

# The Swedish Tax Agency's notices (Sw. meddelanden)

Unofficial office translation

## **Information from the Swedish Tax Agency ("STA") on allocation of acquisition cost and on determination of the sales price and acquisition cost with respect to the redemption of shares in Kinnevik AB against Swedish Deposit Receipts ("SDRs") in Millicom International Cellular S.A. in 2019.**

**SKV M 2019:23**

### **The offer**

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

The shareholders in Kinnevik decided, at an extraordinary general meeting held on 7 November 2019, to distribute Kinnevik's entire shareholding in Millicom International Cellular S.A. (Millicom), in the form of SDRs listed at Nasdaq Stockholm. The distribution was made through a 2:1 share split, meaning that each A and B common share in Kinnevik was split into two shares; one redemption share and one common share identical to the original share. The share split was combined with an automatic redemption against a repayment of 0.1372 Millicom SDRs for each redemption share (regardless of share type). The redemption was made solely against repayment of Millicom SDRs, and not against any cash consideration.

The last day of trading in Kinnevik shares before the split was on 12 November 2019. The record date for the share split, and the right to receive redemption shares, was on 14 November 2019.

The redemption shares were traded between 15 to 29 November 2019 on Nasdaq Stockholm. The record date for the right to receive Millicom SDRs was on 3 December 2019. The shareholders of A and B redemption shares on that day received 0.1372 Millicom SDRs per redemption share. The Millicom SDRs were distributed on 5 December 2019.

Millicom SDRs that could not be distributed pro rata (so-called fractions) were sold after redemption collectively by Nordea on behalf of the shareholders. The cash was subsequently paid out to the relevant shareholders around 16 December 2019.

## **Allocation of acquisition cost on remaining shares and redemption shares**

In case RÅ 1997 ref. 43 it is stated that redemption shares, received on the basis 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 Class A and B shares are listed on Nasdaq Stockholm.

### **Class A shares**

The last day of trading in Kinnevik Class A shares before the split and the separation of redemption shares was on 12 November 2019. The lowest price paid on that day was SEK 267.

Class A redemption shares could be sold in the market and were listed as of 15 November 2019. The lowest market price that day was SEK 50.

19 percent of the original acquisition cost for Kinnevik Class A shares should be allocated to the Class A redemption shares (50 / 267) and 81 percent to the remaining Class A shares.

### **Class B shares**

The last day of trading in Kinnevik Class B shares before the split and the separation of redemption shares was on 12 November 2019. The lowest price paid on that day was SEK 257.30.

Class B redemption shares could be sold in the market and were listed as of 15 November 2019. The lowest market price that day was SEK 52.78.

21 percent of the original acquisition cost for Kinnevik Class B shares should be allocated to the Class B redemption shares (52.78 / 257.30) and 79 percent to the remaining Class B shares.

## **Swedish tax rules on share redemptions**

When a shareholder redeems shares in a company, the shares are considered to be disposed of. A capital gains calculation must therefore be made in connection with the redemption. When calculating the capital gain, the shareholder may deduct the original acquisition cost for the redeemed shares from the remuneration received.

Alternatively, there is a standard method that can be used for listed shares. The standard method implies that the acquisition cost may be calculated to 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.

The redeemed shares are considered to have been sold for a price corresponding to the value of the remuneration received, in this case, the value of the SDRs received in exchange.

The Millicom SDRs received are considered to be acquired for the value corresponding to the redeemed shares. In general, this value is equal to the value of the received SDRs.

The valuation of the redeemed shares should be based on the value of the day that the transfer is definitive. Normally, this is the last day for when the redemption shares can be traded in the market.

### **Sales price for Kinnevik Class A and B redemption shares and acquisition cost for Millicom SDRs**

The valuation of the redeemed shares is normally based on the value of the day that the transfer is definitive. However, as Kinnevik's dividend of Millicom SDRs significantly increased the number of SDRs traded on Nasdaq Stockholm, the value on 5 December is a more accurate value.

The sales price of the redemption shares in Kinnevik should be calculated on the basis of the lowest price paid for the Millicom SDRs received in exchange for the redemption shares on 5 December 2019.

The lowest price paid for Millicom SDRs on Nasdaq Stockholm on 5 December was SEK 438.

For each Class A and B redemption share, the shareholder received 0.1372 Millicom SDRs. The sales price for a Class A and B redemption share should therefore be calculated to  $(438 \times 0.1372=)$  SEK 60.09.

The acquisition cost for Millicom SDRs received should be calculated to  $(60.09 / 0.1372=)$  SEK 438 per Millicom SDR.

### **Example**

If the acquisition cost for one Kinnevik Class B share immediately before the share split in this example is SEK 100, SEK  $(100 \times 0.21=)$  SEK 21 should be allocated to the redemption share. The remaining Kinnevik Class B share will then have an acquisition cost of  $(100 - 21=)$  SEK 79.

If the redemption share of Class B is redeemed, the redemption would result in a capital gain of SEK  $(60.09 - 21=)$  SEK 39.09.

The STA has decided general advice on the allocation of acquisition costs and the determination of the sale price and acquisition cost due to redemption of shares, see SKV A 2019:28.