



Report from  
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2019:1

# Migratory pathways for start-ups and innovative entrepreneurs in the EU – Country Report Sweden





**EMN study 2019:  
Migratory pathways for start-ups and innovative entrepreneurs in  
the EU – Country Report Sweden**

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## Executive Summary

The EMN focussed study Migratory pathways for start-ups and innovative entrepreneurs in the EU was part of the 2019 EMN work programme. The Swedish national report was compiled by experts at the Swedish national contact point of the EMN with contributions from experts at the Swedish Migration Agency. Other national stakeholders such as The Confederation of Swedish Enterprise, The Association of Swedish Engineering Industries, The Swedish Agency for Economic and Regional Growth and individual start-up hubs were asked to contribute to certain responses. Finally, a draft report was submitted to the Government Offices (Ministry of Justice, Ministry of Enterprise, and Ministry for Foreign Affairs) for consideration. Statistics were supplied by the Migration Agency, unless otherwise stated.

The study looks into the Swedish legal framework for the admission of start-up founders and innovative entrepreneurs that are third-country nationals as well as any measures taken for the retention of business owners in this group. The conditions and policies with regard to the admission of start-up employees are considered as well. It also aims at identifying any challenges and good practices gathered from the side of the stakeholders involved. Furthermore, it discusses the overall business environment for starting a company and what, if any, policies have been devised to attract start-up founders and innovative entrepreneurs from outside the EU. Additionally, the study aims to describe the national ecosystem for start-ups and its major stakeholders. Finally, it looks into how public and policy debates concerning these migrant business founders have evolved and whether there are plans for future policy changes.

Sweden does not have a special scheme for the admission of third-country nationals as start-up founders or innovative entrepreneurs. There is a more general provision in the Aliens Act aimed at self-employed persons, but estimations by the Swedish Migration Agency and other stakeholders indicate that start-up founders are not normally admitted through this path. A start-up company does not have a legal definition in Sweden and there is no data on to what extent third-country nationals are start-up founders. Reasonably, third-country start-up founders in Sweden arrive through other legal migration paths such as for study purposes, as labour migrants/employees or by way of family reunification. Start-ups in Sweden hire third-country employees, but there is no specific data available as to what extent.

The Swedish government promotes Sweden as an attractive business destination in its overall trade and foreign policies, but there are no special strategies to attract or retain start-up founders. However, the government has tasked public agencies such as the Swedish Institute and Business Sweden with assignments that at least partly have had this objective.

Many reports say Sweden's ecosystem for start-ups is among the most successful in the EU as well as globally. Both public and private stakeholders nurture the system. Vinnova and the Agency for Economic and Regional Growth are two government agencies that play a role in relation to the start-up scene. Stockholm is home to a number of start-up hubs, but other metropolitan areas in the country have thriving start-up scenes as well. A number of annual events with regard to start-ups are held in Stockholm and other cities. Co-working facilities, science parks and incubators are found in many locations throughout the country. A number of universities have affiliated innovation bureaus that can play a role in attracting international students to remain in Sweden and become involved in innovative entrepreneurship.

Public debate with regard to migrants as start-up founders has been limited. Some of the political parties and stakeholders in the business, such as the Stockholm Chamber of Commerce, have called for the introduction of special schemes to facilitate the admission of start-up founders and to attract global talent. Notably, however, the so called “talent expulsions”, have by far been the most topical issue in public discourse as regards immigration for work purposes. These refer to applications for renewal from highly skilled labour migrants that were rejected by the Migration Agency due to seemingly minor mistakes, often from the side of the employer. Some of these cases have been publicised in the media and have concerned individuals working in the technology industry.

Several stakeholders in the business mention overall difficulties pertaining to international recruitment, taxation and the housing shortage in Stockholm as challenges. Change of immigration status has also become more difficult in the past few years following rulings in the Migration Court of Appeal.<sup>1</sup> Furthermore, a number of stakeholders has highlighted the absence of a suitable legal provision for the admission of start-ups from third countries. In effect, start-up founders face challenges to fulfil the requirements to be granted a residence permit as self-employed. Requirements pertaining to previous experience and extensive financing come across as particularly difficult for start-up founders to meet. On a more positive note, the Migration Agency’s system for employer certification, which provides for shorter application processing times for work permit applications, potentially benefits the technology industry, which is the home to many start-ups. Sweden’s single point of contact for business founders, “verksam.se”, enables applicants to easily register their company and apply for other permits needed for their business. International students are allowed to start their own company while in Sweden and self-employed persons are allowed to be accompanied by their family members provided they can support them financially. The fact that many universities that admit international students have innovation bureaus suggests that migration for study purposes can be one of the most likely initial migratory paths for start-up founders to Sweden.

There was little policy development affecting the legal framework for the admission of start-up founders and innovative entrepreneurs in 2014-2018. Meanwhile, Stockholm seems to have retained its attractive position as a start-up hub and the start-up scene as a whole in Sweden continues to be described favourably in many reports. As discussed above, however, the study has not been able to determine to what extent third-country nationals arrive in Sweden to found start-ups or engage in innovative entrepreneurship. Likewise, data on third-country nationals admitted for work at start-ups in Sweden is inadequate. Overall, the area comes across as vastly under-researched and improved data availability would probably be of value for policy makers and researchers alike. Incidentally, the January 2019 cross-party agreement between the government and two of the opposition parties contains two concrete points highlighted in this study; the introduction of a special residence permit for highly skilled that want to start a company in Sweden and a declaration of intent that the so called “talent expulsions” must cease.

Considering the successful start-up scene in Sweden, in a business that is truly global in character, and factors such as Sweden’s overall liberal migration policies (for example for labour migration) it seems very probable that third-country nationals do migrate to Sweden with a purpose to eventually become engaged in this field. The

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<sup>1</sup> Change of immigration status refers to the possibility for a migrant with a temporary residence permit to apply for (and be granted) a residence permit on other grounds without having to leave the country and submit such an application from abroad which is the main rule in immigration governance in Sweden.

existence of a particular scheme for the admission of start-ups may serve to attract these business migrants and facilitate admission. However, in all likelihood, a particular scheme is only one of several such factors that play a role. Some reports say, for instance, that a reputable start-up scene, including local success stories, is one of the major draws in attracting the target group.



## Sammanfattning på svenska

EMN-studien Migratory pathways for start-ups and innovative entrepreneurs in the EU ingick i EMN:s arbetsprogram för 2019. Den svenska nationella rapporten togs fram av experter vid EMN:s svenska kontaktpunkt samt med bidrag från experter vid Migrationsverket. Andra nationella aktörer som Svenskt Näringsliv, Teknikföretagen, Tillväxtverket och enskilda startup-hubbar tillfrågades om att bidra till vissa svar. Avslutningsvis sändes ett utkast på rapporten för granskning till regeringskansliet (Justitiedepartementet, Utrikesdepartementet och Näringsdepartementet). Statistiken kommer från Migrationsverket om inte annat anges.

Studien tittar på det svenska regelverket för att ta emot startup-grundare och innovativa entreprenörer som är tredjelandsmedborgare liksom eventuella åtgärder för att underlätta för företagare i denna grupp att stanna i landet. Villkoren och reglerna för mottagandet av anställda vid startup-företag undersöks också. Den syftar även till att kartlägga utmaningar och goda exempel som rapporterats från branschföreträdare och andra aktörer. Därutöver diskuterar den det allmänna näringslivsklimatet för nyföretagande och vilka eventuella åtgärder som vidtagits för att locka startup-grundare och innovativa entreprenörer från utanför EU. Studien avser också beskriva det nationella ekosystemet för startups och dess viktigaste aktörer. Slutligen tittar den på hur den offentliga- och politiska debatten rörande dessa invandrade nyföretagare har utvecklats och om det finns planer på kommande förändringar av regelverket.

Sverige har inget särskilt system för mottagandet av tredjelandsmedborgare som är startup-grundare eller innovativa entreprenörer. Det finns en mer allmän regel i Utlänningslagen för egenföretagare, men bedömningen från Migrationsverket och andra aktörer är att startup-grundare vanligen inte kommer genom denna väg. Ett startup-företag är ingen rättsligt reglerad företagsform i Sverige och det finns ingen statistik på i vilken utsträckning tredjelandsmedborgare grundar startups. Troligen kommer tredjelandsmedborgare som är startup-grundare till Sverige genom andra lagliga vägar såsom för studier, som arbetstagare eller på grund av familjeanknytning. Startups i Sverige anställer arbetstagare från tredje land, men det finns ingen statistik som kan visa i vilken mån det sker.

Regeringen verkar för att synliggöra Sverige som ett attraktivt land för företagande som en del av den övergripande handels- och utrikespolitiken, men det finns ingen speciell strategi för att attrahera startups eller underlätta för startups grundade av tredjelandsmedborgare att stanna i landet. Svenska institutet och Business Sweden har visserligen fått regeringsuppdrag som åtminstone delvis haft sådana målsättningar.

Det finns en hel del rapportering som gör gällande att Sveriges ekosystem för startups är bland de mest framgångsrika i EU och även globalt sett. Både offentliga och privata aktörer är drivande i systemet. Vinnova och Tillväxtverket är två myndigheter som spelar en roll för startup-miljön. Stockholm har flera startup-hubbar, men andra större städer har också en livskraftig startup-miljö. Flera årliga event för startups anordnas i Stockholm och i andra städer. Gemensamma arbetslokaler, science parks och inkubatorer finns på många platser i landet. Ett antal universitet driver innovationsbyråer som kan spela en roll för att attrahera internationella studenter att stanna i Sverige och verka inom innovativt entreprenörskap.

Offentlig debatt gällande invandring av startup-företagare har varit begränsad. Några

av de politiska partierna och andra aktörer i branschen som Stockholms Handelskammare har argumenterat för att ett anpassat regelverk bör införas för att underlätta för startup-företagare som vill komma till Sverige och för att attrahera internationella talanger. När det gäller den offentliga debatten om arbetsrelaterad migration är det dock de så kallade "kompetensutvisningarna" som debatterats mest. Dessa gäller ansökningar om arbetstillstånd från högkvalificerade personer som fått avslagsbeslut från Migrationsverket på grund av vad som uppfattats som mindre misstag, ofta från arbetsgivarens sida. Vissa av dessa fall har uppmärksammats i media och har rört arbetstagare inom teknologisektorn.

Många aktörer i branschen nämner svårigheter med internationell rekrytering, beskattnings- och bostadsbristen i Stockholm som utmaningar. Statusbyte har också blivit svårare under senare år efter nya domar i Migrationsöverdomstolen.<sup>2</sup> En del aktörer har pekat på frånan en anpassad lagstiftning för mottagandet av startups från tredje land som ett problem. I praktiken finns det utmaningar för startup-grundare att nå upp till kraven för att få uppehållstillstånd som egenföretagare. Kraven på tidigare erfarenhet av att driva företag och på betydande finansiering framstår som särskilt svåra för startup-grundare att klara av. Mer positivt är att Migrationsverkets system för certifiering av arbetsgivare, vilket möjliggör kortare handläggningstider för arbetstillstånd, potentiellt underlättar för teknologibranschen där många startups finns. Sveriges kontaktpunkt för företagare, "verksam.se", är användarvänlig för de som ska registrera sitt företag eller behöver ansöka om andra tillstånd för sin verksamhet. Internationella studenter kan starta företag under sin tillståndstid i Sverige och familjemedlemmar till egenföretagare har möjlighet att komma till landet förutsatt att han/hon kan försörja dem. Förhållandet att många universitet har innovationsbyråer kan innebära att studier i Sverige är en av de mest troliga initiala migrationsvägarna för startup-grundare.

Det skedde lite policyutveckling som berörde regelverket för mottagande av egenföretagare 2014-2018. Samtidigt verkar Stockholm ha behållit sin attraktivitet som startup-hubb och startup-miljön i Sverige beskrivs fortsatt positivt i rapporteringen. Som framgått ovan har studien inte kunnat ge svar på i vilken utsträckning tredjelandsmedborgare kommer till landet som nyföretagare inom startups och innovativt entreprenörskap. Dessutom är informationen om arbetstagare som kommer för att arbeta på startups begränsad. På det hela taget framstår studiens ämne som utforskat och förbättrad tillgång på statistik skulle troligen vara av betydelse både för politiska beslutsfattare och forskare. Januariöverenskommelsen från 2019 mellan regeringen och två av oppositionspartierna innehåller för övrigt två konkreta punkter som har berörts i studien; införandet av ett anpassat uppehållstillstånd för högkvalificerade som vill starta företag och en deklaration att de så kallade "kompetensutvisningarna" måste upphöra.

Med tanke på framgångarna för startups i Sverige, och detta i en bransch som verkligen är global och faktorer som Sveriges generellt sett liberala migrationspolitik (till exempel för arbetskraft) framstår det som mycket troligt att tredjelandsmedborgare faktiskt kommer till Sverige med syfte att senare sysselsätta sig inom den här branschen. Att ha ett speciellt regelverk för mottagandet av företagare i den här gruppen kan säkerligen attrahera dessa och underlätta tillståndsprocessen. En särskilt anpassad lagstiftning är med all sannolikhet dock bara en av flera faktorer som spelar roll. Vissa rapporter gör till exempel gällande att en ryktbar startup-miljö och lokala framgångssagor är bland de viktigaste omständigheterna för att attrahera målgruppen.

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<sup>2</sup> Med statusbyte menas möjligheten för den som har ett tidsbegränsat uppehållstillstånd att ansöka om (och beviljas) ett uppehållstillstånd på andra grunder utan att behöva lämna landet för att lämna in en sådan ansökan, vilket är huvudregeln i den svenska utlänningslagstiftningen.

## Introduction

According to the European Commission, to remain a globally competitive player, the EU needs to find better ways to attract migrant innovative entrepreneurs and support migrant entrepreneurs already present in the EU.<sup>3</sup> According to some reports, migrant entrepreneurs are increasingly less attracted to EU Member States than they are to other OECD countries. While attracting start-ups is in line with the broader objectives of the EU migration policy, such as tackling demographic change and satisfying labour market needs, there is currently no EU instrument that formalises self-employed workers' conditions of admission and rights in place.<sup>4</sup> The current EU framework on legal migration covers self-employed in certain aspects, but the dedicated framework for highly qualified workers do not include start-up founders and innovative entrepreneurs in its scope. Against this backdrop, the topic of migration schemes for start-up founders and employees from third countries has become a priority for many Member States. Almost half of the Member States have adopted a specific scheme to attract and retain start-up founders.<sup>5</sup>

The notions of "start-up" and "innovative entrepreneurship" relate to an environment where individuals are motivated to innovate, create new products or services and take risks. Entrepreneurship can have a beneficial impact on the economy, through job creation, innovation and investment. The concept of "innovative entrepreneurship" is not a strictly defined one and a level of complexity derives from the concept's linkage, on the one hand, with other concepts such as innovation, the knowledge economy, the digital society, and on the other hand with similar but nuanced notions - self-employment, new business formation and small and medium sized enterprises (SMEs).<sup>6</sup>

This study specifically focuses on start-ups and innovative entrepreneurship, which is distinguished from general self-employment. However, since start-ups and innovative entrepreneurs can be admitted on different types of visas and/or residence permits, the study explores all migratory channels through which start-ups and innovative entrepreneurs can be admitted.

Although definitions in the literature vary, an innovative entrepreneur is someone who creates a (radically) new product/service or provides a new solution through a viable business model to meet a marketplace need or problem. "Innovation" can be defined in this context as new expertise that an entrepreneur brings to the market whether through introducing a new or improved product, a new method of production, a new market, a new source of supply or the reorganisation of management.

3 European Commission: Communication from the Commission of 6 April 2016, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52016DC0197&rid=1>

4 OECD and European Commission (2016): Recruiting Immigrant Workers: Europe 2016. Available at: <http://www.oecd.org/migration/recruiting-immigrant-workers-europe-2016-9789264257290-en.htm>

5 EMN (2018) Inform: Attracting and retaining foreign start-up founders. Available at: [https://ec.europa.eu/home-affairs/sites/homeaffairs/files/inform\\_startups\\_2018\\_final\\_revised.pdf](https://ec.europa.eu/home-affairs/sites/homeaffairs/files/inform_startups_2018_final_revised.pdf)

6 ICF report commissioned by European Commission: Admission of migrant entrepreneurs, available at: [https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/legal-migration-policy/volume\\_ii\\_-\\_admission\\_of\\_migrant\\_entrepreneurs\\_en.pdf](https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/legal-migration-policy/volume_ii_-_admission_of_migrant_entrepreneurs_en.pdf) (last accessed 25 September 2019).

There has been a proliferation of start-up schemes across EU Member States in recent years, offering various incentives for start-up entrepreneurs from third countries. Start-up admission schemes aim at developing entrepreneurial ecosystems, fuelling economic growth and innovation, and making the country more competitive in the globalised knowledge economy. However, EU countries that do not have special schemes in place are attracting entrepreneurs via other entry pathways, which shows that the existence of a tailor-made legal framework is only one of several factors that are important in attracting start-ups and innovative entrepreneurs and that entrepreneurial culture and supportive environment may play a more decisive role.

The main focus of the study is to identify the factors and prerequisite for attracting and retaining start-ups and innovative entrepreneurs from third countries as well as examining the different admission pathways available. The study also explores the role of cities and regions and particular locations as entrepreneurial hubs in attracting start-up founders and employees from third countries. Major European cities, such as Berlin and Stockholm attract entrepreneurs from all over the world due to their fast-growing start-up scene and a successful infrastructure for financing and funding.<sup>7</sup>

With regard to those Member States which have introduced specific start-up schemes, having an innovative idea is a common condition of admission.<sup>8</sup> Despite some similarities, these schemes vary significantly across Europe. For instance, whilst “innovativeness” is a key criterion everywhere, Member States define “innovation” in very different ways.<sup>9</sup> This has been further complicated by the fact that alongside specific start-up schemes, a number of Member States are considering introducing other pathways for self-employed migrants and entrepreneurs, who may contribute to innovation and economic growth.

There is currently no comprehensive EU-wide overview of the migratory pathways for start-ups and innovative entrepreneurs and the measures and activities in place in Member States are changing rapidly. Hence, in 2018, the European Migration Network (EMN) decided it would be useful to carry out a comparative study in order to provide an overview of migratory pathways that are available for start-ups and other innovative entrepreneurs in the EU to stimulate economic growth, innovation and raise global economic competitiveness. The study aims to:

- Describe the process and requirements for obtaining a start-up visa/residence permit or other type of residence permit/visa for innovative entrepreneurs;
- Examine the incentives in place to attract and retain third-country national start-up founders/employees or other innovative entrepreneurs;
- Provide a statistical overview of the number of third-country national start-up founders/employees present from 2014-2018, their origin and recognition rates;
- Outline the challenges and good practices with regard to the attraction and retention of third-country national start-up founders/employees or other innovative entrepreneurs.

<sup>7</sup> See for example: *Berlin: The place to be for startups*, Berlin partner, available at: <https://www.berlin-partner.de/en/the-berlin-location/the-place-to-be-for-startups/> (last accessed 18 August 2019), *Stockholm Tech Scene: Best Startup Hubs, Accelerators and Events of 2019*, IdeaMotive, available at: <https://ideamotive.co/blog/stockholm-tech-scene-best-startup-hubs-accelerators-and-events-of-2018/> (last accessed 16 August 2019).

<sup>8</sup> EMN (2018) *Inform: Attracting and retaining foreign start-up founders*. Accessible: [https://ec.europa.eu/home-affairs/sites/homeaffairs/files/inform\\_startups\\_2018\\_final\\_revised.pdf](https://ec.europa.eu/home-affairs/sites/homeaffairs/files/inform_startups_2018_final_revised.pdf)

<sup>9</sup> *Ibid.*

The overall focus of the study are third-country nationals who either are start-up founders, start-up employees or are engaged in other forms of innovative entrepreneurship. Although the focus of the study is start-up and innovative entrepreneurs, the study includes all schemes that can be used to admit start-up founders and employees and innovative entrepreneurs from third countries. The study covers the period from 2014 to 2018.

This report represents the Swedish contribution to this EMN study. The Swedish national report starts with an overview of the business environment in Sweden specifically with regard to start-ups (Section 2). The study then looks into the legal and policy framework for the admission of start-ups and innovative entrepreneurs, including recent and planned policy developments as well as debates with regard to facilitating the immigration of the target group (Section 3). The study then looks more closely at admission conditions and requirements for start-ups and good practices and challenges in this regard (Section 4). In addition, this section contains four "case study scenarios" with a view to give a better understanding on how the national legislation works in practice. Section 5 examines measures and factors that can help to attract start-ups to the country, and Section 6 continues by looking at the procedures for renewal as well as any retention measures in place for start-ups. The final Section offers some concluding remarks on the Swedish approach to start-ups and innovative entrepreneurs from third countries.

EMN studies are normally produced based on a common template with questions and tables used by all national contact points of the network. This "questions and answers" structure was omitted and the contents restructured for this national report, in order to produce a more reader friendly format.<sup>10</sup>

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<sup>10</sup> The original "template-version" can be obtained from EMN Sweden upon request, via [emn@migrationsverket.se](mailto:emn@migrationsverket.se)

## Definitions

**'Accelerator programmes'** see 'Incubator' below.

**'Entrepreneur/business-founder'** An individual who founds and runs a business, assuming all risks and rewards of the venture. Commonly seen as an innovator, a source of new ideas, goods, services and business/or procedures (Source: Investopedia)

**'Entrepreneurship'** Capacity and willingness to develop, organise and manage a business venture along with any of its risks in order to make a profit (Source: BusinessDictionary)

**'Entrepreneurial culture'** Refers to the social environment in which entrepreneurship is seen positively, individuals are encouraged to start and grow a business and entrepreneurial success is celebrated. Risk-taking and innovation are prized and not excessively penalised (Source: EY G20 Entrepreneurship Barometer 2013)

**'Ecosystem' (also known as a hub)** environment or "ecosystem" made of private and public players, which nurture and sustain start-ups and entrepreneurs, making the action of entrepreneurs easier. For example, the existence of prior ventures, the availability of start-up financing mechanisms, a patent system and a culture tolerating failure all facilitate the creation of new firms (Source: Lexicon, The Financial Times)

**'Family members'** is a third-country national, as specified in Art. 4(1) of Directive 2003/86/EC (normally members of the nuclear family – i.e. the spouse and the minor children), who has entered the territory of the European Union for the purpose of family reunification (EMN Glossary Version 6.0)

**'Highly qualified migrant'** is defined in the EU context as a third-country national who seeks employment in an EU Member State and has the required adequate and specific competence, as proven by higher professional qualifications (EMN Glossary Version 6.0)

**'Hub'** see 'Entrepreneurial ecosystem' above

**'Incubator'** is an organisation designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections. Business incubation programs are often sponsored by private companies or municipal entities and public institutions, such as colleges and universities. Their goal is to help create and grow young businesses by providing them with necessary support and financial and technical services (Source: EntrepreneurEurope)

**'Innovative entrepreneur'** is an individual who founds and runs a business bringing to the market whether through introducing a new or improved product, a new method of production, a new market, a new source of supply or the reorganisation of management (Source: European Commission, 2016a)

**'Long-stay visa'** means an authorisation issued by a Member State as provided for in Article 18 of the Schengen Convention or issued in accordance with the national law of Member States not applying the Schengen acquis in full; (EMN Glossary Version 6.0)

**'Pull factor'** is the condition(s) or circumstance(s) that attract a migrant to another country (EMN Glossary Version 6.0)

**'Residence permit'** is defined as "an authorisation issued using the format laid down in Regulation (EC) No 1030/2002 entitling its holder to stay legally on the territory of a Member State"; (EMN Glossary Version 6.0)

**'Start-up'** A start-up is an independent for-profit organisation, which is younger than five years and is aimed at creating, improving and expanding a scalable, innovative, technology-enabled product with high and rapid growth. (European Startup Network)

**'Short-stay visa'** is defined as the authorisation or decision of an EU Member State with a view to transit through or an intended stay on the territory of one or more or all the EU Member States of a duration of no more than 90 days in any 180-day period; (EMN Glossary Version 6.0)

**'Survival rate'** is defined as the rate of start-ups which are still operating after a certain period of time. (Hyytinen A. et al (2015), "Does innovativeness reduce start up survival rates?", Journal of Business Venturing)

**'Third-country national'** is defined as "any person who is not a citizen of the European Union within the meaning of Art. 20(1) of TFEU and who is not a person enjoying the Union right to free movement, as defined in Art. 2(5) of the Schengen Borders Code". (EMN Glossary Version 6.0)

# Overview of the business environment in Sweden

## Recent policy developments

There is no single strategy focused on fostering start-ups and/or innovative entrepreneurship at government level. However, a number of public agencies such as Vinnova (Sweden's Innovation Agency), The Agency for Economic and Regional Growth [Tillväxtverket], Almi and the public investment company Saminvest receive funds from the government to support and strengthen start-ups, innovative companies and the ecosystem that supports them. Furthermore, start-ups and innovative entrepreneurship are part of several different strategies and decisions pertaining to broader policies, often connected to innovation as the overarching theme. However, focus on start-ups is limited in these policy documents. The four-party Alliance government launched a national innovation strategy [Den nationella innovationsstrategin] in 2012, which set goals to be achieved by 2020.<sup>11</sup> The strategy did not mention start-ups, but emphasised that competitiveness in innovation had a connection to international mobility and migration and that Sweden needs to be attractive for global talent. The succeeding coalition government, formed by the Social Democrats and the Green Party, established a National Innovation Council [Det nationella innovationsrådet] in 2015, which is chaired by the prime minister.<sup>12</sup> The council was set up as an advisory body to reinforce Sweden's innovation power, for example by strengthening cooperation between national stakeholders such as the academia, businesses and the public sector. Entrepreneurship and start-ups were the agenda items at one of the council's 2016 meetings.<sup>13</sup> The conclusion from the meeting was a common understanding that there is not one single initiative that can support start-ups to grow and that Sweden needs policies that secure access to capital, competence and customers.

Also in 2016, the government launched Smart industry – a strategy for new industrialisation for Sweden [Smart industri - en nyindustrialiseringsstrategi för Sverige], which emphasised the importance of a reinforced innovation for the Swedish economy to remain competitive.<sup>14</sup> As part of this strategy, the question of large companies as customers and partners to small companies was raised, and as a result initiatives such as Astrazeneca Bioventure Hub, ABB SynerLeap and Ignite Sweden/Ignite Public, were launched. The latter initiative, which is lead by Things, a Stockholm innovation hub, serves to increase collaboration between start-ups and established companies, including the public sector.<sup>15</sup> Finally, the government appointed an inquiry on entrepre-

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11 Den nationella innovationsstrategin, available at: <http://treff.se/wordpress/wp-content/uploads/2015/06/Innovationsstrategi-2020.pdf> (last accessed 16 April 2019).

12 More details available at: <https://www.regeringen.se/regeringens-politik/nationella-innovationsradet/> A report covering the work of the National Innovation Council in 2015-2018 is available here as well (last accessed 16 April 2019).

13 Startups bidrar till att skapa jobb och tillväxt", 2 June 2016, available at: <https://www.regeringen.se/artiklar/2016/06/startups-bidrar-till-att-skapa-jobb-och-tillvaxt-i-sverige/> (last accessed 10 May 2019).

14 Smart industry – a strategy for new industrialisation, available at: <https://www.regeringen.se/49a937/globalassets/regeringen/dokument/naringsdepartementet/pdf-i-genvagsblock/smart-industry.pdf> (last accessed 16 April 2019).

15 More information available at: <https://ignitesweden.org/> (last accessed 24 June 2019).



neurship [Entreprenörskapsutredningen] in 2015, which set out to identify obstacles and challenges in the field and to make proposals on how to improve and develop the climate for innovation and entrepreneurship. The inquiry delivered its comprehensive report in 2016 [Entreprenörskap i det tjugoförsta århundradet].<sup>16</sup>

Arguably, start-ups and innovative entrepreneurship have received more attention in the past few years at policy level. More specifically, the question on how to leverage the power of the innovative start-up community to solve challenges in society has become a theme in many policy fields, such as in climate change, the food sector, life science and social entrepreneurship and innovation.

The recognition of the complete needs of start-ups, i.e. capital, competence and customers, has been a key framework influencing new initiatives. In 2015, the government appointed a senior official specifically responsible for start-ups, based at the Ministry of Enterprise. The rationale behind the appointment was that the post should serve as a bridge between the government and the start-up sector, leading to better understanding among policy-makers of the conditions for start-ups in Sweden. A challenge is that the start-up policy work is managed from this ministry, while most important initiatives to support start-ups are controlled by other ministries. In the same year, the government announced that the start-up sector would be included in stakeholder consultations in the framework of parliamentary inquiries and committees on enterprise and the labour market. The decision was announced following criticism from the start-up sector that only large companies and traditional businesses were represented and consulted in these fora. Also in 2015, the government pledged that Stockholm was to become the best city in the world for start-ups.<sup>17</sup> The minister for enterprise and innovation regularly opens major start-up events such as "Shtlm Tech Fest" and "Sweden Demo Day" that are held in Stockholm on an annual basis.<sup>18</sup>

## Legal definition

There is no national legal definition of start-up and/or innovative entrepreneur. Rather, various stakeholders seem to have their own definitions. These are quite similar however and correspond closely to definitions used globally.<sup>19</sup> For instance, the government's dedicated webpage has the following working definition: "Start-ups are stand-alone, young, innovative businesses with growth ambition and a competitive, scalable business model with a potential to grow internationally. Often, the scalable business model builds on digital technology and/or intangible assets. These businesses are knowledge-intensive and are developing new concepts and products in the interface between the goods and services sectors which distinguishes start-ups from

<sup>16</sup> Entreprenörskapsutredningen: Entreprenörskap i det tjugoförsta århundradet, betänkande av Entreprenörskapsutredningen (SOU 2016:72), Stockholm 2016. The report focused on SMEs in general and not specifically on innovative start-ups.

<sup>17</sup> Stockholm ska bli världens bästa startupstad", Di Digital, 2 September 2015, available at: <https://www.regeringen.se/debattartiklar/2015/09/stockholm-ska-bli-varldens-basta-startupstad/> (last accessed 17 April 2019).

<sup>18</sup> Sweden Demo Day started in 2016 and is Sweden's biggest unconference. The 2019 event attracted more than 3 000 visitors from 28 countries. Several hundred companies attend this event, which, inter alia, features pitches and serves as a meeting venue for innovative entrepreneurs and investors. More information available at: <https://tillvaxtverket.se/arnesomraden/digitalisering/startup-sweden/sweden-demo-day.html> (last accessed 10 May 2019).

<sup>19</sup> See for example Wikipedia's entry "Startup company", available at: [https://en.wikipedia.org/wiki/Startup\\_company](https://en.wikipedia.org/wiki/Startup_company) (last accessed 11 April 2019).

most other young companies".<sup>20</sup> The final report of the 2015 inquiry on entrepreneurship includes definitions of the terms "entrepreneur" and "innovation".<sup>21</sup> Notably, the Swedish Startup Manifesto [Startupmanifestet] called for a legal definition of "start-up" and "scale-up" to be introduced, in order to better determine rights and eligibility for support for start-ups.<sup>22</sup>

## Requirements for starting up a business

The process for setting up a new business is very straightforward and can be done online using e-identification, if the applicant has a personal identity number. Sweden's single point of contact to register a business is the business portal "verksamt.se" which has joint online services from the Swedish Companies Registration Office [Bodelagsverket], the Swedish Tax Agency [Skatteverket], the Swedish Agency for Economic and Regional Growth [Tillväxtverket] and the Swedish Public Employment Agency [Arbetsförmedlingen].<sup>23</sup> Information is available in both Swedish and English.

There are no specific requirements for start-ups or innovative entrepreneurs as defined for the purpose of this study.

A person who wants to start a business normally has to be 18 years of age. Young entrepreneurs of at least 16 years of age can start their own company subject to permission. In principle, there are no obstacles for someone who is employed to start their own business if their employer accepts this. Other groups such as students, pensioners and asylum seekers with a pending decision in their case, can start a business in Sweden.

The requirements to register a new business vary somewhat depending on the type of business, i.e. whether it is a sole trader [enskild näringsidkare], a limited liability company [aktiebolag], trading partnership [handelsbolag] or limited partnership [kommanditbolag]. Limited liability companies, trading partnerships and limited partnerships are legal entities. Except for sole traders, beneficial ownership must be registered.

Business enterprises have to be registered with The Swedish Companies Registration Office, upon which company name protection and a registration number are received. Sole traders are recommended to register in order to protect the name of their company, but it is not mandatory. Sole traders are responsible for their business as a private person and are not required to have a starting capital. Meanwhile, SEK 50 000 (approximately EUR 5 000) in share capital is needed to start a limited liability company. One or more natural persons or legal entities can start such a business. Finally, a trading (or limited) partnership is an option if at least two natural persons or legal entities wish to start a business together. The partners are personally and jointly liable for the company's debts.

Companies normally have to apply for company tax [F-skatt], register for VAT and where relevant register as an employer with The Swedish Tax Agency. Additional ap-

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20 The definition does not provide a reference to a policy document or other source. Available in Swedish at: <https://www.regeringen.se/artiklar/2016/06/startups-bidrar-till-att-skapa-jobb-och-tillvaxt-i-sverige/> (last accessed 11 April 2019).

21 *Entreprenörskapsutredningen: Entreprenörskap i det tjugoförsta århundradet, betänkande av Entreprenörskapsutredningen (SOU 2016:72), Stockholm 2016.*

22 Swedish Startup Manifesto - Startups are building the future of Sweden, available at: <https://en.startupmanifesto.se/> (last accessed 10 May 2019).

23 More information available at: <https://www.verksamt.se/> (last accessed 13 May 2019).

plications and permits may be needed, depending on the category of business or if a regulated profession is involved. Licensing and supervisory authorities can be at the local, regional or national level.

The personal identity number [personnummer] is widely used in Sweden in practically all contacts with authorities. Personal identity numbers are issued by the Tax Agency. Persons, who for various legal reasons, do not have the personal identity number can be allocated a coordination number [samordningsnummer]. Business owners can receive such a number upon registration with the Tax Agency.<sup>24</sup>

## Application processing time and costs

Processing time at The Swedish Companies Registration Office is not stipulated in law or soft law. Applications are registered when complete, i.e. when the application fee is paid, all the necessary information is correctly provided and the supporting documents are properly signed. Applicants found to have submitted incomplete papers are issued an order to submit the missing documents within a specified period.

The Companies Registration Office publishes detailed up-to date application processing times on its website. At the time of writing of this report, the projected processing time to register a limited liability company was 7 days. For other types of businesses, the application processing time was expected to be 11 days. The processing time refers to the period from which the application was submitted until the point at which a proof of registration or an order to submit a missing document is issued to the applicant. There is a possibility to apply online or submit the application by post. At the time of writing, online applications were processed more quickly (2 days) compared to those submitted by post (5 days).<sup>25</sup> Registration fees vary depending on the type of business and whether the application is made online or sent by post. For example, the cost to register a limited liability company is SEK 1 900 (approximately EUR 190) online or SEK 2 200 (approximately EUR 220) by post. For other types of businesses, the registration fee is somewhat lower.<sup>26</sup> There is no cost for registrations made at the Tax Agency.

## Hubs and ecosystems for start-ups

There are several reports that suggest Sweden's ecosystem for start-ups is one of the most successful in the EU and even on the global level.<sup>27</sup> Both public and private stakeholders nurture and sustain the system. For example, The Agency for Economic and Regional Growth funds and organises the incubator programme "Startup Sweden", which is aimed at promising digital start-ups. Vinnova has been closely engaged and financed the development of the incubator system for more than 10 years with the aim to reinforce and increase cooperation and collaboration between incubators

24 A person who is expected to stay in Sweden for a year or more will be entered into the population registry and receive a personal identity number from the Tax Agency. Third-country nationals who have a pending application for a residence permit, and are present in the country and for example are working, can be allocated a coordination number to be used in contacts with authorities.

25 Information on application processing times is available at: <https://bolagsverket.se/en/about/processing-times> (last accessed 10 April 2019).

26 The complete list of applicable fees is available at: <https://www.verksamt.se/alla-e-tjanster/avgifter> (last accessed 10 April 2019).

27 See for example "Why does Sweden produce so many startups?", World Economic Forum, 12 October 2017, available at: <https://www.weforum.org/agenda/2017/10/why-does-sweden-produce-so-many-startups/> (last accessed 15 April 2019) and *Chasing the Tale of the Unicorn*

all over Sweden. Almi offers loans to companies with growth potential, including venture capital for start-ups, and assists in their business development. Meanwhile, Rise (Research Institutes of Sweden) is engaged in industrial research and innovation and cooperates with other stakeholders such as universities and the business sector. Rise manages a large number of testbeds and demonstration facilities. Business incubators and science parks are found in many locations throughout the country. Swedish Incubators and Science Parks (SISP) is an umbrella organisation for Sweden's incubators and science parks that currently has 65 members across the country.<sup>28</sup> Many cities and regions run their own innovation companies (for example, Innovation Skåne and SLL Innovation in Stockholm). Finally, many private facilities offer platforms for various forms of support and facilitation aimed at start-ups and innovative entrepreneurs. These often offer co-working spaces and organise events and conferences as well as trainings. Some of these, such as Drivhuset and Mindpark, have locations in a number of cities.

Stockholm is reported to have one of the most thriving start-up scenes in the EU. Some reports hail Stockholm as second only to Silicon Valley in the number of start-up companies produced per capita valued at \$ 1 billion ("unicorns"). Spotify, Mojang and Klarna are examples of some of the unicorns that have originated in Stockholm.<sup>29</sup> SUP46, Epicenter and Norrskan are some of the major start-up hubs in the city.<sup>30</sup> A number of annual events related to start-ups and entrepreneurs, such as "Sweden Demo Day", "Sthlm Tech Fest" and "Women in Tech" are held there. Whilst Stockholm does receive the most attention, the other metropolitan regions in Sweden, Göteborg and Malmö, have lively and growing start-up scenes as well. MobilityXLab and Younicon Studio (Göteborg) and Minc (Malmö) are some of the major hubs in these two cities. Arguably, the Malmö area is increasingly considered as the second most important in the country for start-ups.<sup>31</sup> The area benefits from its location in the Greater Copenhagen region and there are examples of how the start-up community embraces the whole of that cross-border area.<sup>32</sup> Whereas the Stockholm start-up hubs traditionally have been more oriented towards technology for the consumer market, the Malmö scene is possibly more oriented towards enterprise, notably in deep tech (for example Neo4j). Hubs are found in regional cities as well, for example Great Space (Sundsvall and Umeå). Skövde has made its name in game development and the city is home to the Game Incubator Hub.

Management and ownership of hubs vary. Some hubs, such as MobilityXLab, are run by big companies (Volvo, Ericsson), whereas others are small scale. In Stockholm, the majority of tech hubs and business incubators are independent and privately run.

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28 SISP publishes an annual report on trends and results in Sweden's incubators, more information available at: <https://www.sisp.se/> (last accessed 24 June 2019).

29 Stockholm - the unicorn factory", at Stockholm Business Region website, available at: <https://www.stockholmbusinessregion.com/press/story-ideas/stockholm-the-unicorn-factory/> (last accessed 16 April 2019).

30 See for example "Stockholm's startup ecosystem at a glance", EU-startups website, 10 January 2019, available at: <https://www.eu-startups.com/2019/01/stockholms-startup-ecosystem-at-a-glance/> (last accessed 12 April 2019), "Stockholm Tech Scene: Best Startup Hubs, Accelerators and Events of 2019", Ideamotive, 3 February 2019, available at: <https://ideamotive.co/blog/stockholm-tech-scene-best-startup-hubs-accelerators-and-events-of-2018/> (last accessed 15 April 2019).

31 "Malmö: Sweden's small but sturdy tech ecosystem", Computer Weekly, 10 April 2019, available at: <https://www.computerweekly.com/news/252461403/Malmo-Swedens-small-but-sturdy-tech-ecosystem> (last accessed 17 May 2019).

32 See "Øresund startups", available at: <https://oresundstartups.com/> (last accessed 17 May 2019).

Conversely, in Göteborg they tend to be associated with other stakeholders, such as the municipality (for example, Yes Box, a co-working facility), regional government, universities (for example, Chalmers Ventures) or, as mentioned, large companies.<sup>33</sup>

Finally, many of the major universities have innovation facilities that play a role in nurturing the ecosystem for start-ups. Some have venture labs that specifically focus on entrepreneurship among students and support those who are considering starting their own business. KTH Innovation (KTH Royal Institute of Technology, Stockholm), Uminova Innovation (Umeå University), LU Innovation (Lund University) are some examples. However, to engage in innovation is not exclusive to the big universities. Some medium sized colleges, such as Halmstad University, that runs HH Innovation, are working to establish themselves in this field as well. In addition to the start-up events mentioned earlier, there are various regional events as well such as "Start-up Live!" (in Malmö), "Venture Cup" and the "33-list". The latter is a short-list of the most promising start-ups of the year, organised by Affärsvärlden and Ny Teknik, two of Sweden's major trade publications. Finally, there are events aimed at younger persons specifically, such as the "Tekla festival", which is co-organised by KTH and the artist Robyn. It aims to promote young girls' interest in technology and has participation from the entrepreneurial and start-up community.

## Sectors and industries that attract start-ups and innovative entrepreneurs

Few formal reports or evaluations follow this phenomenon consistently over time. However, several national as well as international trade publications (web sites) frequently publish listings on, for example, the most promising start-ups in a certain sectors and industries. The absolute majority of start-ups or innovative entrepreneurial activities reported are in the technology industry. Many of these listings are based on the amount of capital raised by newly founded start-ups in certain industries. For example, in 2017, the trade paper Di Digital listed financial technology, medical technology, computer hardware and e-commerce as the major industries where start-ups were able to raise funding. The number of "exits", i.e. start-ups having been sold or becoming listed at the stock market in a certain industry, is sometimes used as a measurement of success for the start-up scene in a sector.<sup>34</sup> In 2018, companies venturing into data analysis, machine learning and artificial intelligence were trending on the "33-list".<sup>35</sup> In addition, tech industries that are on the rise internationally or address global challenges were well represented, for example within climate change, antibiotic resistance and self-driving vehicles.<sup>36</sup>

## Evaluations and public debates on the business environment

The general business environment, and in particular with regard to small and medium-sized enterprises has been a topical issue in public debates over the past several

33 "Här är Göteborgs hetaste techhubbar just nu", Di Digital, 3 August 2018, available at: <https://digital.di.se/artikel/har-ar-goteborgs-hetaste-techhubbar-just-nu> (last accessed 15 April 2019).

34 "Här är branscherna som är hetast för investeringar i år", Di Digital, 27 July 2017, available at: <https://digital.di.se/artikel/har-ar-branscherna-som-ar-hetast-for-investeringar-i-ar> (last accessed 18 April 2019).

35 33-listan – från idé till globalisering, available at: <https://33-listan.se/> (last accessed 13 May 2019).

36 "Här är trenderna på årets 33-lista", Ny teknik, 16 May 2018, available at: <https://www.nyteknik.se/startup/33-listan/har-ar-trenderna-pa-arets-33-lista-6914420> (last accessed 13 May 2019).

years. A recurring theme and argument from some stakeholders is that administrative rules and regulations can be burdensome and costly, in particular for small businesses. The transition of ownership of small businesses, especially taxation and other challenges in the handover of ownership to the next generation in small family businesses, has been subject to debate as well. Many stakeholders, such as The Confederation of Swedish Enterprise [Svenskt Näringsliv] and The Swedish Federation of Business Owners [Företagarna] monitor the business environment, publish reports and participate in public debates. Interestingly, the Swedish Agency for Economic and Regional Growth has simplification as one of its objectives. The Agency has a dedicated page on its website that highlights on-going measures taken with a view to reduce administrative burdens for business owners as well as guidelines aimed at authorities.<sup>37</sup>

The Swedish Confederation of Enterprise published a report in 2018 that specifically dealt with the conditions for start-ups.<sup>38</sup> The report highlighted financing and recruitment of top-level expertise as the major challenges for start-ups in scaling-up. With regard to recruitment, the report argued for reform in areas such as taxation, employee stock options, the education system and the housing market. Furthermore, a group of influential entrepreneurs in the start-up community launched the Swedish Startup Manifesto in 2015.<sup>39</sup> The petition came in response to calls from policy makers to the start-up business to be clearer about their demands in terms of how conditions could be improved. The manifesto lists a number of desired policy changes (for example, how access to capital and talent can be improved), as identified by the start-up business. A primary goal of the 2015 manifesto was that Sweden should become the best start-up country in the world. The manifesto seems to have been referred to in public debates quite often by stakeholders, including government ministers and other politicians. It was relaunched in 2018 in a 2.0 version with the revised goal that Sweden should become the world's best scale-up country. The updated manifesto is rather critical towards developments in the past few years concerning the start-up scene in Sweden. For example, it points at difficulties for start-ups in scaling up, the absence of large Swedish tech corporations, taxation, capital shortages and the current innovation policies as some of the obstacles.

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37 More information available at: <https://tillvaxtverket.se/amnesomraden/forenkling.html> (last accessed 13 May 2019).

38 *Från startup till scale-up – Villkoren för framtidens storföretag*, Svenskt Näringsliv, February 2018, available at: [https://www.svensktnaringsliv.se/migration\\_catalog/Rapporter\\_och\\_opinionsmaterial/Rapporter/fran-startup-till-scale-up\\_696988.html/BINARY/Fr%C3%A5n%20startup%20till%20scale-up.pdf](https://www.svensktnaringsliv.se/migration_catalog/Rapporter_och_opinionsmaterial/Rapporter/fran-startup-till-scale-up_696988.html/BINARY/Fr%C3%A5n%20startup%20till%20scale-up.pdf) (last accessed 13 May 2019).

39 *The Start-up Manifesto* has its own website in both Swedish and English, available at: <https://www.startupmanifesto.se/> (last accessed 22 April 2019).

# Legal and policy framework for the admission of start-ups and innovative entrepreneurs from third countries

## Recent policy development

There were no major changes in the legal and policy framework for the admission of self-employed persons (business owners; start-up founders and innovative entrepreneurs) in 2014-2018. However, some legal changes that affected the rights and possibilities of family members of self-employed persons were introduced. Since 1 July 2014, a provision in the Aliens Ordinance regulates the possibility of business owners to be accompanied by relatives.<sup>40</sup> According to the new provision (and earlier practice), an applicant must have sufficient means to support both himself/herself and his/her family members during the first two years in Sweden. At the same time, family members of persons with residence permits for self-employment were given the possibility to be granted a work permit. Before that, they did not automatically have access to the labour market.

Interestingly, the government's 2015 pledge that Stockholm was to become the world's leading start-up city implicitly seems to have required, or would require, equally commensurate policies for the admission of third-country nationals to engage in these activities, not least considering the global dimension of the start-up scene. However, as mentioned, overall legislation remained unchanged and there was similarly no mentioning of third-country start-ups in the government's appropriation directions to the Migration Agency in the same period. Likewise, self-employed persons were only marginally touched upon in the Migration Agency's Annual reports in 2014-2018 and the reporting is focused on challenges leading to increased application processing times.<sup>41</sup>

## Provisions in national legislation to facilitate the immigration of start-up founders and innovative entrepreneurs and employees from third countries

Sweden has very much of a mainstream policy concerning immigration for remunerated activities. There is no special scheme for start-ups. The legal base for the immigration of start-up founders and innovative entrepreneurs is the same as for other self-employed persons (business owners). The Aliens Act states that a "residence permit may be granted to an alien with means of support other than employment. If the alien is to conduct business activities, he/she must be able to conduct the activities in question".<sup>42</sup> Hence, this provision is quite broad and allows, in principle, for the immigration of persons involved in different forms of business activities.

There is no special visa or residence permit for the immigration of third-country national start-up employees. A start-up established in Sweden would be considered like any other company. Third-country nationals who live outside Sweden and have a job offer from a start-up in Sweden would be admitted through the general framework for

40 Chapter, Section 4b, first paragraph of the Aliens Ordinance (2006:97).

41 Annual Reports of the Migration Agency [Årsredovisning] 2014-2018.

42 Chapter 5, Section 5, second paragraph of the Aliens Act (2005:716).

labour immigration.<sup>43</sup> From a legal point of view, it is possible that employees involved in start-up activities are admitted as Intra Corporate Transferees (ICT) and under the EU Blue Card Scheme.

### Planned legislative changes

Following the outcome of the 2018 parliamentary elections, a cross-party agreement was concluded in January 2019 between the two government parties (the Social Democrats and the Green Party) and the Liberal Party and the Centre Party. The agreement, entitled the 73-Point Declaration or the January Agreement [73-punktsprogrammet or januariöverenskommelsen], states that a special visa (residence permit) will be introduced aimed at highly skilled migrants that are job seekers or intend to start a company in Sweden.

An inquiry will be launched in 2019 for this purpose with a view for the new rules to take effect 1 January 2021.<sup>44</sup>

### Public and policy debates with regard to facilitating the immigration of start-ups and innovative entrepreneurs from third countries

Public debates specifically with regard to facilitating the immigration of start-ups and innovative entrepreneurs from third countries appear to have been scarce. Primarily, this topic has been discussed in policy circles and among stakeholders in the business. Trade publications and sometimes the major daily newspapers have run articles or op-eds on the subject.<sup>45</sup>

In parliament, the Moderate Party and the Liberal Party have argued in favour of more accommodating policies and the introduction of special schemes in this regard before the issue was put on the list of legislative priorities in the 73-Point Declaration mentioned above.<sup>46</sup> Whilst these proposals initially failed to garner a majority, it seems difficult to circle in any vocal opposition against them. Interestingly however, the Committee on Social Insurance [Socialförsäkringsutskottet] argued against two 2018 motions from Moderate Party members of parliament that, inter alia, proposed special visas for start-ups and investors as well as for highly skilled migrants that are job seekers.<sup>47</sup> The Committee held that the proposed visa schemes could not be accommodated in the uniform EU visa policy and that it was not foreseen to issue national (D) visas for these purposes. In addition, the Committee referred to the ongoing negotiations for a revised Blue Card directive and noted that the EU Commission's

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43 Chapter 6, Section 2 of the Aliens Act (2005:716).

44 The cross-party agreement "Utkast till sakpolitisk överenskommelse mellan Socialdemokraterna, Centerpartiet, Liberalerna och Miljöpartiet de gröna", available at: <https://www.liberalerna.se/wp-content/uploads/utkast-till-sakpolitisk-occ88k-s-c-l-mp.pdf> (last accessed 22 April 2019).

45 "Sverige behöver införa talangvisum", Svenska Dagbladet 22 February 2016, available at: <https://www.svd.se/sverige-behover-infora-talangvisum> (last accessed 15 May 2019).

46 "M: Locka talanger till Sverige", Dagens Industri, 16 February 2018, available at: <https://www.di.se/debatt/m-locka-talanger-till-sverige/> (last accessed 15 May 2019).

47 See for example Motion till riksdagen, 2017/18:3181, av Johan Forssell m.fl. (M), Arbetskraftsinvandringen, available at: <https://data.riksdagen.se/fil/CEE11758-DEF7-4F3B-8D62-1B01AAE94787> (last accessed 15 May 2019).



proposal was that Member States would not issue non-harmonised permits for highly skilled migrants.<sup>48</sup>

Stakeholders in the business, such as employer organisations, have participated in public debates, often arguing in favour of simplified admission rules or the introduction of new rules. The Stockholm Chamber of Commerce appears to have been among the first to campaign for the introduction of a talent visa [talangvisum]. The proposed visa regime would be aimed at third-country nationals with postgraduate degrees from the world's top ranked universities as well as investors and entrepreneurs.<sup>49</sup> The Association of Swedish Engineering Industries [Teknikföretagen], which has a high number of tech companies among its members, has also called for the introduction of special schemes. It recently published a comparative survey on six countries' policies for talent attraction, which ultimately argued that Sweden should develop a strategy on how to attract global talent.<sup>50</sup>

Rules on employee stock options has been subject to debate and criticism among stakeholders in the business, some of which consider the new rules on taxation of such options, which entered into force in 2018, unsatisfactory.<sup>51</sup>

It should be mentioned that the most topical issue in public and policy debate in Sweden in recent years pertaining to labour migration policies as a whole has been the question of "talent expulsions" [kompetensutvisningar].<sup>52</sup> The term refers to situations where highly qualified labour migrants have received expulsion orders from the Migration Agency due to minor errors in their applications for renewal, sometimes but not always, caused by their employers or that applicable rules seemingly have been too difficult to live up to by the letter for applicants. Many of the cases highlighted in the media have been engineers and people in the IT sector including programmers and software developers, some of which have been working at start-ups. The Migration Agency has been facing and continues to face criticism from many stakeholders over its decision-making in such applications. Arguably, much of the criticism has come from the tech sector, the home of many start-ups, and including companies such as Spotify.<sup>53</sup> Policy debate over the issue has been rather intensive as well,

48 *Socialförsäkringsutskottets betänkande 2017/18:SfU15, Migration och asylpolitik, available at: <https://data.riksdagen.se/fil/04134B11-5518-4795-A454-72116B02B71B> (last accessed 15 May 2019).*

49 "Inför talangvisum i Sverige", Stockholm Chamber of Commerce, 19 June 2017, available at: <https://www.chamber.se/pressmeddelanden/infor-talangvisum-i-sverige-4.htm> (last accessed 22 April 2019).

50 *Talangattraktion – Välkommen till Sverige? En jämförelse av sex länders arbete att attrahera internationell kompetens, May 2019, available at: [https://www.teknikforetagen.se/globalassets/i-debatten/publikationer/talangattraktion/en\\_jamforelse\\_av\\_sex\\_landers\\_arbete\\_med\\_talangattraktion.pdf](https://www.teknikforetagen.se/globalassets/i-debatten/publikationer/talangattraktion/en_jamforelse_av_sex_landers_arbete_med_talangattraktion.pdf) (last accessed 20 May 2019).*

51 *Employee stock options refer to a compensation scheme making it possible for an employee to benefit from future growth in the company in exchange for agreeing to a lower salary under a certain period, hence facilitating the initial growth of the company. See for example The Swedish Startup Manifesto (2018) and the 2018 report from The Confederation of Swedish Enterprise.*

52 *See for example "Kompetensutvisningarna, SvD granskar utvisningsvägen av högkvalificerad arbetskraft", Svenska Dagbladet, available at: <https://www.svd.se/om/kompetensutvisningarna> (last accessed 16 May 2019).*

53 *See for example "Techprofiler om Di-uppropet: "Bra att fler fattar att utvisningarna är en ödesfråga", Di Digital 16 February 2018, available at: <https://digital.di.se/artikel/techprofiler-om-di-uppropet-bra-att-fler-fattar-att-utvisningarna-ar-en-odesfraga> (last accessed 16 May 2019).*

which eventually resulted in the government addressing the situation and proposing amendments to the Aliens Act, which were later adopted by parliament and entered into force in 2017. The issue is still on the political agenda, however, and is listed in the 73-Point Declaration. Opposition parties, as well as other debaters and stakeholders, have argued that the talent expulsions have been damaging for Sweden's business reputation abroad.<sup>54</sup>

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54 See The Association of Swedish Engineering Industries' 2019 report and this 2018 report from The Swedish Agency for Growth Policy Analysis [Tillväxtanalys]: Den globala jakten på kompetens – statens roll, rapport 2018:3, available at: <https://www.tillvaxtanalys.se/publikationer/rapport/rapportserien/2018-09-28-den-globala-jakten-pa-kompetens---statens-roll.html>, "Tayyab Shabab blev en symbol för kompetensutvisningarna – så lever han nu", Breakit 3 February 2019, available at: <https://www.breakit.se/artikel/18196/tayyab-blev-ett-affischnamn-for-kompetensutvisningar-sa-lever-han-nu> (last accessed 27 May 2019).

# Admission conditions for start-ups and innovative entrepreneurs from third countries

## Types of residence permits in place that could be used by start-up founders and innovative entrepreneurs to establish themselves in the country

As mentioned in the previous section, the potential legal base for the immigration of start-up founders and innovative entrepreneurs is the same as for other self-employed persons. There is, however, no statistical data available concerning in what industries or sectors self-employed persons admitted to Sweden pursue their work. Furthermore, since a start-up is not a legal entity and not defined in any other manner by the Migration Agency, there is no data on to what extent, or at all, those that are admitted as self-employed persons are start-up founders or innovative entrepreneurs. Consequently, there is as well no data available on, for example, the survival rate of start-ups launched by third-country nationals in Sweden.

The Migration Agency estimates that no applications from self-employed persons as start-up founders (as defined per this study) were received in 2014-2018. Naturally, this assessment raises a range of questions as to by which migratory paths third-country start-up founders might possibly arrive in Sweden, and not least in the light of Stockholm's attractive and thriving start-up scene and the global dimension of start-ups. Possible reasons behind this situation could be that the requirements of significant previous experience from the industry and experience from running a business, as listed below, can be challenging to meet for many start-up founders. Many of these are probably relatively young and whilst they have innovative business ideas and may have secured funding, it is reasonable to believe they often do not have the sufficient experience to be granted a permit as self-employed (compare case 1 in the case study scenarios below). Experts at the Migration Agency confirm that applications from young persons that are self-employed often are rejected since they lack sufficient experience in running a business. In addition, some of the other requirements such as the need for applicants to prove funding for two years (including means to support any accompanying family members) and present established customer contacts in Sweden may come across as difficult to fulfil for start-ups, which are venture undertakings aimed at the global market rather than limited to the national market. Language requirements may also play a role. In principle, some knowledge of Swedish is required, the reason being that communication with authorities is in Swedish. There are several examples of applications that have been rejected by the Migration Agency and Migration Courts because the applicants have not mastered Swedish and their English was not deemed to be adequate. Finally, the fact that application processing times for self-employed persons have been and remain very long, ranging from 330 to 452 days on average in 2014-2018 reasonably must have had a discouraging effect. The number of first-time applications for self-employment in 2014-2018 ranged from 444 in 2014 to 446 in 2018. The top year was in 2017 when 502 applications were received.

It seems reasonable to conclude that the provision for self-employed persons is not a migratory path that is normally used by third-country national start-up founders to establish themselves in Sweden. Other possible migration paths for third-country start-up founders to Sweden can be that these are initially admitted by way of other

residence permits and that they start their business here after having been issued their first residence permit or permanent residence permit. Whilst having been admitted on grounds of remunerated activities, for example as a labour migrant, comes across as a natural background for a start-up founder, there are no legal obstacles for those admitted as students or by way of family reunification to register their company. Labour migrants are normally awarded a permanent residence permit after four years and those admitted via family reunification after two years.<sup>55</sup> Considering the fact that Sweden does not have a specific scheme for start-ups, these are in all likelihood paths through which a number of third-country nationals that have eventually engaged in start-up activities in Sweden potentially have been admitted. Possibly, the most common background for third-country national start-up founders in Sweden could be that they were initially admitted as international students. These can start their own company and subsequently apply for a change of immigration status as self-employed if they fulfil certain criteria.<sup>56</sup> Additionally, many universities that receive international students run innovation bureaus that could be considered an integral part of the ecosystem for start-ups. A change of status from international student to self-employed was in fact frequent in 2014-2018.<sup>57</sup> However, there is no data available as to what extent those that venture into self-employment are start-up founders.

Furthermore, third-country nationals that engage in business activities for a period of less than three months upon entry may do so without having to apply for a residence permit. This means that business travellers such as business visitors for establishment purposes (BVEP) and independent professionals (IP), that potentially are among those involved in start-up activities, may enter by way of their passport or with a business visa (if required).

As mentioned above, there are situations in which a third-country national may change his/her immigration status if the grounds for issuing another type of residence permit are fulfilled. The main rule in immigration governance in Sweden is that a residence permit must be applied for from abroad and the practice to grant a change of immigration status has become more restrictive following a 2016 ruling in the Migration Court of Appeal. However, change of status remains a legal possibility, if exceptional reasons apply.

The absence of a special scheme for the admission of start-up founders and the fact that some start-ups realistically may find it difficult to be admitted under the provisions for self-employed persons suggest that start-up founders are admitted to Sweden via several different legal migration paths, as discussed above. Information from experts at the Migration Agency, the start-up community in Sweden and other stakeholders suggests that start-up founders in practice arrive via these different paths.

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55 *It should be noted, however, that a temporary law [Lag (2016:752) om tillfälliga begränsningar av möjligheten att få uppehållstillstånd i Sverige], which is in force from 2016 to 2021, generally stipulates temporary residence permits as the main rule, among them those issued on the grounds of family reunification.*

56 *As a means to supplement the lack of data, the author conducted interviews with professionals from two start-up hubs that have an overview of the Stockholm and Malmö start-up scenes. Neither of these were aware of examples of third-country nationals that had been admitted to Sweden with the initial purpose to launch a start-up. One interviewee reported that to his/her knowledge third-country nationals who are start-up founders have often been admitted for study purposes or family reasons (such as having a Swedish or EU-national partner/spouse).*

57 *A total number of 420 international students applied for status change to become self-employed in 2014-2018 compared to 245 labour migrants. In the period, 226 international students and 146 labour migrants were granted change of immigration status to become self-employed.*

Logically, both professional and private reasons play a role in influencing the choice of migratory path. However, there is no or little quantitative supporting data available to show the possible extent of the phenomenon or its distribution between these different possible migration paths.

Finally, please note that the information provided in the coming paragraphs of the section/study refers to the Aliens Act's provision for self-employed persons and for example discusses good practices and challenges in relation to that provision although it is not considered to be a migration path normally used by the target group.

## Requirements for obtaining the residence permit

A third-country national that intends to work for a period longer than three months to start up or run his/her own business or become a part owner of a company needs to have a residence permit. Normally, the application has to be lodged and granted before entry into the country.<sup>58</sup> An application for residence permit submitted after entry can only be granted if exceptional circumstances are at hand. The application can be made online via the Migration Agency's website or be submitted to a Swedish Mission abroad, which will then transfer it to the Migration Agency. A specialised unit at the Migration Agency's regional office in Norrköping processes these applications. Appeals are handled by the Migration Courts and the Migration Court of Appeal. First residence permits for self-employed persons are normally granted for a period of two years. This two-year probation period is customary practice with regard to residence permits issued for legal migration purposes. Self-employed persons are not authorised to take up employment in Sweden, i.e. their rights are restricted to run their company.

These are the requirements<sup>59</sup> to be granted a residence permit as a self-employed person:

1. Valid passport; a residence permit cannot be granted for a longer duration than the validity of the passport
2. Significant experience in the industry in question and previous experience of running one's own business
3. Documented and relevant knowledge in Swedish and/or English
4. The applicant needs to show that he/she is running the business, have the ultimate responsibility for it and that he/she owns at least half of the business
5. Show that the business' services or goods are sold and/or produced in Sweden

<sup>58</sup> Chapter 5, Section 18, first paragraph of the Aliens Act (2005:716).

<sup>59</sup> This list of requirements and supporting documents to be presented is found in the Migration Agency's handbook for case officers [Migrationsverket: Rutinhandboken för Besök och Bosättning, Egna företagare, last updated 30 April 2019] and in English at the Migration Agency's website, available at: <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Self-employment.html> (last accessed 29 April 2019). The requirements listed are, with the exception of the requirement of having a valid passport, largely not specified in law or soft law. It can be noted that the Swedish national contribution to the 2014 EMN study on Admitting third-country nationals for business purposes found that immigration for business purposes to Sweden has been shaped by the evolution of practice and case-law rather than legislation. See Admitting third-country nationals for business purposes: Sweden, Report from EMN Sweden 2014:4, available at: [http://www.emnsweden.se/download/18.748d859516793fb-65f955/1544697252990/27a\\_sweden\\_business\\_study\\_english\\_final.pdf](http://www.emnsweden.se/download/18.748d859516793fb-65f955/1544697252990/27a_sweden_business_study_english_final.pdf).

6. The applicant needs to show that he/she has sufficient funds to support himself/herself and, if applicable, his/her family members during the first two years (equivalent to SEK 200 000 for the applicant, SEK 100 000 for spouse and SEK 50 000 for each accompanying child; i.e. approximately EUR 20 000, 10 000 and 5 000 respectively)
7. Reliable source documentation for the budget
8. Established customer contacts and/or a network in Sweden
9. Show that the company, following a two-year probationary period, will have its finances in balance and the applicant has the ability to support himself/herself and, if applicable, his/her family (income support is calculated based on the subsistence minimum [Riksnormen för försörjningsstöd] plus housing costs)
10. The following supporting documents are to be submitted by the applicant and translated into Swedish or English by a sworn translator:
  - Copies of the pages in the applicant's passport which show his/her personal information, photograph, signature, passport number, the passport issuing country, the period of the passport's validity, entry and exit stamps and whether he/she has a right to legal stay in a country other than his/her country of origin
  - Bank statements, which show that the applicant has sufficient funds to support himself/herself and his/her family during the first two years (sums indicated above)
  - Bank statements which show, if applicable, that the applicant has sufficient funds to buy the business and to cover the estimated costs and investments necessary to run the business
  - Contract of sale if the applicant has bought or intends to buy the business or enterprise
  - Partnership agreement or stock register
  - Bank document, which shows that the applicant has paid the purchase sum or his/her part of the purchase sum, in case he/she bought the business or enterprise
  - Contracts with customers/suppliers and for premises
  - Annual accounts/reports for the previous two years (if the business has been in operation earlier)
  - Balance sheet and income statement (report) for the current financial year, up to and including the previous month
  - Course certificate or other evidence that the applicant speaks Swedish and/or English
  - Certificates to substantiate the educational background of the applicant
  - Certificates from previous employers
  - Certificate of registration for companies the applicant owns or has own outside of Sweden
  - Importantly, applicants that have been admitted to Sweden for study purposes (international students) can apply for a residence permit as self-employed while remaining in the country. They have to do so before the expiry of their current permit. In addition to the supporting documents listed above, applicants need to submit a certificate of studies in Sweden showing that they have completed at least 30 ECTS credits or one term of postgraduate education.

## Application processing time and costs

There is no maximum processing time set in law or soft law for applications for residence permit for self-employed persons. Processing times for these applications are long and have been long for the past several years. The lengthy processing time and the possible reasons behind this situation were highlighted in a 2014 EMN study and in Annual Reports from the Migration Agency.<sup>60</sup> In 2018, the average processing time at the Migration Agency was 330 days, which is considerably shorter than in some of the preceding years. In 2014, it amounted to 383 days compared to 452 days in 2015, 402 days in 2016 and 431 days in 2017.

The application fee for self-employed persons is SEK 2 000 (approximately EUR 200). The fee for accompanying family members is SEK 1 000 (approximately EUR 100) and SEK 500 (approximately EUR 50) for minors.

## Employment of third-country nationals at start-ups

Third-country nationals that wish to take up employment normally need a work permit. Some categories are exempt from this requirement, for example those that have a permanent residence permit and those that have a temporary residence permit to study at university level. Sweden does not use labour market tests. There is no special scheme for start-up employees.

Labour migration to Sweden is very much employer-driven and employers can easily hire third-country nationals. When recruiting new such employees, the employer must advertise the vacancy with the Swedish Public Employment Service for a minimum of ten days, it will also then be available within EURES (the European Job Mobility Portal). Employers must set up a job offer and allow the relevant trade union to give their opinion on the terms of employment. Furthermore, employers must offer job candidates terms of employment and a salary that are at least on par with those set by Swedish collective agreements or which are customary within the occupation or industry. The offered salary must enable the employee to support himself/herself; the minimum net salary is SEK 13 000 (approximately EUR 1 300). Finally, employers need to provide the employee with insurance.

## Challenges and good practices regarding the admission of start-ups and innovative entrepreneurs

The Migration Agency has not carried out any evaluations specifically with regard to the admission of self-employed persons and the processing of such applications. Since Sweden does not have a specific legal framework for the admission of start-ups and this target group is not processed separately, it is somewhat difficult to single out challenges and good practices for the target group.

An overall challenge from the policy and research perspective is the lack of data on to what extent third-country nationals are admitted to Sweden with the purpose to found or buy a start-up or to be employed at one, per its definition in this study

As mentioned above, significant experience from the industry and from running one's own business are among the requirements to be granted a residence permit as self-employed. Considering that many start-ups are initiated by young people, and often not with longstanding experience, these requirements reasonably constitute a chal-

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60 Admitting third-country nationals for business purposes: Sweden, Report from EMN Sweden 2014:4 and Annual Reports of the Migration Agency [Årsredovisning] 2014, 2015 and 2016 (preface).

lenge. Furthermore, a condition to be granted a residence permit as self-employed is that applicants have, at their full disposal, capital for the business investment and establishment and to support themselves. These requirements are in place in order to show that the applicant exercises the real and full discretion over the company's operations, but may be challenging to live up to for some start-up founders.

There are no large investors or risk capitalists among the applications for self-employment, experts at the Migration Agency say. The majority of companies established are one-man operations or limited liability companies with few shareholders. Small enterprises is the most common category. In the latter cases, investment contributions from third parties could be accepted on the condition that the applicant fulfils other criteria, such as ownership of at least half the business and that he/she is not in a situation of dependency. It is rare, however, that applicants are able to comply with these requirements. Hence, difficulties pertaining to financing often constitute a great challenge for applicants to Sweden.

The Migration Agency has received a small number of applications where financing was based on "crowd funding", which were particularly challenging to assess. Furthermore, the Migration Agency reports that it sometimes receives applications where it is difficult to establish a legitimate purpose of applying and where the intentions of the applicant in coming to Sweden are not clear. Applications involving fake companies are sometimes received. Reasons behind this misuse could be that applicants consider having a residence permit in Sweden very favourable and/or that his/her primary motive is to gain access to the Schengen area as a whole. There is no detailed information or statistics available on misuse. Finally, the long processing times, as mentioned above, for these applications must be considered a challenge for applicants in particular.

Whilst self-employed persons have the right to be accompanied by family members, they need to demonstrate that they will be able to support these over the initial two-year period of the first residence permit, which realistically may be difficult for some applicants. Meanwhile, labour migrants (i.e. employees) also have the right to be accompanied by their family members, but labour migrants are not required to demonstrate that they are able to provide for their family members, based on the rationale that they have employment and a steady income. Reasonably, the less favourable rules for self-employed persons in this regard potentially affect which migration path third-country nationals choose if they want to be admitted in Sweden for the purpose of remunerated activities.

As discussed earlier in the study, stakeholders in the business have argued for the introduction of special schemes (start-up visa or talent visa) to be introduced so that the tech sector can more easily recruit global talent, which is currently considered a challenge. With regard to start-up employees, many start-ups have highlighted international recruitment as one of their biggest challenges.<sup>61</sup> Processing times at the Migration Agency for such applications and administrative burdens in that connection that are deemed costly and time consuming for those involved are often mentioned as challenges when it comes to international recruitment. On the same note, the "talent expulsions" discussed earlier in the study have been mentioned by many stakeholders as a challenge, and these have arguably affected start-ups too. Moreover, many start-ups are small companies and are potentially more severely affected by losing key staff members than large companies are.

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61 See for example the 2018 report from *The Confederation of Swedish Enterprise and the 2019 report from The Association of Swedish Engineering Industries*, both of which have been referred to previously. Both interviewees from the start-up community highlighted international recruitment as a challenge for start-ups.



Experts at the Migration Agency say that a possible good example could be the emergence of offshoots from established companies that are founded by international students, often together with third-country nationals already present in the country. Founders are often entrepreneurial-minded international students with a flair for innovation that have a strong network in fields such as management, user interface design and business development. International students that engage in these activities typically have post-graduate degrees from Swedish universities and have resided in the country for a longer period.

Arguably, the fact that self-employed persons have the right to be accompanied by their family members can be considered a good practice, notwithstanding the fact that they are obliged to support them. Accompanying family members have the right to work if the residence permit for the self-employed person has a validity of at least six months.

Specifically with regard to start-up employees, it could be mentioned that The Association of Swedish Engineering Industries entered into a certification agreement [certificering] with the Migration Agency in 2018. There are currently more than 300 companies certified by the Migration Agency, but only two employer organisations.<sup>62</sup> An employer organisation that is certified can submit applications for work permits on behalf of its member companies provided that they in their turn fulfil the certification criteria. A certification agreement allows for a prioritised procedure by the Migration Agency concerning applications for work permits from companies that are members of the organisation. A certification agreement also includes applications for work permits from international students in Sweden and accompanying family members. Under such agreements, the Migration Agency commits to process first-time applications in 10 days and renewals in 20 days. Applications need to be complete.<sup>63</sup> Applications from certified employers are examined according the same criteria and conditions as any other applications for work permit. The certification agreement concluded between The Association of Engineering Industries and the Migration Agency was publicised in the media as a positive development for the tech industry and can potentially benefit some start-ups that are members of the organisation.<sup>64</sup> The Association of Swedish Engineering Industries notes, however, that the Migration Agency's conditions for certification makes it difficult for newly started companies to qualify.<sup>65</sup> The Migration Agency invites certified employers to an annual meeting, which serves as a venue to exchange experience for the parties and to disseminate information from the Migration Agency's side. Overall, the certification system can be considered a good practice for the Migration Agency and companies alike since it facilitates the procedure for both parties. Shorter and predictable processing times are reasonably an advantage for all parties. According to an evaluation by the Migration Agency, 96 per cent of applications from certified employers are granted, but the Migration Agency only processed 70 per cent of applications within the stipulated 10 days. The evaluation states that the system to a certain extent satisfies the needs of employers and

62 Incidentally, there are Swedish start-ups on the list that have become certified employers in their own right, for example True Software Scandinavia, which developed the messaging service Truecaller, and the game developer Coffee Stain Studios.

63 More information available at: <https://www.migrationsverket.se/English/Other-operators-English/Employers/Employing-people-from-non-EU-countries-/Become-a-certified-employer.html>

64 See for example, "Teknikföretagen och Migrationsverket i avtal om arbetskraftsinvandring", Breakit, 30 August 2018, available at: <https://www.breakit.se/artikel/15108/teknikforetagen-och-migrationsverket-i-avtal-om-arbetskraftsinvandring> (last accessed 20 May 2019).

65 E-mail communication from The Association of Swedish Engineering Industries, 22 May 2019.

employees to receive their decisions quickly. Flaws are explained by the fact that too many applications were incomplete and that the Migration Agency did not live up to its commitment to process applications within the agreed period. On a positive note, 88 per cent of applications in technology sector occupations such as it-architects, system developers, test leads and network technicians, are processed within the certification system.<sup>66</sup>

Finally, the Swedish single point of contact website, "verksam.se", can reasonably be described as a good practice, inasmuch as it presents all the relevant information for business founders (owners) in a user friendly way in Swedish and English. The website was awarded the web service award (WSA) in 2017 as the best website in the public information category.<sup>67</sup>

### Case study scenarios

The following fictional scenarios aim to provide an understanding of the possible admission options of different types of start-ups and innovative entrepreneurs. Each scenario contains the following questions:

1. What are the migratory pathways (visas/residence permits) available?
2. Would the person qualify for the permit and if yes, under what specific conditions?
3. Which authority would assess the eligibility of the applicants?
4. What is the application process?
5. How long would it take for the person to obtain the permit?

**TCN outside of the EU**, has not set up business yet: Start-up at business plan stage, has not registered the company in the Member State, wants to apply from outside the EU

Vihaan is a highly skilled professional from India with a Master's degree from University of Delhi, currently living in Delhi. For the past few months he has been working in an IT company there, but he plans to start his own business in the near future. He already has a business plan for a service-based app that he thinks could do well in your Member State. His goal is to come to your Member State and start his company there. What is the process that Vihaan would have to go through to build his start-up in your Member State?

1. In order to go through with his plan to reside in Sweden as self-employed Vihaan needs to apply for a residence permit for self-employment before entering the country and await the decision in his country of origin (country of residence).
2. No, his work experience is too short and he has no experience in running his own business.
3. The Swedish Migration Agency.
4. He can apply online and upload all supporting documents, i.e. business plan, proof of capital requirements and financing, documented language skills in Swedish or English and paid application fee. The Migration Agency processes the

<sup>66</sup> Swedish Migration Agency: *Uppföljning, Certifierade arbetsgivare arbetstillstånd*, 10 December 2018.

<sup>67</sup> See information at: <https://bolagsverket.se/om/oss/nyheter/arkiv/2018/verksam-se-utsedd-till-sveriges-basta-webbplats-1.16045> (last accessed 4 June 2019).

application and he will receive the decision through a Swedish mission abroad.

5. Approximately 13 months.

**TCN already in the EU**, working as a highly skilled employee: Highly skilled third-country national who came on an EU Blue Card or an alternative national permit for highly skilled workers working for a company in a certain industry; after 2 years of working for the company wants to start his/her own business

Amel is a Tunisian citizen working for “B Solutions”, a biotech company in your Member State on an EU Blue Card permit or an alternative national permit for highly skilled workers arranged through her employer. After having worked for the company for two years, she feels that she is ready to take on a new challenge. She would like to start her own business in the same sector and set up a company that offers high-tech solutions to recycle waste in new, innovative ways, remaining in your Member State. What are her possibilities?

1. Residence permit as self-employed person.
2. No, following a 2016 Migration Court of Appeal ruling (MIG 2016:18) exceptional circumstances need to be at hand to grant such an application after entry. Hence, the main rule in the Aliens Act which states that an application for a residence permit shall be submitted and granted before entry, applies.<sup>68</sup> However, provided that Amel leaves Sweden and applies from her country of origin (country of residence), the application is likely to be granted provided that she fulfils the requirements.
3. The Swedish Migration Agency.
4. She can apply online and upload all supporting documents, i.e. business plan, proof of capital requirements and financing, documented language skills in Swedish or English and paid application fee. The Migration Agency processes the application and she will receive the decision through a Swedish mission abroad.
5. Approximately 13 months.

**TCN outside of EU**, registered company: Start-up just started, registered company outside the EU would like to set up in the Member State

Sergey from Minsk, Belarus owns a company “Icomp Technologies”, a manufacturing company which has just launched the production of electronic components in IoT (Internet of Things) technology sector. The company has already shipped some experimental production to third country markets, such as Japan and Malaysia, and based on the initial success it was decided to reallocate company’s headquarters to your Member State for further business development. What is the process that Sergey would have to go through to move the headquarters? Are there any additional provisions for other staff members aiming to reallocate to a Member State?

1. Residence permit as self-employed person.
2. This is not possible to respond to based on the information provided (for example, information on financial conditions and language is missing).

68 Chapter 5, Section 18 of the Aliens Act (2005:716).

3. The Swedish Migration Agency.
4. Sergey can apply online and upload all supporting documents, i.e. business plan, proof of capital requirements and financing, documented language skills in Swedish or English and paid application fee. The Migration Agency processes the application and he will receive the decision through a Swedish mission abroad.
5. Approximately 13 months.

**TCN already in the EU: PhD or master student**

Auri is a Dominican PhD student at a university in your Member State in the field of biotechnology studies. In parallel to her studies (outside her PhD contract), Auri researched fermentation and revealed yet unknown characteristics of the investigated ferment. Auri discovered that the reaction between the researched ferment and a specific enzyme could have a particular effect on human's skin regeneration. She was approached by a potential investor who saw the potential of the discovery in the medical cosmetology sector. Auri would like to register a company in your Member State and undertake further necessary research to receive patents and start the production of agents as a next stage. What are her possibilities?

1. Residence permit as self-employed person.
2. As long as Auri remains a student she is entitled to run her business based on that residence permit. In order to change her status she needs to apply for a residence permit as a self-employed person, and this application can be submitted in Sweden. The conditions are that she has completed at least 30 ECTS credits or one term of postgraduate education. If she fulfils the requirements such an application is likely to be granted.
3. The Swedish Migration Agency.
4. She can apply online and upload all supporting documents, i.e. business plan, proof of capital requirements and financing, documented language skills in Swedish or English and paid application fee. The Migration Agency processes the application and she will receive the decision through a Swedish mission.
5. Approximately 13 months.

# Attracting start-ups and innovative entrepreneurs from third countries

## Specific measures in place to attract start-up founders and innovative entrepreneurs from third countries

The Swedish government promotes Sweden as an attractive country to make business in as part of its overall trade and foreign policies and in bilateral and multilateral relations. There is no designated strategy to attract start-ups and innovative entrepreneurs from third countries. More general policy goals in this field can be found in certain strategy documents, for example the government's export strategy [Sveriges exportstrategi], launched in 2015. The strategy is mainly focused on large investments, but emphasises the importance to promote the mobility of persons moving to and from Sweden. It states too that applications for visas and residence permits for cutting-edge expertise needed by businesses needs to be facilitated and processing times should be reduced. Companies and employees in Sweden need more clear information on applicable rules and regulations for the mobility of people, the strategy states. The government will also work towards well-functioning regulations for enterprises that facilitate for the movement of people.<sup>69</sup>

In 2016, the government launched the "Going Global" initiative, which is part of the export strategy. The programme is aimed to facilitate faster growth in exports for Swedish-based innovative businesses, including start-ups, as well as to attract international start-up founders to Sweden. The government pledged SEK 7,5 million (approximately EUR 750,000) in annual funding for the programme until 2019. Business Sweden was tasked to implement the programme in cooperation with other key stakeholders, both public and private.<sup>70</sup> Business Sweden's investment promotion assignment encompasses greenfield investments, expansions, cooperation agreements, and mergers and acquisitions. The Small Business Programme (part of the government assignment for export promotion) includes the Born Global programme with an investment promotion component, which aims to attract Born Global companies to Sweden. During 2018, Business Sweden carried out several events and activities in different markets in order to attract scale-ups and start-ups to Sweden.<sup>71</sup>

Starting in 2016, The Swedish Institute [Svenska institutet] has been tasked to organise "expert visitors programmes", which are currently offered six times a year. These are aimed at targeted countries for Sweden's export industry and are to achieve "intensified dialogue, greater knowledge exchange and broader lasting and reciprocal relationships between international decision-makers and Swedish industry, government agencies, academia, start-ups and entrepreneurs". Innovation and sustainability are overarching themes of the programme and start-ups play an integral role. A recur-

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69 Sweden's Export Strategy (in English), 2015, available at: <https://www.government.se/4aad93/contentassets/0effc2f3c24a4c58b7e2399ffe1eeeb2/swedens-export-strategy.pdf> (last accessed 14 May 2019).

70 Ny satsning på innovativa och tidigt internationaliserade företag - Born Globals, 14 July 2016, available at: <https://www.regeringen.se/pressmeddelanden/2016/07/ny-satsning-pa-innovativa-och-tidigt-internationaliserade-foretag---born-globals/> (last accessed 14 May 2019).

71 Business Sweden: Redovisning av statens uppdrag till Business Sweden, verksamhetsåret 2018 and e-mail communication with Business Sweden 13 September 2019.

ring programme has focused on women in the technology industry. Participants in 2018 were from China, India and Indonesia. For example, participants has met with organisations working to bring more women into the tech industry, including Swedish entrepreneurs and start-ups.<sup>72</sup> Another 2018 programme focused on educational technology (edtech), with participants from Israel. One of this year's programmes is entitled "Startups and the innovation ecosystem in Sweden". Vinnova and Business Sweden are some of the other stakeholders involved in these programmes.

Other than the initiatives discussed above there are few concrete examples of specific measures. There is no government agency with a specific task to attract this group of businesspersons, for instance by creating a "brand" like in some other Member States. The National Board of Trade [Kommerskollegium], which is the government agency responsible for foreign trade and trade policies, is currently not assigned to promote Sweden as a destination for start-ups. The Swedish Institute, together with other government agencies, was tasked to develop a website aimed at migrants that want to come to Sweden for work or run a business. The website "workinginsweden.se" was launched in 2018 with the tagline Your guide to working or running a business in Sweden.<sup>73</sup> Other official websites such as "sweden.se" and "swedenabroad.com" have sections that promote Sweden as an attractive destination for business owners and similarly carry information on how to start and run a business in Sweden. "sweden.se" has a section entitled How to start up the Swedish way that highlights Stockholm's start-up scene.<sup>74</sup> "swedenabroad.com" has a new tagline called Doing business with Sweden - the sky is the limit to promote Sweden as a business destination.<sup>75</sup> Finally, "sharingsweden.se" is another official website that is run by The Swedish Institute. It displays some of the information on the start-up scene featured on the other websites mentioned as part of an information toolkit on business and innovation in Sweden.

## Actors involved in attracting and encouraging start-ups and innovative entrepreneurs from third countries

### Private sector

Individual companies and employers' associations are likely to be involved in activities, for example in their business networks, at events and other venues, that play a role in attracting and encouraging start-ups and entrepreneurs from third countries. There are few examples of cooperation between government authorities and the private sector in attracting start-ups and innovative entrepreneurs from third countries.

### Universities and Higher Education Institutions

Sweden's national report of the 2018 EMN study Attracting and retaining international students in the EU found that the retention of international students previously had received much less attention than attraction. There is no specific national strategy aimed at encouraging international students to stay as start-up entrepreneurs after the completion of their studies. Nonetheless, retention seems to have become somewhat more prioritised in the past few years, even if there is limited evidence this is an

<sup>72</sup> Women in tech – visitors program, 19 March 2018, available at: <https://si.se/en/women-tech-visitors-program/> (last accessed 21 May 2019).

<sup>73</sup> More information available at: <https://workinginsweden.se/> (last accessed 21 May 2019).

<sup>74</sup> More information available at: <https://sweden.se/business/how-to-start-up-the-swedish-way/> (last accessed 14 May 2019).

<sup>75</sup> More information available at: <https://sharingsweden.se/toolkits/expert-visitors-programmes/and https://www.swedenabroad.se/businesswithsweden> (last accessed 14 May 2019).

overall practice among universities.<sup>76</sup> One example, however, is KTH Royal Institute of Technology and its renowned subsidiary KTH Innovation which is reported to expressively attract international students.<sup>77</sup> Another example is the Sten K. Johnson Centre for Entrepreneurship at Lund University, which has a clear goal to attract international students in this target group.<sup>78</sup>

### Local and regional authorities

Municipalities (cities) and regions in Sweden often have business strategies that include goals to attract talent and international businesses and to promote entrepreneurship. It is rarely spelt out, however, that the goals are extended to the immigration of third-country nationals, which is not surprising since migration policies are managed at state level. In 2015, the municipality of Stockholm and the government jointly proclaimed that Stockholm was to become the best start-up city in the world. Stockholm's official investment promotion agency uses the tagline "Welcome to Stockholm: The UNICORN factory" and the city is active in promoting itself as a hub for start-ups and innovative entrepreneurs.<sup>79</sup>

## Rights (I) and Incentive measures (II) in place to attract start-up founders (not employees) from third countries

### I. RIGHTS

Rights	Brief description of the rights granted
Rights Brief description of the rights granted. Facilitation to access permanent residence	Yes, upon applying for renewal after two years, a permanent residence permit can be granted if the applicant can support himself/herself and any accompanying family members from the income from his/her company. This is applicable to third-country nationals issued a residence permit as self-employed persons.
Access to employment	No, self-employed persons are not issued a work-permit and they are not authorised to take up employment. However, they may do so after having received a permanent residence permit. Third-country nationals that have a permanent residence permit do not need a work permit.
Possibility to be accompanied by family members	Yes, but provided that the applicant can provide for any accompanying family members (for example spouse, partner and/or children).
Other rights	Yes, holders of a residence permit with the validity of a year or more have the right to be entered into the population registry. A person entered into the population registry has the same rights as Swedish nationals, EU/EEA and Swiss nationals and other resident third-country nationals. This means, for example, they can access public healthcare, children can attend school etc.

<sup>76</sup> Attracting and retaining international students in the EU - Country Report Sweden, report from EMN Sweden 2018:3, available at: <http://www.emnsweden.se/toppmeny/publikationer/studierochrapporterfor2018.4.4cb46070161462db113d9a.html>

<sup>77</sup> "Hon är kvinnan bakom enhörningsfabriken", Di Digital 5 October 2018, available at: <https://digital.di.se/artikel/hon-ar-kvinnan-bakom-enhorningsfabriken> (last accessed 21 May 2019).

<sup>78</sup> More information available at: <https://entrepreneur.lu.se/en> (last accessed 21 May 2019).

<sup>79</sup> More information available at: <https://www.investstockholm.com/> (last accessed 21 May 2019).

## II. INCENTIVE MEASURES (refers to governmental, private sector and structural incentives)

Rights	Brief description of the rights granted
Facilitations for admission (e.g. shortened processing time, reduced documentary requirements etc.)	No, in principle there are no facilitations for admission. However, on its website, the Migration Agency clearly states that processing times for "complete applications" are shorter. The Swedish contribution to the 2014 EMN study on Admitting third-country nationals for business purposes highlighted too, that incomplete applications were subordinated.  Nationals from Japan are exempt from paying the application fee.
Access to special funding and investments (e.g. micro-loans)	No, there are no (state-sponsored) schemes or support measures linked to the admission of third-country nationals as self-employed persons. There are no (legal) obstacles for those who have been admitted to receive such funding, for example for further business development, from private hands. There is no information about this phenomenon, however. Special forms of funding such as crowd funding and micro-loans are available. Third-country nationals with permanent residence permits would normally be eligible for these on the same conditions as other residents. <sup>80</sup>
Co-working and dedicated spaces (facilities for shared use of start-ups/businesses)	No, there are no (state-sponsored) schemes or support measures linked to the admission of third-country nationals as self-employed persons. There is a wide range of co-working facilities (science parks, hubs) in different forms. The majority of these are privately run. However, there are several examples of such facilities that are financed or co-financed, by municipalities or regions. There are no obstacles for third-country nationals to access facilities for co-working that offer desk or office space for rent.
Access to incubation/accelerator support programmes	No, there are no (state-sponsored) schemes or support measures linked to the admission of third-country nationals as self-employed persons. Third-country nationals that have a permanent residence permit normally would have access to such programmes on the same conditions as other residents. There are examples of municipalities that offer newly arrived migrant entrepreneurs support programmes that involve incubators as part of integration measures. <sup>81</sup>
Tax incentives (benefits, reductions, exemptions, etc.)	No, there is no general tax incentive on offer for third-country nationals that are admitted as self-employed persons. It could be added, however, that non-Swedish nationals that are employees and are hired in certain expert or other key person positions can be granted tax relief under certain conditions. The Taxation of Research Workers Board [Forskarskattenämnden] considers applications for tax relief. <sup>82</sup>
Consultation services/facilitators and training programmes for start-ups (help in networking/accessing networks)	No, there are no (state-sponsored) schemes or support measures linked to the admission of third-country nationals as self-employed persons. Some state actors, such as The Swedish Agency for Economic and Regional Growth, as well as several municipalities have offered such programmes and services aimed at newly arrived migrants as part of integration measures. <sup>83</sup>
Financial support to cover administrative and/or staff costs	No

80 For example, Almi offers micro loans for a sum up to SEK 200 000 (approximately EUR 20 000). These loans are primarily aimed at small businesses (micro-enterprise) and young start-ups. Information available at: <https://www.almi.se/vara-tjanster/tjanster/lan/vara-olika-lan/mikrolan/> (last accessed 6 May 2019)

81 See, for example, the municipality of Olofström, "Inkubator för nyanlända", available at: <https://www.olofstrom-snaringsliv.se/olofstroms-naringsliv-ab/news/inkubator-for-nyanlanda> (last accessed 6 May 2019).



Are the attraction measures campaign-like or permanent measures?	Who implements the measure? (state, private sector, in cooperation etc)	Applies to:	
		TCNs only	General
N/a	Swedish Migration Agency		
Permanent	Public sector, private sector	<input type="radio"/>	<input checked="" type="radio"/>
Permanent	Public sector, private sector	<input type="radio"/>	<input checked="" type="radio"/>
Permanent	Public sector, private sector	<input type="radio"/>	<input checked="" type="radio"/>
Permanent	Public sector	<input checked="" type="radio"/>	<input type="radio"/>
Campaign-like	Public sector, private sector	<input checked="" type="radio"/>	<input checked="" type="radio"/>
		<input type="radio"/>	<input type="radio"/>

82 More information available at: <https://forskarskattenamnden.se/2.14dfc9b0163796ee3e73a496.html>

83 See, for example, the "YesBox – Home for entrepreneurs" initiative in the city of Göteborg, which offers free-of-charge business consultation services, and in multiple languages (Arabic, English, Persian), available at: <https://www.yesboxgoteborg.se/> (last accessed 6 May 2019).

## Measures to encourage and foster innovative entrepreneurship and start-ups for third-country nationals already present

Following the high number of new arrivals in 2015-2016 (beneficiaries of international protection and their family members), there has been an overall increased focus on integration measures promoting the labour market entry of third-country nationals. Since 2016, The Swedish Agency for Economic and Regional Growth has received a number of assignments from the government to promote self-employment and entrepreneurship among new arrivals.<sup>84</sup> While the measures taken and are being taken only exceptionally have been focused on start-ups as defined per this study, it is reasonable to believe they contribute to foster and encourage such endeavours in the target group. An example of integration measures carried out at the regional level is the "Business Incubation 2020" project initiated by Innovation Skåne, a regional government innovation company, with both private and public partners involved. Among the goals of this project were to increase the number of foreign-born persons involved in entrepreneurship as well as to increase the momentum in the development of start-ups.<sup>85</sup> The European Regional Development Fund (ERDF) funded the project. "Startup Sthlm" is another regional example, which offers a start-up programme intended for new arrivals that are learning Swedish at the same time. This project was co-funded by the European Social Fund (ESF).<sup>86</sup> Finally, The International Entrepreneur Association in Sweden [Internationella företagare i Sverige] is a non-profit foundation that promotes migrant entrepreneurship in Sweden and offers support and business guidance in multiple languages.<sup>87</sup> There is little concrete data available on to what extent third-country nationals already present in the country are engaged in start-ups as founders or employees.

## Factors affecting the attraction of start-up founders and employees from third countries

### Hubs and locations for start-ups

The start-up scene in Stockholm in particular with its several major hubs and reputation as a unicorn factory arguably continues to serve as a major pull factor. More specifically, to come closer to the Swedish unicorns and to access Swedish skills in building global tech corporations are factors mentioned in this context. Furthermore, stakeholders mention design and API (Application Programming Interface) technology and experience/knowledge in clean tech and sustain tech as factors that serve to attract start-up founders/employees. To gain access to the Nordic and European markets is another possible pull factor.

### Culture

Many reports have discussed the country's overall "technological readiness" both in terms of contributing to the emergence of the start-up scene (for example government-funded large-scale rollout of fibre-optic broadband, high internet penetration rate) and as a factor that attracts start-ups. On a related note, a major study that looked into the emergence of Stockholm's thriving start-up scene singled out three factors as instrumental to that development: Firstly, "a long history of multinational, engineering-based firms", which was considered important in fostering innovation, for example. Secondly, "longsighted public initiatives and supportive government policies" were highlighted as important. For example, both the government and people in the business have argued that the welfare system's

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84 See, for example, *Nyanlända och vägen till arbete och företagande (2017)* and *Nyanlända och företagande (2017)* available at: <https://tillvaxtverket.se/>

85 The Agency for Economic and Regional Growth highlights the project and one of its successful participants in the article "En vägvisare för nyanlända entreprenörer", available at: <https://tillvaxtverket.se/eu-program/inspiration-och-resultat/projektexempel---t-o-m-2-ar/2017-07-18-en-vagvisare-for-nyanlanda-entreprenorer.html> (last accessed 22 May 2019).

86 More information available at: <https://startupsthlm.se/>

87 More information available at: <https://www.ifs.a.se/>

“safety net”, has been beneficial to risk taking which is an integral dimension of start-ups. Finally, “the 1990s IT boom - not just a bubble that burst” was mentioned as an important development paving the way for policy development. The economic crisis in Sweden in the 1990s influenced, for example, deregulation and eventually lower corporate taxation.<sup>88</sup>

### Socio-economic factors

The shortage of (affordable) housing in Stockholm, as well as in some other big cities, is a negative factor mentioned by several stakeholders. Some stakeholders have also brought forward living costs, for example the level of income tax and salary levels, as obstacles.<sup>89</sup>

### Challenges and good practices in attracting start-ups and innovative entrepreneurs from third countries

The absence of a suitable provision for the admission of start-up founders (innovative entrepreneurs) has been highlighted by several stakeholders and discussed throughout the study. Start-ups facing challenges in relation to international recruitment of staff comes across as another challenge. Stakeholders say this challenge is primarily due to housing shortages, the level of income taxes, the Migration Agency’s processing times and labour migration laws and practices (including “talent expulsions”), leading to increased costs and administrative burdens for employers/employees. It is even reported that start-ups have refrained from international recruitment because of these factors. While Sweden’s welfare system is generally considered an advantage in attracting international professionals, some stakeholders argue that the education system is at risk of becoming a challenge (due to deteriorating performance in primary schools for example) for international recruitment.<sup>90</sup> Finally, there is no support aimed at soft landing for start-ups, which is normally available in major start-up hubs globally.<sup>91</sup>

Arguably, the fact that international students can start a company during their studies is an example of a good practice. Furthermore, international students are more prone to apply for a change of status to become self-employed than other migrant groups. While several stakeholders have indeed pointed at the need for more developed retention policies, this migration path nonetheless comes across as one of the most probable for start-up founders to Sweden. The fact that a number of universities in Sweden are very much engaged in innovation is reasonably a factor here as well.

OECD recently published its 2019 ranking of talent attractiveness based on a number of indicators. Among entrepreneurs, Sweden ranks overall fourth, behind Canada, Switzerland and New Zealand. A closer look at the indicators used reveals that Sweden is top ranked under “family environment”, which suggests that family friendly policies serve as a point of attraction for migrants in this category.<sup>92</sup> Some stakeholders say gender equality in Sweden is a potential pull factor for young women and for couples where both parties intend to pursue a career.

88 *Chasing the tale of the unicorn - A study of Sweden’s misty meadows, Innovative Internet: Report 1, Stockholm School of Economics, Centre for Strategy and Competitiveness (2016).*

89 *See for example the previously mentioned reports from The Confederation of Swedish Enterprise (2018) and The Association of Swedish Engineering Industries (2019) as well as the Swedish Startup Manifesto (2018).*

90 *Ibid.*

91 *The term soft landing refers to a programme that supports a foreign start-up or entrepreneur in their new country, for example in setting up the company to allow for a smooth introduction in the ecosystem. See for example “Soft Landing: A Partnership Between European Incubators for Developing International Innovation”, I’MTech, 9 April 2018, available at: <https://blogrecherche.wp.imt.fr/en/2018/04/09/soft-landing-european-incubators/> (last accessed 23 June 2019).*

92 *See OECD’s webpage “The OECD Indicators of Talent Attractiveness”, available at: <http://www.oecd.org/migration/talent-attractiveness/> (last accessed 14 June 2019).*

# Renewal of residence permits and retention measures for start-ups and innovative entrepreneurs

## Renewal of the residence permit

First residence permits are normally granted for a two-year probationary period, after which time it is possible to renew the permit. An application for renewal can be made online via the Migration Agency's website or be sent by post. Applications from accompanying family members in Sweden, which also need to renew their permits, can be included in the online application. The holder of the residence permit needs to actively apply for renewal, the Migration Agency does not send a reminder. An application for renewal shall be made before the first residence permit expires, but cannot be lodged more than 30 days prior to that date.

## Requirements for renewing the residence permit

A permanent residence permit may be granted, if the applicant is able to support himself/herself and any accompanying family members using the income from his/her business. Furthermore, he/she needs to adhere to generally accepted accounting principles and hold any permits required for the business. Importantly, the applicant also needs to demonstrate that he/she has been residing in Sweden for more than six months per year.

These are the detailed requirements/supporting documents<sup>93</sup> that are to be submitted by the applicant:

- Copies of his/her passport (same requirements as for the first permit)
- Annual reports for the company for the years he/she has had a residence permit as self-employed
- Balance sheet and profit and loss account for the current financial year, up to and including the previous month
- Personal income tax return form for the latest income year, including specification for income tax return [Specifikation till inkomstdeklaration]
- Income tax return form for the company
- Tax account statements for company for the period of his/her business in Sweden
- Certificate of registration of cash register
- Copy of staff register [personalliggare] is required for certain sectors
- Bank statement, from both his/her private and his/her company account, listing all transactions for the previous six months

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<sup>93</sup> This list of requirements and supporting documents to be presented is found in the Migration Agency's handbook for case officers [Migrationsverket: Rutinhandboken för Besök och Bosättning, Egna företagare, last updated 30 April 2019] and in English at the Migration Agency's website, available at: <https://www.migrationsverket.se/English/Private-individuals/Working-in-Sweden/Self-employment.html> (last accessed 29 April 2019).

- Payslips for himself/herself for the previous six months, if he/she runs a limited company
- Contracts or agreements with customers, suppliers and for business premises
- A brief description of how he/she operates the business, as well as pictures of the company's products and premises
- Stock register or partnership agreement for his/her company, that shows his/her share of the company and allocates the result between the company members. If he/she has purchased his/her share of the company, the purchase contract and the receipt for the payment should be presented
- If he/she has or have had debts registered to the company, solvency certificate for the company should be enclosed
- Certificates that show his/her housing situation, such as contract of sale, lease or authorized second hand lease. The certificate should describe the size of the accommodation, number of rooms, cost and rental period

### Application processing time and costs

As mentioned earlier in the study, processing times for first applications are long and have been long for the past several years. Processing times for renewals are, however, noticeably shorter. The average processing time in 2018 was 186 days. In 2014 it amounted to 129 days compared to 164 days in 2015, 197 days in 2016 and 198 days in 2017. The current fee for applications for renewal is the same as for first applications.

### Retention measures in place for the start-up founders and innovative entrepreneurs

There is no specific policy or strategy at government level aiming at the retention of start-up founders and innovative entrepreneurs and there is no government agency tasked with such an assignment. The Migration Agency's tasks are limited to receiving and deciding on applications for residence permits and to, for example, provide information to applicants. There is per se no simplified renewal process even if the share of granted applications is considerably higher and application processing times shorter, as discussed in the following paragraph. The tax relief scheme in place is aimed at certain categories of highly skilled employees, which potentially includes employees at start-ups.

### Challenges and good practices regarding the retention of start-ups and innovative entrepreneurs

Currently, more than 80 per cent of applications for renewal from self-employed persons are granted, compared to 30 percent of first applications, which suggests that challenges in the renewal procedure are fewer.<sup>94</sup> Still, experts at the Migration Agency report on a number of challenges in renewal procedures. Language difficulties are believed to be one root cause for challenges that some self-employed persons are facing, and which consequently constitute challenges in the application processing at the Migration Agency. For example, applicants sometimes do not understand the rules on the payment of income tax and income declarations, which can result in a situation where they are reported to the Swedish Enforcement Agency [Kronofogden] and consequently face difficulties in continuing to run their business. Furthermore,

<sup>94</sup> In 2018, 32 per cent of first-time applications for self-employment were granted by the Migration Agency compared to 52 per cent in 2014, 44 per cent in 2015, 37 percent in 2016 and 31 per cent in 2017.

self-employed persons are often unaccustomed to the advanced digital systems used for financial reporting in Sweden compared to in their country of origin. Similarly, detailed requirements with regard to the keeping of a cash register, to submit supporting documentation for income declaration and keeping Swedish accounting principles can be challenging. It is very common that the Migration Agency encounters deficiencies in the book keeping submitted by self-employed persons.

If the company fails, the application for renewal would be rejected and the self-employed person would receive an expulsion order. However, if exceptional conditions are at hand, the applicant can be granted a change of immigration status upon applying for a residence permit on other grounds, for example due to employment or family reunification.

In case the company's business plan changes after approval of the first permit, this is generally not an issue since the residence permit is not limited for running a specific company. The permit holder can start a new business after having been issued a first permit. This is quite common in practice, but it can sometimes lead to challenges in the renewal procedure. In order to be granted a permanent residence permit, applicants need to demonstrate that income from their company is sufficient to provide for themselves (and any accompanying family members). Generally, if the applicant has started an "additional" company that is still in the early stages this is normally not an issue. However, if the recently started company is the sole company and it was launched near the end of the two-year probation period, the Migration Agency can face challenges in assessing the application for renewal. Among recurring difficulties in such a situation can be that the applicant is not found to fulfil the conditions for ownership and that the company is too new to assess.

Finally, in the event a business ceases being a "start-up" (for example, the owners manage to turn their company into a successful business), such a development would not be a factor in the assessment. Since there is no legal definition of start-ups and applications for renewal from start-up founders would be processed in the same manner as those from other self-employed persons, no such categorisation or evaluation is made.

## Conclusions

The main focus of this study was to identify the factors and prerequisites for attracting and retaining start-ups and innovative entrepreneurs from third countries as well as to examine the different admission pathways available. Starting with the latter, the study has experienced an overall challenge with data availability since it is not possible to trace and connect any activities by third-country nationals in start-ups or innovative entrepreneurship. Nonetheless, it has found that while Sweden has a provision to admit third-country nationals for business purposes such as self-employment this path is reportedly not used by start-up founders or innovative entrepreneurs. The study has attempted to identify and discuss some of the possible reasons behind this situation and likewise tried to identify what other migratory paths that might be used by the target group. It seems reasonable to believe that some of the requirements that applicants need to fulfil to be admitted as self-employed are particularly challenging for start-up founders. Furthermore, the fact that application processing times at the Swedish Migration Agency have hovered around the one year mark in the past few years realistically have not served to attract this group. Overall, the number of applicants for self-employment are few, the overall recognition rate is lower than for other legal migration categories and there is little to suggest this is a prioritised group by the government or the Migration Agency. As discussed in the study, the situation indicates that third-country start-up founders are more likely to be admitted to Sweden through other legal migration channels, for example as international students or labour migrants. Another possibility is that they engage in business activities in relation to start-ups on a short-term basis, which does not necessitate a residence permit. Given Sweden's open and export-oriented economy, comparatively liberal migration policies and Stockholm's thriving start-up scene, it appears very probable that third-country nationals do indeed play a role as founders of start-ups, but how and to what extent is difficult to determine through this study.

Overall, how and to what extent start-up founders from third countries are admitted in Sweden seems vastly under-researched. Furthermore, while the government proclaimed Stockholm to become a world leader on the start-up scene in 2015, there has been little policy development in relation to the admission of third-country start-up founders and employees to contribute to achieving this goal. For example, Sweden does not have a specific strategy on how to attract start-ups or talent and the legal provisions for admission of such business founders (owners) remained largely unchanged in 2014-2018. As discussed in the study, several stakeholders in the business community as well as some of the political parties have argued for the introduction of a more suitable legal provision for the admission of this target group. Arguably, to facilitate talent attraction and talent admission come across as some of the most persistent demands from stakeholders in the business community in the past few years. Further to this, public and policy debate on "talent expulsions" has been widespread and start-ups have often cited international recruitment as one of their biggest challenges. Interestingly, both the question to introduce a new provision for business founders and to address the much discussed "talent expulsions" emerged as priorities in the cross-party agreement concluded in January 2019 between the government and two of the opposition parties.

Some stakeholders have raised the shortage of housing, labour costs and high taxation as other factors that potentially dissuade start-ups from third countries to come to Sweden. Housing, and not least the shortage of affordable housing in Stockholm, has been high on the political agenda in the past few years, and is also listed among the

priorities of the said January 2019 agreement. Arguably, and as discussed throughout the study, government policies in some areas are credited to having shaped the beneficial conditions needed for a thriving start-up scene to emerge. At the same time, much of the current public and policy debate has been centred on and continues to be centred on the absence of measures from the government's side to fully address perceived challenges in the current system. Moreover, the fact that change of immigration status has become more difficult in the past few years has reasonably made it more challenging for third-country nationals already present to pursue a new career without having to leave the country and submit a new application for residence permit. Furthermore, the study has aimed at identifying good practices in the admission and attraction of start-up founders (and employees). Whilst many start-ups report that international recruitment is often a challenge, the Migration Agency's system to certify employers potentially offers benefits to employees and employers. An evaluation shows a vast majority of applications concerning a number of occupations in the technology sector are processed in the certification system. The procedure to register a company in Sweden is quite straightforward and benefits from a user friendly one-stop shop website where all services can be accessed by using e-identification, the latter is only possible however for users with a personal identity number. The fact that international students in Sweden can start a company and that a number of institutions of higher learning run innovation/entrepreneurship facilities are in all likelihood circumstances that contribute to attract potential start-up founders to the country. Finally, entrepreneurs have rated Sweden's family environment highly in surveys and self-employed persons are allowed to be accompanied by family members that are allowed to take up employment (but applicants need to prove they can support them for the full duration of the first permit).

As illustrated by some of these concluding remarks, the study has in effect shown that the start-up scene in Sweden displays a number of seemingly inconsistent elements in relation to migration. For example, the legal provision for self-employed persons is per se rather liberal, but the requirements applicants need to fulfil in practice are rather demanding and in reality few or no start-up founders are admitted via this migratory path. Yet, Sweden has a thriving start-up scene spearheaded by Stockholm, which can proud itself of start-up hubs where several unicorns have originated, all without a special scheme for the admission of start-up founders, and in a business that by its very nature is truly global. Similarly, Sweden is top rated by international entrepreneurs for its family environment and self-employed persons can be accompanied by their family members, but the requirements to enable this are rather demanding. Meanwhile, labour migrants who want to be accompanied by their family members do not face maintenance requirements.

Realistically, the existence of a particular scheme for start-up founders is probably only one of several factors that come into play in relation to if and how a country attracts start-up founders. Some reports say start-up founders are more likely to be attracted to countries where they think they can succeed with their business and that attraction is closely connected to local success stories that have evolved into scale-ups and highly publicised exits. In the case of Sweden, and particularly Stockholm, it seems reasonable these are important factors in explaining the recent positive development of the start-up scene.



### About the EMN

The European Migration Network (EMN) is an EU funded network, set up with the aim of providing up-to-date, objective, reliable and comparable information on migration and asylum for institutions of the European Union, plus authorities and institutions of the Member States of the EU, in order to inform policymaking. The EMN also serves to provide the wider public with such information. The EMN was established by Council Decision 2008/381/EC adopted on 14 May 2008. The Swedish Migration Board is the Swedish National Contact Point (NCP) for the EMN.

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