



# Tax strategy

The tax objectives and mission of PKO Bank Polski S.A. (hereinafter: the Bank) as a responsible and transparent entity. This document is only a translation of the original in Polish.



Bank Polski

## Objective 1

### Fulfilling tax obligations in accordance with the binding regulations

- Timely payment of taxes in amounts determined in accordance with the binding regulations and reflecting the results of the activities conducted, in compliance with the Bank's corporate social responsibility policy.
- Fulfilling the Bank's tax obligations in compliance with the generally applicable tax laws, including the provisions of the EU law and the ratified international agreements.
- Applying the tax regulations taking into account the current tax rulings issued by the tax authorities, the case law, and the explanations, instructions and other guidelines of the tax authorities.



# Objective 1

## Fulfilling tax obligations in accordance with the binding regulations

### To achieve the objective:

- The Bank, as one of the largest corporate income taxpayers in Poland, meets its corporate social responsibility for collecting, paying and remitting taxes on a timely basis.
- As a taxpayer, the Bank pays corporate income tax, value added tax, tax on certain financial institutions, local taxes, tax on civil law transactions and stamp duty.
- As a tax remitter, the Bank withholds and remits personal or corporate income tax respectively on remuneration paid to employees on employment or civil law contracts, and on amounts paid to customers and counterparties, and performs the related information duties imposed on it.
- The Bank files tax returns, declarations and information on a timely basis.
- The Bank complies with its tax scheme reporting duties pursuant to the binding regulations.
- The Bank applies transfer pricing policies on an arm's length basis. As the parent of the PKO Bank Polski S.A. Group, the Bank prepares group transfer pricing documentation and information on the group entities (CBC-R).
- The Bank identifies and reports information about the Bank's customers who are US taxpayers or residents of other countries under the FATCA\* and CRS\*\* regulations, respectively.

\*Foreign Account Tax Compliance Act, \*\*Common Reporting Standard

# Objective 2

## Acting in compliance with the intentions of the legislator

- Avoiding structures used for aggressive tax planning or tax evasion (including tax havens) and avoiding solutions that are contrary to the intention of the legislator or the spirit of the law (the principle of tax honesty).

### To achieve the objective:

- The Bank does not engage in tax planning based on regulations which allow the artificial or ostensible lowering of the effective tax burden.
- Before deciding to engage in a specific activity, the Bank performs a risk analysis with regard to the general anti-avoidance rule (GAAR) and the specific anti-avoidance rules (SAAR).





Bank Polski

## Objective 3

### Applying the arm's length principle in related party transactions

- In its transactions with related parties, the Bank applies the arm's length principle, i.e. determines prices at a level which would be applied between non-related entities and verifies them using one of the following: the comparable uncontrolled price method, cost plus, profit split method, resale price method, and the transactional net margin method. If none of these methods can be used, the Bank applies other methods, including the valuation technique which is the most appropriate in the given circumstances.

#### **To achieve the objective:**

Related party transactions are analysed for compliance with the arm's length basis when concluded, and multiannual transaction – also on an annual basis.





Bank Polski

## Objective 4

### Active involvement in legislative initiatives

- Active involvement in consulting draft acts at the stage of social consultations within the boundaries of the legal regulations in force in Poland, and taking other initiatives to create an effective, but fair tax system in Poland.

#### **Actions taken:**

To the extent and in a manner allowed by the generally applicable laws and regulations, the Bank actively participates in tax legislative initiatives for the banking sector. The Bank achieves these objectives by, among other things, participating in business associations, including the Polish Banks Association, and by cooperating with the state administration.



Bank Polski

## Objective 5

### Mitigating the tax risk (1)

- Implementing and applying internal regulations which ensure the correct fulfilment of tax obligations and correct documentation of transactions.

#### **Applying internal regulations:**

The following internal regulations are applied by the Bank:

- The policy for fulfilling tax obligations by PKO Bank Polski S.A., as adopted by the Bank's Management Board;
- Other internal regulations, in particular with respect to: the tax settlements of the Bank as a taxpayer and tax remitter, meeting transfer pricing obligations, and fulfilling the Bank's information and reporting duties.

The Bank regularly updates its internal regulations to comply with any amendments to the generally applicable laws and regulations.





Bank Polski

## Objective 5

### Mitigating the tax risk (2)

- Oversight and control over the fulfilment of tax obligations, including internal controls.

#### **Tax compliance governance system at the Bank:**

- The Vice-President of the Management Board exercises oversight over the Finance and Accounting Area, including the Tax Department.
- The Tax Department, together with other relevant Bank units, is responsible for fulfilling tax obligations and ensuring that the tasks relevant to the Bank's tax obligations are properly performed by other units of the Bank.
- The high quality of the tasks performed is ensured by the expertise of the Bank's employees, including its tax advisors.
- The Bank also hires external tax advisors.
- The process of fulfilling tax obligations is covered by the Bank's internal controls system.
- As part of the control activities, issues which include the performance of tax obligations are periodically verified. The purpose of this periodic verification is to ensure the correct performance of the tasks assigned to particular units of the Bank, including the Tax Department.





Bank Polski

## Objective 5

### Mitigating the tax risk (3)

- Mitigating the tax risk using the Bank's risk management system.

#### **The Bank's tax risk management mechanism and principles:**

- The Bank regularly analyses and mitigates its tax risk using instruments permitted by the generally applicable laws and regulations. Among other things, the Bank seeks to obtain individual tax rulings and securing opinions.
- The Bank has a low tax risk appetite. The Bank limits activities when it is not possible to eliminate the tax risk using legally permissible tools.
- Fulfilment of tax obligations at the Bank is a separate process which is subject to assessments from the perspective of operational and compliance risk, among other things.





Bank Polski

## Objective 5

### Mitigating the tax risk (4)

- Promoting tax awareness among the employees.

#### **To achieve the objective:**

The Bank's employees are informed of the applicable tax law, its planned amendments and interpretations.

The following tools are used:

- Periodic information on amendments to the tax law, individual tax rulings and general interpretations as well as the decisions of administrative courts;
- Specialist training and guidelines for the employees;
- Analyses of the tax effects of the Bank's new products, business processes, investment projects, contracts.



# Objective 6

## Maintaining high standards in relations with authorities

- Cooperating with tax authorities based on the principles of fairness and transparency.

### To achieve the objective:

- The Bank maintains contacts with tax authorities, including the bodies of the National Revenue Administration, in a professional and transparent manner, based on mutual trust.
- The Bank fulfils its duties resulting from generally applicable tax law in an honest and careful manner, meeting the deadlines stipulated by the law.
- The Bank is proactive during the tax proceedings and tax audits conducted, and provides clear and comprehensive responses.



Bank Polski



Bank Polski

## Objective 7

### Using modern technologies in fulfilling tax obligations

- Using modern technological solutions in tax processes and tax data management.

#### **To achieve the objective:**

- The Bank uses IT applications and automated processes to fulfil its tax obligations.
- The Bank strives to maximize the use of electronic communication in contacts with its customers and tax authorities.