

The Swedish Tax Agency's announcements (Sw. Meddelanden)

Unofficial office translation

SKV M 2024:5

Information from the Swedish Tax Agency ("STA") on allocation of acquisition costs for shares due to the redemption in 2024 of shares in Kinnevik AB against cash consideration

The offer

Kinnevik AB, corporate identity number 556047-9742 (Kinnevik) has stated the following.

The Annual General Meeting of Kinnevik, on June 3, 2024, decided on a share split 2:1 combined with redemption without any application procedure. The decision entailed a share split where registered shareholders in Kinnevik for each held A or B share in the company on the record date of June 10, 2024, received one ordinary share of series A or B, respectively, and one redemption share of series A or B, respectively.

The last day for trading in Kinnevik shares including the right to redemption shares was June 5, 2024.

Trading in redemption shares could take place during the period June 11–25, 2024. After this, the redemption shares were automatically redeemed for 23 SEK per share.

Allocation of acquisition cost between remaining shares and redemption shares

In case RÅ 1997 ref. 43 it is stated that redemption shares, received as a result of an existing shareholding, should not be considered to be of the same series and type as other shares in the company and that the acquisition cost for the original shares should be allocated between remaining shares and redemption shares based on the market values at the time of the separation of the redemption shares.

Kinnevik series A and B shares are listed on Nasdaq Stockholm.

Series A shares

The last day of trading in Kinnevik series A shares before the split and the separation of redemption shares was June 5, 2024. The lowest price paid on that day was SEK 122.20 SEK.

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The series A redemption shares could be sold on the market and were listed from June 11, 2024. The lowest transaction price that day was 22.90 SEK.

Therefore, of the original acquisition cost for series A shares, $(22.90 / 122.20 =)$ 19 percent should be attributed to the redemption shares and 81 percent to the remaining shares.

Series B shares

The last day of trading in Kinnevik series B shares before the split and separation of redemption shares was June 5, 2024. The lowest transaction price that day was 121.55 SEK.

The series B redemption shares could be sold on the market and were listed from June 11, 2024. The lowest transaction price that day was 22.90 SEK.

Therefore, of the original acquisition cost for series B shares, $(22.90 / 121.55 =)$ 19 percent should be attributed to the redemption shares and 81 percent to the remaining shares.

Swedish tax rules on share redemptions

When shares are redeemed in a company, the shareholder is considered to have sold the shares. A capital gain calculation must therefore be prepared. When undertaking this calculation, the shareholder may deduct the part of the original acquisition cost that pertains to the redeemed shares.

Alternatively, there is a standard method that can be used for listed shares. The standard method implies that the acquisition cost may be calculated as 20 percent of the remuneration for the redeemed or sold redemption shares.

Since the redemption shares were traded in the market for a certain period, the shares are considered as listed.

Example

If the acquisition cost for a Kinnevik series B share immediately before the share split is 50 SEK in this example, $(0.19 \times 50 =)$ 9.50 SEK should be attributed to the redemption share. The remaining share has an acquisition cost of $(50 - 9.50 =)$ 40.50 SEK.

If the redemption share is sold or redeemed for 23 SEK, a capital gain of $(23 - 9.50 =)$ 13.50 SEK arises.

The STA has decided on general guidelines for the allocation of acquisition costs between remaining shares and redemption shares, see SKV A 2024:12.