Disconnection between accounting and taxation; possibility or compulsion? 
- An analysis from the perspective of the interested parties
Abstract

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Title: Disconnection; possibility or compulsion? – An analysis from the perspective of the interested parties.

Background and problem analysis: Sweden has for the better part of the 20th century had a very strong link between taxation and accounting, but Sweden has become increasingly more influenced by the Anglo-Saxon tradition, where there is no such link. Joining the European Union in 1995 and the introduction of the IAS regulations in 2005 have started a debate about whether a disconnection of the taxation and the accounting, as there have been in other countries, would be better than keeping the link. Corporate accounting regulations in Sweden are mostly set by different accounting regulatory bodies, so it should therefore be of interest to discover their opinions in the matter, as well as the opinions of other interested parties, such as the Swedish taxation government, the Confederation of Swedish Enterprise and the accounting profession.

Purpose: To find out the personal thoughts and reflections of people representing various interested parties with regards to the discussion of a possible disconnection.

Limitations: The subject has been limited to the parties that the writers thought were the most influential and the most interested in the possible disconnection. The essay is also limited to subjective views since a general study takes a lot more time and effort than the time frame of ten weeks permits. Furthermore, the geographical area is limited to Gothenburg, with the exception of the interview with the respondents from the Confederation of Swedish Enterprise.

Method: The empirical part of the essay has been collected through interviews with the chosen respondents. As for the theory part, the authors collected information through books, articles, and internet sources. The conclusions were drawn from the gathered material of the theory and the empirical research.

Result and conclusions: The respondents are not in favour of a disconnection in general, but they acknowledge that it is likely that there will be at least a higher degree of disconnection in the future.

Suggestions for further research: How other countries have dealt with their disconnections with regards to regulations and in the event of a dispute. This can be used to see whether the “common experience”, existing in countries that have always had a fairly disconnected relation between accounting and taxation, can be used in Sweden if there were to be a disconnection.
Preface

We have very much enjoyed writing this essay, since we feel that we have learned a lot about a topic that is both interesting and a burning issue. This essay could not have been written without the participation of our five respondents, who have been very accommodating and generous with their time. Therefore, we would like to give Caisa Drefeldt, Carl-Gustaf Burén, Rickard Hellenius, Kent Björkdahl and Peter Lindberg a special thank you.

Furthermore, we would like to thank our tutor, Kristina Jonäll, for the guidance and her valuable input throughout this process. Last but not least we would also like to thank our fellow classmates, who have given us their comments during this period.

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Johanna Tranberg  Erika Johansson

January 12\(^{th}\), Gothenburg
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Table of abbreviations

AB  Aktiebolag
ABL  Aktiebolagslagen
BFL  Bokföringslagen
BFN  Bokföringsnämnden
BFNAR  Bokföringsnämndens Allmänna Råd
EC  European Communities
EU  European Union
FAR  Föreningen för Revisionsbranschen
FI  Finansinspektionen
GAAP  Generally Accepted Accounting Principles
GRS  God Redovisningssed
HB  Handelsbolag
IAS  International Accounting Standards
IASB  International Accounting Standards Board
IASC  International Accounting Standards Committee
IFRIC  International Financial Reporting Interpretations Committee
IFRS  International Financial Reporting Standards
IL  Inkomstskattelagen
IOSCO  International Organization of Securities Commissions
LRF  Lantbrukarnas Riksförbund
RR  Redovisningsrådet
SAC  Standards Advisory Council
SEK  Swedish Crowns
SKV  Skatteverket
SME  Small, Medium Enterprises
SN  Svenskt Näringsliv
SRF  Sveriges Redovisningskonsulters Förbund
SRS  Svenska Revisorssamfundet
US GAAP  United States Generally Accepted Accounting Principles
VAT  Value Added Tax
ÅRL  Årsredovisningslagen
1 Introduction

The first chapter of the essay will give the reader insight into the background and the issues regarding the problem investigated. The purpose and the limitations of the thesis will also be given, as well as a disposition of the following chapters.

1.1 Background

In the industrialized countries the development of accounting is represented by two different traditions. These are called the Continental tradition and the Anglo-Saxon tradition. The two traditions differ due to different traditions in civil law. The continental civil law tradition has its origins in Roman law, which is mostly based on written laws and the corporate law is included in the civil legislation. A consequence of this tradition is that accounting is largely regulated in corporate law and because of the connection between the legislation of accounting and the tax legislation; accounting is very influenced by tax regulations. The Anglo-Saxon civil law tradition is more based on common law rather than written laws. As a result, accounting is not really regulated by law but by the accounting profession. (Smith, 2006)

Sweden has since 1928, when the Municipal Income Tax Act was passed (Blake et Al., 1997), up until a couple of decades ago belonged to the continental tradition (Smith, 2006). The Municipal Income Tax Act and the Accounting Act of 1929 created the link between taxation and accounting (Blake et Al, 1997). Accounting has been regulated by law and the main interest of the legislation has been to satisfy the needs of creditors and the state. In some ways this meant that accounting was in practice controlled by tax regulations. Furthermore, the difference between the book value of an asset and a value that could be considered as fair was not shown in the balance sheet or in the income statement. (Smith, 2006)

Sweden has become increasingly more influenced by the Anglo-Saxon tradition. However, there is still a formal connection between accounting and taxation, although the deviations with regard to values regarded as fair are shown openly in the balance sheet and in the income statement. (Ibid.)

Sweden joined the European Union (EU) in 1995 and is therefore required to follow any regulations decided by the Union (Bjuvberg, 2006). Since the 1st of January 2005 all companies that are quoted on the exchange must do the same consolidated accounting which should be in accordance with the international accounting regulation approved by the EU, the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS). (Thorell, 2003) In compliance with these rules there is a disconnection between accounting and taxation (Smith, 2006).

In Sweden it has been decided that it is only in consolidated accounting that IAS/IFRS can be used which means that companies that are not quoted on the exchange and companies that are judicial persons still have the formal connection between accounting and taxation. (www.dtti.com, 061120) There has been a discussion in Sweden for quite some time whether or not there will be a taxation system that is disconnected from corporate accounting regulations (Blake et Al, 1997).
The reason why the government has opposed the possibility for all companies to do their annual reports in agreement with IFRS is its consequences on taxation. Today, the annual report is the foundation, upon which the taxation is based. If there was to be a change to IFRS there is a possibility that the company would be taxed upon an accounting based on IFRS. (www.dtti.com, 061120)

There is an investigation in progress in order to consider different issues revolving the link between corporate accounting and taxation. The conclusions are to be reported at the end of 2007. Whether there should be a demand or possibility for companies to do their annual reports in accordance with IFRS is then up to the government to decide. (www.dtti.com, 061120)

There are several arguments in favour of continuing the link including that the separation of the tax and financial accounts will increase the cost of compliance. Moreover, it is argued that mechanisms will have to be created to make the audited accounts give the supporting information for tax controls. Furthermore, the connection between taxation and accounting benefits businesses because it keeps tax rules linked to accounting principles which are based on the concept of prudence. Subsequently, a disconnection would make tax law less predictable. In addition, without the link Sweden would have to develop full rules on accounting for deferred taxation, which is a difficult subject. (Blake et Al, 1997)

As well as there are arguments in favour of the continuation of the link there are arguments against it. Some feel that the link is an obstacle to good accounting practice. Furthermore, the tax-accounting link is a hindrance to the application of the International Accounting Standards (IAS) in Sweden, even though the IAS regulation does not demand its use on companies that are not quoted on the exchange. Moreover, for companies involved in international trade difficulties may arise as a result of different accounting systems. In addition, special government tax incentives have a specially distorting effect on the financial accounts. This effect makes them irrelevant to user groups other than the tax authorities. (Ibid.)

1.2 Problem analysis

The internationalization of the Swedish regulation system has increased since joining the European Union and a majority of the countries within the union have a taxation system that is more disconnected from the corporate accounting regulations than in Sweden, hence the increasing discussion whether Sweden should disconnect their system as well. Another reason is the forthcoming categorization (www.srfkonsult.se, 061121) of the Swedish businesses in different sizes in the corporate accounting regulations, since this will lead to a lot of simplifications for the smaller businesses there might also be a need for simplifications in the taxation laws or a complete disconnection between the two.

Corporate accounting regulations in Sweden are mostly set by different accounting regulatory bodies, such as Bokföringsnämnden (BFN). This is why the authors have chosen to get their point of view, in combination with the taxation government, the businesses and the accountants.
It is interesting to see what opinions the various interested parties have regarding the subject, since there are a lot of conflicting interests. The taxation government’s main interest is to get the highest possible tax and the businesses try to pay the lowest possible tax and in-between them the accountants try to give an objective point of view. It is also difficult for the standard-setting organisations since they are trying to make the regulations easier for the smaller businesses and therefore the problem is to take the taxation regulations into consideration as well. As long as the two systems are linked together there will always be a minimum possible cut in regulations limited to the allowed transactions within the taxation laws.

Another factor to bear in mind is that there was a government change only a couple of months ago and for the first time in twelve years (www.wikipedia.org 061218) Sweden is run by a liberal coalition government as opposed to the former social democrat administration. It might be too early to say, but how is this affecting the taxation regulation system? The liberal parties have promised a lot of changes in the system, and will this affect the link with the accounting regulations and make it weaker or will it perhaps strengthen it?

To get a closer and deeper understanding towards a possible disconnection the writers wondered what the interested parties thought, since they probably have very different outlooks and opinions regarding the problem. Will all of them be positive to this development or will some of them want things to stay the same?

1.3 Problem

*Seen from the regulatory bodies and user perspectives, is it likely and preferable with a disconnection of taxation regulations from corporate accounting?*

1.4 Purpose

The purpose of this essay is to find out what the interested parties think of the debate regarding a future disconnection of the linked areas in taxation and corporate accounting in Sweden and how they relate to the possible scenario. The writers wanted to find out the personal thoughts and reflections of people representing various interested parties who because of that may have different views on the matter.

1.5 Limitations

The subject has been limited to the parties that the writers thought were the most influential and interested in the possible disconnection. Instead of interviewing businesses, which is a very broad category, the organisation Svenskt näringsliv (SN) represents this group in the essay. The essay is also limited to subjective views since a general study takes a lot more time and effort and the time frame is limited to ten weeks in this case. Another limitation is the geographical area. Since the essay is written in Gothenburg the writers have been limited to the area in proximity whilst performing the interviews. To make the research process possible and manageable the interviews are limited to four with the most interested parties.
1.6 Disposition

1. INTRODUCTION

2. RESEARCH METHOD

3. THEORY

4. EMPIRICAL RESEARCH

5. ANALYSIS & CONCLUSIONS

Figure 1: Disposition
2 Research method

This chapter describes the chosen method of research and gives an understanding of the research process. The approach of the essay and the way data is collected is described in great detail to show how the purpose of the essay is achieved.

2.1 Scientific approach

There are two different scientific approaches to choose from, either the qualitative or the quantitative approach (Andersen, 1998). Since this essay focuses on the opinions of the interested parties, and that cannot be quantified, it is not possible to use this approach. Instead the qualitative approach will be used, since it focuses more on how humans interpret their world and is more interested in understanding than in statistics (Bell, 2000). This essay focuses on how the interested parties relate to the possible disconnection between corporate accounting and taxation and therefore the qualitative approach will be applicable and give the best results. The writers believe that this approach is the best since the purpose is to find out which opinions the interested parties have and using qualitative methods will give the respondents an opportunity to discuss and the interviewer a possibility to ask questions outside the interview guide.

2.2 Data collection

During the collection of material for the essay the writers have decided to conduct interviews with respondents representing four different interested parties.

2.2.1 Interviews

To collect information for the empirical part of the essay the writers have chosen to conduct interviews. Interviews were regarded to be the approach that was best suited when it comes to the regulatory and standard setting organisations since it will give the respondents a possibility to give non-standardized answers.

2.2.1.1 Selection method

Since BFN and Skatteverket (SKV) are the main regulatory forces within the target area the writers decided to focus on them. The respondent from BFN were chosen since she already had given a guest lecture at Handelshögskolan and seemed suited to discuss the subject of the essay. The respondent from SKV was chosen by SKV themselves after an e-mail from the writers. Redovisningsrådet (RR) was also contacted but the writers did not succeed in getting an interview with them.

Auditors are also interesting since they work with the businesses that will be affected by a change in regulations and the writers decided to focus on them. The respondent from BFN were chosen since she already had given a guest lecture at Handelshögskolan and seemed suited to discuss the subject of the essay. The respondent from SKV was chosen by SKV themselves after an e-mail from the writers. Redovisningsrådet (RR) was also contacted but the writers did not succeed in getting an interview with them.

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Most of the articles found in the trade journals stem from accountants working at the bigger firms and therefore the writers believe that they have a great effect on the development of the profession. Since it takes a lot of interviews to get a
general statement from a group the writers decided to get only a couple of accountants and sent e-mails to the bigger audit firms. It only resulted in one interview since auditors appear to be very busy, but the respondent from BFN also works as an accountant. The other accountant that was interviewed was chosen by the audit firm themselves after an e-mail and telephone conversation with the writers to get the person that is the most familiar with the subject in mind. To get a broader perspective the writers also contacted Svenskt Näringsliv (SN) where the most suited person was contacted through telephone calls via the main telephone number of the organisation and the interview was, on the respondent’s request, conducted with two interviewees simultaneously.

2.2.1.2 Conduction of the interviews
The purpose of the essay is to find out what the interested parties think and how they relate to a possible disconnection and to get the most out of the interviews the writers decided to keep them very open. No interview guides were sent to the respondents beforehand, the only thing they knew was the problem that is discussed in the essay, all of this in order to make the interview to centre on the respondents thoughts and opinions. The writers did create some guidelines including some areas that could be discussed and some questions that could be useful if needed during the interviews. The only exception is the interview that was conducted over the telephone, where the guideline questions were sent ahead to make the process easier for the respondent. The same questions were used as a basis in all the interviews and can be found in appendix 1.

All of the interviews have been conducted in Swedish at the workplaces of the respondents and at the time of their choice, except for the interview with SN, which was conducted over the telephone since the respondents were located in Stockholm. The interviews lasted for about half an hour, depending on how much the respondent had to say. To get a better understanding and reduce the risk of misinterpretations the interviews were recorded on tape, which in all cases were agreed upon by the respondent. The writers have also been attentive to any body language and hidden signals that the respondent might have sent out during the conversation. The complete interviews were then written down to get an overview of the material before translating and processing the answers for the empirical part of the essay.

2.3 Theory collection
When collecting the information for the other part of the essay, the theoretical part, the writers used several different sources. The material has been collected differently for the different parts of the essay as well as from different types of sources. Books from the university library have been used and found both through thorough search and also through random search in the library shelves. Another useful source has been the databases on the library web page that have been used both to find articles and to make translations. Both articles stemming from these databases as well as articles found in random Internet search have been utilized. Also publications from the web pages of the regulatory bodies have been used and other web-based material found with the help of search-engines.
2.4 Risk minimizing

The writers are aware of the fact that there are some risks involved when writing an essay and conducting interviews. In qualitative studies, as in this essay, it is much less of a problem to get valid information than it is in the quantitative studies. The importance in qualitative research is to acknowledge the risk that the researchers might misinterpret the situation in which the study is conducted. Another risk is that the examined party might act in a way they believe is expected by the researcher. (Holme & Kronh Solvang, 1997) To minimize these risks, both of the writers have been present at all of the interviews, except for the telephone interview, to both be able to pick up the signals that the body language of the respondent might give, also the interviews have been taped to avoid that any information would be lost. Since the study is supposed to be of a future scenario, and the respondents’ thoughts and views of this possible scenario, the respondents have not received any questions beforehand in order to make the answers more spontaneous and not create any expectations.

The writers are aware of the fact that when using written material, such as books, articles and sources on the Internet, there is always a need to be cautious and critical (Patel & Davidsson, 2003). To decrease the risks of using material that is not reliable, the writers have been attentive to what source it comes from and how old the copy or the original source is.
3 Theory

The following chapter contains the theoretical part of the essay, including all the background information needed to evaluate the data collected in the empirical study that is conducted and presented in the next chapter. To have an understanding of the problem studied in the essay, it is important to have some knowledge in the field of research and this is found below.

3.1 Material, formal and reversed connection

The same goal is achieved both through the taxation law and the accounting law, regulation of the calculation of the result in businesses. In the accounting law the main objective is to give a justified overview of the result and the financial position in the business, while the taxation law tends to prioritize the possibility to verify the business’ information. (Lönnqvist, 2002)

3.1.1 Material connection

In the material connection the accounting is used as a foundation for the taxation and for this to be possible the accounting has to be made in accordance with the GAAP’s. It is even stated in IL that an income should be accounted for as a revenue and an expense should be accounted for as a cost when it is in accordance with the GAAP’s, a term that also is found in ÅRL. The term used to refer to the practice used by a significant number of companies, but nowadays it means the norms, pronouncements and recommendations given by the standard-setting organs. According to IL the assessed result is also supposed to be calculated according to the basic regulations of accounting, a term that is used only in the taxation law and not found in the accounting law. The term means that incomes and expenses should be allocated into the period that they belong to according to business administration principles. The most prominent paragraph in IL showing the material connection is: (Alhager & Alhager, 2004)

“If accounting is conducted within the business activity, these shall be the foundation for the calculation of the result when it comes to the time of taxation.” – IL 14:4, 1st

This paragraph is very important since the GAAPs have a lot of different choices for the business to make when doing the accounting and with this paragraph comes the responsibility both for the business and also the governments and the court organization that the accounting with the choices made should apply for the taxation as well. Three of the most prominent areas of the material connection are revenues, valuation of inventories and work-in-progress. (Ibid.)

If the accounting is not done in accordance with the GAAP’s there will be no material connection and then the result has to be adjusted to apply to the taxation regulations. (Ibid.)

3.1.2 Formal connection

The formal connection between accounting and taxation is found where there is particularly beneficial taxation regulation that has certain demands on the accounting. This means that the move in question would not have been done for accounting purposes unless the taxation regulation should be present. There are not that many of these connections left, but the most prominent one is found in 14:18 IL regarding depreciation of equipment. The formal
connection in this case is formed since the tax-deduction only is allowed as long as it is the same as the depreciation in the accounting. In cases when the deduction is not of the same size as the depreciation the accounting is solved by use of un-taxed-reserves in the balance sheet and appropriations in the income statement. (Kellgren, 2004)

### 3.1.3 Reversed connection

There is also a reversed connection where the accounting principles demand that the deviations caused by taxation regulations should be exposed in the accounting. An example of this is when it comes to valuation of inventories where the accounting regulations state that inventories should be valued at the lower of cost or market and the taxation regulation only has a standard deduction for obsolescence that might give an even lower value of the inventories. (Ibid.) The most probable reason for this connection is that the businesses are doing this out of convenience since it is easier to adapt to one regulation system instead of two. (Lönnqvist, 2002)

### 3.2 The connection in the accounting

When it comes to corporate accounting, there are two different posts in the balance-sheet and income statement that are an effect of the connection. In the balance-sheet the connection is shown as un-taxed reserves and in the income statement the connection is found in the appropriations. There are mainly two times when this happens and one is when there are tax-allocation reserves and the other is when the rules for depreciation as recorded in the books are used. (Ibid.)

#### 3.2.1 Un-taxed reserves and appropriations

When a business takes a measure in the accounting that does not apply to the tax regulations the accounting deduction is accounted for as an un-taxed reserve in the balance sheet. The term is used for the accumulated sum of different appropriations. (www.ne.se, 061206) The un-taxed reserves consist of 72 % stockholders’ capital and 28 % deferred tax (Lönnqvist, 2002). The corresponding post in the income-statement is called appropriations and those are made in connection with the year-end closing of the books to have an effect on the result and therefore also the corporate tax paid (www.ne.se, 061206). This is a way to get interest-free tax credits in the case of depreciation as recorded in the books; however this does not apply to the tax-allocation reserves since they are imposed with interest since January 1st 2005. (www.skatteverket.se, 061206)

### 3.3 Accounting regulatory bodies

The legislation only accounts for a small part of the regulation concerning annual reports. In addition to legislation there are the supplementary recommendations, which are set by different accounting regulatory bodies in Sweden. (Thorell, 2003)

The Swedish law stipulates that an annual report is to be made in accordance with god redovisningssed (GRS) - good accounting practice. This is a legal standard and the basis of this standard is given through the law. However, the standard itself does not provide concrete answers to accounting issues. Therefore, the supplementary recommendations are the most predominant sources of GRS. (Ibid.)
The overall aim of the annual report, which is made in agreement with GRS, is that it should give a true and fair view of the company’s result and position. An annual report needs to have been made in compliance with Generally Accepted Accounting Principles (GAAP) in order to be true and fair. In practice this means in accordance with the supplementary recommendations. (Ibid.)

3.3.1 FAR-SRS
The oldest regulatory body within accounting in Sweden is FAR (Thomasson et Al, 2003), originally an abbreviation for Föreningen Auktoriserade Revisorer - Association for chartered public accountants, and nowadays it stands for Föreningen för revisionsbranschen - Association for the accounting profession. The association was founded in 1923 (www.far.se, 061205) and served as an interest group for chartered public accountants. During the 1940’s the organization started to give guiding advice, concerning accounting, which is called “recommendations” and “statements” since they are not binding. (Thomasson et Al, 2003) These recommendations and statements are important sources in court disputes regarding bookkeeping, accounting and audit (Ibid.), even though FAR has stopped making recommendations since the creation of Redovisningsrådet (RR) - the financial reporting council. The recommendations made by FAR are still viable since they are important when interpreting GRS, and as mentioned in the previous section, GRS is demanded by law. (Skatteverkets handledning, 2006) FAR has chiefly adapted foreign rules to Swedish conditions, and the American and English accounting recommendations have been the most important for the Swedish accounting practice (Thorell, 2003). In 2006 FAR and Svenska Revisorssamfundet (SRS) joined together into FAR-SRS, which is the trade organization for accountants and advisors (www.far.se, 061205).

3.3.2 BFN
BFN was set up in connection with the creation of the Swedish Accounting Act of 1976 (Thomasson et Al, 2003). The board is a governmental body and its purpose is to promote the development of GRS (Skatteverkets handledning, 2006). The reason for the creation of BFN was to have a governmental body with regards to stipulating the meaning of good accounting practice (Thomasson et Al, 2003). The board consists of eleven members appointed by the government, and assists the government office on issues concerning accounting and it also participates in investigations. Furthermore, BFN gives expert opinions on constitutional proposals. (Skatteverkets handledning, 2006)

BFN has the overall responsibility when it comes to setting standards for accounting in Sweden, notably for companies that are not quoted on the exchange. RR, another qualified regulatory body, is subordinate to BFN. This means that, should RR fail to make necessary recommendations or statements or even give recommendations or statements that are contrary to the law or binding regulation, BFN has to intervene with essential expert opinions. BFN has a special responsibility for the annual closing of the books for the companies that are not quoted on the exchange. Moreover, BFN has the primary responsibility for the book-keeping and the filing issues in all companies. Furthermore, the BFN comments on to what extent the recommendations made by RR are applicable, with regards to GRS, by other categories of businesses that are required to have book-keeping. (Ibid.)
3.3.3 RR
RR was founded in 1989 by the foundation for the development of GRS. The founder was the government through BFN, FAR and the Federation of Swedish Industries, (Sveriges industriförbund) which is now called the Confederation of Swedish Enterprise (Svenskt Näringsliv). It seemed disadvantageous having a regulation of accounting that was divided between several different bodies, which was the reason for creating a new body. This accompanied by international influence had a tendency to produce a disharmonious accounting practice. (Ibid.)

The present association for the development of GRS was formed in 1998 and it took over the foundations tasks. Neither BFN nor any other government body is represented in this association, and it works through RR, The emergency group (akutgruppen) of RR and the supervision panel (övervakninspanelen). (Ibid.)

RR makes recommendations for companies that are quoted on the exchange. These recommendations are in accordance with international practice. The IAS recommendations are to be used as a base when the recommendations are worked out. The recommendations can only deviate from them if Swedish law stops it or if there are other strong reasons. (Ibid.)

Since the IASB standard system addresses the same target group as RR, the IAS regulation has greatly impacted RR’s standard setting. Before, RR translated the Standards of IASB and adapted them to Swedish conditions, but now the council has chosen to refer directly to the IASB standard system. However, RR mentions in what cases exceptions or amendments to an IAS/IFRS are to be made. (Bjuvberg, 2006)

3.3.4 Finansinspektionen
Finansinspektionen (FI) is a government body that works with accounting issues concerning financial companies, i.e. banks and insurance companies. FI exists as a complement to BFN because the financial companies play a very important role in the economic systems and there can therefore be severe repercussions on society in general should those businesses have a crisis. This government body issues both binding regulations and general advice. (Thomasson et Al, 2003)

3.3.5 IASB
IASB is an international expert body that was created in 1973. It was called the International Accounting Standards Committee (IASC) but was transformed into IASB in 2000. (Ibid.) The board’s purpose is to harmonize accounting throughout the world on an international level (Skatteverkets handledning, 2006). The organization is since reorganization in 2001 composed of different categories of operators within the accounting field. Before this restructuring occurred the IASC was a pure expert body. (Bjuvberg, 2006) There was a debate regarding whether the International Organization of Securities Commissions (IOSCO) could accept IAS as a global accounting standard in all stock exchanges that are members of IOSCO. This was primarily the reason why the reorganization occurred. (Skatteverkets handledning, 2006) IASB has taken over the standards set by IASC without having changed the original term IAS (Bjuvberg, 2006). The recommendations made by the IASB since the reorganization are called IFRS (Skatteverkets handledning, 2006).
The IASC Foundation manages and funds the organization. The foundations work is carried out by nineteen trustees, who in turn appoint the members of the IASB. They also appoint the members of the Standards Advisory Council (SAC) and the International Financial Reporting Interpretations Committee (IFRIC). Furthermore, the foundation is among other things responsible for the follow-up of the activity and the approval of the budget. (Ibid.)

IASB is in charge of making recommendations and the decisions are made by fourteen board members. These members are supposed to represent auditors, companies, users of financial information and the academic world. SAC has about fifty members and is a platform where organizations and individuals, who have an interest in international financial reporting, can participate in the standard setting process. IFRIC follow current accounting issues that may entail a non-uniform and unacceptable handling, should there not be authoritative guidance. IFRIC consists of twelve voting members and two non-voting observers. These two represent the EU and the IOSCO. (Ibid.)

Figure 2: IASB’s organisation (Rimmel, 2006)
3.4 Current regulations

Within the system today the accounting area is regulated both by legislation and accounting standards (Lönnqvist, 2002) and the taxation area by law (Skattelagstiftningen, 2006). The legislation is the foundation of the regulation system; however it mentions several times that it is the GRS that is applied (Alhager & Alhager, 2004). This is mainly the standards set by the BFN, but can also to some extent be the standards from RR and IAS (Lönnqvist, 2002).

According to SKV there is a hierarchy within the accounting regulations starting with the accounting legislation, the regulations set by FI, and the regulations from the EU. Secondly, there are the general advice and recommendations from BFN, RR and FI and lastly the common practice in a particular business or trade. (Skatteverkets handledning, via Bjuvberg, 2006)

3.4.1 Swedish legislation

The most important laws that apply in corporate accounting is the Swedish companies act (Aktiebolagslagen, ABL), the Swedish annual accounts act (Årsredovisningslagen, ÅRL) and the Swedish accounting act (Bokföringslagen, BFL) (Lönnqvist, 2002), and the Swedish income tax act (Inkomstskattelagen, IL) in the taxation law (Sveriges Rikes Lag, 2006). When it comes to the civil law there are many different paragraphs that include taxation regulations that must be followed. Some of the more prominent areas are the untaxed reserves, valuation of stock, work-in-progress, equipment and tax allocation reserves. (Alhager & Alhager, 2004)

3.4.1.1 Revenues

The revenues are accounted for in accordance with the GAAPs and that is also the case in the taxation regulations. How the accounting is done is not regulated by any law but is found in the accounting standards instead. When a payment into the business is made the question is whether it is a revenue or not and that is normally determined by the seller’s achievement or lack of achievement. If the payment is made before the achievement, the seller will then account for a debt in the form of pre-paid revenues. (Ibid.)

3.4.1.2 Inventories

When valuing the inventories there are various methods to be used. The principal rule that is found in the IL is the same as in ÅRL and therefore no deviations in the accounting and taxation are found in this case. There is however one tax regulation that is not found in the accounting regulations, allowing a write-down (Ibid.) of 3 % of the acquisition value (IL 17:4) which is the only write-down allowed in the tax law. In other circumstances it seems that the regulations in the accounting and the tax are the same, allowing the inventories to be accounted for at the lowest of the acquisition value and the fair value. It is in 17:3 IL that the material connection is found since it states the same as 4:9 ÅRL. (Alhager & Alhager, 2004)

3.4.1.3 Work-in-progress

There are some particular tax regulations in this area, however it is stated in IL that the accounting principles are followed unless something else is stated in IL, meaning that the principal rule is that there is a material connection. RR states that according to the GAAPs you should follow the tax regulations, and one particular tax regulation that is not found in the accounting is a possibility to write-down the work-in-progress by 3 %. Another states that
amounts that have not been billed, that could have been billed according to the GAAPs, should be accounted for as revenue. This also shows a material connection. (Ibid.)

3.4.1.4 Equipment
It is allowed to use depreciation of equipment as recorded in the books as long as the deduction in the income-tax return corresponds to the depreciation made in the annual accounts. There are two different methods for depreciation described in the taxation law, one being the principal rule and the other being the supplementation rule and it is allowed to choose any of the two regardless of which rule was used the preceding years as long as the same method is used for the same types of assets during the same year. The principal rule allows a maximum deduction for depreciation of 30% of the foundation for depreciation, which is the assets book-value of the equipment the preceding fiscal year increased by the purchase-value of new investments during this year, decreased by the revenue from equipment sold during the year. The supplementation rule means that the maximum deduction possible is a yearly deduction by 20% of the purchase-value. Since the principal rule never will give a book-value of zero there is a need for the supplement rule. These rules are pattern rules since they do not take into consideration at what time during the year a piece of equipment was purchased. It is allowed to use one rule for one sort of equipment and the other for another sort, and the IL allows for the following three sorts to be used; machines and other equipment intended for permanent use, concessions, patents, licences, trademarks, tenancy rights, goodwill and similar rights that have been purchased and finally access charges or allowances for constructions that are intended for a building and not the person that owns it. (Ibid.)

When it comes to equipment, the un-taxed reserves and the appropriations will be made out of depreciation in excess of plan which will appear whenever the maximum allowed depreciation in the tax legislation will be higher than the depreciation in the accounting. When it is the opposite the un-taxed reserves will be brought back for taxation. According to ÅRL a business has to write-down equipment as soon as its value is below the purchase-value decreased by accumulated depreciation and the decrease in value appears to be lasting. In this case there is also a right to get a tax deduction in case of a total fair value of equipment that is below the lowest value possible according to the principal or supplement rule. (Ibid.)

3.4.1.5 Tax allocation reserve
Tax allocation reserves are used to even out the result and increase the possibilities for financing expansion investments with the business’ own means. Legal persons are allowed to allocate 25% of the result and natural persons are allowed to allocate 30% of the result. This deduction has to be brought up for taxation 6 years after the allocation was made at the latest. During these years it is allowed to bring it up at any time. The IL states that this deduction is only allowed if it is also made in the accounting, where it is made as an appropriation in the income statement and an un-taxed reserve in the balance sheet. (Ibid.) The use of tax allocation reserves is not as advantageous as it used to be since the business has to pay interest on the allocated funds. From January 1st 2005 all juridical persons have to account for a pattern income corresponding to 72% of the government loan interest at the end of November the second year before the fiscal year multiplied by the sum of the tax allocation reserve at the beginning of the year. (IL 30:6a 1st)
3.4.2 Standards

There are three different sets of standards that businesses can use in their accounting, the Swedish standards set by BFN, the standards set by RR, or the international standards set by IASB. (Lönnqvist, 2002) Depending on their size, businesses can choose either to use only the standards set by BFN or RR or they can use a combination of the two. In the consolidated accounting, businesses that are quoted on the exchange have to use IFRS while the non-quoted businesses can chose if they would like to do their consolidated accounting according to IFRS or RR. (FARs samlingsvolym del 1, 2006)

3.4.2.1 BFNAR

BFN has three different publications; general advice, directions and pronouncements. The general advice (Bokföringsnämndens allmänna råd, BFNAR) is often related to a paragraph in either BFL, or ABL, and is supposed to be used as a complement to the law. The directions are formed to help increase the understanding of the connection between the law and the general advice and give information on how to use the regulations and standards in the accounting practice. It is supposed to give a clear overview of all of the rules that is needed to keep in mind while doing the accounting. The pronouncements are about more specific questions but include, as well as the directions do, general advice. (www.bfn.se, 061128)

3.4.2.2 RR 1-32

RR has published 32 different recommendations out of which RR 1-29 concerns the companies that have stocks which are traded publicly or that are of common interest because of their size. RR 30-32 are more recent recommendations that applied from January 1st 2005 and are mostly for companies that are quoted on an exchange. All of the recommendations are based upon the regulations set by IASB and the only deviations from their regulations depends on the Swedish legislation or if other strong reasons appear. (www.redovsiningsradet.se, 061129) RR does not update the older recommendations, 1-29, anymore but they still apply, at least until some other kind of regulations are published (Pettersson, 2006).

3.4.2.3 IFRS

The IASB standard that deals with income taxes is IAS 12 (Smith, 2006). The standard is designed in a manner, in which the taxation legislation in the country where the company is active is of no importance (Ibid.). The aim of the standard is to set the accounting treatment for income taxes (www.iasplus.com, 061211).

There is still a formal link between the tax regulations and the accounting regulations in Sweden. This is evident through appropriations and tax allocation reserves. These are deductions made in order to defer the tax payments. In consolidated accounting this link does not exist. In lieu of this, deferred tax liabilities are shown on the income statement to illustrate the effect of these deductions. The rules of IAS 12 are almost the same as the rules previously used for consolidated accounting in Sweden. IAS 12, however, treats the effects on tax accounting by the differences between regulations regarding valuation in accounting and the rules that decide the result which the tax is based on. (Smith, 2006)

There are two different kinds of tax costs which are called current tax liabilities and tax assets or deferred tax liabilities and tax assets. The current tax is the tax calculated on the result,
which the tax is based on, and a liability or asset is shown depending on whether the amount paid is higher or lower than the correct amount. The deferred tax usually occurs when the carrying amount of an asset or a liability is different from that of its tax base. This is called a temporary difference because the effect of the difference is expected to be reversed in the future. A deferred tax liability or asset is shown in the balance sheet when the companies anticipate a lower or higher tax payment in the future. (Ibid.)

3.5 Current legislative discussion

The disconnection has been up for discussion for some years already. Right now there is an ongoing investigation led by the finance department which is going to find out whether or not there is a need for any changes in the tax legislation as a complement to the suggestions made in the government bill 2004/05:24. There is supposed to be a partial presentation of the investigation before the end of July 2007. (Dir. 2004:146)

Government proposition 2005/06:174 suggests that some simplifications are made in the taxation regulation to give private firms that establish simplified annual accounts a possibility to use the same accounts as a basis for taxation. (Prop. 2005/06:174) The tax committee has left an official committee report where they second the proposition from the government and the main parts of the proposition have been passed and will apply from January 2007 (Betänkande 2005/06:SkU31).

3.6 The internalization of accounting

Originally, Swedish legislation concerning accounting was predominantly influenced by the continental tradition. For many years, however, the influence has come from the Anglo-Saxon tradition. This is due to the increased importance of stock markets. Several large Swedish companies are quoted on the exchange and there are big stock markets in England and in the USA. (Thomasson et Al, 2003)

Swedish accounting has three different influences; international, foreign and regional. The regional influence is due to joining the EU in 1995. The IASB is the major international influence and the US GAAP is the predominant foreign influence. These influences have had effect on Swedish accounting regulation and practice. (Bjuvberg, 2006)

With regards to the international influence, the creation of BFN was an important event. BFN’s recommendation, BFN R1, which deals with expenses for research and development, was based on the relevant version of IAS 9 at the time. When RR was formed, the international influence became even stronger. The next important factor in this process was the Swedish membership in the EU. This led to the adaptation of Swedish accounting legislation into the accounting law of the European Communities (EC). This occurred through the introduction of ÅRL. The adaptation also led to the introduction of the principal of “true and fair view” into Swedish accounting. (Ibid.)

The idea behind harmonized accounting regulation was to facilitate the realization of a capital market within the Union. However, the market grew to be more and more international, and the accounting directives were deemed insufficient. The attempts to modernize the directives
were slow, mostly because of disagreements within the EU with regards to the suitability of directives as tools to achieve a harmonization of the accounting systems of the member states. The choice came to stand between accepting the standards set by IASB or the ones set by US GAAP. (Ibid.)

The regional perspective of the EU has grown into a global perspective and the EU-commission suggested a strategy, where the Union approached and supported the international harmonization work led by the IASC. The IAS regulation is the result of the ambition to harmonize accounting and it is binding to all the member states. (Ibid.)

3.7 New business categories
In February 2004 BFN decided to change the direction of the accounting standards and this includes a new categorization into four different size groups of the Swedish businesses. The new categories will be K1 – private firms and trading partnerships (HB) that is owned by physical persons, K2 – privately owned limited companies (AB) and small cooperative economic associations, K3 – smaller public limited companies and K4 – businesses that use IFRS in the accounting. The legislation process is ongoing and the first new regulations will start to apply in January 2007. (www.bfn.se, 061127)

3.7.1 Category 1 – K1
In January 2007 the first new regulations will start to apply and K1 is the first category out. The change for the private firms that will appear in the legislation will be the 3rd paragraph of the 6th chapter in BFL, where it will be stated that all businesses that have to do book-keeping and do not have to do an annual report instead have to do annual accounts. It is, however, allowed to make some simplifications in the annual accounts for the businesses with an annual turnover of less than 3 million Swedish crowns, SEK. It is for these latter businesses that the BFN have published general advice that also will start to apply from January 2007. (Ibid.)

There will also be changes that affect other small businesses such as privately owned trading partnerships and non-profit-making associations. The news will be that all of the businesses have to do annual accounts with the same simplifications possible as for the smaller private firms. All the book-keeping is supposed to be made in accordance with the good principles even though BFN has not specifically set any standards for the privately owned trading partnerships and the non-profit-making associations, the general advice for the private firms is not applicable in this case since the simplifications in the tax-regulations is only for the private firms. (Ibid.)

3.7.2 Category 2 – K2
The next category includes small privately owned limited companies and small cooperative economic associations and the regulations for this category are under evaluation right now and are expected to start to apply July 1st 2007. In the meantime BFN has published a draft of general advice that the businesses can choose to use if they do not prefer the old regulations which will be in use until the new general advice will be passed. The new regulation will simplify the accounting and focuses on the concept of prudence, valuation at purchase value, clear essentials regulations, and also the regulations will be gathered, the choices limited and
there will also be lingual and pedagogical simplifications. Since the draft has not yet been passed through all of the legislation process there might of course be some changes in the regulations before July 1st 2007. (Ibid.)

3.7.3 Category 3 – K3
This category includes the bigger limited companies and the bigger economical associations. Since the regulation process is in motion but not yet completed there have not been any new regulations made for this category, however the intention is to have a draft published sometime during the spring of 2007 and to have the regulations passed and applicable from the beginning of 2008. It is too early to say how the regulations might be formed since it will partly depend on an ongoing investigation with the connection between accounting and tax and also the SME-project (Small, medium enterprises) that is ongoing within the International Accounting Standards Board (IASB). (Ibid.)

3.7.4 Category 4 – K4
The fourth category is the businesses that are using the IFRS/IAS-regulations (Ibid.). In Sweden these are the businesses that are quoted on the exchange and do consolidated accounting (Internationell redovisningsstandard i Sverige IFRS/IAS, 2006). It is also voluntarily applicable for non-quoted businesses in their consolidated accounting (www.deloitte.se, 061218).

3.8 Business categories until January 1st 2007
Until recently there were three different sizes of businesses in corporate law, but since the new business categories have started to develop and also apply there was a need to change these as well. Before the small businesses had under 10 employees on average during the last two years and under 24 million SEK in net assets the last financial year. Big businesses had over 200 employees or net revenues that exceed 1000 price base amounts, which is a set number that is updated each year. (FARs samlingsvolym del 1, 2006) The price base amount for 2006 was 39 700 SEK, and the price base amount for 2007 is 40 300 SEK. (www.scb.se) Mid-sized business are in-between the big and the small. (FARs samlingsvolym del 1, 2006)

The new categorization has led to a change into only two different sizes in corporate law, big businesses and small. The categorization will be made out of three limits and as long as a business only exceeds one of those it will be small and if more than one is exceeded it will be a big business. The limits are 50 employees, 25 million SEK in net assets and 50 million SEK in net revenues. (FAR INFO nr. 4, 2006)

3.9 Advantages and disadvantages of a disconnection
The government’s need of control and the fact that accounting through its flexibility is very suitable when it comes to determining a true and fair result for the company are the basis of the current link between taxation and accounting. It can also be said that the quality of accounting is better due to this link. With a link it is also only necessary for one closing of the books and there is no need for two different sets of regulation for the accounting and the taxation. For SKV there is a clear advantage when it comes to administrative and control issues. (Skatteverkets handledning, 2006)
There is also the factor of the cost of compliance to consider. It can be argued that a separation of the tax and financial accounts will increase the costs of accounting. Moreover, the link is beneficial to businesses because the tax rules are linked to accounting principles which are based on the concept of prudence. (Blake et Al, 1997)

What can be considered as a disadvantage is that the development of GRS is jeopardized. This is a consequence of the holding back of quality changes due to the fact that they bring about a larger tax withdrawal. From SKV’s point of view, it can be argued that the companies have too much control regarding the basis for taxation and the time of taxation. There are also certain problems when it comes to the size of subjectivity in certain assessments. Therefore a tax link can be questioned. (Skatteverkets handledning, 2006) The tax-accounting link can also be considered a hindrance to the application of the International Accounting Standards (IAS) in Sweden, even though the IAS regulation does not demand its use on companies that are not quoted on the exchange. Furthermore, certain tax incentives have a distorting effect on the financial accounts and are therefore only relevant to the tax authorities. (Blake et Al, 1997)

### 3.10 The coalition model

The coalition model is also known as the interested party model and is mainly formed to suit an organisation. The intention of the model is that there are more interests to have in mind in a business than the interest of making profit for the owners. The many interested parties in an organisation often have interests that will conflict with one another. (Bakka et Al, 2001) The writers thought that this model, with modifications, also could be applicable to the problem in this essay since there will be conflicting interests among the interested parties in the investigation, for example SKV represents the government which has an interest in getting the highest taxes possible and the SN represents the businesses that have an interest in paying the lowest taxes possible.

![Diagram of the coalition model](image-url)
4 Empirical research

This chapter holds the material collected by the writers themselves. The process of the interviews is described in great detail in chapter 2 and the following gives an account of the respondents’ answers.

4.1 BFN

The first interview was with the respondent from BFN, Caisa Drefeldt, who is also a chartered public accountant since 1984 and works at KPMG, is a representative in the FAR accounting committee and writes articles in the trade magazine, Nytt från revisorn.

The business categories

Drefeldt has strong opinions regarding the disconnection and is well aware of all aspects of the problem in the essay. She says that she has been active regarding this question for quite some time and is also a bit troubled by where the investigation\(^1\) is heading since it is led by politicians whose main concern is to get taxes paid to the government and some of the accounting aspects are forgotten. One example where BFN is trying to affect the departments of finance and of justice is in the area of value-added taxes, VAT, where they want to change the use of the method for annual accounts and instead postpone the accounting for the input tax and therefore the payment from the government. This is something that she thinks has gone by unnoticed by the government which is why they do not want this. Drefeldt considers VAT to be an area where a lot of smaller businesses, K1, have problems with doing the accounting correctly. What she regards as the problem here is that the department of finance only sees it as trouble when it comes to getting the taxes paid, but Drefeldt says that they do not understand that it is only a matter of a lag in time, not a decline in taxes paid.

When it comes to the businesses in the second category, K2, a lot of the interested parties would like to have a connection between accounting and taxation to make it easier when doing the income-tax returns instead of having to make two different accounts. This is something that Drefeldt considers going too far since it makes the accounting completely wrong when we have to take the tax law into consideration.

One of the things that Drefeldt mentions is the depreciation as recorded in the books, which she considers to be a priority to disconnect from the accounting, not abolish the right to use it. She regards the powers of the interested parties to keep the connection within K2 to be strong, but when it comes to K3 and K4 there is a general understanding that the legislators have to release the connection between accounting and taxation. Drefeldt remarks, however, that it will be impossible to write a regulation that is dependent on the size of the business since there might be times when a business starts out in K2 and grows into K3 and somewhere ahead in time it will be back in K2 again. This is only one reason why she is a passionate advocate for the disconnection, she also points out that most countries in the world can do without the connection and there is no reason why it would not be possible in Sweden as well. It is not a problem to do the annual accounts and then make a couple of adjustments for tax purposes. In K2 it will probably be one or two adjustments that are needed and in comparison

\(^{1}\) Dir. 2004:146
with the system today where there for example are non-allowable expenses as well as non-taxable incomes it would not be that much harder.

**The biggest obstacle**
What Drefeldt considers to be the biggest obstacle for the disconnection is that the department of finance is too focused on taxes and that they do not have enough knowledge in the accounting area. It can sometimes be a problem when SKV do interpret the GRS and how they think that the businesses should do their accounting to get the highest possible taxes; this however has been shown to be wrong when it has been brought up in the courts where it is only the court and BFN that have the preferential right of interpretation.

**The opinion of the business owners**
When it comes to the businesses Drefeldt supposes that the bigger businesses would welcome a disconnection, since they do not use the depreciation as recorded in the books anyway. But in the smaller businesses there might be a problem since the depreciation rules have been there for ages. She also believes that the possibility to use depreciation as recorded in the books is good, but the load of assets has changed over the years and today, for example, the depreciation period is much shorter. Both this and the accounting of income are examples of questions where Drefeldt has had long discussions with both RR and SKV on how to solve it. She thinks that there are a lot of things that the tax regulations demands of the businesses that they would have been happy to get out of.

**The opinion of BFN**
When it comes to BFN, Drefeldt carefully points out that her opinions are not shared by all of the other members since they come from different places such as; the department of finance, SKV, the universities, SN, Lantbrukarnas Riksförbund (LRF) – the association for farmers and Sveriges Redovisningskonsulter Förbund (SRF) – the association of Swedish accounting advisors as well.

**The non-socialist government**
Drefeldt is hesitant whether or not the new government will make a difference for the disconnection since the people in the department of finance have been the same during a long time and everything has to go through them before it reaches the people in the government. The department is very powerful when it comes to these questions, but when it comes to the ongoing investigation a powerful part is also SKV and later on the referral level. Unfortunately she has concerns that this investigation will not lead anywhere since she has seen that happen before. There is a trend that everything is supposed to be simpler, and this will not be a simplification, on the contrary it will be a bit more difficult and that is another reason for these concerns. She also points out that this is a long process, and if we get a new legislation we will be looking at several years before anything happens anyway.

**The internationalization**
Another thing to bear in mind is the increasing internationalization and Drefeldt says that in the long-run this is not working, there needs to be a disconnection. But this is not the only thing that is happening in the world; she also said that she heard that the European commission has started to look at the small and medium enterprise project that IASB is running, which Drefeldt points out will be disastrous if it would be mandatory. She gives an
example that means that businesses with over 50 employees should value, among other things, their premises at fair value, which might give them an unrealized profit to take up for taxation. This will not be possible for a smaller business with quite a small profit and there will certainly not be a need for it either since the business will not be interested in getting funding from the international capital market. This problem shows that the more internationalization we have the greater importance there is to get the accounting disconnected from the taxation.

**Disadvantages**
The biggest down-side that Drefeldt can see with the disconnection is that there will be more work when doing the annual accounts, since today, you can fill in the income-tax return form at the same time, whereas the disconnection will provide some more work. She finishes by saying that this will not be a simplification, but if we do not change the tax law to follow GRS we will get accounting that is rubbish.

**4.2 Svenskt Näringsliv**
The Confederation of Swedish Enterprise was founded in 2001 when a merger took place between Swedish Employers’ Confederation and the Federation of Swedish Industries. The Confederation of Swedish Enterprise is a pro-business non-profit organization and represents nearly 55,000 Swedish companies. 51 trade and employer association members constitute the federation, and they represent 70% of the Swedish private sector. Furthermore, they employ 1.5 million people. (www.svensktnaringsliv.se, 061214)

The second interview was conducted with two respondents from the Confederation of Swedish Enterprise; Carl-Gustaf Burén and Rickard Hellenius. Carl-Gustaf Burén is the head of the field dealing with accounting issues. Previous to this position at Svenskt Näringsliv he has been active with economic and administrative tasks in the business world, primarily in construction and property companies. Rickard Hellenius has recently been employed at Svenskt Näringsliv, where he works with tax issues in companies. Before this employment he has worked as a tax consultant in one of the large audit firms and also at SKV.

**The opinion of SN**
Neither Burén nor Hellenius feel comfortable disclosing where they stand on this issue, since the confederation is a part in the investigation, and have not yet taken a definite position with regards to which side they will support.

**Advantages and disadvantages**
With regards to the advantages of a disconnection, Burén thinks that a clear advantage is that there will be an absolute relationship in terms of the law, that it is in fact the Swedish Parliament that owns the right to decide the taxes and impose them. Furthermore, the way that the accounting regulations develop, it can be driven to an extreme, that there can be a result based on taxes that does not match liquidity and the current tax at a specific moment. This means that there will be a wrong relation between solvency and the payable tax. In addition, if

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2 Dir. 2004:146
the accounting regulations are too difficult it can be very hard to determine what the correct tax is when applying these regulations to the tax legislation.

When it comes to the disadvantages, Burén points out that a disconnection is not something revolutionary since it already characterizes the taxation system. However, large parts of the running business activities can be said to be connected, which means that there has not been any need to build a specific readiness to deal with special tax issues. By doing the accounting, the prerequisites of the tax have already been taken care of in certain aspects. Therefore, a disconnection leads to a whole new regulation to take into consideration. Burén adds that the ongoing investigation deals with this issue, what a disconnection will mean with regards to increased demands on the internal routines of the companies, and the companies’ ability to live up to new tax legislation. Another problem arises in the next step, when there are disagreements regarding payable tax. With a disconnected system, especially in a transition period, there is nothing to fall back on. In the connected system there is a procedure, where one asks what the GRS is and is given an opinion. There are both directions and tested experiences in many cases, even though it is not easy to determine what GRS is in a specific issue. At least there is a common experience, but if there should be separate tax regulations there will be a neutral base. Burén feels that this is something to think about. What will this mean to SKV and the companies, when it comes to the running tax administration and with regard to disputes?

Hellenius concurs with Burén on these issues, but adds that it all depends on how this is solved, which legislative proposals that would come. There is a risk that it will be very detailed and that means there will be a need to be very knowledgeable in both accounting and taxation. At least he feels that it is a concern. However, he also points out that if one is to follow the current development, there will be consequences that would be unwelcome in regards to taxation, and then it would be better to regulate the tax separately.

Burén believes that the biggest obstacle of a disconnection is the construction of a taxation system that is easy to apply and is unambiguous. The system also needs to remove the obscurity when it comes to disputes and the investigation of what will happen. Therein lays a great challenge.

The opinion of the business owners
When asked whether this issue is something that the businesses care about, Hellenius says that it is, although he does not believe that many of them really understand what a disconnection would mean. Therefore, he feels that it is difficult to say anything about what businesses think in general. However, he points out that, historically, a connection has been good, because it has facilitated the income-tax work and the like. He also mentions that the result in the annual report is the basis of the determination of the tax.

Moreover, Hellenius says that a lot of debates started when new accounting regulations were introduced, and they heard about taxation on unrealized profits. When it comes to financial instruments the tax legislators solved the problem in deciding that it is still possible to continue an appraisal at the original acquisition values. However, now there is a concern with regard to the remaining areas.

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3 Dir. 2004:146
The internationalization
The internationalization of accounting is nothing that hinders a link between accounting and taxation according to Burén. He talks about a partial link and the way in which the financial instruments were dealt with. He feels that a system like that could work in the future. Furthermore, the internalization consists of several issues and much of what needs to be dealt with is not in conflict with ingrained tax regulations.

The non-socialist government
The fact that we have a new government in Sweden is not really something that Burén thinks will influence the matter. As of yet there has been no discussion about it. However, he thinks that there is a possibility that the recent proclamations of regulation simplification could have an influence by which he means the general statement that has been made, that there is an aim to decrease the regulation burden during this term. This means that everything involving this kind of work must be more clearly balanced, in terms of a simplification purpose. When it comes to simplifications it is primarily the companies own situations that will be a priority. If this is something that would be of more interest, the central point will be how the companies will adapt to a new system with regard to taxation.

The business categories
With regard to the new business categories, which range from K1 to K4, Burén points out that there will be a more well-defined regulation package for each of the categories, which means that with a continuation of the link, depending on whether there are large differences in the accounting, the payable tax will differ. However, with more clear and well-defined accounting regulations and the fact that the K2 company is distinguished by new limits, where statistically 95% of all limited companies are included, the content in the taxation regulation would be pretty much the same. This is a way of thinking that is being tried in the investigation.

Complications
At the end of the interview, Hellenius adds that keeping the book values and tax values separate is a burden, and very complicated already. A disconnection would complicate it further. Burén points out that a disconnection would put bigger demands on setting the correct amounts on deferred liabilities and assets with regard to a time perspective concerning the reports. This is an area that is difficult to overlook.

4.3 Skatteverket
The Swedish taxation government (SKV) is an administrative public authority that works with taxation, national registration, property taxation and estate inventories. SKV deals with these issues for both citizens and companies. (www.skatteverket.se, 061214)

The third interviewee was Kent Björkdahl at SKV. Björkdahl works as a legal specialist, primarily concerning accounting. For the past five years he has worked as a corporate tax investigator, but he has been at SKV since 1989. Originally, Björkdahl is a chartered accountant and he has worked as a tax accountant for several years.
Advantages and disadvantages
When asked about what he thinks would be disadvantageous with a disconnection, Björkdahl says that having a link is much easier for the companies since there is only one closing of the books. In addition, there are fewer tax posts to consider. What would be advantageous for SKV, in case of a disconnection, is the possibility of using special tax regulation. GRS always needs to be considered when doing accounting and should there be a disconnection; the way the accounting is done is not really of any importance, and that might make it easier for SKV.

The opinion of SKV
Björkdahl himself wants the link to remain. He believes in the strongest connection possible, or at least that the tax regulation is adjusted, so there are not too many differences and there are not too many adjusting posts. He feels that this would be the best for everybody. He points out though that this is not a general opinion at SKV.

The biggest obstacle
The biggest obstacle with regard to a disconnection, in Björkdahl’s opinion, is the more complex set of regulations that would be needed. He feels that, irrespective of a disconnection there will still be a need to register everything and in that regard, accounting is still the base. Therefore, a disconnection would lead to greater difficulties and more complicated regulations.

The business categories
Björkdahl says that he does not believe that companies really know what a disconnection entails. He continues by mentioning that a simpler regulation for the smallest companies, the private businesses, which now belongs to the K1 category, has been introduced. This was collaboration between SKV and BFN. He thinks that this regulation seems to make it much easier for the K1 companies. Most companies are smaller businesses and if they only have one system it simplifies matters. Furthermore, should there be a need for more adjustments, in case of a disconnection; the taxation legislation would have to adjust as well in order to not complicate matters too much. He believes that one would have to deviate from the accounting in some way if the link should be abolished. In Norway, there is a greater disconnection than in Sweden and the income–tax return form still has plus and minus posts, and Björkdahl does not know whether that is a more simple system.

Björkdahl thinks that the new business categories will lead to a greater disconnection for the bigger companies, but that there will be a tighter connection for the smaller businesses in order to keep it simplified. The big companies that are quoted on the exchange have to follow the international regulations and because of that he believes there may be a greater disconnection for them.

Björkdahl does believe that difficulties may arise with the new categories, when it is needed for a company to change category, for example either from K2 to K3 or the other way around. However, he points out that currently, when having a K1 company, it is possible to choose to use the recommendations made by BFN and RR instead. If there is a wish to do a complete closing of the books it is also possible.
Björkdahl continues by bringing up that it has been said that the accounting in Swedish companies is regarded as good, and that it is due to the strong link between accounting and taxation. Perhaps if there would have been completely separate regulations the book-keeping in the smaller businesses would not have been this complete. He does not know, however, if this is correct or not.

The non-socialist government and the internalization
The fact that there is a new government in Sweden, does not in Björkdahl’s opinion, have much of an impact on this discussion. There is the possibility that it might speed things up. He thinks there may be some adjustments, but the simplifications have been underway for a long time, and the previous government did bring this up. Björkdahl has a hard time imagining that there would be a difference because of this new government. He believes that what happens on an international level is much more relevant than a new government. For example, the audit obligation has been removed in several countries in the EU, and that makes it harder to resist. Furthermore, he acknowledges the fact that the international factor can influence the discussion concerning a disconnection since Sweden is one of the few countries with a strong connection.

When asked which party has the most influence in this matter, Björkdahl points out that SKV’s influence should not be exaggerated because he thinks that SKV complies with whatever the Swedish Parliament decides. He thinks that the international influence carries most weight.

The link as a preventive measure
Björkdahl mentioned earlier that he believes in a strong link between accounting and taxation. He thinks it has to do with his interest in accounting, and that it would be a shame if there would be a disconnection. He believes that it is important to have good accounting and that the book-keeping is satisfactory. Furthermore, he believes that SKV is an interested party that has an impact on companies that are insincere with regard to accounting. It is often when doing tax audits that mismanaged book-keeping is discovered and should there be a disconnection, the crimes may increase due to the fact that everybody knows that SKV does not need to check the accounting to the same extent. Therefore, Björkdahl believes that a connection works as a preventive measure. The knowledge that a tax revision can occur at any time is a good reason to keep the book-keeping in order.

Björkdahl does not think that the disconnection itself should be given so much meaning with regard to the possibility of increased crime. From a practical viewpoint, a whole lot is after all based on the book-keeping.
4.4 Accountant, BDO

The respondent representing the audit profession is Peter Lindberg from the medium-sized audit firm BDO. Lindberg has worked as a chartered accountant since the eighties and he also manages the office in Gothenburg. The businesses he works with mostly come from the trade sector.

Advantages and disadvantages

Lindberg points out early in the discussion that he thinks the disadvantages of the disconnection are more numerous than the advantages and he prefers to keep the tax connection with the accounting. One main reason for this is that the connection simplifies a lot for the business owners in making decisions, planning the activities and also helps them with what to do in other areas such as selling property. One important aspect that Lindberg notices in his work is when it comes to selling businesses of all sizes, the buyer and seller do not agree or understand if the other party means the whole company or just the business. The buyer is often just interested in the company and this often includes equipment etcetera that might be accounted for below fair value, hence a profit that is taxable for the seller. The seller, on the other hand, would prefer selling the entire company, but if the buyer is another company, this means that he can not deduct the goodwill that would appear since it in this case would be concern goodwill and this gives a rise in the sum paid with 28%. Only buying the business instead would give goodwill that is depreciable in the company for the buyer and a much more profitable solution for him. A big advantage with the connection and the current legislation in Sweden is that selling companies is tax-free and this makes it profitable for international companies to have their parent companies situated here.

When it comes to why Lindberg would like to keep the connection he also compares with Denmark where the systems are completely disconnected and the businesses have to do two different closings of the books and this does not support the idea of simplicity and understanding from all business owners. A system similar to this might even give incentives to strive for different tax effects instead of focusing on the core business, according to Lindberg. He means that it might be difficult for smaller companies to see tax effects and for them it is easier with the connection. Different incentives to act in a certain way for tax reasons is something Lindberg has seen before, since businesses were allowed to deduct 40% of the inventories in the eighties which created a hysterical buying behaviour in the businesses before the end of the year inventories, buying that was not economically needed in the business. Lindberg concludes that it is better for everyone if the business owners focus on their core business instead of tax measures.

The opinion of the business owners

In Lindberg’s opinion it should be the businesses that are against a disconnection since it would make the income-tax return process a lot more expensive. A possible second annual account would make it a lot more difficult and especially for the smaller businesses it would be a question of knowledge since there often is nobody with economic skills employed. Lindberg considers it to be best for the businesses when they have an income statement that ends with a profit and the business owner knows that this is the profit on which he is supposed to pay taxes.
The biggest obstacle
The authority that Lindberg thinks is the one who is most against the disconnection is SKV since it will make it a lot more difficult for them. The income-tax return, for example, is based upon the result stemming from the civil law regulations and SKV also uses the electronic registries available from Bolagsverket, the Swedish business registration government, where they can get access to the annual reports whilst inspecting the income-tax return. This is one further reason why Lindberg would like to keep the connection as strong as possible. He can not see the purpose of a disconnection at all. He also mentions that we do have some disconnection when it comes to property since the businesses can choose to have depreciations according to plan in the book-keeping and depreciation according to the tax regulations, although most businesses choose to use the tax regulations in the book-keeping anyway, according to Lindberg.

The internationalization
Since the political will today is mostly about simplifications, Lindberg does not see a disconnection as likely, but he is aware of the fact that the internationalization might lead to a forced disconnection in the future. The point of the tax system is that it is supposed to be simple and understandable and it is a prerequisite from the legislators that everybody can do their own income-tax return. Even though this is not the case today either, a disconnection however, will make it a lot more difficult and counteract this purpose. Lindberg does think that simplifications are good and he thinks that if there are less special regulations there will be simplifications for the businesses and it could be needed, especially for the smaller businesses where the economical competence might not be very high. This is a problem already when the business owner does not know what happens with the tax if he acts in a certain way in the accounting.

The non-socialist government
When it comes to the recent change in government in Sweden, Lindberg believes that the non-socialist government might want to create more special regulations, which might be good for the business owners. His opinion is also that a socialist government probably is keener on keeping the connection than the non-socialists are. Although Lindberg points out that this is only speculation since the government has said that they would like to simplify for the businesses and this will not be the case with a disconnection.

The governmental situation is also important when it comes to which authority has the greatest say in the disconnection discussion, and it is Linderg’s opinion that a socialist government might listen more to the people and SKV while the non-socialist government probably is more interested in what the EU and the business organisations think.

The opinion of auditors
When it comes to the audit profession in general, Lindberg believes that the opinions regarding the disconnection are varying. He thinks it is mostly a matter of which kind of businesses the auditors work with, the bigger the business the more interested the auditor probably is in a disconnection.
5. Analysis and conclusions

The last part of the essay ties all the other chapters together in an analysis that will come to conclusions which can be drawn from the study that has been conducted. At the end the reader will also get some suggestions for further research research.

5.1 Business categories

All of the respondents except one have discussed the forthcoming categorisation in category 1-4 of businesses in one way or another. Depending on the respondents’ perspectives and backgrounds the discussion has been a bit varied as it has in the other questions as well. In the interview with the auditor, Lindberg, the business categories did not come up during the discussion as a contributing factor to a possible disconnection, but he did say that the problems with buying and selling businesses do come up in all sizes and categories of businesses and the fact that it is tax-free in Sweden. When it comes to who has the biggest knowledge and most opinions in this area of the respondents in this study, Drefeldt who represents BFN is a strong candidate. She talked a lot about the business categories and naturally she is very well informed in the matter since BFN is the body that creates the guidelines. She points out aspects that should be simplified for the businesses in K1, such as value added tax (VAT) and that the businesses in K2 would benefit from a disconnection since the accounting turns wrong when using the tax regulations. The area that she thinks is a priority to disconnect is the depreciation as recorded in the books.

Drefeldt points out that the general forces are stronger to keep the connection in the two smaller categories but to release the two bigger ones from several connected areas. She is, however, of the opinion that it would not be possible to write a law that has different regulations depending on what size the business is, especially since the businesses are changing and might be in one category this year and another one in a couple of years. Burén from SN says that with a continuation of the link, the payable tax will differ in-between the business categories since the regulations will be different. Regarding the views from SKV, Björkdahl says that he can see a problem when businesses switch between the categories if the regulations were to be different depending on the size and category they belong to. He is also of the opinion that the categories will lead to a bigger disconnection for the bigger businesses and as well as Drefeldt, he would like to have simpler regulations in the businesses in K1, which he believes is solved by a stronger connection. He also mentions that the K1 regulations already are simplified and that the use of a connected system must be the most beneficial for them.

When putting all the opinions together to view the problem from different perspectives it is clear that the business categories are of different importance as well as have a different meaning to the respondents representing the varying interested parties. BFN, as the writers suspected, is very interested in the categorization and does see the connection with the disconnection debate as very important and meaningful for the regulations that will come. The organisation representing the businesses themselves did not have a lot to say about it, probably since the regulations are not in place yet and therefore have not had any impact on their work so far. Since this is a matter that will be of great importance in the future it will probably be more interesting to examine this perspective over time, today the interested
parties do not know how it will affect their viewpoint and that is probably why the answers were not that clear. The opinion from the respondent from SKV is pretty clear, since the work at that authority will be simplified with a clear connection. Dividing the businesses into categories will probably eventually lead to a need to change the taxation regulations regardless of the disconnection. When all of the categories are in place the taxation regulation has to adjust to still apply in accordance with the accounting regulations and if the link is cancelled, there will be a need for a whole new taxation regulation system. This however is something that lies in the future and is only a conclusion that the writers have drawn from the information that is available today.

5.2 Business owners’ perspective

When it comes to the opinions of the business owners this study focuses on what the respondents think is better for the businesses and what opinions they have got in their work with the businesses. What the business owners themselves think is a whole different study, nevertheless important and interesting. Björkdahl is concerned that the business owners do not really know what a disconnection might lead to and he is convinced that the smaller the business, the bigger the need for simplifications. Drefeldt, on the other, hand mentions that she thinks the bigger businesses might welcome the disconnection while she, as Björkdahl said, also believes that it might cause some problems in the smaller businesses. At SN, Hellenius follows the lead of Björkdahl as he also points out that the understanding of the consequences in the businesses might not be very high and he therefore argues that it is hard to make any general conclusions as to what the business owners might think. What he does say, however, is that in the past the connection has made it easier for the businesses. A concern amongst the business owners, according to Hellenius, is the ongoing discussion regarding the taxation of unrealized-profits and how that might be solved, but whether the disconnection would affect this is not clear. Lindberg is very clear in his opinion; he believes that the business owners are against the disconnection, since it would lead to higher costs and more effort. He especially points out that it will be problematic in the smaller businesses since they do not have the competence needed if the regulations get more complex.

It seems that the respondents are concerned with two aspects, the first being the lack of understanding amongst the business owners, making it impossible for them to take correct stands in the disconnection debate, and the other being a more complex regulation system that seems to be inevitable with the disconnection, making it a lot more difficult and expensive especially for the smaller businesses. Since the business owners were not consulted it is not certain that this really is the case, but it seems likely that it will be more difficult, since the business owners are running their businesses according to the regulations today they may not be aware of the changes that can take place sometime in the future. Also many of the smaller businesses, as the respondents have mentioned, do not have a lot of economical competence and maybe they can not make qualified statements on this issue anyway. It is clear, however, that there is a general wish to keep the accounting as simple as possible for the smaller businesses and that is what the new business categories are supposed to do, so this is a step in the right direction. If the disconnection would complicate things further maybe, that is not in the smaller business owners’ best interest. In the bigger businesses however, it might be welcome since they have their own departments of accounting where specialists do the book-
keeping according to the accounting regulations anyway and already adjusts when it comes to the income-statement, they might even benefit from the disconnection.

5.3 General opinion?
This is a subjective study where the respondents represent their own point of view, but their opinions are from the perspective of someone with their professional role. Even though it is the respondents’ opinions that are the focal point, the question was asked whether they think that their views are general in their organisation or profession. When it comes to BFN, Drefeldt argues that the opinions regarding the disconnection are spread since the members represent different interests in society, and all of them do not share her opinions. Though she is a strong advocate for the disconnection, others might disagree. The respondents from SN does not take a general stand themselves if they are against or for the disconnection, since the organisation is involved in the finance department’s investigation and has not taken a public stand yet. Lindberg believes that the opinion amongst the audit profession is spread; he sees it as likely that it is affected by the kind of business they mostly work with. Since he mainly works with smaller businesses it is natural for him to want the connection to stay. Björkdahl is of the opinion that it is valuable to keep the link but he does not think that this is a general view at SKV.

It is important to think about what perspective the question is seen from. However, the subjective nature of this study does not qualify to make any general statements of the opinions, only ideas of how the different interested parties think. It is interesting to see that both the respondent from SKV and the auditor shared the same opinion even though it comes from different conclusions that a link is better. One similar thing is that both of their jobs are probably easier with the link remaining. Drefeldt is also an auditor, but working at BFN with the categorization and, as well as Lindberg, a focus on smaller businesses, she is of the opposite opinion. The writers think that this might be because Drefeldt sees the bigger picture while the other two are more isolated in their view since they only see it through the goggles of their profession. It would have been interesting to see what respondents from SN might think, but that can only be shown by another study in the future.

5.4 Internationalization
The European Union, IASB, US GAAP and a quickly evolving business climate have made the impact of internationalization on the accounting evident. Lindberg has pointed out that internationalization might lead to a forced disconnection in the future, but Burén does not agree. He thinks that it would not be a problem to keep the connection even though the accounting regulations are more set by international standards. He exemplifies his reasoning with the way that financial instruments have been dealt with today and says that it is possible to have a partial link instead. Drefeldt on the other hand believes that internationalization will demand a disconnection in the long-run; she even believes that a disconnection will be much needed to make the internationalization in the accounting work. Björkdahl mentions the dropped audit obligations in other European countries to be one aspect of the internationalization to bear in mind and that internationalization might affect the connection in Sweden since it is not as strong in other countries. He also believes that the bigger businesses will experience even more disconnections since they follow the international rules.
All of the respondents were aware of internationalization as a prominent factor in the discussion. Except for Burén they have all acknowledged the fact that this might lead to a disconnection. The most probable scenario when regarding the views of the respondents is that in time, there will be a higher degree of disconnection, if not a complete one, since this is where international development is heading. As Björkdahl mentions, the material connection is important for the accounting in the businesses since he believes it to be important that the quality is high if it is supposed to be used as a basis for taxation. As long as all of the interested parties have the same view there would not be a problem in making the connection work. However, the writers believe that it is important that it is clarified what is intended by GRS that is often referred to in the taxation law, to make this work. What the future holds is still only at a speculative stage, but since the department of finance presides over an ongoing investigation it seems as we are approaching some kind of solution. At least the respondents in this study have acknowledged the possibility of a disconnection, but the legislation process does take its time and we probably will not see a complete solution in the nearest future.

5.5 The non-socialist government

The authors mentioned in the problem analysis that there has been a government change in Sweden recently. Now the country is led by a liberal coalition government as opposed to the previous Social democrat government. The question whether this fact might influence the outcome of the ongoing investigation concerning a disconnection between taxation and accounting arose, and all the interviewees were asked their opinions in the matter.

Drefeldt, Burén and Björkdahl are all hesitant whether or not this is in fact something that will concern a potential disconnection. They all, as well as Lindberg, mention the proclamations made of regulation simplification, and that this could possibly have an influence. However, a disconnection would not be simpler. In fact, more regulations would be needed. Björkdahl points out though, that the simplifications have been underway for quite some time, and that it was in fact the former government that brought it up. Björkdahl is quite sceptical to the government change being important in this matter and persists in events happening on an international level being much more relevant. Lindberg also believes that the socialists are more inclined to keep the connection than the liberals, and that the socialists listen more to the people and to SKV whereas the liberals lean more towards what the EU and the business organisations think. Drefeldt’s main argument for the new government not being important in this issue is that the people in the department of finance have been the same for a long time and everything has to go through them before it reaches the people in the government. She also points out that this is a long process and should there be new legislation there will be several years before anything happens.

It seems as most of the interviewees believe that the government change really does not have a great impact in this matter. However, they all acknowledge that the simplification proclamation would not facilitate a disconnection as that would in fact lead to more regulations. In view of these answers, the authors conclude that the new government probably will not make a difference with regard to a potential disconnection between taxation and accounting.
5.6 Advantages and disadvantages

An advantage of a disconnection is that the development of GRS is not threatened, and this is something that the respondent from BFN, Drefeldt, emphasizes when she states that although a disconnection would require more work, the accounting will be rubbish if the tax law does not change in order to follow GRS. Another advantage is pointed out by Burén from SN, who says that there will be an absolute relationship in terms of the law, because the parliament does in fact own the right to decide taxes and impose them. He continues by also commenting that with a link there will be a wrong relation between solvency and the payable tax with regard to the way accounting is developing. In addition, there is the concern of having difficulties determining the correct tax when having to apply difficult accounting regulations to the tax legislation. Björkdahl finds that a disconnection might make it easier for SKV, because then they do not really have to take into consideration how the accounting is done to the same extent.

The tax link is also being questioned with regard to the amount of control the companies have concerning the basis for taxation and the time of taxation. Another concern is the size of subjectivity in certain assessments. Another advantage found is the concern that a link could be considered a hindrance to the application of IAS in Sweden.

The disadvantage that is brought up in all our interviews, is that there would be more regulations to consider, and therefore more difficult. However, Drefeldt persists in the fact that most countries in the world can do without the link and there is no reason why it would not be possible for Sweden as well. She also says that it is not a problem to do the annual accounts and then make a couple of adjustments for tax purposes. Burén and Hellenius on the other hand, are not only concerned with the difficulties a new set of regulations would mean, they also take the next step, concerning disagreements about the payable tax, into consideration. There will be no common experience to fall back on as there is with regard to GRS. Both Hellenius and Lindberg are concerned with the extra knowledge needed should there be a disconnection. Björkdahl gives another reason for continuing the link, and that is the preventive measures it serves with regard to accounting crimes.

All the respondents clearly think that the primary disadvantage of a disconnection would be the extra work needed for everyone involved. This together with the matter of cost of compliance is a strong reason to not disconnect. Furthermore, there is no common experience to rely on when disputes occur. However, the authors feel that this in itself is not a viable reason to refrain from doing something, as this is the situation most of the time when something new is introduced. Maybe, there could be a possibility to look into how other countries that have disconnected, have dealt with this issue. The issue of the link preventing crime is an important factor, but as Björkdahl mentioned, it is not really the disconnection itself that would cause crime, it is rather the accounting. Since SKV would not need to audit the companies in the same way, maybe a solution could be thought of, in order to prevent insincere book-keeping.

A strong reason to disconnect is the fact that GRS would improve. This would result in better accounting in the way that quality changes would not be held back in order to avoid larger tax
withdrawals. The authors think that this is a rather important argument in favour of a disconnection. Another factor to consider is the development within accounting. Is it reasonable to continue with a link that, should the accounting regulations become more difficult, would lead to consequences that would be quite unwelcome with regard to taxation? It all really comes down to how the difficulties and their impact on taxation law would be dealt with and that is difficult to know before there have been any legislative proposals introduced. A disconnection would facilitate comparisons with companies in other countries and it would be easier for companies that are involved in international trade. With the ever increasing internationalization, the writers believe that a disconnection would be favourable, or at least a partial disconnection. However, it is difficult to say whether small businesses with no international trade should have to deal with an extra set of regulations. There are strong arguments on both sides and it will be interesting to see what the future holds.

5.7 Biggest obstacle

Lindberg believes that the biggest obstacle for a disconnection is SKV, because it will be more difficult for them. The current system facilitates administrative and control issues. Björkdahl, on the other hand, believes that it is the more complex set of regulations that will be the greatest obstacle. Burén and Hellenius are of the same opinion, but also add that it is not only the construction of a new taxation system, but the question of how to make it easy to apply and make it unambiguous that will be a hindrance. Drefeldt thinks that it is in fact the department of finance that is the greatest hindrance, since they do not have enough knowledge in the accounting area.

It seems as though the more difficult regulations required are an important factor, and in the light of the governmental policy of simplification, could indeed be an obstacle. Furthermore, it seems reasonable that the design of the regulations may be of concern in this matter. In addition, the writers can see the difficulty of having a lack of knowledge in accounting at the department of finance. Furthermore, the authors believe that thorough investigations, where all needs of the interested parties are taken into consideration, are crucial if there were to be a reason for a new regulation.

5.8 Summary of conclusions

The problem the authors set out to investigate in doing this essay is whether it is preferable or likely that a disconnection would occur between taxation and accounting in Sweden. The basis is the personal thoughts and reflections of people representing different interested parties.

The conclusion that can be drawn from the interviews with the five respondents with regard to the problem presented is that it is not preferable with a disconnection, even though there are strong arguments in favour of such an event. There are obviously also those who wish this to happen, but the overall impressions were negative towards a disconnection. The likelihood of a disconnection is a different matter. The international influence cannot be denied, and almost all the respondents believe that it can lead to, if not a complete disconnection, a higher degree of disconnection than exists today. However, it is not very likely that this would occur any time soon.
It is not certain what will be in the best interest of the businesses. The bigger companies and those that trade internationally will probably benefit from a disconnection since it is more common in the rest of the world to have a disconnection. It would also facilitate comparisons of different companies on an international level and increase the quality of the accounting. However, it is probably not in the best interest of the smaller businesses, since they would have to do more work at a higher cost, and this also goes against the new K 1-4 business categories.

5.9 Suggestions for further research

An aspect that would be very interesting to investigate is how other countries have dealt with their disconnection with regard to regulations and in the event of a dispute. Moreover, it could be of interest to see whether the “common experience” existing in countries, that have always had a fairly disconnected relation between accounting and taxation, can be used in Sweden if there were to be a disconnection.

Another interesting approach could be to further investigate GRS, and the impact of a continuance of the link or a disconnection on GRS, especially with regard to the ongoing development within accounting. Furthermore, an in-depth study of what businesses think would also be interesting.
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Appendix 1

Intervjufrågor

- Vilka är fördelarna respektive nackdelarna med en frikoppling?
- Vad är det största hindret för en frikoppling? Kommer någon part att ”förlora” på en frikoppling?
- Vem kommer att påverkas mest av en frikoppling?
- Är det möjligt att behålla kopplingen i framtiden med tanke på den ökade internationaliseringen/globaliseringen?
- Vad tror du kommer att hända? Vad vill du ska hända? Vad är mest troligt?
- Har det faktum att en ny regering har tillsatts någon betydelse för den här diskussionen?
- Vem har mest att säga till om i frågan? Vem har störst inflytande?
- Kan en slopad revisionsplikt för mikroföretag påverka?
- Påverkas kopplingen av de nya företagskategorierna?

Interview questions

- Which are the arguments for and against a disconnection?
- Which is the biggest obstacle to a disconnection? Is there a particular party that might have something to loose if there would be a disconnection?
- Who will be the most affected by a disconnection?
- Is it possible to keep the connection in the future regarding the increasing internationalization/globalization?
- What do you think will happen? What do you want to happen? Which of the two is most likely?
- Has the recent governmental change had any impact on this discussion?
- Who has the greater say in the issue? Who is most influential?
- Can an eventual abolishment of the compulsory audit in smaller businesses have any effect?
- Is the connection affected by the new business categories?