Information on tax strategy

Information on the tax strategy implemented in 2020
by

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Table of contents

Introduction **3**

Abbreviations **4**

1. Scope and purpose of the document **7**

2. Content of the information on the implemented tax strategy **8**

2.1. Processes and procedures and voluntary forms of cooperation with KAS arising from tax law provisions **8**

2.1.1. Information on the processes and procedures applied by the taxpayer for managing the performance of obligations arising from tax law provisions and ensuring their proper performance 9

2.1.2. Information on voluntary forms of cooperation with the authorities of the National Revenue Administration 9

2.2. Fulfilment of tax obligations **9**

2.2.1. Information on the taxpayer's fulfilment of tax obligations in the territory of the Republic of Poland 9

2.2.2. Information on the number of reports on tax schemes submitted to the Head of the National Revenue Administration, broken down by the taxes to which they relate 10

2.3. Transactions with related parties **11**

2.3.1. Information on transactions with related parties whose value exceeds 5% of the balance sheet total of assets determined on the basis of the company's most recently approved financial statements 11

2.3.2. Information on restructuring activities planned or undertaken by the taxpayer that may affect the amount of the tax liabilities of the taxpayer or of related parties 11

2.4. Information on tax applications submitted by the taxpayer **11**

2.4.1. general tax rulings 11

2.4.2. individual tax rulings 12

2.4.3. binding rate information 12

2.4.4. binding excise information 12

2.5. transactions with tax havens **12**

Introduction

In connection with the fulfilment of the obligation arising from Article 27c of the Act of 15 February 1992 on Corporate Income Tax (Journal of Laws of 2021, item 1800, as amended), we present below the information on the tax strategy implemented by Pelion S.A. for the 2020 tax year.

The obligation to prepare information on the implemented tax strategy applies, among others, to taxpayers whose revenue earned in the tax year exceeded the equivalent of EUR 50 million, converted into Polish zloty at the average euro exchange rate announced by the National Bank of Poland on the last business day of the calendar year preceding the year in which the individual taxpayer data are made public.

A taxpayer obliged to prepare information on the implemented tax strategy publishes this information, prepared in Polish or translated into Polish, on its website by the end of the twelfth month following the end of the tax year or, if it has no website, on the website of a related entity. Within the same deadline, the address of that website must be communicated to the competent head of the tax office.

Abbreviations

Excise duty – a tax imposed on goods in order to limit their consumption or on account of high profit accumulation, governed by the Act of 6 December on Excise Duty (Journal of Laws of 2009, No. 3, item 11, as amended)

BSS – Business Support Solution S.A., which provides financial and accounting services, and BSS TAX Wiśniewski SKA, which provides tax advisory services, related to and cooperating with Business Support Solution S.A.

CIT – corporate income tax, governed by the Act of 15 February 1992 on Corporate Income Tax (Journal of Laws of 1992, No. 21, item 86, as amended)

Customs duty – a charge imposed by the state on goods in connection with their export and import across the customs borders of the state, as well as their transit through its customs territory, governed in particular by Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code (OJ EU L 269 of 10.10.2013, p. 1, as amended) – UCC, and by the Act of 19 March 2004 – Customs Law (consolidated text: Journal of Laws of 2020, item 1382, as amended).

Pelion Group – the entities forming part of the Pelion S.A. Capital Group, the list of which constitutes an appendix to the Accounting Principles (Policy) of Pelion S.A. The appendix is updated on an ongoing basis by BSS whenever the structure of the Pelion Group changes.

Tax collector – a natural person, legal person or organisational unit without legal personality that is obliged to collect tax from the taxpayer and remit it to the tax authority within the applicable deadline.

General tax ruling – an instrument used to resolve doubts concerning the interpretation of tax law provisions; issued by the minister competent for public finance in order to ensure the uniform application of tax law by the tax authorities, in particular by interpreting it, ex officio or upon request, taking into account the case law of the courts, the Constitutional Tribunal or the Court of Justice of the European Union.

Individual tax ruling – an instrument used to resolve doubts concerning the interpretation of tax law provisions; issued by the Director of the National Tax Information upon the request of an interested party in its individual case; the request may concern an existing factual state or future events; the subject of a request for an individual tax ruling may not be tax law provisions governing the competence, powers and duties of the tax authorities.

Head of KAS – the Head of the National Revenue Administration, being an authority of the National Revenue Administration listed in Section II of the Act of 16 November 2016 on the National Revenue Administration (Journal of Laws of 2016, item 1947, as amended).

Tax non-resident – a taxpayer that does not have its registered office or management board in the territory of the Republic of Poland and is subject to tax only on income earned in the territory of the Republic of Poland.

Tax obligation – an unspecified duty, arising from tax acts, to make a compulsory monetary payment in connection with the occurrence of an event defined in those acts.

Pelion – Pelion Spółka Akcyjna

PCC – tax on civil law transactions, governed by the Act of 9 September 2000 on Tax on Civil Law Transactions (Journal of Laws of 2000, No. 86, item 959, as amended)

PIT – personal income tax, governed by the Act of 26 July 1991 on Personal Income Tax (Journal of Laws of 1991, No. 80, item 350, as amended)

Remitter – a natural person, legal person or organisational unit without legal personality that is obliged under tax law provisions to calculate and collect tax from the taxpayer and remit it to the tax authority within the applicable deadline.

Real estate tax – a tax governed by the Act of 12 January 1991 on Local Taxes and Charges (Journal of Laws of 1991, No. 9, item 31, as amended)

Taxpayer – a natural person, legal person or organisational unit without legal personality that is subject to a tax obligation under tax acts, as well as any other entity designated as a taxpayer by a tax act.

Unrelated party – an independent entity other than a related party within the meaning of Chapter 1a of the CIT Act and Chapter 4b of the PIT Act.

Related party – an entity within the meaning of Chapter 1a of the CIT Act and Chapter 4b of the PIT Act which exercises significant influence over at least one other entity, or an entity over which significant influence is exercised by the same other entity or by a spouse, relative or in-law up to the second degree of a natural person exercising significant influence over at least one entity, or a company without legal personality and its partners, or a taxpayer and its foreign permanent establishment and, in the case of a tax capital group, a company forming part of it and its foreign permanent establishment.

Financial and Tax Security Policy of the Pelion Companies – the central document in the Pelion Group whose purpose is to ensure the financial and tax security of the Pelion Group Companies and the compliance of their operations with accounting and tax regulations.

Financial and Accounting Security Procedures – detailed procedures constituting appendices to the Financial and Tax Security Procedure of the Pelion Companies, governing areas related to budget and tax reporting, including the process of exercising due diligence in the verification of counterparties, the preparation of transfer pricing documentation and the prevention of non-compliance with the obligation to report information on tax schemes.

Tax haven – a country or territory applying harmful tax competition, as specified in the Regulation of the Minister of Finance of 28 March 2019 on the determination of countries and territories applying harmful tax competition with respect to personal income tax (Journal of Laws, item 599) and in the Regulation of the Minister of Finance of 28 March 2019 on the determination of countries and territories applying harmful tax competition with respect to corporate income tax (Journal of Laws, item 600).

Restructuring – a type of controlled transaction defined in § 2 of the Regulation of the Minister of Finance of 21 December 2018 on transfer pricing with respect to corporate income tax (Journal of Laws, item 2491, as amended), consisting in the reorganisation of the operations of related parties, involving a significant change in commercial or financial relations, including the termination of existing agreements or a change in their material terms, and involving the transfer of functions, assets or risk categories between related parties, if, as a result of that transfer, the taxpayer's projected average annual earnings before interest and taxes (EBIT) over the three-year period following the transfer would change by at least 20% of the projected average annual EBIT over the same period had the transfer not taken place.

Tax resident – a taxpayer that has its registered office or management board in the territory of the Republic of Poland and is subject to tax on its entire income, regardless of where it is earned.

Tax scheme – an arrangement that meets the main benefit test and has a generic hallmark, has a specific hallmark or has another specific hallmark.

Standardised tax scheme – a tax scheme that may be implemented or made available to more than one user without the need to change its material assumptions, in particular those concerning the type of actions taken or planned under the tax scheme.

Cross-border tax scheme – an arrangement that meets the cross-border criterion and meets the main benefit test and has any of the generic hallmarks referred to in point 7(a)–(h) of the Tax Ordinance Act, or has a specific hallmark

Company – an entity belonging to the Pelion Group that is obliged to prepare information on the implemented tax strategy.

Territory of the Republic of Poland (RP) – the area of land territory bounded by the state borders, internal sea waters and the territorial sea, as well as the airspace and the subsoil above (below) the land territory, internal sea waters and the territorial sea.

Binding Excise Information (WIA) – a decision issued for the purposes of taxing an excise product or a passenger car with excise duty, organising trade in excise products or marking such products with excise stamps. It determines the classification of the excise product or passenger car in a layout corresponding to the Combined Nomenclature (CN), or the type of excise product by describing the product in sufficient detail to determine its taxation with excise duty, the organisation of trade in excise products or the marking of such products with excise stamps. The WIA is binding on the tax authorities and the entity for which it was issued with respect to excise products or passenger cars in relation to which activities subject to excise duty were performed after the date on which it became final. The WIA is valid for a period of 5 years from the date of issue.

Binding Rate Information (WIS) – a decision issued for the purposes of VAT taxation of the supply of goods, import of goods, intra-Community acquisition of goods or supply of services. Compliance with a WIS received means that the taxpayer is covered by the same protection as compliance with an individual tax ruling. Compliance with a WIS also has protective effect for entities other than those for which it was issued, provided that in such a case the possibility of relying on the WIS covers the period from the day following the day on which the WIS was published in the Public Information Bulletin. A WIS expires by operation of law in the event of a change in tax law provisions concerning the tax relating to the goods or services covered by it, as a result of which the WIS becomes inconsistent with those provisions, as of the date of entry into force of those provisions. The Head of KAS may also revoke or amend a WIS ex officio if it finds that it is incorrect, in particular where the WIS ceases to comply with the law.

VAT – the Act of 11 March 2004 on Value Added Tax (Journal of Laws of 2004, No. 54, item 535, as amended)

Tax liability – the taxpayer's obligation, arising from a tax obligation, to pay tax to the State Treasury, a voivodeship, a county or a municipality in the amount, within the deadline and at the place specified in tax law provisions.

1. Scope and purpose of the document

This document has been prepared pursuant to Article 27c of the CIT Act and contains information on:

- the processes and procedures applied by the taxpayer for managing the performance of obligations arising from tax law provisions and ensuring their proper performance;
- voluntary forms of cooperation with the authorities of the National Revenue Administration;
- the taxpayer's fulfilment of tax obligations in the territory of the Republic of Poland, together with information on the number of reports on tax schemes submitted to the Head of the National Revenue Administration, broken down by the taxes to which they relate;
- transactions with related parties whose value exceeds 5% of the balance sheet total of assets within the meaning of the accounting regulations, determined on the basis of the company's most recently approved financial statements, including entities that are not tax residents of the Republic of Poland, and restructuring activities planned or undertaken by the taxpayer that may affect the amount of the tax liabilities of the taxpayer or of related parties;
- applications submitted by the taxpayer for the issue of a general tax ruling, individual rulings on tax law provisions, binding rate information and binding excise information;
- the taxpayer's tax settlements in territories or countries applying harmful tax competition.

2. Content of the information on the implemented tax strategy

The Pelion Group, to which the Taxpayer belongs, operates on the pharmaceutical products sales market. Pelion S.A. is a holding company that coordinates the operations of the entities forming part of the Pelion Capital Group. The Pelion Group operates on the healthcare market and, in particular, is present in all pharmaceutical distribution channels. The Capital Group companies operate within three main business lines:

- wholesale,
- hospital supply and logistics services,
- retail.

The role of Pelion S.A. is primarily to support and coordinate its subsidiaries by setting the long-term policy for their development, coordinating cooperation between individual segments, standardising central procedures, allocating resources and controlling the efficiency of their use, arranging financing for the operations of the Capital Group companies and supporting the companies' operations (e.g. IT security, investment advisory, support in the areas of HR and PR).

The diagram below presents the three main business lines operating within the Pelion Group



In addition, at the Pelion Group level there are support companies responsible for supporting the processes related to the conduct of day-to-day operations, as illustrated in the diagram below:



2.1. Processes and procedures and voluntary forms of cooperation with KAS arising from tax law provisions

At the Pelion Group level, a central document is in force, namely the Financial and Tax Security Policy of the Pelion Companies, whose purpose is to ensure the financial and tax security of the Pelion Group Companies and the compliance of their operations with accounting and tax regulations. This document contains a description of the processes and procedures arising from tax law provisions. The appendices to the Financial and Tax Security Policy are detailed procedures for ensuring the correctness of the obligations performed from an accounting and tax perspective. Every Pelion Group Company is obliged to comply with the principles arising from the Financial and Tax Security Policy.

Given the structure of the Pelion Group, which is based on separate business lines, the entities responsible for the processes related to keeping the books of account, including ensuring compliance with accounting and tax law, are Business Support Solution Spółka Akcyjna and BSS TAX Wiśniewski Spółka Komandytowo-Akcyjna, which update the central procedure and the individual appendices on an ongoing basis to ensure their compliance with applicable law.

2.1.1. Information on the processes and procedures applied by the taxpayer for managing the performance of obligations arising from tax law provisions and ensuring their proper performance

A Company belonging to the Pelion Group is obliged to comply with the Financial and Tax Security Policy together with its appendices.

Within the Financial and Tax Security Policy, in the area of managing the performance of tax obligations arising from tax law provisions and ensuring their proper performance, the following should be distinguished in particular:

- the procedure for the verification of counterparties and transactions in order to exercise due diligence in mitigating tax risks related to purchases of goods for value added tax purposes;
- the procedure for preparing transfer pricing documentation and the related reporting obligations;
- the procedure for preventing non-compliance with the obligation to report information on tax schemes in the Pelion Companies;
- the procedure for tax and accounting reporting, together with instructions on documenting intangible services;
- the procedure for handling inspections and searches;
- the procedure for counteracting money laundering and terrorist financing in the financial and reporting aspect.

The performance of the obligations arising from the Financial and Tax Security Policy, including their updating and ongoing support in the performance by Pelion S.A. of the obligations set out in the procedures, has been entrusted to BSS and BSS TAX – the entities responsible for handling accounting, HR and payroll processes and for tax advisory services.

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

The Taxpayer did not enter into any agreements on voluntary forms of cooperation with the KAS authorities.

2.2. Fulfilment of tax obligations

Pelion is a Polish tax resident, subject to unlimited tax liability in Poland, and an active registered VAT taxpayer. In the period covered by this Information, the Company acted as a CIT taxpayer and remitter, a PIT remitter, a VAT taxpayer and a PCC taxpayer.

2.2.1. Information on the taxpayer's fulfilment of tax obligations in the territory of the Republic of Poland

For the year covered by this Information, the Company filed the following tax returns with the competent head of the tax office and, where acting as a remitter, also provided taxpayers with information related to the above obligations, broken down by individual taxes:

PIT

- **PIT-4R** – an annual return on advance payments of personal income tax, filed by the personal income tax remitter, as a rule, by the end of January of the year following the tax year.

- **PIT-8AR** – an annual return on flat-rate personal income tax, filed by the remitter of flat-rate personal income tax, as a rule, by the end of January of the year following the tax year.
- **PIT-11** – information on revenue from other sources and on income and advance income tax payments collected, filed by the personal income tax remitter, as well as by a legal person that is not a remitter, as a rule, by the end of January of the year following the tax year – for information filed with the tax office, and by the end of February of the year following the tax year – for information sent to the taxpayer

CIT

- **CIT-8** – a return on the amount of income earned (loss incurred) and corporate income tax due, filed by the corporate income tax taxpayer, as a rule, by the end of the third month of the following year.
- **CIT-10Z** – a return on the amount of flat-rate corporate income tax collected by the remitter on income (revenue) earned by taxpayers that do not have their registered office or management board in the territory of the Republic of Poland, filed by remitters that have collected flat-rate tax from taxpayers that are not tax residents, as a rule, by the end of the first month of the year following the tax year in which the obligation to pay the tax arose.
- **IFT-2R** – information on the amount of revenue (income) earned by corporate income tax taxpayers that do not have their registered office or management board in the territory of the Republic of Poland, filed by the remitter of flat-rate corporate income tax, as a rule, by the end of the third month of the year following the tax year.

VAT

- **VAT-7** – a value added tax return, filed by the VAT taxpayer, as a rule, by the 25th day of the month following the month to which it relates.
- **JPK_VAT** – a standard audit file containing a records part and a return part, filed by the VAT taxpayer, as a rule, by the 25th day of the month following the month to which it relates.
- **VAT UE** – a recapitulative statement on intra-Community transactions and movements of goods under the call-off stock procedure, filed by VAT taxpayers and legal persons that are not taxpayers, registered as active EU VAT taxpayers, that make intra-Community supplies of goods, intra-Community acquisitions of goods or intra-Community supplies of services, or that move goods under the call-off stock procedure to the territory of a Member State other than the territory of the country, as a rule, by the 5th day of the month following the month to which it relates.

OTHER

- **TPR-C** – transfer pricing information, filed by a related party, as a rule, by the end of the ninth month after the end of the tax year.
- **DN-1** – a real estate tax return, filed by taxpayers who are owners of real estate or structures, autonomous possessors of real estate or structures, perpetual usufructuaries of land, or possessors of real estate or parts thereof or of structures or parts thereof owned by the State Treasury or a local government unit.
- **CBC-P** – a notification regarding the obligation to provide information on a group of entities.
- **CBC-R** – information on the entities forming part of a group of entities.

For 2020, the Company's tax liabilities have been settled.

2.2.2. Information on the number of reports on tax schemes submitted to the Head of the National Revenue Administration, broken down by the taxes to which they relate

In the 2020 tax year, the taxpayer did not report any tax schemes to the Head of KAS.

2.3. Transactions with related parties

In the course of its operations, the taxpayer carries out transactions with related parties that are subject to the obligation to prepare local transfer pricing documentation within the meaning of Chapter 1a of the CIT Act.

In this respect, the Taxpayer fulfils the following obligations:

- it files with the competent tax office a statement on the preparation of local transfer pricing documentation, as a rule, by the end of the ninth month after the end of the financial year (Article 11m(1) of the CIT Act)
- it submits transfer pricing information (TPR-C) to the Head of KAS, as a rule, by the end of the ninth month after the end of the tax year (Article 11t of the CIT Act).

Pursuant to Article 16(4)(a) and (b) of the Act of 30 March 2021 amending the Excise Duty Act and certain other acts (Journal of Laws of 2021, item 694), the deadline for submitting transfer pricing information and the statement on the preparation of local transfer pricing documentation was extended by 3 months – where that deadline falls in the period from 1 July 2021 to 31 December 2021.

2.3.1. Information on transactions with related parties whose value exceeds 5% of the balance sheet total of assets determined on the basis of the company's most recently approved financial statements

On the basis of the most recently approved financial statements, in 2020 Pelion S.A. exceeded, with related parties, the transaction value constituting 5% of the balance sheet total of assets in respect of transactions concerning:

- obtaining a surety from a related party,
- granting sureties to related parties,

2.3.2. Information on restructuring activities planned or undertaken by the taxpayer that may affect the amount of the tax liabilities of the taxpayer or of related parties

In 2020, the taxpayer undertook the following restructuring activities that could have affected the amount of the tax liabilities of the taxpayer or of related parties:

- the sale and contribution in kind of a portfolio of real estate to a related party.

The taxpayer plans to carry out the following restructuring activities:

- a reorganisation of the taxpayer's operations resulting in the transfer of functions and risks related to the lease and management of real estate to a related party,
- a contribution in kind of shares in subsidiaries (given the homogeneous nature of the business conducted by those companies) to a dedicated capital company established in connection with the separation of the business line responsible for trading in veterinary products and products related to animal care.

2.4. Information on tax applications submitted by the taxpayer

Below, the Company presents information on the applications submitted to KAS in 2020.

2.4.1. general tax rulings

In 2020, the taxpayer did not submit any applications for the issue of a general tax ruling.

2.4.2. individual tax rulings

In 2020, the Company applied to the Director of the National Tax Information, as an interested party that is not a party to the proceedings, in a joint application for an individual tax ruling concerning corporate income tax and value added tax.

2.4.3. binding rate information

In 2020, the taxpayer did not apply for the issue of binding rate information.

2.4.4. binding excise information

In 2020, the taxpayer did not apply for the issue of binding excise information.

2.4.5. transactions with tax havens

In 2020, the taxpayer did not carry out any transactions with entities from tax havens.

2.4.6. tax settlements in territories or countries applying harmful tax competition indicated in the implementing acts of the minister of finance

In 2020, the taxpayer did not make any tax settlements in territories or countries applying harmful tax competition.