

The Swedish Tax Agency's information on the allocation of the tax basis of shares following Atlas Copco AB's redemption of shares for cash payment in 2018

The offer

Atlas Copco AB (Atlas Copco) has stated the following.

On April 24, 2018, the Annual General Meeting in Atlas Copco resolved a share split 2:1 combined with redemption without any notification procedure. The decision involved a share split where those who, on the record date of May 11, 2018, were registered as shareholders in Atlas Copco received an ordinary share and a redemption share for each holding.

The last day of trading of shares in Atlas Copco including the right to redemption shares was May 8, 2018.

Trading in redemption shares could take place between May 14 and June 1, 2018. After that, the redemption shares were automatically redeemed for SEK 8 per share.

Allocation of the tax basis of shares between ordinary shares and redemption shares

The court case no. RÅ 1997 ref. 43 shows that redemption shares acquired due to shareholding are not considered to be of the same kind as other shares in the company and that the tax basis of the original shares is to be distributed between remaining shares using their market values at the time of the separation of the redemption shares.

The shares in Atlas Copco of Class A and B are listed at Nasdaq Stockholm.

Class A

The last day of trading of Class A shares in Atlas Copco before the share split and including the right to receive redemption shares was May 8, 2018. The lowest price paid on this day was SEK 349.10. The redemption shares were traded on the market and were listed as of May 14, 2018. The lowest price paid on that day was SEK 7.98.

Therefore, of the original acquisition cost of the shares in Atlas Copco, (7.98/349.10), 2.3 percent should be attributed to the redemption shares and 97.7 percent to the remaining shares.

Class B

The last day of trading of Class B shares in Atlas Copco before the share split and including the right to receive redemption shares was May 8, 2018. The lowest price paid that day was SEK 315.80.

The redemption shares could be traded on the market and was listed as of May 14, 2018. The lowest price the same day was SEK 7.98.

Therefore, of the original acquisition cost of the shares in Atlas Copco, $(7.98/315.80)$ 2.5 percent should be attributed to the redemption shares and 97.5 percent to the remaining shares.

Tax rules on share redemption

When redeeming shares in a company, the shareholder is deemed to have sold the shares. Therefore, a capital gain calculation should be made. In this calculation, the shareholder may deduct the portion of the original acquisition cost associated with the redeemed shares. Alternatively, the standardized method (schablonmetoden) may be used for the shares that are listed on the market. The standardized method means that the acquisition cost can be calculated at 20 percent of the received compensation for redeemed or sold redemption shares.

Since the redemption shares were traded for a certain period, these are considered to be listed on the market.

Examples

If the acquisition cost of a share in Atlas Copco Class B immediately before the share split is SEK 150 in this example, (0.025×150) SEK 3.75 should be attributed to the redemption share. The remaining share will receive an acquisition cost of $(150-3.75)$ 146.25.

If the redemption share is sold or redeemed for SEK 8, this will result in a capital gain of $(8-3.75)$ 4.25.

The Swedish Tax Agency has adopted general advice on the allocation of tax basis of shares between remaining shares and redemption shares, please refer to SKV A 2018:7.