

The Swedish Tax Agency's Notices

ISSN 1652-1447

Information from the Swedish Tax Agency concerning allocation of acquisition costs as a result of the 2008 redemption of shares in Höganäs AB for cash payment

**SKV M
2008:10**

The offer

Höganäs AB ("Höganäs") has stated the following.

On 21 April 2008, a resolution was adopted at the Annual General Meeting of Höganäs in respect of a share split 2:1 combined with redemption without any notification procedure. The resolution entails a share split whereupon those persons who were registered as shareholders of Höganäs on the record date of 16 May 2008 received for each share held of class A and class B respectively in Höganäs one ordinary class A or class B share and a redemption share of class A or class B.

The final day for trading of class B shares in Höganäs including the right to redemption shares was 13 May 2008.

The class A redemption shares were not subject to any market trading. Trading in respect of class B redemption shares could take place during a period from 19 May 2008 until 30 May 2008. Thereafter, the class A and class B redemption shares were automatically redeemed for SEK 15 per share.

Allocation of the acquisition cost in respect of ordinary shares and redemption shares

It is apparent from case RÅ 1997 reference 43 that redemption shares which are received as a result of holding of shares shall not be deemed to be of the same type as other shares in the company. It thus follows that the acquisition cost for the original shares shall be divided between redemption shares and outstanding shares on the basis of their market value in conjunction with the separation of the redemption shares.

The class B shares in Höganäs are listed on OMX Nordiska Börs Stockholm whereas the class A shares are not subject to any market trading. Accordingly, in conjunction with the allocation of the acquisition cost, the quoted prices for class B shares should constitute the basis for all calculations. The final day of trading in respect of class B shares in Höganäs prior to the split and the separation of redemption shares was 13 May 2008. The lowest price paid on this date was SEK 146.75.

The class B redemption shares could be sold on the market and were listed from and including 19 May 2008. The lowest price paid on this date was SEK 14.90.

As regards the original acquisition cost for shares in Höganäs (SEK 14.90 : 146,75 =) 10 per cent should thus relate to the redemption shares and 90 per cent to the outstanding shares.

**SKV M
2008:10**

Tax rules in relation to redemption

When shares in a company are redeemed one is deemed to have sold the shares. Accordingly, a capital gains calculation must be performed. In such context, one is entitled to deduct the part of the original acquisition cost which relates to the redeemed shares.

Example

In the event the acquisition cost for one share in Höganäs was SEK 100, the amount of SEK 10 ($0.1 \times 100 =$) shall relate to the redemption share. The outstanding share thereafter receives an acquisition cost of SEK 90 (100-10).

In the event the redemption share is sold or redeemed for SEK 15, a capital gain of SEK 5 arises (15-10).

The Swedish Tax Agency has issued general advice concerning allocation of acquisition costs between outstanding shares and redemption shares, see SKV A 2008:13.