

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

Introduction

This document constitutes information on the pursued tax strategy (hereinafter referred to as the '**Information**') of TKT Engineering sp. z o.o. with registered office in Warsaw (National Court Register: 0000183945, VAT ID: 7792220234) (hereinafter referred to as the '**Company**', '**TKT**') the Company is obliged to compile and publish pursuant to art. 27c of the Corporate Income Tax Act (CITA)¹, due to the fulfilment of the terms and conditions referred to in art. 27b sec. 2 clause 2 of the CITA. The information has been compiled and published according to the content of the above provision and taking into account the Internal Tax Supervision Framework (*rev 2.0 of June 2020*) in the part where the content of these guidelines makes it possible to identify and describe the mechanisms in place in the Company that ensure the proper implementation of the tax function.

The information on the pursued tax strategy includes in particular information on: processes and procedures for the fulfilment by TKT of its obligations under tax law, voluntary forms of cooperation between TKT and the NRA, the fulfilment of tax obligations within the territory of the Republic of Poland (including those relating to reporting tax schemes (MDR)), transactions with related parties, taken and planned restructuring activities, requests for tax interpretations and binding rate information, and concerning tax settlements within territories and countries that apply harmful tax competition. This document does not include commercial, industrial, professional or production process secrets.

The information pertains to the fiscal year of the Company from 01 January 2020 to 31 December 2020 (hereinafter referred to as 'fiscal year 2020') and has been compiled on the basis of the tax strategy pursued by the Company.

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

1.1. Information on the processes and procedures applied by TKT Engineering sp. z o.o. to manage the fulfilment of tax law obligations and ensure their correct implementation

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

During the period this information refers, the following procedures were in place in the Company:

a) MDR procedure (in particular, the procedure for counteracting failure to fulfil the obligation to provide information on tax schemes within the meaning of art. 86l of the Tax Ordinance²). Despite not being obliged to implement such a procedure (it does not constitute a promoter within the meaning of the tax scheme provisions), the Company has implemented it on a voluntary basis to identify the risk of a tax scheme, ensure the fulfilment of reporting obligations even if other entities fail to fulfil their obligations (e.g. failure of the promoter or facilitator to provide the Company with information on the scheme), and to ensure the fulfilment of reporting obligations if such are imposed on the Company alone (e.g. as a beneficiary acting without a promoter). This procedure governs all the areas referred to in art. 86l sec. 2 of the Tax Ordinance and imposes obligations that must be absolutely adhered to. It provides that at each stage of work, from communicating a need for or the emergence of an idea for a solution/arrangement until work results (effects) are communicated, the risk of a tax scheme should be considered, in particular

¹ Corporate Income Tax Act of 15 February 1992 (consolidated text of 27 July 2020, Journal of Laws of 2020, Item 1406, further amended)

² Tax Ordinance of 29 August 1997 (consolidated text of 21 April 2021, Journal of Laws of 2021, Item 1540, further amended)

TKT Engineering sp z o.o.
ul. Pryzmaty 4
PL 02-226 Warszawa

Tel. +48(0)22 485 40 00
Fax +48(0)22 485 40 01
www.tkt.pl, tkt@tkt.pl

Register of Entrepreneurs of the National
Court Register: 0000183945
District Court for the Capital City of Warsaw
in Warsaw
Share capital: PLN 2,400,000.00

VAT ID: PL 7792220234
Regon no. 634527890
BDO 000315982

Bank PeKaO S.A.
PLN 42 1240 5918 1111 0000 4907 3506
EUR 92 1240 5918 1978 0000 4908 6001
SWIFT: PKOPPLPW

if the subject of the work is assessment of future states (not closed), at which tax consequences occur or may occur, including, in particular, tax benefits. It includes a reference to the appropriate clarifications (in particular, the provisions of the Tax Ordinance, and tax clarifications of 31 January 2019 issued by the Minister of Finance regarding MDR). It provides for the appointment of a special unit responsible for the fulfilment of tax scheme obligations. It also defines the risk areas to which persons responsible for particular areas in the Company must pay particular attention. The above procedure has been implemented with support of qualified personnel of a reputable consulting company, with direct participation of persons certified as tax advisors. It was followed by the identification of a group of employees responsible for areas exposed to the emergence of tax scheme reporting obligations, and training on tax scheme regulations provided to them by a tax advisor operating in this area.

b) VAT procedure (in particular, the due diligence procedure for verifying suppliers and securing the right to the 0% rate). The procedure follows the document titled 'Metodyka w zakresie oceny dochowania należytej staranności przez nabywców towarów w Transakcjach krajowych' (*Methodology for Evaluation of Due Diligence by Purchasers of Goods in Domestic Transactions*) (hereinafter referred to as the 'Methodology') as published by the Ministry of Finance on 25 April 2018, supplemented by the features of potentially binding transactions that involve VAT abuse, based on the conclusions delivered by the practice of tax authorities and court rulings. The procedure provides for the verification of both new and regular contractors in the event they offer goods/services of a type not previously covered by the trade or business profile, and after an appropriate period since the last verification. It introduces verification restrictions in case of risk factors, in particular a significant transaction value. It regulates the division of verification obligations between the employees of the accounting department (formal verification, and on the basis of online available information) and the employees responsible for procurement ('material' factors, in particular the terms and conditions of transactions and control that they do not deviate from market standards). The above procedure has been implemented with support of qualified personnel of a reputable consulting company, with direct participation of persons certified as tax advisors. It was followed by the identification of a group of employees responsible for areas exposed to the emergence of tax scheme reporting obligations, and training on tax scheme regulations provided to them by a tax advisor operating in this area.

c) WHT procedure (in particular, the procedure for due diligence in withholding tax settlements). The procedure takes into account the draft tax clarifications of 19 June 2019 'Withholding Tax Collection Rules', supplemented by the features of transactions potentially involving withholding (WHT) tax abuse, based on the conclusions delivered by the practice of tax authorities and court rulings. The procedure provides for the verification of both new and regular contractors in the event they offer goods/services of a type not previously covered by the trade or business profile, and after an appropriate period since the last verification. It introduces verification restrictions in case of risk factors, in particular a significant transaction value, a relationship with the beneficiary of the receivables, or a specific nature of the receivables (providing for, e.g. specific verification requirements for interest and re-invoices). The above procedure has been implemented with support of qualified personnel of a reputable consulting company, with direct participation of persons certified as tax advisors. It was followed by the identification of a group of employees responsible for areas exposed to the emergence of tax scheme reporting obligations, and training on tax scheme regulations provided to them by a tax advisor operating in this area.

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

e) Invoice circulation process

The invoice circulation process covers purchase invoices. Each purchase invoice is verified on two stages as a minimum. After substantive acceptance by the person responsible for the purchase, it is accepted (expense approval) by the Company's department manager. The invoice is then subjected to the verification of its integrity and accounting by the accounting department, and posted. It should be emphasised that invoices are first verified by the employee with the best knowledge on the transaction circumstances. Invoices are scanned and archived with accompanying documents (e.g. protocols, delivery notes).

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

f) **Archiving documents.** The Company's rules are intended to archive documents in a form that ensures their immutability, credibility and easy access to data, as well as to keep source information for at least the period of limitation of tax obligations. Furthermore, specific procedures (VAT, WHT) introduce additional requirements for the scope of collected and archived documents.

For new employees, training on the archiving rules is conducted while onboarding an employee. All procedure-related information (characteristics, purpose, further documentation etc.) is available in a location in the Company's IT system that is easily accessible to authorised employees.

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

In fiscal year 2020 and as of the date of publication of this information, the Company was not a party to the contract for cooperation referred to in art. 20s of the Tax Ordinance.

The Company contacts the relevant tax authorities on an ongoing basis, ensuring high quality and reliability of this communication, in particular through the involvement of qualified personnel familiar with tax matters, composed of persons who know the specifics of the Company as a taxpayer, thus constituting competent partners for tax authorities. The form of communication with National Revenue Administration authorities applied by the Company is not standardised or formalised. The authorities are contacted on an ongoing basis by phone or email. Any documentation between the parties is communicated in writing. Also, in the case of checking activities and inspections carried out by the tax authorities, activities are carried out in writing and information is provided in accordance with statutory deadlines or those indicated by NRA representatives.

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

In 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 custom duty,
- e) real estate tax.

In fiscal year 2020, Company's total revenues were (rounded to the nearest PLN) PLN 266,739,053. The Company did not generate revenue or deductible cost from capital gains. Deductible costs amounted to PLN 241,332,165, of which PLN 1,455,214 was depreciation write-offs. The Company's income was PLN 25,406,889 and the tax due was PLN 4,827,309.

Regarding the fulfilment of personal income tax duties of a taxpayer, in 2007 the Company entered into a contract for payroll services with one of the leading Polish producers of IT systems that support business management. Since then the contract has continued without interruptions, which has allowed the Company to develop efficient methods of communication and cooperation.

The Company does not apply methods of aggressive tax optimisation in any taxation area. The overriding principles of tax compliance applied by the Company are compliance with the law and minimisation of the risk of a dispute with the tax authorities. This was expressed, inter alia, in the default application of the split payment mechanism of purchases made in the described period from other VAT taxpayers, payment for which was made via the Company's bank account (by transfer).

In addition, the Company was obliged to draw up transfer price documentation and provide the tax authorities with information on transfer prices for fiscal year 2020. Any obligations resulting from the transfer price regulations have been met by the Company within the statutory deadlines.

During the fiscal year to which the information refers, the Company did not benefit from:

- a) an exemption from income tax based on a permit to operate in a special economic zone or a decision on support,
- b) lump-sum taxation on company income (Estonian CIT),
- c) preferential taxation of income generated by qualified intellectual property rights (5%; so-called IP Box),
- d) the deduction of deductible costs incurred for research and development activity (so-called R&D relief) from the tax base.

3. Transactions with related parties and restructuring activities

3.1. Information on transactions with related parties within the meaning of art. 11a sec. 1 clause 4 of the CITA, the value of which exceeds 5% of total assets according to the accounting regulations, determined on the basis of the last approved financial statements of the Company, including entities other than tax residents of the Republic of Poland

In the fiscal year for which the tax strategy information is published, the Company carried out transactions with related parties (including foreign related parties), the value of which exceeds 5% of total assets according to the accounting regulations, determined on the basis of the last approved financial statements of the Company. The transactions referred to above were made with the UBM Development Polska sp. z o.o. (KRS: 0000235560) and PORR S.A. (KRS: 0000026184), the subject of which were construction works, and with IGO sp. z o.o. (KRS: 0000045446), the subject of which was, in particular, a loan and rental agreements, as well as the preparation of a construction project, support for updating the ERP system, and human resources and accounting services etc.

In addition, the Company made transactions with the related party WARBUD – PORR – Szpital Kraków Prokocim spółka cywilna (VAT ID: 521396488). No other performance occurred, in particular, the subject of the transaction did not include intellectual property rights or other non-material services, except to a narrow extent resulting directly from construction works and those closely related to the same (e.g. assignment of rights to design documentation). The value of transactions with UBM Development Polska sp. z o.o., PORR S.A. and IGO sp. z o.o. exceeded 5% of total assets within the meaning of the accounting regulations, determined on the basis of the last approved financial statements of the Company, in relation to each of these entities.

The Company also provided similar services (but relating to other construction contracts) under a consortium it is a participant of, jointly with the following related parties, to include ELIN Sp. z o.o. (National Court Register: 0000037990) and PORR S.A., and therefore it also reports these transactions. The exact value of all the above transactions constitutes a trade and company secret (it can be referred to other contracts implemented by the Company), and it is therefore not subject to publication under the information on the pursued tax strategy.

3.2. Information on restructuring activities planned or taken by the taxpayer that may affect the amount of tax liabilities of the taxpayer or related entities within the meaning of art. 11a sec. 1 clause 4 of the CITA

In fiscal year 2020, the Company did not take or plan any restructuring activities, and it does not plan to take such activities in the foreseeable future as of the date of publication of this information.

4. Tax safeguard mechanisms

4.1. Information on taxpayer's requests for the general tax interpretation referred to in art. 14a sec. 1 of the Tax Ordinance

In fiscal year 2020, the Company did not apply for the individual tax interpretation referred to in art. 14b sec. 1 of the Tax Ordinance. No general interpretation was issued as a result of any Company's operations. The Company also did not make requests in response to which the minister responsible for public finance refused to issue the general interpretation or left them unprocessed.

4.2. Information on taxpayer's requests for the individual tax law interpretation referred to in art. 14b of the Tax Ordinance

In fiscal year 2020, the Company did not make requests for the individual tax interpretation referred to in art. 14b sec. 1 of the Tax Ordinance. No individual interpretation was issued for the Company. The Company also did not make requests in response to which the tax authorities refused to issue the individual interpretation or left them unprocessed.

4.3. Information on taxpayer's requests for the binding rate information referred to in art. 42a of the Act of 11 March 2004 on Value Added Tax

In fiscal year 2020, the Company did not make requests for the binding rate information referred to in art. 42a of the VAT Act⁴. No binding rate information was issued for the Company. The Company also did not make requests in response to which the tax authorities refused to issue the binding rate information or left them unprocessed.

4.4. Information on taxpayer's requests for the binding excise information referred to in art. 7d sec. 1 of the Act of 6 December 2008 on Excise Duty

In fiscal year 2020, the Company did not make requests for the binding excise information referred to in art. 7d sec. 1 of the Excise Duty Act⁵. No binding excise information was issued for the Company. The Company also did not make requests in response to which the tax authorities refused to issue the binding excise information or left them unprocessed.

5. 'Tax havens'

In fiscal year 2020, the Company did not make any tax settlements within territories or countries that apply harmful tax competition, indicated in the implementing acts issued on the basis of art. 11j sec. 2 of the Corporate Income Tax Act and on the basis of art. 23 v sec. 2 of the Act of 26 July 1991 on Personal Income Tax⁶, and in the announcement of the minister responsible for public finance issued on the basis of art. 86 a sec. 10 of the Tax Ordinance.

The Company did not settle with entities located in countries that apply harmful tax competition referred to in the aforementioned regulations.

There being no further comments, the document was signed in accordance with the Company's principles of representation in force.

⁴ Value Added Tax Act of 11 March 2004 (consolidated text of z 19 March 2021, Journal of Laws of 2021, Item 685, further amended)

⁵ Excise Duty Act of 6 December 2008 (consolidated text of 26 March 2020, Journal of Laws of 2020, Item 722, further amended)

⁶ Personal Income Tax Act of 26 July 1991 (consolidated text of 15 June 2021, Journal of Laws of 2021, Item 1128, further amended)