

# **ILS Spółka z ograniczoną odpowiedzialnością**

## **Information on realized tax strategy for**

### **year 2020**

## I. GENERAL INFORMATION

This document provides information on the tax strategy pursued by ILS sp. z o.o. in fiscal year 2020.

### Legal basis

The Information on the implemented tax strategy has been prepared in accordance with the requirements of Article 27c of the Corporate Income Tax Act. The provisions underlying the preparation of the individual elements of the Information on the implemented tax strategy are indicated in the following paragraphs of this information.

### Information about ILS sp. z o.o.

ILS Sp z o.o. (hereinafter referred to as: the Company) is an entity which is a part of Inter Cars Capital Group. The company is responsible for providing comprehensive logistics services related to storage and handling of goods for the companies of the Capital Group and third parties.

Inter Cars Group is a leading distributor of spare parts for passenger cars and trucks on Polish market. In addition, it has gradually been developing its activity in over 20 countries across Europe, ranking first in the Central and Eastern part of the continent, second on the entire continent and eighth globally.

Inter Cars Group offers over two million spare parts for passenger cars and trucks, parts for motorcycles, farming and industrial machines as well as accessories for drivers. The company provides garages a fast, convenient and safe access to all tools facilitating their operations. In addition to spare parts for cars, Inter Cars offers technical support, innovative garage management programmes as well as stationary and on-line trainings. Such variety of products makes our offer the biggest in Europe.

In the distribution sector the supply chain is the most critical part of a company's operations. At Inter Cars we believe that our competitive advantage results from our special system of receipt, storage and distribution of car parts. We continue to improve, accelerate and simplify all procedures to make sure that our clients, both manufacturers and garages, know that they can always rely on our services.

Key tasks in the supply chain are carried out by our company ILS, which acts as a specialised logistics entity. It manages European Logistics and Development Centre in Zakroczym opened in 2018. The investment site with an area of 24ha, more than 60 thousand m<sup>2</sup> of total

storage space and a conveyor system of 11 km is the only such warehouse in the parts distribution industry in Europe. In 2018, the second largest (in terms of the volume of operations) regional warehouse in Sosnowiec, , handling the Inter Cars Group companies south of Poland, was extended by 12 000 m to a total area of 55k m2. The total combined area of the logistics centres in Poland is over 155 thousand m2, compared with 60 thousand m2 in other European countries.

ILS was founded in October 2012 and started operations in 2013. ILS is headquartered in Zakroczym (Mazowieckie Voivodeship). ILS Sp z o.o. operates in the Warmińsko-Mazurska Specjalna Strefa Ekonomiczna (Special Economic Zone) - Zakroczym Subzone on the basis of the permit granted in 2014.

for conducting business activity understood as production, trade and service activity, within the scope of products and services manufactured within the zone in specific items of PKWiU (Polish Classification of Goods and Services). The services offered by ILS include primarily warehousing, domestic transport, international transport, sea and intermodal freight forwarding. The company runs its business activities using modern warehouses, qualified personnel, specialised equipment and advanced IT technologies. In the structure of IC Group, ILS was established as an entity dealing with provision of logistics and warehousing services.

ILS is a logistics operator that specialises in comprehensive logistics services. ILS primarily provides services for the "automotive" segment and implements solutions for customers in other industries, including the chemical industry and FMCG. ILS warehouses goods belonging to IC S.A. (IC S.A. is the parent company, referred to as the IC SA). Storage may be of a long-term or short-term nature (on an in/out basis). The duration of storage depends on the purchasing policy of IC SA. Transit goods are not stored on the shelves of ILS warehouses.

In some situations ILS performs packaging of goods, which is understood as combining or splitting of inventory items, packing of goods in accordance with the provisions of the contract, repacking of goods into collective or individual packages, as agreed with IC SA. Packaging of goods takes place in order to protect them from damage during storage or transport. Packaging also includes printing labels and marking the goods with them, or marking them in another way, indicated by IC SA. ILS delivers the stored goods to external logistics companies, which, among others, on the order of ILS transport the goods e.g. to the branches. This function includes collecting, packing, loading and releasing goods from the warehouse.

ILS takes care of the administration of the transport of goods, according to the needs of IC SA. Transport can take place both between warehouses and to branches. Transport is carried out by external logistics providers.

The Group has warehouses in:

- a) Latvia, delivering goods also to Estonia,
- b) Romania, delivering goods to Bulgaria, Republic of Moldova,
- c) Bulgaria delivering goods to Greece, Serbia
- d) Croatia delivering goods to Bosnia and Herzegovina, Slovenia and Italy.

The range of services offered by the Company include:

- 1) warehousing services
- 2) breaking bulk
- 3) transporting and forwarding

ILS Sp. z o.o. is one of the largest companies in the logistics sector in Poland in terms of revenue. According to data published by the Ministry of Finance, in 2020 the Company was ranked 1508th in terms of revenue.

The Company focuses on maintaining transparency in tax reporting and active contacts with tax administration authorities. Proper fulfilment of tax obligations and timely payment of public law liabilities are among the key values of the Company. Approach

Company's approach to tax settlements is based on thorough verification of tax consequences of business activities and making strategic decisions based on verification against the position presented by the National Tax Administration, among other things, based on arrangements with the Ministry of Finance within the APA. The company has developed a system of internal structures, technological solutions (e.g. IT) and has implemented a division of competences to enable the proper execution of the tax function. The Company has introduced internal procedures aimed at identifying and mitigating tax risks.

## II. INFORMATION ON THE IMPLEMENTED TAX STRATEGY

### 1. Tax processes and procedures

Legal basis: Article 27c sec. 2 item 1 letter a of the CIT Act: "information on applied by the taxpayer: a) processes and procedures concerning the management of the execution of obligations arising from tax law and ensuring their proper execution".

The Company has procedures in place to support management in the performance of its obligations under tax law, in particular:

- a procedure in the area of verification of contractors and transactions in order to exercise due diligence in terms of reducing tax risks concerning transactions of sale and purchase of goods and services for tax purposes;
- the procedure in the area of preparing transfer pricing documentation and the related reporting obligations;
- the procedure in the area of the obligation to provide information on tax schemes;
- the procedure in the field of tax and accounting reporting;
- the procedure in the field of prevention of money laundering and terrorist financing in the financial and reporting aspects.

In the Company's opinion, the aforementioned procedures allow for effective and correct management of tax risk areas. All procedures are subject to ongoing modifications in order to adapt the Company's activities to changes in legal and tax regulations. The adopted procedures ensure timely and reliable fulfilment of tax obligations.

Due to the dynamic nature of tax law regulations, employees responsible for tax settlements in the Company participate, on an ongoing basis, in training cycles in the area of taxes to be settled. In addition, employees are provided with access to the Inforflex system. Additionally

accounting department monitor changes in tax law regulations in order to ensure proper performance of obligations under tax law

## 2. Voluntary forms of cooperation with the National Tax Administration Authorities ("KAS")

Legal basis: Art. 27c sec. 2 item 1 letter b of the CIT Act: "information on applied by the taxpayer: b) voluntary forms of cooperation with the authorities of the National Tax Administration".

The Company has been proactive in its dealings with KAS authorities, in particular since 2017, the Company is a party to one advance pricing agreement (APA). For the year covered by the Tax Strategy, the Company implemented the advance pricing arrangement (APA) entered into. APA (advance pricing arrangements) are otherwise formal agreements on transaction pricing matters between the taxpayer and the tax authority. It is a type of agreement concluded between a taxpayer and a tax authority, in which the authority accepts the choice and manner of applying the method of determining the transfer price applied in relations between the taxpayer and its related entities. Such an agreement takes the form of an administrative decision, with the Head of the National Tax Administration being the competent body for its conclusion.

APAs can be an effective tool to reduce the risk that transaction prices are set incorrectly and that the way they are set is challenged by the tax authorities.

Importantly, an APA is an agreement entered into for the future. It may be in force for up to five years and, at the end of that period, the agreement may be renewed (under a simplified procedure) if the key elements of the agreement have not materially changed.

For the year covered by this Tax Strategy, the Company implemented an APA between:

IC SA and ILS (unilateral agreement Poland)

In the fiscal year covered by the strategy, the Company did not undertake other voluntary forms of cooperation with the National Tax Administration authorities (i.e. did not participate in the Co-operation Programme).

## 3. Information on execution of tax obligations by the taxpayer on the territory of the Republic of Poland

Legal basis: art. 27c sec. 2 item 2 of the CIT Act: "information on the taxpayer's fulfilment of tax obligations on the territory of the Republic of Poland, together with information on the amount of information on tax schemes, referred to in Article 86a § 1 point 10 of the Tax Ordinance, provided to the Head of the National Tax Administration, with a breakdown by the taxes to which they relate".

Relating to the need to properly meet the obligation to calculate and timely submit declarations, as well as pay taxes, the Company takes the following necessary measures, in particular:

- identifies and verifies economic operations that may have an impact on tax obligations
- calculates and pays in time, amount and place the taxes due;
- draws up and sends the Uniform Control Files in the mandatory areas;

- submits tax information and explanations to the tax authorities which it is obliged to submit under the tax law;
- prepares transfer pricing documentation with the required analyses;
- verifies business operations from the perspective of tax scheme regulations and reports arrangements that constitute a tax scheme to the Head of the National Tax Administration.

In 2020, the Company fulfilled its tax obligations for the following taxes:

CIT 8 - Statement on the amount of income earned (loss incurred) by a corporate income tax payer

ORD-U - information on agreements concluded with non-residents, generally submitted up to 3 months after the end of the fiscal year.

CBC-P - notification regarding the obligation to provide information on a group of entities, generally submitted within 3 months from the end of the reporting fiscal year

TPR-C - transfer pricing information, submitted by a related entity, as a rule by the end of the 9th month after the end of the fiscal year.

IFT -2R - information on the amount of income (revenue) earned by corporate income tax payers without a registered office or management in the territory of the Republic of Poland, submitted by the payer of corporate income tax, as a rule by the end of the third month of the year following the fiscal year

PIT-11 - information about income from other sources and about income and collected advances for income tax, submitted by a payer of income tax from natural persons, as well as by a legal person that is not a payer, as a rule by the end of January of the year following the fiscal year - for information submitted to the tax office, and by the end of February of the year following the fiscal year - for information sent to the taxpayer

DN-1 - a declaration for real estate tax, submitted by a real estate taxpayer, as a rule by 31 January of a given fiscal year or within 14 days from the date of circumstances justifying the emergence of a tax obligation or from the date of occurrence of an event affecting the amount of taxation

VAT-7 - a declaration submitted by a VAT taxpayer, as a rule by the 25th day of the month following the month to which it applies

JPK\_VAT - uniform control file containing a record and declaration part, submitted by a VAT taxpayer, as a rule by the 25th day of the month following the month to which it applies

VAT EU - summary information on intra-Community transactions and movements of goods under the call-off stock procedure, submitted by VAT taxpayers and legal persons not being taxpayers, registered as active VAT EU taxpayers,

performing intra-Community supply of goods, intra-Community acquisition of goods performing intra-Community supply of goods, intra-Community provision of services or performing transfer of 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 applies PIT-4R - annual declaration on advances for personal income tax submitted by the payer of personal income tax, as a rule by the end of January of the year following the fiscal year

The Company is also obliged to submit the Report on applicable payment deadlines.

#### *Information on tax schemes referred to in Article 86a § 1 item 10 of the Tax Ordinance*

In 2020 the Company did not provide information on tax schemes.

At the same time, due to the introduction of the state of epidemic emergency and state of epidemic related to COVID-19, taxpayers were exempted from reporting MDR tax schemes other than cross-border schemes. The deadlines for providing information and notifications on MDR tax schemes have been suspended.

In the case of non-cross-border tax schemes, the obligation to provide information and notifications and to comply with other obligations set out in the non-cross-border tax scheme provisions has been suspended for the period from 31 March 2020 to the 30th day after the date of revocation of the state of emergency and state of epidemic declared in relation to COVID-19.

#### 4. Transactions with related entities

Legal basis: Article 27c sec. 2 item 3 letter a of the CIT Act: "information on: a) transactions with related parties within the meaning of Article 11a(1)(4), the value of which exceeds 5% of the balance sheet total of assets within the meaning of accounting regulations, determined on the basis of the last approved financial statement of the company, including entities which are not tax residents of the Republic of Poland"

The Company identifies the following transactions with related parties, the value of which exceeds 5% of the balance sheet total of assets within the meaning of the accounting regulations:

- Sale of warehousing and logistics services to Capital Group companies

#### 5. Planned or undertaken restructuring activities

Legal basis: Art. 27c sec. 2 item 3 letter b of the CIT Act: "information on: b) restructuring activities planned or undertaken by the taxpayer which may affect the amount of tax liabilities of the taxpayer or related entities within the meaning of Article 11a

In 2020, the Company did not plan or undertake restructuring activities which could affect the amount of tax liabilities of the taxpayer or related entities in the meaning of Article 11a par. 1 point 4 of the CIT Act.

## 6. Information on submitted requests for tax interpretations:

Legal basis: art. 27c sec. 2 item 4 of the CIT Act: "information on applications submitted by a taxpayer for the issuance of: a) general tax interpretation, referred to in Article 14a § 1 of the Tax Ordinance, b) tax law interpretation, referred to in Article 14b of the Tax Ordinance, c) binding rate information, referred to in Article 42a of the Law on Tax on Goods and Services, d) binding excise tax information, referred to in Article 7d(1) of the Law of 6 December 2008 on Excise Tax (Journal of Laws of 2020, item 722 and 1747)".

In the period covered by the tax strategy, the Company did not apply for:

- general interpretations,
- individual interpretations,
- binding rate information,
- binding excise information,

## 7. Tax settlements in tax haven countries

Legal basis: art. 27c sec. 2 item 5 of the CIT Act: "information on making tax settlements of the taxpayer in territories or countries applying harmful tax competition indicated in executive acts issued pursuant to Article 11j(2) and pursuant to Article 23v(2) of the Personal Income Tax Act of 26 July 1991 and in the announcement of the minister competent for public finance issued pursuant to Article 86a § 10 of the Tax Ordinance"

In 2020, the Company did not make tax settlements in countries applying harmful tax competition.