

# Information on the pursued tax strategy

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TKT Engineering

Spółka z ograniczoną odpowiedzialnością

Fiscal year 01.01.2022 – 31.12.2022

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# 1. NATURE, TYPE AND SIZE OF BUSINESS

## 1.1. BASIC INFORMATION ON THE COMPANY

- TKT Engineering Spółka z ograniczoną odpowiedzialnością (hereinafter referred to as the 'Company') has its registered office in Warsaw, Poland.
- The address of the Company's registered office is ul. Pryzmaty 4, 02-226 Warszawa.
- Company's ID numbers:
  - National Court Register: 0000183945;
  - REGON: 634527890;
  - VAT: 7792220234.
- In fiscal year 2022, the Company exceeded the revenue threshold of PLN 50 million and is obliged to compile and publish information on the pursued tax strategy referred to in art. 27c of the Act of 15 February 1992 on Corporate Income Tax ('CITA')
- The Company offers comprehensive solutions for technical equipment of buildings including sanitary, heating, ventilation, air conditioning, technological, industrial, and mechanical systems.

## 2. GENERAL ISSUES, TAX RISKS AND METHODS OF THEIR MITIGATION

### 2.1. GENERAL ISSUES AND OBJECTIVE OF THE TAX STRATEGY

- The primary objective of the tax strategy pursued by the Company in 2022 was to ensure full compliance of the Company's activity with the Polish tax law provisions, clarifications and guidelines published by the National Revenue Administration, as well as international standards and guidelines. The organisation and activity of the Company were focused on maintaining compliance with high corporate governance and common ethical principles.
- Bearing in mind that business decisions and ongoing operations result in specific tax consequences, while considering the dynamic legal environment of the Company, in particular with regard to the tax law, the Company used services of legal advisors.
- The Company's Board of Directors was responsible for business planning and decision-making.
- All tax calculations (excluding calculation of personal income tax on employee salaries) were made in the Company's Accounting Department, and in this regard, the person employed as Chief Accountant was responsible for the calculation of taxes and their payment in a timely manner.
- Tax settlements related to employee salaries were handled by an external entity providing professional payroll accounting services. The calculations were prepared based on data submitted by the Company's HR and Payroll Department.
- The Chief Accountant was responsible for the timely payment of personal income tax advances on salaries of Company's employees.

### 2.2. TAX RISKS

The main risks to the correctness of the Company's tax settlements covered:

- a regulatory risk due to changes in legislation and the resulting need for adapting the applied procedures and systems to the current regulations in force,
- a regulatory risk due to doubts as to the application of the tax law provisions resulting from a divergent court ruling and different positions of tax authorities in specific cases,
- a risk associated with the proper development of conditions and documentation of intra-group transactions, in the context of regulations on transactions between related parties (in terms of so-called 'transfer prices').

## 2.3. PROCESSES AND PROCEDURES FOR MANAGING AND ENSURING THE PROPER FULFILMENT OF TAX LAW OBLIGATIONS

### 2.3.1. TAX PROCEDURES

The Company has implemented the following procedures and instructions to ensure proper tax settlements:

- Due diligence in VAT

The procedure follows the content of 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.

The procedure 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).

- 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).

- Procedure for the fulfilment of obligations to identify and report tax schemes

The Company has implemented a procedure to identify the possibility of a tax scheme and guarantee the fulfilment of reporting obligations.

The procedure includes a reference to the relevant tax clarifications dated 31 January 2019 issued by the Minister of Finance regarding the tax scheme reporting regulations.

- 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.

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).

- Document archiving process

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.

### 2.3.2. GOOD PRACTICE

For effective management and minimisation of tax risks, the Company has implemented a number of good practices, such as:

- benefiting from support provided by a tax consulting company to minimise the risk related to the development and documentation of transactions between related parties in terms of so-called 'transfer prices',
- the division of tax functions, necessary for the proper tax settlement, between the Company and external service providers; in this regard, the Company uses services of an external entity providing professional payroll accounting services that supports the Company in tax calculations and other employee hiring charges,
- in doubtful cases – using tax consulting services provided by external entities,
- receiving current information on changes in tax regulations from external tax advisors,
- benefiting from tax training courses,
- using access to online tax knowledge databases.

In 2023, the Company reviewed tax settlements for 2022 carried out by an entity authorised to provide tax consulting services.

In addition, the Company's financial statements for 2022 was audited by an independent expert auditor. The audit completed with a positive opinion of the auditor which indicates the compliance of the prepared financial statements with legislation, and the correctness of the account books.

## 3. INFORMATION ON THE COMPANY'S TAX OBLIGATIONS IN POLAND

### 3.1. INFORMATION ON TAXES SETTLED BY THE COMPANY

#### 3.1.1. PERSONAL INCOME TAX (PIT)

- In 2022, the Company earned tax income. The Company paid the CIT tax liabilities due.
- In 2022, the Company did not operate within the Special Economic Zone or under the Polish Investment Zone, and it did not report tax-exempt revenues.
- In 2022, the Company did not use other CIT allowances or exemptions.
- The Company accounted for exchange rate differences using the tax method.
- The Company paid simplified advances towards CIT.
- In 2022, the Company had transactions subject to withholding tax in Poland, in relation to which the Company acted as a withholding tax payer.
- In 2023, an opinion was issued on the application of preferences in the collection of lump sum corporate income tax on dividends and advances towards dividends paid to the Company's shareholder.

#### 3.1.2. VALUE ADDED TAX (VAT)

- Due to the nature of the business, the Company occasionally used in their operations purchased sensitive goods for which the mandatory obligation of split payment applies.
- The Company applied split payment to transactions for which this mechanism is not mandatory.
- The Company verified contractors and numbers of their bank accounts based on a so-called 'white list' of taxpayers.
- For sale transactions, the Company applied the 23% VAT and 8% VAT rates. In addition, the Company carried out VAT-exempt transactions.
- For the subsequent months of 2022, the Company reported VAT to be paid and paid the tax.

#### 3.1.3. PERSONAL INCOME TAX (PIT)

- Advances paid by the Company as a PIT payer were calculated by an external entity providing professional payroll accounting services.
- Advances towards PIT were paid by the Company.
- Basically, the Company hired their employees on the basis of employee contracts.

### 3.2. OTHER INFORMATION ABOUT TAX OBLIGATIONS

- In 2020, the Company did not use a relief in the payment of liabilities in the form of: deferment of the tax payment deadline, spreading the tax payment into instalments, redemption of tax arrears at the taxpayer's request, referred to in art. 67a of the Tax Ordinance.
- In 2022, the Company was a payer of the real estate tax.
- In 2022, the Company was not a payer of the agricultural tax.
- In 2022, the Company was not a payer of the tax on means of transport.
- In 2022, the Company was not a payer of the excise duty.
- In 2022, the Company was not a payer of the tax on civil law transactions.
- The Company has no tax arrears for 2022.



## 4. VOLUNTARY FORMS OF COOPERATION WITH NATIONAL REVENUE ADMINISTRATION AUTHORITIES AND REQUESTS MADE BY THE TAXPAYER

- In 2022, the Company was not a party to a contract for cooperation with National Revenue Administration authorities.
- In 2022, the Company did not enter into, nor did it made a request that a prior price agreement be concluded.
- In 2022, the Company did not apply for the general tax interpretation referred to in art. 14a sec. 1 of the Tax Ordinance. In the reviewed period, a general interpretation resulting from the Company's request made before 2022 was not issued as well.
- In 2022, the Company did not apply for the tax law interpretation referred to in art. 14b of the Tax Ordinance. In 2022, a general tax interpretation resulting from the Company's request made before 2022 was not issued as well.
- In 2022, the Company did not apply for the binding rate information referred to in art. 42a of the Act of 11 March 2004 on VAT, nor did it receive such information.
- The Company did not apply for the binding excise information referred to in art. 7d sec. 1 of the Act of 6 December 2008 on Excise Duty, nor did it receive such information.

## 5. TAX SCHEMES AND INFORMATION THAT TAXES ARE NOT SETTLED IN SO-CALLED 'TAX HAVENS'

### 5.1. TAX SCHEMES

- The Company has provided the following information on tax schemes implemented in 2022:
  - for taxpayer's VAT and PIT combined – one MDR-1 information,
  - for VAT – one MDR-3 information regarding the settlement period of December 2022,
  - for the taxpayer's PIT – one MDR-3 information regarding 2022.

### 5.2. INFORMATION ON TAX SETTLEMENTS OF THE TAXPAYER WITHIN TERRITORIES OR COUNTRIES APPLYING HARMFUL TAX COMPETITION

- In 2022, the Company did not settled taxes 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 Tax, 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.

## 6. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES AND ON RESTRUCTURING

### 6.1. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES, THE VALUE OF WHICH EXCEEDS 5% OF TOTAL ASSETS

- The Company's total assets as of 31 December 2022 was PLN 137,289,902.28. The amount was determined on the basis of the Company's financial statements for the financial year ended 31 December 2022.
- Consequently, transactions with related parties within the meaning of art. 11a sec. 1 clause 4 of the CITA, the value of which exceeds 5% of that amount, i.e. PLN 6,864,495.11, are relevant for the information on the pursued tax strategy.
- A transaction to be disclosed in the information on the tax strategy, the value of which exceeds the above amount threshold, was carried out with PORR S.A. (National Court Register: 0000026184), and it covered construction works.
- The Company also provided services relating to construction contracts under a consortium it was a participant of, jointly with the following related parties: ELIN Sp. z o.o. (National Court Register: 0000037990) and PORR S.A. (National Court Register: 0000026184).

### 6.2. INFORMATION ON RESTRUCTURING ACTIVITIES PLANNED OR TAKEN BY THE COMPANY

In 2022, the Company did not take or plan restructuring activities, to include: merger of companies, conversion of the company into another company, making a contribution to a company in the form of an enterprise or its organised part (including under a demerger).