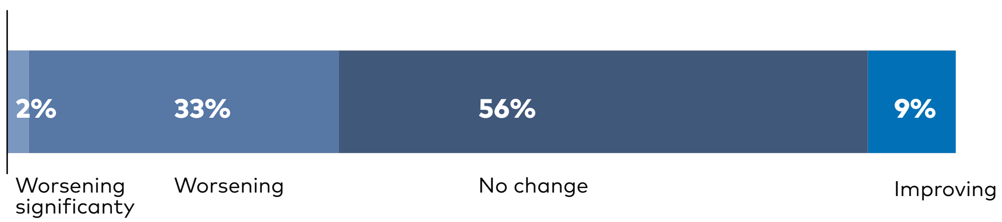
Regulative and tax environment has several impacts on angel investors

- Angel investors are affected by several taxes in different stages of the investment process; therefore stability and predictability of the tax and regulative environment is valued.
- In cross-border transactions, double taxation occurs when the same angel investor is taxed twice on the same income. In the Nordic countries, elimination of double taxation is governed by the Nordic Tax Treaty.
- From an angel investor perspective, London's regulative and tax environment is seen as the best benchmark in Europe.

The regulatory environment is expected to remain stable — 56% of the survey respondents do not see any major changes in the regulatory environment in the near future[36]

- Total 56% of the respondents expect no change in the regulative environment, while 9% expect improvements.
- Total 33% of the respondents expect the regulative environment to get worse, 2% expect it to get significantly worse.
- According to respondents, most important regulations that need improvement are labour market, financial market and import/export regulations.
- Regulations that currently need least improvement are competition, environmental and marketing & sales regulation.

Figure 25 How do you see the development of regulations?[36]



36 Nordic Innovation Survey
37 EBAN Compendium of Fiscal Incentives: Tax Outlook in Europe Business Angels Perspective , www.invest.is, www.rsk.is

Taxes that affect angel investors can be grouped according to the investment process: transaction period, holding period and exit

- Most relevant taxes for the angel investor are presented below with in-depth descriptions on the subsequent pages:

Transaction period

- Transfer tax
- Carry-forward of tax losses due to ownership change
- Tax incentives

Holding period

- Corporate income tax
- Value-added tax (VAT)
- Depreciation and amortisation
- Interest deductibility
- Dividend taxes

Exit

- Tax on capital gains

General guidelines for elimination of double taxation

International double taxation occurs in cross-border situations when the same person is taxed twice on the same income by more than one country.

Double taxation is eliminated either by giving credit for foreign-paid taxes or by exemption from taxation of the income. The credit method is the most common in the Nordic countries and in tax treaties in general. The exemption method only applies if a bilateral tax treaty between two countries has a specific clause. To define which country eliminates double taxation, it is essential to know which country is the resident state (general tax liability) and which one is the source state (limited tax liability). Elimination of double taxation between the Nordic countries is governed by the Nordic Tax Treaty.

Summary table

- The following table provides a summary of most relevant tax rates in the Nordics and the UK for angel investors. Exemptions and other specifications are described in more detail on the subsequent pages.

	Country						
Transaction period	Transfer tax	0.6–1.1%	1.6–2%	0.8–1.6%	2.5%	1.5–4.25%	0.5–5%
	Change of ownership (tax losses)	Yes	Yes	Yes	Yes	Yes	Yes
	Tax incentives	No	No	Yes	No	Yes	Yes
Holding period	Corporate income tax	22%	20%	20%	25%	22%	19%
	Standard rate of VAT	25%	24%	24%	25%	25%	20%
	Depreciation	Yes, but no obligation	Yes	Yes	Yes	Yes	No, capital allowance instead
	Interest expense deductibility	Yes, thin capitalisa-tion rule	Yes, generally deductible	No	No	Yes, generally deductible	Yes
	Dividend taxes	27–42%	30–34%	20%	25%	30%	7.5–38.1%
Exit period	Tax on capital gains (individuals)	27–42%	30–34%	20%	28%	25-30%	10–20%
	Tax on capital gains (companies)	22%	20%	20%	28%	22%	20%

Transfer tax rates are between 0.6% and 4.25% in the Nordics

- Transfer tax is a transaction fee on the transfer of assets, such as real estate or shares in a company. Transfer tax is paid by the buyer.
- Compared to London, transfer tax rates are on a fairly similar level in the Nordics.

Transfer tax

	0.6–1.1%	There is no transfer tax on the transfer of immovable property, but a levy on the registration applies (DKK 1,660 plus 0.6% of the transfer amount). The stamp duty on indemnity insurance policies has been replaced by an annual duty of 1.1% of the insurance premium if, inter alia, the policy is drawn up in Denmark.
	1.6–2%	According to the Finnish Transfer Tax Act, the transferee is liable to pay transfer tax on the transfer of securities and real property. The transfer tax rate on securities is 1.6% (2% for shares in real estate companies). There are no stamp duties in Finland.
	0.8–1.6%	Apart from stamp duty, no special tax is levied on the transfer of property, including immovable property, and shares, bonds and securities. Stamp duty is only levied on deeds on immovable property, vessels, etc. at the following rates: 0.8% for individuals and 1.6% for legal entities.
	2.5%	The transfer of immovable property and rights in immovable property is subject to stamp duty with a rate of 2.5% of the transfer price of the property. However, a transfer upon a tax neutral merger of two companies is exempt from stamp duty. Apart from stamp duty on immovable property, no special tax is levied on the transfer of immovable property. There is no transfer tax on the transfer of shares, bonds, securities or immovable property.
	1.5–4.25%	A stamp duty is levied on the transfer of immovable property. The standard rate is 1.5%. If the transferee is a legal entity, the rate is 4.25%. The tax base is the highest of the acquisition cost and the tax assessment value.
	0.5–5%	Stamp duty at 0.5% for individuals is imposed on the transfer of the UK shares. Stamp duty land tax is charged on the transfer of the UK real property (residential and non-residential). Stamp duty for corporations at 0.5% applies on the transfer of the UK shares and is payable for the transferee. Stamp duty land tax is charged on the transfers of UK real property. For residential property, rates are between 0% and 12%, depending on the value of property. The rates for nonresidential property vary from 0% to 5%. A 15% rate applies to the purchases of residential property valued at more than £500,000 by companies and certain other vehicles, though relief from the 15% rate is available for some businesses.

38 KPMG; IBFD Tax Research

Transaction period | Holding period | Exit

Change in ownership might affect the tax loss deductibility in different ways in the Nordic countries

- Ownership changes may affect the right to use company losses against taxable income in the future.
- The situation in Norway is most similar to that of London. In all other countries, the change of ownership may restrict the use of tax losses.

Change in ownership

	On the change of ownership, a tax loss carried forward cannot be used to reduce the taxable income to less than the net financial income (interest and similar income and expenses), including lease income from operating assets and ships that are subject to tax depreciation. As such, the tax losses carried forward can still offset operating profits. A change of ownership takes place when more than 50% of a Danish company's share capital or voting power at the end of any income year is held by shareholders other than those who owned it at the beginning of the year in which the loss occurred. In certain circumstances, the assessment of the change in ownership is made at the ultimate parent level. If the company is inactive at the time of the change of ownership, the loss carry forward cannot be used at all.
	When more than 50% shares in a company change ownership (direct ownership change) or when ownership changes in a company that holds 20% or more of another company (indirect ownership changes) during a tax year, the right to carry forward tax losses from that year and previous years is forfeited and is subject to dispensation.
	The net operating loss of a company may be carried forward for 10 years. Carry-back is not allowed. Losses on the sale of capital assets are only deductible against a gain from the sale of the same type of capital asset within the same year. Net foreign exchange losses may be deducted from taxable income. The loss shall be deducted in equal amounts over a three-year period beginning in the tax year in which the loss incurred.
	Changes in ownership do not change the right to carry forward, provided that it is not likely that the exploitation of the losses was the key reason for the transaction.
	Under Swedish tax rules, tax losses may be carried forward indefinitely. However, following a change of control in a company, there may be restrictions on the right to deduct losses. In this case, any tax loss carried forward from the year prior to the acquisition year exceeding 200% of the cost to acquire the decisive influence over the company may be forfeited. In addition to the amount limitation rule, any tax loss carried forward that survives the change of control is restricted in time for five years following the year in which the change of control took place.
	Change of ownership does not itself restrict the carry forward losses. However, if there is a major change in the nature or conduct of trade within three years either side of the change in ownership, this would restrict the losses available.

Transaction period | Holding period | Exit

Transfer tax rates are between 0.6% and 4.25% in the Nordics

- Transfer tax is a transaction fee on the transfer of assets, such as real estate or shares in a company. Transfer tax is paid by the buyer.
- Compared to London, transfer tax rates are on a fairly similar level in the Nordics.

Specific tax incentives for investments

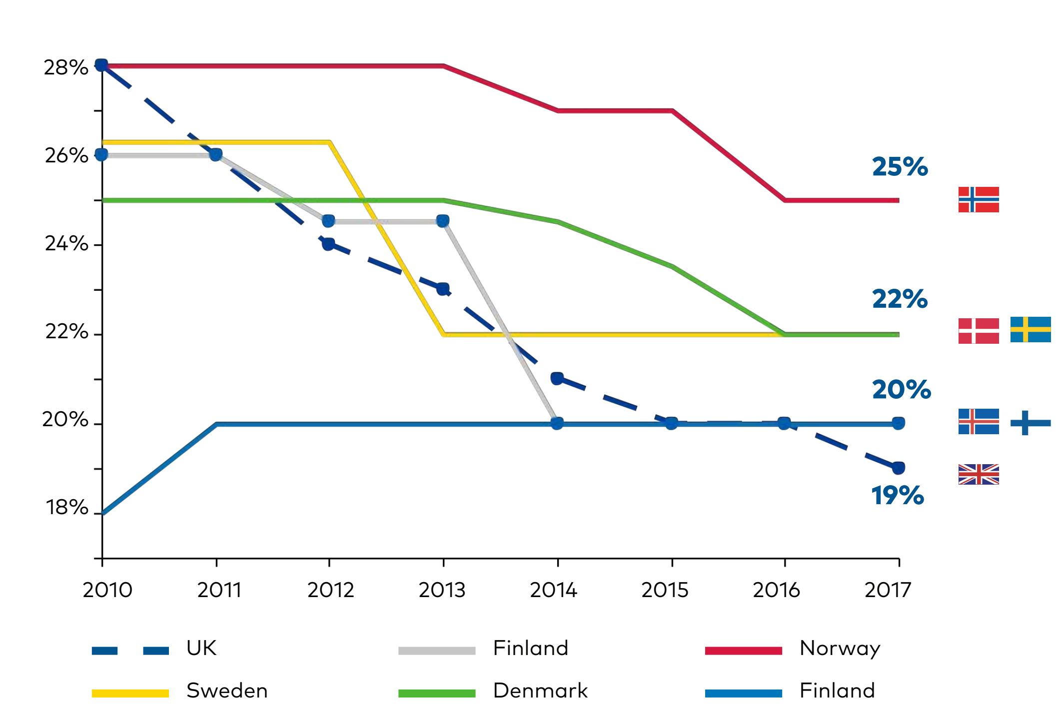
	No
	No. During 2013–15, private persons were able to deduct 50% of the investments in private companies. The minimum investment per year was €10,000 and maximum was €150,000, to be eligible for this deduction. In total, private persons could deduct €150,000/year.
	Yes. Private persons can deduct 50% of the first ISK3 million (about $23,000) equity investments in small companies. The minimum investment is ISK300,000 (about $2,300) in order to be eligible for the tax deduction.
	In Norway, there is an ongoing a law proposal about a tax incentive scheme benefiting startup companies and investors. The proposed tax incentive scheme includes tax deductions for long term investments in startups and changes in the taxation of employee share options. The proposal will most likely be processed during the summer 2017.
	Yes. Private persons can deduct up to SEK650,000 from a maximum investment of SEK1.3 million and gain a tax incentive of 30% on the deduction. It does not apply to investments through private companies.
	Yes. Three investment schemes offer tax reliefs: seed enterprise investment scheme (SEIS) for early-stage startups, enterprise investment scheme (EIS) for later-stage startups and growth companies, and social investment tax scheme. The amount of the relief in SEIS is 50% of the lower of (i) the amount (or the sum of amounts) subscribed and (ii) £100,000. For EIS, the relief is given at the EIS rate of 30% on the amount subscribed for shares issued in the relevant tax year, up to a maximum subscription amount of £1 million. The EIS investment must be a three-year commitment. Both schemes offer exemption from capital gains tax and thus there are zero capital gains tax on the earnings if investment are held over three years. Social investment scheme offers income tax relief in the form of a tax credit. Tax credit is at 30% rate and applies to the total amount of the qualifying investment made in the tax year, or, if less, £1 million. The investment must be made on or after 6 April 2014, but before 6 April 2019. The scheme also offers modified capital gains tax treatment on the disposal of assets. If such an asset is disposed of at a gain, if the disposal takes places three years or more after the acquisition of the asset, any gain accruing thereafter is not a chargeable gain for capital gains tax purposes.

39 KPMG
40 KPMG; IBFD Tax Research

Corporate tax rates have become more uniform in the Nordics during 2010–17

- Corporate income tax is a direct tax imposed on the income of a corporation based on a tax year.
- Income derived from partnership or other flow-through vehicles is usually taxed at the partner level.
- Corporate income taxes steadily declined in almost all Nordic countries during 2010–16.
- In 2016, corporate income tax rates were between 20% and 25% in the Nordics.
- Tax rates have also been harmonised in the last years; in 2010, the income tax range was between 18% and 28% in the Nordics, while in 2016, it was between 20% and 25%.
- In comparison to the UK, the Nordics are getting closer in the corporate income tax rate. Finland and Iceland have currently 1 percentage point higher income tax rate compared to the UK; rest of the Nordic countries have tax rate 3–6 percentage points higher.

Figure 26 Corporate income tax rate development, 2010–17[41]



41 KPMG; IBFD Tax Research
42 KPMG; IBFD Tax Research
43 KPMG

Depreciation and amortisation affect the company's tax expenses

- Depreciation and amortisation have a significant role in estimating a company's tax expenses.
- The key principle is that the asset's cost is proportionally expensed over the period of time during which the asset is used.
- Depreciation and amortisation rules are relatively complex, which make comparison between countries difficult.

Depreciation and amortisation

	Depreciation deducted for tax purposes need not conform to depreciation shown in the annual accounts. The general depreciation methods available are the straight-line depreciation met-hod (e.g., buildings, installations and intangible assets) and the declining balance depreciation method (e.g., machinery, vehicles, ships and aircraft). Only the person/entity with title to an asset or, where relevant, the holder of a depreciable right is entitled to claim depreciation. There is, however, no obligation to depreciate assets under Danish law.
	The depreciation of buildings and other structures is computed with the declining-balance met-hod with maximum rate varying from 4% to 20%, depending on the type of building or structu-re. For machinery and equipment, normal depreciation is allowed on an aggregated basis, i.e., assets are pooled and the depreciation is made from the totalled acquisition costs less the selling prices of the assets sold plus the cost of assets acquired during the year. The maximum rate of depreciation for machinery is 25% with the declining-balance method. For intangible fixed assets (computer software, long-term expenses), the depreciation is calculated under the straight-line principle, which means that the expenses are deducted with equal annual depreciation over a period of 10 years.
	Only the person with title to an asset or, where relevant, the holder of a depreciable right is entit-led to claim depreciation. Tangible assets, such as ships, machinery and aircraft, are depreciated by the declining-balance method. Buildings, plants, other premises, as well as intangible assets, such as copyrights and trademarks, are depreciated by the straight-line method. Residual value of 10% of the original value of the tangible asset in question remains on the account until the asset is scrapped or sold. Accelerated and/or extraordinary depreciation or write-offs are allowed in certain cases.
	There are 10 categories of depreciable business assets and maximum annual depreciation rates are defined. Special rules apply for depreciable business assets entering or leaving Norwegian tax jurisdiction during their economic life. For assets entering Norway, the depreciable base is set at historic cost (at the rate of exchange currency at time of acquisition) less deemed depreciation. Both before and after entering Norway, only the straight-line depreciation is taken into account until the fourth year after entry when a change-over to depreciation according to the normal degressive method is allowed. For assets leaving Norway within four years from the end of the year in which depreciation under Norwegian rules started, the excess of actual depreciation taken during their use in Norway over the straight-line depreciation is added to profits taxable in Nor-way. These rules do not apply to assets entering from a company within EEA.
	Machinery and equipment are normally depreciated by the declining-balance method. The maxi-mum depreciation allowance is 30% of the aggregate book value of all assets. Several types of intangible assets, acquired from another party, with limited economic life may be depreciated. The methods of depreciation are the same as those used for machinery and equipment. For buil-dings, only the straight-line method is permitted. In 2015, the rates varied between 2% and 5%.
	Other than for certain intangible assets, tax relief is not given for accounting depreciation. Instead capital allowances are given at a statutory rate for expenditure on certain assets, e.g., on the acquisition of plant and machinery.

Interest deductibility rules differ in the Nordic countries

- A company´s taxable income is usually calculated after possible interest costs have been deducted from its income.
  This means that a company can lower its taxable income via debt leverage, which is why many OECD countries have imposed legislations that limit the deductibility of interest expenses.

Interest deductibility (e.g., earning stripping rules/thin capitalisation)

	Thin capitalisation rules apply to resident and non-resident companies having a permanent establishment in Denmark. The thin capitalisation rules apply to a Danish debtor when certain conditions are met, e.g., when a controlled debt i.e., debt owed by the Danish debtor to a Danish or foreign legal entity, whereby the debtor controls the creditor — or vice versa — or the two are group related exceeds DKK10 million. The main test of control is direct or indirect ownership of more than 50% of the share capital or direct or indirect control of more than 50% of the voting power. The thin capitalisation rules apply if a company's debt-to-equity ratio exceeds 4:1 at the end of a tax year. Interest expenses related to debt to controlling persons in excess of the 4:1 ratio are not deductible. A denied deduction may not be reclassified into a dividend. A tax deduction may be allowed even though the debt-to-equity ratio exceeds 4:1 if the company is able to document that similar financing could be obtained from an independent party. Capital losses on such debt are also not deductible. Such losses may, however, be carried forward to be set off against future capital gains in respect of the same debt relationship.
	With effect from tax year 2014, a general limitation on the deductibility of interest expense applies. Interest expense on loans between related parties may only be deducted up to a maximum of 25% of tax EBITDA. The limitation does not apply to interest expense not exceeding the interest income derived by the paying company. Furthermore, a safe harbour rule applies, under which interest expense up to €500 thousand is fully deductible. However, if the net interest expense exceeds €500 thousand, the full amount is taken into account, irrespective of whether the interest has been paid to a related or a third-party creditor. There are no official thin capitalisation rules in Finland.
	There are no thin capitalisation provisions.
	There is no general thin capitalisation legislation. However, to the extent that the debt and interest paid by a resident company are not in accordance with the arm's length principle (i.e., they are influenced by the company's association with a non-resident company), the debt and interest may be reclassified as equity or dividends, respectively.
	Swedish tax law does not include specific rules concerning thin capitalisation of companies. Interest expenses are generally deductible. However, a limitation applies to interest paid between affiliated companies, including interest on loans from a foreign entity that is deemed to be an affiliated company. The limitation covers all debts to affiliated companies, irrespective of their purpose. Consequently, interest expense related to such loans is not deductible. The limitation, however, does not apply if: the interest income would have been taxed at a minimum rate of 10% in the residence state of the beneficial owner, assuming that such income were its only income unless the key reason for the loan structure is to obtain a substantial tax benefit; or the acquisition of the participation right as well as the underlying loan is motivated by business reasons but only if the income recipient is resident in another European Economic Area (EEA) country or a country having a tax treaty with Sweden.
	Interest expense is deductible up to £2 million of net interest expense and similar financing costs in the UK p.a. Above this threshold, deductions are capped for the net interest expense to the higher of 30% of taxable EBITDA in the UK or the UK taxable EBITDA multiplied by the ratio of worldwide net interest expense to worldwide EBITDA.

Tax on dividend for individuals ranges from 20% to 42% in the Nordics

- Dividend tax is commonly paid by a recipient (stockholder) on capital distribution made from a corporation.
- Companies are usually responsible to withhold tax from the paid amount according to the standard dividend tax rate.
- When dividends are distributed abroad, withholding tax and the elimination of possible double taxation are based on the applicable tax treaty.
- Dividend between companies are generally tax-exempt income.
- In comparison to London, the tax rates on dividend income for individuals are higher.

Tax on dividend from non-listed companies for individuals
(i.e., companies not listed on a stock exchange)

	27–42%	Income up to DKK49,200 27% and 42% on exceeding income.
	30–34%	Capital income exceeding €30,000 is taxed at 34% and below 30%. However, dividends from unlisted companies are divided into earned income and income from capital or they are exempt according to the following principles: 25% of the annual dividends that are equal to or less than 8% of the mathematical value of the shares (i.e., the 8% yield ceiling) are taxed as income from capital. The remaining 75% of such dividends are exempt up to €150 thousand annually per individual shareholder. Fifteen percent of such dividends exceeding €150 thousand, but within the 8% yield ceiling, are exempt, with the remaining 85% being taxed as the shareholder's income from capital. To the extent the 8% yield ceiling is exceeded, 75% of dividend receipts in excess of this ceiling are treated as earned income and the remaining 25% are exempt.
	20%	For resident individuals, dividends are treated as investment income (Category C).
	25%	For resident individuals, dividends are taxed as general income.
	30%	30%. (The so called 3:12 tax rules regarding taxation of entrepreneurs on labour and capital income are not taken into account in this table. Please refer to the Swedish tax authorities' website for more information.)
	7.5– 38.1%	Non-residents: There is no withholding tax on dividends under domestic law. Under several of the UK's tax treaties, the UK is entitled (but not obliged) to impose a withholding tax of 15% on the payment of dividends to non-resident individuals For residents, there is annual dividend tax allowance of £5,000. The rates of tax on dividend income exceeding the allowance are between 7.5% and 38.1%.

Dividends between companies

Dividends distributed by a non-resident unlisted company are tax-exempt income, if the distributing company is such as mentioned in the Parent-Subsidiary Directive.

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Transaction period | Holding period | Exit

Individual investors are paying capital gains tax, and the rates are fairly similar to dividend tax

- The key tax issue for an investor related to exit period is the possible tax on capital gains.
- Capital gains tax is a tax levied on profits that are realised when an investor sells shares or other assets with a higher price than the original purchase price.
- Capital gains tax rates in the Nordics are higher than in London.

Tax on capital gains for individuals

🇩🇰	27–42%	Income up to DKK49,200 27% and 42% on exceeding income.
🇫🇮	30–34%	Capital gains over €30,000 are taxed at 34%. The computation of capital gains can be based either on the acquisition cost or on a presumed acquisition cost based on the duration the seller has held the asset. The presumed acquisition cost is 20% of the selling price or 40% if the seller has held the asset longer than 10 years.
🇮🇸	20%	20%.
🇳🇴	28%	28%.
🇸🇪	25-30%	30%, on unlisted shares, the rate is 25%. (The so called 3:12 tax rules regarding taxation of entrepreneurs on labour and capital income are not taken into account in this table. Please refer to the Swedish tax authorities' website for more information.)
🇬🇧	10–20%	Residents: Generally 10%, 20% for higher income earners. Ten percent for gains qualifying for the entrepreneurs' relief, short-term gains part of business income. The rate of capital gains tax is determined by the total capital gains and income. Non-residents: No charge to capital gains derived by non-residents upon the disposal of assets in the UK. There are exceptions to this rule. Withholding tax rates for dividends 0%, royalties and interest 20%.

Transaction period | Holding period | Exit

Capital gains tax rates for companies are between 20% and 28% in the Nordics

- Investment companies have to pay capital gains tax.
- The tax rates in the Nordic countries are on a fairly similar level to those in London.

Tax on capital gains for companies

🇩🇰	22%	Capital gains are normally included in corporate income tax. Gains or losses on shares are exempt (unless it is trade shares (in Danish: 'næringsaktier').
🇫🇮	20%	Exemption is granted for gains on the sale of shares in a resident company (other than a real estate company or venture capital company) and in a qualifying non-resident company if the shares formed part of the seller's fixed assets and the seller owned at least 10% of the share capital in the company directly and continuously for at least one year.
🇮🇸	20%	20%
🇳🇴	28%	Exemption for capital gains on the disposal of shares (identical to the exemption applicable to dividends)
🇸🇪	22%	Exemption applies to capital gains on unlisted shares in a Swedish limited company and on shares in a similar foreign company. The same applies with respect to shares in a listed company, provided the shares represent 10% or more of the voting capital and have been held for at least one year.
🇬🇧	20%	Total 20% for non-resident companies: exemption is granted on the sale of shares in resident companies and on the sale of immovable property. Total 20% for resident companies: gains on the sales of shares within group are exempt, rollover relief available for qualifying business assets and participation exemption available.

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Recommendations to further develop regulative and tax environment

Improve tax incentives for angel investors

- Tax incentives for angel investors make it more lucrative to invest in startups, which are high-risk investments. Currently, London is conside red a good benchmark regarding incentives for angel investors. In London, there are three different investments schemes, which enable business angels to deduct their investments in their taxation. These are offsetting possible losses an angel investor makes and eventual profits are taxed reasonably. Similar incentives could be implemented in the Nordics to improve angel investments.
- Currently, Sweden and Iceland are the only Nordic countries with any tax incentives for angel investments. These incentives are a good start; however, they are not yet on the same level as in London.
- Additionally, in some of the Nordic countries, investments in startups are taxed more heavily than investments in alternative objects, e.g., listed stocks. This difference further decreases the interest for investing in startups. Either there should be tax incentives for angel investments to even out the difference or the taxation should be neutral between assets classes.

Harmonising the tax and regulative environment in the Nordics

- Tax and regulative environment is an important factor affecting angel investors. Differences in taxation and regulative environment increase the barriers for angel investors to invest cross-border as they need to know the local regulation. In order to achieve a functioning Nordic level startup environment with cross-border investments, taxation and regulation need to be harmonised across the Nordics. This would also decrease the competition between the Nordic countries.

Nordic
Innovation

Stensberggt. 25 NO-0170 Oslo
+47 47 61 44 00
www.nordicinnovation.org

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Handbook to Nordic startup investor market: **unleash the full potential of Nordic startups**

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