

- Castellum's contact with the tax authorities in the respective countries will be marked by openness and transparency. The company will openly describe the principles that govern its tax governance and the tax that is to be paid to its stakeholders. In cases where regulations are unclear or ambiguous, the spirit of the law will be interpreted and Castellum will be proactive and transparent through open requests, applications for preliminary decisions or alternately in dialogue with the tax authority.
- Castellum's tax policy will be revised on a regular basis and adopted by the Board at least once each year.
- Castellum's Chief Financial Officer is the document owner and responsible for the policy.
- Any breach of this policy is to be reported to Castellum's compliance function, also serving as the Group's Chief Legal Officer, who will in turn inform the CEO.

Income tax

Castellum's recognised income from property management for 2020 amounted to MSEK 3,380 (3,146), while taxable income from property management totalled MSEK 1,404 (1,370). In the absence of tax loss carry forwards, current tax of MSEK 302 (293) attributable to the income from property management would arise, equivalent to 9% effective tax paid.

Depreciation for tax purposes

Property investments are divided into different components for which the Swedish Tax Agency specifies different depreciation rates: Buildings (2-5% depending on type of property), land improvements 5% and inventories 20% or 30%. Land is not depreciated.

Tax deductible reconstructions

Costs for building repairs and maintenance can be deducted immediately. The "extended repair concept" allows for direct deduction for certain types of reconstructions, even if they add value and are capitalised in the accounts.

Sales of properties

Properties can be divested directly or indirectly in corporate wrappers; each have different tax consequences.

Profit on sales of properties that fiscally represent fixed assets is taxable, while a loss is put in a "fold" and can only be netted against profits within the Group from direct sales of properties that represents fixed assets. Profit on sales of shares that fiscally are considered fixed assets is not taxable, while a loss is not tax deductible. For properties or shares that fiscally represent current assets, a profit is always taxable while a loss is tax deductible.

TAX CALCULATION 2020

MSEK	Basis current tax	Basis deferred tax
Income from property management	3,380	
Non-deductible interest	174	
Deductions for tax purposes		
depreciations	-1,319	1,319
reconstructions	-392	392
Other tax adjustments	-439	165
Taxable income from property management	1,404	1,876
Current income tax 21.4%, if tax loss carry forwards are not utilised	300	
Sales of properties	3	-181
Change in values on properties	—	3,712
Taxable income before tax loss carry forwards	1,407	5,407
Tax loss carry forwards, opening balance	-854	854
Tax loss carry forwards, closing balance	603	-603
Taxable income	1,156	5,658
Tax according to the income statement for the period	-247	-1,166

NET DEFERRED TAX LIABILITY, 31 DECEMBER 2020

MSEK	Basis	Nominal tax liability	Actual tax liability
Tax loss carry forwards	603	129	129
Untaxed reserves	-671	-144	-144
Properties	-63,027	-12,983	-2,270
Total	-63,095	-12,998	-2,285
Properties, asset acquisitions	7872	1,622	
In the balance sheet	-55,223	-11,376	

Deferred tax is in principle both interest-free and amortisation-free, and can therefore be considered as shareholders' equity. Actual deferred tax is lower than nominal tax partly due to the possibility of selling properties in a tax-efficient way, and partly due to the time factor, which means that the tax will be discounted.

The net estimated real deferred tax liability has been estimated at 4% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realised with a nominal tax of 21.4%, and that the properties are realised in 50 years and where the entire portfolio is sold indirectly in corporate wrappers where the buyers' tax discount is 7%.

Changes in values on properties and derivatives

Swedish accounting laws do not allow recognition of properties at fair value in a legal entity, meaning that changes in value do not affect taxation. Certain financial instruments, such as interest rate swaps, might be recorded at fair value at entity level. For Castellum, changes in value resulting in a negative value on the instrument constitute a tax-deductible expense, while changes in value up to the instrument's cost are considered taxable income.

Castellum has no ongoing tax disputes.

Deferred tax on the balance sheet

Above all, Castellum has three items that make up the basis for deferred tax: properties, tax loss carry forwards and untaxed reserves. All tax loss carry forwards are recognised since expected future taxable income may be used to net the tax loss carry forwards. Deferred tax attributable to properties arises primarily due to changes in value, tax deductions such as depreciation and deduction of certain reconstructions that are capitalised in the financial accounting. Untaxed reserves consist of transfers to the tax allocation reserve.

Property tax

Property tax is paid on almost all the Group's properties. Special buildings such as communication buildings, educational and healthcare buildings are tax exempt. For other properties, the tax rate – as set by the Swedish Tax Agency – depends on the type of building and site. For offices, the tax is 1% of the assessed value; for logistics and warehouse buildings, it is 0.5%. In Denmark and Finland, tax rates vary depending on which municipality the properties are located in. Property taxes for 2020 amounted to MSEK 371 (374), based on an assessed value of SEK 42 billion. A large part of the property tax will be charged onward to the customer, however, with higher rental income as a result.

Value added tax (VAT)

Properties are exempt from compulsory VAT. If a premises is let to a customer who runs a permanent VAT-liable business, the property owner can voluntarily register for VAT and thus deduct input VAT on both operating costs and investments. No deductions can thus be made for input VAT attributable to operating costs and investments in premises not registered for voluntary tax liability. Non-deductible VAT on operating expenses for 2020 totalled MSEK 20 and was recognised as an operating cost. Non-deductible input VAT on investments for 2020 was MSEK 33 and was recognised as investment in property.

Stamp duty

Upon acquisition of property in Sweden there is a stamp duty (title deed) of 4.25%, calculated on either the purchase price or the assessed value, whichever is greater.

In Denmark, the corresponding tax is 0.6% and in Finland it is 4.0%. In Finland, a stamp duty of 2.0% can also be paid on shares in a property company. In 2020, MSEK 10 in stamp duties was paid. There is also an additional stamp duty of 2% (1.5% in Denmark) for mortgage deeds in properties. No stamp duties were paid in 2020.

Energy taxes

Castellum purchases energy to use for heating, cooling, ventilation and lighting in its properties. Of this, approximately MSEK 26 pertains to energy taxes.

Employees

Employers in Sweden pay 31.42% in social security contributions based on salary and a payroll tax of 24.26% on pension contributions. In 2020, Castellum paid MSEK 109 in social security contributions and payroll taxes.

Summary of tax

In 2020, Castellum's operations generated a total of MSEK 816 (806) in various taxes.

Summary of tax paid

MSEK	2020
Income tax	247
Property tax	371
VAT, not deductible	53
Stamp duty	10
Energy tax	26
Social security contributions and payroll tax	109
Total tax paid	816



Financial sustainability data

Economic performance (GRI 201-1)

	2020	2019	2018
	MSEK	MSEK	MSEK
Directly created economic value	6,004	5,821	5,577
Income	6,004	5,821	5,577
Economic value distributed	4,955	4,512	4,147
Operating costs	1,669	1,466	1,400
Dividend to shareholders	1,776	1,667	1,448
Salary and remuneration to employees	470	427	382
Interest to financiers	786	782	835
Tax to the Swedish state	247	165	74
Contributions to communities	7	5	8
Economic value retained	1,049	1,309	1,430

Tax - report by country, GRI 207-4-a

	Sweden	Finland	Denmark
Number of employees ¹⁾	400	1	12
Assets excl. cash and cash equivalents	100,645	2,751	6,359
Income	5,528	57	419
Of which income from sales to third parties	5,528	57	419
Of which income from intra-Group transactions with other tax jurisdictions	0	0	0
Income before tax	6,380	241	407
Tax paid	203	6	38
Deferred tax	1,060	59	47
Net income for the year	5,117	176	322

1. Number of employees pertains to FTEs at the end of 2020

The objective of the company's operations is to acquire, administer, develop and sell properties and securities, directly or indirectly through wholly or partially owned companies, and to conduct other operations compatible with these.

Castellum pays taxes in three tax jurisdictions: Sweden, Denmark and Finland.

Supplier data

Supplier environmental assessment, GRI 308-1

Castellum is unable to report quantitative data for the number of supplier audits containing environmental criteria, but reports only qualitatively on how the efforts to influence our suppliers regarding the environment have been carried out. Castellum is investigating the possibilities of implementing a Group-wide model regarding monitoring how environmental requirements are to be managed. Currently there is no decision on whether this model is to be adapted based on the requirements in the GRI.

Negative social impacts in the supply chain and actions taken, GRI 414-2

Castellum is unable to report quantitative data for supplier evaluations regarding impact on society, but reports only to a certain extent on the Group's negative and positive impacts in the supplier chain and how the company wants to exert influence using our Code of Conduct. Castellum's ambition over the long term is to produce a Group-wide model for how our suppliers' impact on society is to be monitored. Currently there is no decision on whether this model is to be adapted based on the requirements in the GRI.