

Finance Act 2016

The below information is applicable to all UK tax resident companies of the BASF SE group (“UK Companies”) and was last approved for publication by the Head of the Global Tax Function on 1 December 2020. The information provided is regarded as complying with Part 2 of Schedule 19 of Finance Act 2016.

General

The UK Companies are committed to responsible behavior, integrity and a high standard of compliance. To this end, the BASF SE group has highlighted core values that are embodied in its Code of Conduct and has set globally applicable standards that apply to all employees and govern all activities worldwide.

The UK Companies tax principles are driven by these values. In tax-related matters, the UK Companies adhere to relevant compliance standards and act responsibly as part of the social framework to which they contribute and on which they depend. Paying our share of taxes in accordance with applicable tax laws and contributing to public finance is part of the UK Companies understanding of generating economic and societal value.

At a global level, the Head of the Global Tax Function is responsible and accountable for resources, cost and budget and functional content as well as the result of its deliverables. At a local level, the UK Tax Manager is responsible for UK tax matters and reports directly to the Head of the Global Tax Function. The UK Tax Manager is supported by a team of highly qualified and experienced UK tax professionals who work closely with the UK Senior Accounting Officer (whose duties are set out at Schedule 46 of Finance Act 2009) to ensure appropriate local governance of tax matters.

Compliance with laws and regulations

The UK Companies are committed to upholding the highest professional standards and the utmost integrity in tax-related matters. The UK Companies seek to ensure that tax returns are duly filed and required documentation is prepared in accordance with applicable UK laws.

The UK Companies tax practices and positions taken on tax returns are grounded in tax laws, rules and requirements of the UK. Where, in some cases, tax laws are ambiguous and subject to a range of interpretation, the degree of uncertainty and financial risks are assessed. As appropriate, the advice of external tax advisors is obtained and evaluated. The UK Companies tax positions are taken with due consideration to prevailing opinions and relevant jurisprudence. In cases in which the uncertainty and financial risk cannot be eliminated, adequate tax risks are recorded in the financial statements in accordance with UK accounting standards.

Relationship with tax authorities

The UK Companies maintain respectful, trustful and honest relationships with tax authorities, including HMRC, based on open and constructive dialogue and disclosure of relevant facts and circumstances in tax-related matters. The UK Companies will not implement tax structures that rely on a lack of discovery by tax authorities. The UK Companies general approach is to pursue clarity and predictability for both tax authorities and the UK Companies themselves on tax-related matters.

Transparency

The UK Companies operate under a policy of full cooperation and compliance with the disclosure requirements of tax laws and regulations. Relevant tax information about tax payments and accruals are published in the UK Companies local financial reports.

Risk management

The UK Companies attention to tax compliance requirements is fundamental to risk management. Further, procedures incorporated in the group wide risk management process manual integrate the assessment of tax risks with the group wide accounting standards and risk management policies. The UK Companies have adequate processes in place to regularly identify, assess, reduce, control and monitor tax-related risks and their interaction with other business risks.

Intercompany transfer pricing

Profit is allocated to the UK Companies in which value is created and where appropriate economic activities are performed. Transfer prices are set in accordance with national and international rules and standards including the OECD guidelines. In setting intercompany transfer prices consistently the UK Companies strictly adhere to the “arm’s length” standard.

Tax planning

The UK Companies have a legal obligation to promote sustainable shareholder value. Taxes are a significant cost factor in business decisions. To meet shareholders expectations, the UK Companies strive to reduce tax costs while complying with their responsibilities under relevant tax laws and upholding their reputation with governmental authorities and the public. The UK Companies decisions on business and operating structures are driven by commercial considerations and any tax planning is aligned with the commercial substance of the business. Consequently, taxes are paid on profits according to where value is created.

