

Information on the implemented tax strategy of TKT Engineering sp. z o.o. for the fiscal year 2020

Introduction

This document constitutes the Information on the implemented tax strategy (hereinafter referred to as the "**Information**") of TKT Engineering sp. z o.o. with its registered address in Warsaw (post code 02-226), ul. Pryzmaty 4, entered into the entrepreneurship register of the National Court Register kept by the District Court for the capital city of Warsaw under the KRS No. 0000183945, with share capital of PLN 2 400 000, NIP 7792220234, REGON 634527890, BDO 000315982 (hereinafter referred to as "**the Company**", "**TKT**"), which the Company is obliged to prepare and publish pursuant to Article 27c of the CIT Act¹ due to the fulfilment of the conditions referred to in Article 27b(2)(2) of the CIT Act. The information was prepared and published in accordance with the content of the above provision and with consideration of the *guidelines in the scope of Internal Fiscal Supervision Framework (version 2.0 June 2020)* issued by the National Tax Administration [*Krajowa Administracja Skarbowa – KAS*], in the part in which the content of these guidelines makes it possible to identify and describe the mechanisms utilised in the Company to ensure the proper implementation of the tax function.

Information on the realised tax strategy includes in particular information on processes and procedures concerning the performance of obligations under tax law by TKT, voluntary forms of cooperation between TKT and KAS, performance of tax obligations on the territory of the Republic of Poland (including reports of tax schemes [*MDR – Mandatory Disclosure Rules*]), transactions with affiliated entities, performed and planned restructuring activities, applications for issuance of tax interpretations and binding rate information, and concerning performance of tax settlements on territories and in countries applying harmful tax competition. This document does not contain information constituting trade, industrial, professional, or production process secrets.

The information relates to the Company's tax year from 1 January to 31 December 2020. (hereinafter "fiscal year 2020") and has been prepared on the basis of the Company's tax strategy.

1. Processes, procedures, and voluntary forms of cooperation with the tax authorities

1.1. Information on processes and procedures applied by TKT Engineering sp. z o.o. concerning management of fulfilment of obligations resulting from tax law provisions and ensuring their correct performance

In the 2020 fiscal year, TKT Engineering sp. z o.o. implemented processes and procedures for managing the performance of its obligations under tax law and ensuring their correct implementation.

During the period which the Information concerns, the following procedures (processes) were in place at the Company:

a) MDR procedure (in particular, the procedure for counteracting non-compliance with the obligation to provide information on tax schemes within the meaning of Article 86l of the Tax Ordinance²). The Company, although not obliged to implement such a procedure (it is not a promoter within the meaning of the provisions on tax schemes), implemented it voluntarily in order to identify the risk of the appearance of a tax scheme and to guarantee the fulfilment of the reporting obligations even in the event of non-compliance with the obligations by other entities (e.g. failure to provide the Company with information on the scheme by a promoter or a facilitator) and to guarantee the fulfilment of the reporting obligations in the event of such obligations encumbering the Company on its own (e.g. as a beneficiary acting without participation of a promoter). This procedure regulates all areas indicated in Article 86l § 2 of the Tax Ordinance and imposes obligations that must be strictly applied. It stipulates that at each stage of work, starting from the communication of a need or the appearance of an idea of a solution/arrangement to the moment of handing over the results of work (work effects), the risk of tax scheme occurrence should be taken into account, in particular if the subject of work is the assessment of future (not closed) states with which tax effects occur or may occur, in particular tax benefits. It includes reference to relevant and explanatory notes (in particular, the provisions of the Tax Ordinance and the tax explanatory notes of 31 January 2019 issued by the Minister of Finance on MDR). It provides for the establishment of a special unit responsible for fulfilling the obligations related to the provisions on tax schemes. It also defines the risk areas to which special attention must be paid by the persons responsible for individual areas in the Company.

¹ Corporate Income Tax Act of 15 February 1992 (i.e. 27 July 2020, Journal of Laws of 2020, item 1406 as amended)

² Tax Ordinance of 29 August 1997. (i.e. of 21 July 2021, Journal of Laws of 2021, item 1540 as amended)

The introduction of the aforementioned procedure took place with the support of qualified personnel of a renowned consulting company, with the direct involvement of certified tax advisors. It was accompanied by the identification of the group of employees responsible for the areas exposed to the tax scheme reporting obligations and their training in the tax scheme regulations by a tax advisor with practice in this area.

b) VAT procedure (in particular, the procedure on due diligence in verifying suppliers and securing the right to the 0% rate). The procedure takes into account the document "Methodology for assessing due diligence by buyers of goods in Domestic Transactions" (hereinafter referred to as "Methodology") published by the Ministry of Finance on 25 April 2018, supplemented with the features of transactions potentially involving VAT fraud based on the experience of tax authorities and court rulings. The procedure provides for verification of both new counterparties and regular counterparties in the event that they offer goods/services of a type not previously covered by the industry or business profile and after an appropriate period of time since the last verification. Introduces stricter verification in the case of risk factors, in particular significant transaction value. Regulates the division of verification responsibilities between employees of the accounting department (formal verification and verification on the basis of information available on the Internet) and employees responsible for purchases ("material" factors, in particular the terms and conditions of transactions and checking whether they deviate from market standards). The introduction of the aforementioned procedure took place with the support of qualified personnel from a reputable consultancy firm, with the direct involvement of certified tax advisors. It was accompanied by the identification of the group of employees responsible for verification and their training in matters related to verification by a tax advisor with practice in this area.

c) WHT procedure (in particular the withholding tax due diligence procedure). The procedure takes into account the tax explanation project of 19 June 2019. "Principles of Withholding Tax Collection", supplemented with the features of transactions potentially involving fraudulent withholding tax (WHT) based on the experience of tax authorities and judicial decisions. The procedure provides for verification of both new counterparties and regular counterparties after an appropriate period of time since the last verification. It introduces stricter verification in case of risk factors, in particular in transactions of significant value, relations with the recipient of receivables, or specific nature of receivables (e.g. by providing for specific verification requirements for interest and re-invoices). The introduction of the aforementioned procedure was carried out with the assistance of qualified personnel from a reputable consultancy firm, with the direct involvement of certified tax advisors. It was accompanied by the identification of the group of employees responsible for verification and their training in matters related to verification by a tax advisor with practice in this area.

d) Protection of persons who report breaches of Union law (requirements under Directive (EU) 2019/1937 of the European Parliament and of the Council on the protection of so-called whistleblowers³) – appropriate regulations are included in selected specific procedures (in particular in the MDR Procedure) and provide, inter alia, for the separation of the team receiving reports from the team responsible for carrying out the obligations under the procedure, for the anonymisation of reports, and for the prohibition of negative consequences for employees reporting actual or potential violations.

e) Invoice circulation process.

The invoice circulation process includes purchase invoices. Each purchase invoice is verified at least at two stages. After substantive approval by the person responsible for the purchase, the invoice is accepted (approved for expenditure) by the director of the Company's branch, followed by formal and accounting verification by the accounting department and its posting. It should be emphasised that all invoices are first verified by the employee with the best knowledge of the circumstances of the transaction in accordance with the scope of his duties. Invoices are scanned and archived together with the accompanying documents (e.g. protocols, delivery notes).

f) Document archiving area. The rules applied in the Company are aimed at archiving documents in a form that guarantees their invariability, reliability, and easy access to data, as well as retaining source information for at least the period of the statute of limitations for tax liabilities. Moreover, special procedures (VAT, WHT) introduce additional requirements regarding the scope of collected and archived documents.

In the case of new employees, training on filing rules is carried out during the employee's induction to the specific position. All information related to the procedures (characteristics, purpose, further documentation, etc.) is available in a location in the Company's IT system that is easily accessible to duly authorised employees.

³ Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law

1.2. Information on voluntary forms of cooperation with the National Tax Administration authorities

The Company was not a party to a co-partnership agreement referred to in Article 20s of the Tax Ordinance during the 2020 tax year and as of the date of publication of this information.

The Company maintains regular contact with the relevant tax authorities, ensuring the high quality and reliability of such communication, in particular through the involvement of qualified personnel familiar with tax issues, consisting of persons who know the specific nature of the Company as a taxpayer and thus constitute competent partners for the tax authorities. The form of cooperation applied by the Company with the National Tax Administration authorities is not standardised or formalised. Ongoing contact with the authorities takes place by telephone or e-mail. Transmission of all documentation between the parties shall be made in writing. Also, in the case of checking activities and inspections carried out by tax authorities, activities are performed in writing and information is provided in compliance with statutory deadlines or those indicated by KAS representatives.

2. Implementation of tax obligations in the territory of the Republic of Poland, including reporting of tax schemes (MDR)

In the fiscal year 2020, the Company was a payer of the following taxes:

- a) corporate income tax, including withholding tax,
- b) personal income tax,
- d) value added tax excluding customs duties,
- e) property tax.

In the fiscal year 2020, the Company's total revenue was (rounded to the nearest zloty) PLN 266,739,053. The Company had no revenue or deductible costs from capital gains. Deductible costs amounted to PLN 241,332,165, of which PLN 1,455,214 were depreciation charges. The Company's income amounted to PLN 25,406,889, while tax due was PLN 4,827,309.

With respect to its obligations as a PIT payer, in 2007 the Company concluded an agreement on payroll services with one of the leading Polish producers of IT systems supporting business management. The contract has been continued without interruption since then, which has allowed the Company to develop efficient methods of communication and cooperation.

The Company does not apply aggressive tax optimisation methods in any area of taxation. The main principles of fulfilment of tax obligations applied by the Company are compliance with legal regulations and minimising the risk of disputes with tax authorities. This was expressed, among other things, in the default application of the split payment mechanism for purchases made in the described period from other VAT payers, payment for which was made through the Company's bank account (by transfer).

Additionally, the Company had obligations related to the preparation of transfer pricing documentation and the submission of transfer pricing information for the 2020 tax year to the tax authorities. All obligations under the transfer pricing legislation were fulfilled by the Company in compliance with the statutory deadlines.

In the tax year to which the Information relates, the Company did not benefit from:

- a) exemption from income tax on the basis of a permit to operate in a special economic zone or a decision on support,
- b) lump-sum taxation on income of capital companies ("Estonian" CIT),
- c) preferential taxation of income from qualified intellectual property rights (5%; so-called IP Box),
- d) the deduction from the tax base of tax-deductible costs incurred for research and development activities (the so-called R&D relief [*Ulga B+R*]).

3. Transactions with affiliated entities and restructuring operations

3.1. Information on transactions with affiliated entities within the meaning of Art. 11a(1)(4) of the Corporate Income Tax Act, the value of which exceeds 5% of the balance sheet total of assets within the meaning of accounting regulations, determined on the basis of the last approved financial statement of the company, including entities which are not tax residents of the Republic of Poland

In the fiscal year for which the information on the tax strategy is published, the Company carried out transactions with affiliated entities (including foreign entities) whose value exceeds 5% of the balance sheet total of assets within the meaning of the regulations on accounting, determined on the basis of the Company's last approved financial statements. The transactions referred to above were made with the companies UBM Development Polska sp. z o.o. (KRS: 0000235560) and PORR S.A. (KRS: 0000026184).

In addition, the Company carried out transactions with an affiliated entity WARBUD - PORR - Szpital Kraków Prokocim spółka cywilna (NIP: 5213696488). The subject of the above transactions in this fiscal year was construction works. No other services were provided, in particular the subject of the transaction was not intellectual property rights or intangible services, except for a narrow scope resulting directly from construction works and closely related to them (e.g. transfer of rights to design documentation). The value of transactions with UBM Development Polska sp. z o.o. and PORR S.A. exceeded 5% of the balance sheet total of assets within the meaning of accounting regulations, established on the basis of the last approved financial statement of the Company, for each of these entities.

The Company has also provided services of a similar nature (however related to other construction contracts) within a consortium of which it is a participant together with affiliated entities, including ELIN Sp. z o.o. (KRS: 0000037990) and PORR S.A., and thus it also informs about these transactions. The exact value of all above-mentioned transactions constitutes a trade secret and a business secret (it is possible to relate it to specific contracts realized by the Company), therefore it is not subject to publication within the information on the realized tax strategy.

3.2. Information on restructuring activities planned or undertaken by the taxpayer, which may affect the amount of tax liabilities of the taxpayer or of affiliated entities within the meaning of Article 11a(1)(4) of the Corporate Income Tax Act

The Company has not taken any restructuring actions in the fiscal year 2020 and has not planned to take any such actions in the future foreseeable at the time of this release.

4. Tax safeguard mechanisms

4.1. Information on applications for a general tax interpretation referred to in Article 14a § 1 of the Tax Ordinance Act submitted by the taxpayer

In the fiscal year 2020, the Company did not apply for a general tax interpretation referred to in Article 14a § 1 of the Tax Ordinance Act. No general interpretation was issued in connection with any of the Company's activities. The Company also did not submit any applications in response to which the minister competent for public finance refused to issue a general interpretation or left the application unprocessed.

4.2. Information on tax law interpretations referred to in Article 14b of the Tax Ordinance Act submitted by the taxpayer

In the fiscal year 2020, the Company did not apply for an individual tax interpretation referred to in Article 14b § 1 of the Tax Ordinance Act. No individual interpretation was issued in favour of the Company. The Company also did not submit applications in response to which the tax authorities refused to issue an individual interpretation or which the tax authorities left unprocessed.

4.3. Information on binding rate information referred to in Article 42a of the Act of 11 March 2004 on Value Added Tax submitted by the taxpayer

In the fiscal year 2020, the Company did not apply for binding rate information as referred to in Article 42a of the VAT Act⁴. No

binding rate information has been issued in favour of the Company. The Company also did not submit applications in response to which the tax authorities refused to issue binding rate information or which the tax authorities left unprocessed.

4.4. Information on binding excise duty information referred to in Article 7d(1) of the Act of 6 December 2008 on Excise Tax submitted by the taxpayer

In the fiscal year 2020, the Company did not apply for binding excise information as referred to in Article 7d(1) of the Excise Tax Act⁵. No binding excise information was issued to the Company. The Company also did not submit applications in response to which the tax authorities refused to issue binding excise information or which the tax authorities left unprocessed.

5. "Tax Havens"

In the fiscal year 2020, the Company did not make any tax settlements in the territories or countries applying harmful tax competition indicated in the executive acts issued pursuant to Article 11j(2) of the CIT Act and pursuant to Article 23v(2) of the PIT Act⁶ and in the announcement of the minister responsible for public finance issued pursuant to Article 86a § 10 of the Tax Ordinance Act

The Company did not settle accounts with entities established in countries applying harmful tax competition referred to in the aforementioned regulations.

This document is hereby terminated and, in accordance with the Company's rules of representation, signed.

The signature is correct
Signed by
MARTA KLARA
DANIEWSKA
Date: 2021.12.16 14:22:45 CET

The signature is correct
Signed by
GERTRUDA MAJCHRZAK-
DAHMS
Date: 2021.12.16 14:24:34 CET

4 Act of 11 March 2004 on Value Added Tax (i.e. of 19 March 2021, Journal of Laws of 2021, item 685 as amended).
5 Act of 6 December 2008 on Excise Tax (i.e. of 26 March 2020, Journal of Laws of 2020, item 722 as amended)
6 Act of 26 July 1991 on Personal Income Tax (i.e. of 15 June 2021, Journal of Laws of 2021, item 1128 as amended)