

# Tax

At Castellum, there are a number of areas that are taxed: income tax on current earnings, property tax, VAT, stamp duty and energy taxes. Political decisions such as changes in corporate taxation, tax legislation or interpretations thereof may lead to Castellum's tax situation increasing or decreasing.

## Tax policy

Castellum's work with taxes is governed in the company's tax policy. In managing its taxes, Castellum must comply with the company's tax policy, which in brief entails:

- Castellum must endeavour to pay the correct taxes in every country where it conducts operations.
- Castellum continually monitors changes to laws and legal praxis so that taxes are managed in accordance with applicable laws and regulations.
- Tax management will be evaluated as an integral part of the company's business decisions and general risk management. This evaluation will also take risks to brand and reputation into consideration.
- Castellum will acquire operations not in order to gain tax advantages, but because they are a fit with its business model. In the event of an acquisition, the laws and regulations in force will be complied with.
- The company will operate ethically, legally and in a businesslike manner in view of its tax expenses but at the same time will not operate in grey zones or engage in aggressive tax avoidance. "Aggressive tax avoidance" pertains to transactions that have no business purpose other than reducing tax, or transactions that could risk Castellum's reputation and standing as a responsible societal stakeholder.
- 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 for 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 Castellum's CEO.

## Income tax

Castellum's recognised income from property management for 2021 amounted to MSEK 3,522 (3,380), while taxable income from property management totalled MSEK 1,192 (1,404). In the absence of tax loss carry forwards, current tax of MSEK 246 (302) attributable to the income from property management would arise, equivalent to 7% effective tax paid.

## Deductions for tax base depreciation

Property investments are divided into different components for which the Swedish Tax Agency specifies different deductions for depreciation: 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

## TAX CALCULATION 2021

MSEK	Basis current tax	Basis deferred tax
Income from property management	3,522	
In associated companies	-161	
Non-deductible interest	174	
Deductions for tax purposes		
depreciation	-1,376	1,376
reconstructions	-499	499
Transfers to tax allocation reserve	-198	198
Other tax adjustments	-271	-312
Taxable income from property management	1,192	1,761
Current income tax 20.6%, if tax loss carry forwards are not utilised	-246	
Sales of properties	1	-9,063
Change in values on properties	0	6,307
Change in values on derivatives	-32	32
Taxable income before tax loss carry forwards	1,161	-963
Tax loss carry forwards, opening balance	-603	603
Tax loss carry forwards, closing balance	2,236	-2,236
Taxable income	838	-640
<b>Tax according to the income statement for the period</b>	<b>-173</b>	<b>132</b>

## NET DEFERRED TAX LIABILITY, 31 DECEMBER 2021

MSEK	Basis	Nominal tax liability	Actual tax liability
Tax loss carry forwards	2,236	461	461
Untaxed reserves	-829	-171	-171
Properties	-95,761	-19,727	-3,450
<b>Total</b>	<b>-94,354</b>	<b>-19,437</b>	<b>-3,160</b>
Properties, asset acquisitions	10,128	2,086	—
<b>In the balance sheet</b>	<b>-84,226</b>	<b>-17,351</b>	<b>—</b>

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 3% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realised with a nominal tax of 20.6%, 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%.

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.

#### *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 measured at fair value at entity level.

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 prop-

erties are located in. Property taxes for 2021 amounted to MSEK 401 (371), based on an assessed value of SEK 57 billion (42). 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 2021 totalled MSEK 19 (20) and was recognised as an operating cost. Non-deductible input VAT on investments for 2021 was MSEK 26 (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. There is also an additional stamp duty of 2% (1.5% in Denmark) for mortgage deeds in properties. MSEK 116 (10) in stamp duties were paid in 2021.

#### **Energy taxes**

Castellum purchases energy to use for heating, cooling, ventilation and lighting in its properties. Of this, approximately MSEK 23 (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 2021, Castellum paid MSEK 114 (109) in social security contributions and payroll taxes.

#### **Summary of tax**

In 2021, Castellum's operations generated a total of MSEK 872 (816) in various taxes.

#### **SUMMARY OF TAX PAID**

MSEK	2021
Income tax	173
Property tax	401
VAT, not deductible	45
Stamp duty	116
Energy tax	23
Social security contributions and payroll tax	114
<b>Total tax paid</b>	<b>872</b>

## Note 10 Changes in value

### Properties

Both interest in property investments (which was rather uncertain in the first half-year) and access to capital strengthened during the second half-year, which has resulted in a stable and strong property market despite it still being impossible to fully overview the effects of the pandemic. A certain amount of differentiation is occurring among different property types, with secure cash flows remaining particularly attractive. Castellum recognised an unrealised change in value of MSEK 6,307 (3,712). Moreover, sales of MSEK 878 (151) were recognised, comprising the sale and/or cash settlement of 126 properties. In the spring, 92 properties divided into two portfolios were sold to Blackstone, with vacancy in February and May respectively. In early July, parts of the portfolio acquired through Kielo that same month were sold. A portfolio of 17 properties was sold to Oscar Properties in November.

### Derivatives

Castellum uses interest rate derivatives to achieve the desired interest rate maturity structure. If the agreed interest rate deviates from the market interest rate, notwithstanding credit margins, a theoretical surplus or deficit value arises in the interest rate derivatives, where changes in value not affecting the cash flow are recognised in profit or loss. Castellum also holds derivatives in order to hedge currency fluctuation in its investments in Denmark, Norway and Finland as well as to manage currency risk and adjust its interest rate structure in connection with borrowing in the international capital market. As for currency derivatives, a theoretical surplus/deficit value occurs if the agreed exchange rate deviates from the current exchange rate, where the effective portion of changes in value is accounted for in other comprehensive income.

The value of the derivatives changed by MSEK 325 (-120), mainly due to changes in long-term market interest rates.

## Note 11 Income taxes

Recognised tax totalled MSEK -41 (1,413), of which MSEK -173 (-247) is current tax. Current tax is based on taxable income for the year, which is lower than the recognised earnings. This is mainly an effect of the possibility of using tax depreciation on buildings, using direct tax deductions for certain property reconstructions, which are capitalised in the accounts, tax-free sales of properties and utilising existing tax loss carry forwards. Deferred tax is a provision for future tax that will be paid when the properties are sold, and the depreciation for tax purposes and the capitalised investments deducted for tax purposes are reversed.

Swedish accounting legislation does not permit the recognition of properties at fair value in legal entities; that is why changes in value on properties only occur at Group level and thus do not affect taxation. Certain financial instruments, such as interest rate swaps, might be recorded at fair value at entity level. In Castellum's case, the changes in value on such instruments are covered in the Swedish interest deduction limitation regulations. Tax paid arises as a result of existing tax loss carry forwards being locked in and can thus not be utilised in the Group as a whole.

Tax calculation for the Group	Basis 2021		Basis 2020	
	Current tax	Deferred tax	Current tax	Deferred tax
Income from property management	3,522		3,380	
In associated companies	-161		—	
Non-deductible interest	174		174	
Deductions for tax purposes				
depreciation	-1,376	1,376	-1,319	1,319
reconstructions	-499	499	-392	392
Transfers to tax allocation reserve	-198	198	—	—
Other tax adjustments	-271	-312	-439	165
<b>Taxable income from property management</b>	<b>1,192</b>	<b>1,761</b>	<b>1,404</b>	<b>1,876</b>
Sales of properties	1	-9,063	3	-181
Change in values on properties	—	6,307	—	3,712
Change in value on derivatives	-32	32	—	—
<b>Taxable income before tax loss carry forwards</b>	<b>1,161</b>	<b>-963</b>	<b>1,407</b>	<b>5,407</b>
Tax loss carry forwards, opening balance	-603	603	-854	854
Tax loss carry forwards, closing balance	2,236	-2,236	603	-603
<b>Taxable income</b>	<b>838</b>	<b>-640</b>	<b>1,156</b>	<b>5,658</b>
<b>Tax in profit or loss</b>	<b>-173</b>	<b>132</b>	<b>-247</b>	<b>-1,166</b>

Tax loss carry forwards consist of prior years' tax losses. The losses, which are not restricted in time, are used to offset future taxable profits. Remaining tax loss carry forwards are estimated at MSEK 2,236.

Total tax may differ from nominal tax due to non-taxable/tax-deductible income/costs or as an effect of other tax adjustments. Total tax recognised by Castellum is less than nominal tax. The effective tax on income from property management, without consideration of tax loss carry forwards, can be calculated to 7%.

Tax cost/income	Group		Parent Company	
	2021	2020	2021	2020
Recognised income before tax	11,869	7,028	3,551	1,764
Tax according to current tax rate	-2,445	-1,448	-732	-377
Tax effects due to:				
non-taxable dividend	—	—	673	401
non-deductible impairment, shares in Group companies	—	—	121	-14
non-taxable reverse impairment, shares in Group companies	—	—	—	—
non-deductible interest/chg. in values on derivatives	48	-61	-62	-28
non-taxable sales of properties/Group companies	2,048	30	—	—
other tax adjustments	308	66	—	3
<b>Tax expense/income recognised</b>	<b>-41</b>	<b>-1,413</b>	<b>—</b>	<b>-15</b>