

SWEDISH TAX AGENCY NOTIFICATIONS

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Swedish tax Agency information regarding allocation of acquisition cost by reason of redemption in 2008 of shares in Scania AB in return for payment in cash

**SKV M
2008:8**

Offer

Scania AB (Scania) has stated the following.

The Scania Annual General Meeting on 5 May 2008 decided to implement a 2:1 share split combined with redemption without any registration procedure. The decision entailed a share split, whereupon those who held shares in Scania on the record date, 20 May 2008, received one ordinary Series A or Series B share, respectively, and one Series A or Series B redemption share, respectively, in return for each Series A or Series B share held in Scania.

The final date for trading in Scania shares including the right to redemption shares was 15 May 2008.

Trading in redemption shares could take place during the period 21 May – 3 June 2008, after which these shares were automatically redeemed at SEK 7.50 per share.

Apportionment of acquisition cost between ordinary shares and redemption shares

From the legal case RÅ 1997 ref. 43 it emerges that redemption shares received by reason of a shareholding cannot be deemed to be of the same nature as other shares in the company. Consequently, the acquisition cost for the original shares shall be apportioned between the redemption shares and remaining shares using their market values at the time of separation of the redemption shares as a starting point.

Shares in Scania, both Series A and Series B, are listed. The final date for trading in shares before the split and separation of redemption shares was 15 May 2008. The lowest price paid on this date was SEK 135 for Series A shares and SEK 126.50 for Series B shares.

The redemption shares could be sold in the market and were listed from 21 May 2008. The lowest price paid on this date was SEK 7.45 for redemption shares of both Series A and B.

Of the original acquisition cost for Series A shares in Scania ($7.45 \div 135 =$) 5.5 percent should thus be attributed to the redemption shares and 94.5 percent to the remaining Series A shares. As regards the original acquisition cost for Series B shares, ($7.45 \div 135 =$) 5.9 percent

should be attributed to the redemption shares and 94.1 percent to the remaining Series B shares.

Tax rules for redemption

When shares in a company are redeemed, the shares are regarded as having been sold. A capital gain calculation should thus be made. In doing so, the part of the original acquisition cost attributable to the redeemed shares can be deducted.

Examples

During 2007 Scania implemented a 5:1 split with mandatory redemption in return for SEK 35. In its general guidelines (SKV A 2007:14), the Swedish Tax Agency was of the opinion that by reason of this redemption, 94.9 percent of the acquisition cost for an original Series A share in Scania should be attributed to the remaining shares in the same series and 5.1 percent to the redemption shares. Of the acquisition cost for an original Series B share in Scania, 94.8 percent should be attributed to the remaining shares in the same series and 5.2 percent to the redemption shares.

Two examples are presented below. In the first, the Scania shareholder is assumed to have participated in both the 2007 and 2008 redemptions. In the second, the shareholder is assumed to have bought his/her Scania shares after the 2007 redemption and thus participated only in the 2008 redemption. In both examples, the acquisition cost for Series B shares in Scania is used.

Example 1

If the acquisition cost for a Series B share in Scania before the 2007 share split and redemption was SEK 200, $(0.052 \times 200 =)$ SEK 10.40 was attributed to the redemption share and $(0.948 \times 200 \div 4 =)$ SEK 47.40 to each of the remaining four shares.

If no purchase occurred after the 2007 redemption until the 2008 share split and redemption, the remaining acquisition cost per Series B share thus amounted to SEK 47.40. Of this amount, $(0.059 \times 47.40 =)$ SEK 2.80 should be attributed to the redemption share and $(47.40 - 2.80 =)$ SEK 44.60 to the remaining share.

If the redemption share is sold or redeemed at SEK 7.50 a capital gain of $(7.50 - 2.80 =)$ SEK 4.70 arises.

Example 2

If all Scania shares were purchased after the 2007 redemption and the average acquisition cost for a Series B share in Scania was SEK 100, $(0.059 \times 100 =)$ SEK 5.90 should be attributed to the redemption share and $(100 - 5.9 =)$ SEK 94.10 to the remaining share.

If the redemption share is sold or redeemed at SEK 7.50, a capital gain of $(7.50 - 5.90 =)$ SEK 1.60 arises.

The Swedish Tax Agency has provided general guidelines on the acquisition cost allocation between the remaining shares and the redemption shares. See SKV A 2008:11.

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This is a translation of the Swedish language original made by Scania. In the event of any differences between this translation and the Swedish Tax Agency's Swedish language original, the latter shall prevail.