

# Information on applied tax strategy of Basell Orlen Polyolefins Sp. z o.o. for the fiscal year from 1 January 2020 to 31 December 2020

**Płock, 29 December 2021**

Basell Orlen Polyolefins Sp. z o.o., 09-400 Płock, ul. Ignacego Łukasiewicza 39  
tel.: (48 24) 364 73 00, fax: (48 24) 364 73 01, e-mail: [info@basellorlen.pl](mailto:info@basellorlen.pl), [www.basellorlen.pl](http://www.basellorlen.pl)

Company registration: Register of Entrepreneurs kept by the District Court for Łódź - Śródmieście in Łódź,  
XX Commercial Division of the National Court Register, KRS (National Court Register) number: 0000143578  
Company's share capital: PLN 907 398 000.00, NIP (Tax Identification Number): 774-27-45-992  
BDO (Waste Data Base) number: 000004671

Basell Orlen Polyolefins Sp. z o.o. is a member of LyondellBasell Group and ORLEN Group  
The Company is a joint venture between LyondellBasell Industries Holdings B.V.  
and Polski Koncern Naftowy ORLEN Spółka Akcyjna



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## INTRODUCTION

This Information on tax strategy applied by Basell Orlen Polyolefins Sp. z o.o.<sup>1</sup> is presented in fulfilment of the obligation imposed on specific taxpayers of corporate income tax under Article 27c of the Act on Corporate Income Tax of 15 February 1992<sup>2</sup>.

Preparation and publication of the Information on applied tax strategy are fulfilment of the obligation imposed on BOP in connection with enactment of the above provisions of the Act on CIT by the legislator on 1 January 2021. This Information on applied tax strategy is for the fiscal year beginning on 1 January 2020 and ending on 31 December 2020.

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<sup>1</sup> hereinafter: **Company** or **BOP**.

<sup>2</sup> hereinafter: **Act on CIT**.

## 1. Background information on the Company

<b>Basell Orlen Polyolefins Sp. z o.o.</b>	
<b>Registered office address</b>	ul. Ignacego Łukasiewicza 39 09-400 Płock
<b>Registry court</b>	District Court for Łódź-Śródmieście in Łódź, XX Commercial Division of the National Court Register
<b>Identification data</b>	REGON (National Official Business Register): 611377499 NIP (Tax Identification Number): 7742745992 KRS (National Court Register): 0000143578
<b>Management Board</b>	Laurent Hautier – President of the Management Board (Chief Executive Officer) Jan Rosek – Chief Production Officer Arkadiusz Wierciński – Chief Financial Officer Umberto Credali – Chief Sales Officer
<b>Share capital</b>	PLN 907 398 000.00
<b>Company's website</b>	<a href="http://www.basellorlen.pl/">http://www.basellorlen.pl/</a>

BOP is a Polish company incorporated in 2003 based on cooperation of two manufacturing groups represented by:

- **LyondellBasell Industries Holdings B.V.**, a Dutch company, a member of LyondellBasell Group, acting worldwide in the plastic, chemical and refinement industry, and
- **PKN ORLEN S.A.**, a Polish fuel and energy concern, a member of ORLEN Group, acting in petrochemical sector in Central and Eastern Europe.

The Company is the only manufacturer of polyolefins [polypropylene (PP) and polyethylene (PE)] in Poland and at the same time the largest domestic manufacturer of plastics, with over 15 years of experience in production.

As a result of the established distribution network and the commercial and marketing integration with the LyondellBasell Group, BOP products are distributed worldwide. On the Polish market, BOP products are distributed by Basell Orlen Polyolefins Sprzedaż Sp. z o.o.<sup>3</sup>, in which BOP is a 100% shareholder.

BOP and BOPS are parts of the BOP Group.

The ownership and organizational structure in which BOP operates was created in order to achieve its operational goals and to take advantage of its potential – in the Company's view, the efficient operation of the organization and the synergy of BOP's, BOPS' and shareholders' activities allow the Company to achieve further business objectives, efficiently and safely develop its operations.

The Company understands the significant role of compliance with the law and other national and international requirements. In particular, BOP's strategy, supported by shareholders, provides for reliable reporting of tax issues and settlement of various taxes by the Company. In consequence, the Company carries out its tax settlements at the highest level, taking care of both quality and correctness of on-going settlements, predicting the effect of planned changes in tax terms in advance as well as implementing, if needed, remedial / corrective / adaptive measures. The Company takes no actions in the scope of the so-called tax optimisation or tax avoidance.

The clearly defined approach of BOP to the broadly understood tax function<sup>4</sup> made the Company decide to apply for the pilot phase of the Programme of Cooperation with the National Revenue Administration<sup>5</sup>.

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<sup>3</sup> hereinafter: **BOPS**.

<sup>4</sup> According to the "Guidelines for the Internal Tax Control Framework" (version 2.0) presented by the Ministry of Finance, *"the tax function is connected with proper assessment of taxes and making payments, including but not limited to ensuring compliance with the law, and includes interactions between various business departments of the enterprise (other than finance and accounting) which, as a result of actions taken, have the ultimate (direct or indirect) effect on taxes. A properly functioning tax function must be integrated with other business functions and requires synergy of many elements, including processes, organisational structure, communication, data management, personnel, technology, leadership as well as control and risk management."*

<sup>5</sup> hereinafter: **NRA**.

## **2. Information on applied tax strategy for fiscal year ended on 31 December 2020**

### *2.1. Processes and procedures having effect on tax function management in BOP*

Reliable approach to both the economic and social dimension of the Company's business is of fundamental significance for its rules and procedures. At the same time, the Company's business is also characterised with responsible and transparent approach to tax settlements, which is also reflected in the documents effective at the level of BOP Group and in detailed procedures of the Company.

The internal tax control framework effective in BOP, verified / revised / clarified in detail in 2020, cover all these policies, procedures and instructions which together support effective operation of the Company's tax function.

The procedures in the scope of BOP's tax function are structured hierarchically, assuming clear and simple presentation of the expected model of action in the given case and indicating persons responsible for the given process. Thus, this system is based on BOP's Code of Conduct, Framework Organisational Rules of Basell Orlen Polyolefins, Tax Control Framework Policy, Tax Risk Matrix and further detailed (tax and organisational) procedures and processes.

An element supporting the tax function are also IT systems implemented and updated in cooperation with persons with tax expertise which comprehensively secures the tax aspects of transactions and provides tax-safe IT solutions.

The said system of procedures and processes is to ensure proper fulfilment of tax obligations by the Company, including but not limited to:

- correct specification of tax bases and correct amounts of taxes in tax returns;
- correct and timely payment of tax obligations;
- preventing potential breaches of tax law and in case of occurrence - efficient detection, adjustment and implementation of remedial measures for the future.

## *2.2. Voluntary forms of cooperation with the bodies of the National Revenue Administration*

The Company is open to cooperation with tax authorities, maintaining close and on-going contacts especially with the representatives of the proper tax office dedicated to BOP.

Furthermore, bearing in mind the principles the Company and its shareholders follow, in 2020 - on the first possible day, BOP filed an application for acceptance in the pilot phase of the Cooperation Programme referred to in Article 20s of the Act of 29 August 1997 - Tax Ordinance. A pre-audit by a team of auditors dedicated to the Company and appointed by the Ministry of Finance and the National Revenue Administration began in 2020. Currently, the work of the auditors is nearing completion and the Company believes to sign a co-operation agreement in early 2022. From the Company's point of view, participation in the Cooperation Programme will enable effective, transparent and cooperation with the Ministry of Finance and National Revenue Administration.

In 2020, BOP did not conclude or apply for conclusion of any advance pricing agreements referred to in Article 83 of the Act on Resolution of Disputes Regarding Double Taxation and Conclusion of Advance Pricing Agreements of 16 October 2019.

## *2.3. Company's fulfilment of tax obligations in the territory of Poland*

In 2020, BOP fulfilled tax obligations in the scope of the following taxes:

- corporate income tax (CIT) – including in relation to withholding tax or transfer pricing;
- value added tax (VAT);
- property tax (PT);
- customs duty;
- tax on civil law transactions (TCLT).

Furthermore:

- the Company fulfilled payer's obligations in the scope of personal income tax (PIT), and
- applied excise duty exemptions and rate of PLN 0 for purchased excise products.

#### 2.4. Tax arrangements

In 2020, the Company filed MDR-1 and MDR-3 in the scope of corporate income tax (in connection with dividend pay-out), according to the specification below:

Form	Number of filed information forms
MDR-1	4
MDR-2	0
MDR-3	2
MDR-4	0

#### 2.5. Transactions with related entities

Total balance sheets presented in BOP's financial statements were as follows:

<b>Total balance sheet at the end of 2019</b>	1 903 568 000 PLN
<b>Total balance sheet at the end of 2020</b>	1 777 613 000 PLN

In 2020, BOP concluded transactions with related entities within the meaning of Article 11a(1)(4) of the Act on CIT the value of which exceeded 5% of the balance sheet total of assets within the meaning of the accounting regulations, determined on the basis of the approved financial statements of the Company.

The Company notes that the below information on transactions with related entities regards uniform transactions within the meaning of transfer pricing regulations, the (unit) value of which exceeds the limit defined by the legislator.

These transactions are presented in the table below:

<b>Contractor</b>	<b>Contractor's status</b>	<b>Transaction type</b>	<b>Subject of transaction</b>
<b>Polski Koncern Naftowy Orlen S.A.</b>	<b>resident</b>	<b>purchase</b>	<b>monomers (propylene, ethylene)</b>
<b>Polski Koncern Naftowy Orlen S.A.</b>	<b>resident</b>	<b>purchase</b>	<b>electrical energy, steam and heat energy</b>
<b>Orlen Insurance Limited</b>	<b>non-resident</b>	<b>purchase</b>	<b>insurance cover service</b>
<b>Basell Orlen Polyolefins Sprzedaż Sp. z o.o.</b>	<b>resident</b>	<b>sale</b>	<b>loan</b>
<b>Basell Sales &amp; Marketing Company BV</b>	<b>non-resident, registered as VAT taxpayer, inter alia, in Poland</b>	<b>sale</b>	<b>finished products</b>

## 2.6. Reorganisation activities

In 2020, BOP did not take or plan any reorganisation activities that could affect the value of tax obligations of the Company or related entities within the meaning of Article 11a(1)(4) of the Act on CIT.

*2.7. Filed applications for issue of general tax law interpretations, individual tax law interpretations, binding rate information and binding excise duty information*

In 2020, the Company did not apply for issue of:

- a general tax interpretation referred to in Article 14a § 1 of the Tax Ordinance;
- a tax law interpretation referred to in Article 14b of the Tax Ordinance;
- a binding rate information referred to in Article 42a of the Act on Value Added Tax of 11 March 2004;
- a binding excise duty information referred to in Article 7d(1) of the Act on Excise Duty Tax of 6 December 2008.

*2.8. Tax settlements in territories or countries applying harmful tax competition*

In 2020, the Company did not carry out any tax settlements in territories or countries applying harmful tax competition specified in the secondary legislation issued under Article 11j(2) of the Act on CIT and under Article 23v(2) of the Act on Personal Income Tax of 26 July 1991 and in the announcement of the minister proper for public finance issued under Article 86a § 10 of the Tax Ordinance.