BASF Group
Our Tax Principles

We create chemistry
At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. We want to contribute to a world that provides a viable future with enhanced quality of life for everyone. We do so by creating chemistry for our customers and society and by making the best use of available resources.

As a company we aim for profitable growth whilst following a path of sustainable value creation. We strive to positively contribute to society by demonstrating responsible behavior, integrity and commitment to a high standard of compliance.

In tax-related matters, BASF adheres to highest compliance standards and acts responsibly as part of the societal framework to which it contributes. In BASF’s “Value-to-Society” methodology, taxes are considered a social benefit. BASF is a founding member of the Value Balancing Alliance, a cross-industry alliance which aims to create a standardized model for measuring and disclosing the environmental, human, social and financial value companies provide to society. Paying our adequate share of taxes in accordance with applicable tax laws and contributing to public finance is part of BASF’s understanding of generating economic and societal value.

In our tax principles, we set out our approach to tax compliance and tax risk which determine our tax governance framework. These principles are provided below.
Tax Principles

1. Compliance with laws and regulations
BASF is committed to upholding the highest professional standards and the utmost integrity in tax-related matters. Tax returns are duly filed and required documentation is prepared in accordance with applicable laws.

BASF’s tax practices and positions taken on tax returns are grounded in tax laws, rules and requirements of the countries in which BASF operates. In some cases, tax laws are ambiguous and subject to a range of interpretation. As appropriate and to achieve globally justified tax positions, the advice of external tax advisors is obtained and evaluated. BASF’s tax positions are taken with due consideration to prevailing opinions and relevant jurisprudence and the applicable law is reasonably interpreted. Accordingly, transparent disclosures will be made to tax authorities on filing positions taken based on interpretations of the applicable law, where these deviate from those of the tax authorities. In cases in which uncertainty and financial risk cannot be eliminated, adequate tax risks are recorded in the Group financial statements in accordance with accounting standards and BASF Group policies.

2. Relationship with (tax) authorities
BASF maintains respectful, trustful and honest relationships with tax authorities based on open and constructive dialogue and disclosure of relevant facts and circumstances in tax-related matters. BASF will not implement tax structures that rely on a lack of discovery by tax authorities. BASF’s general approach is to pursue clarity and predictability for both tax authorities and BASF itself on tax-related matters.

3. Transparency
BASF operates under a policy of full cooperation with tax authorities and compliance with disclosure requirements of tax laws and regulation. The tax-related decisions actively consider BASF’s wider reputation and relationship with all stakeholders.
4. Risk management

BASF’s attention to tax compliance requirements is fundamental to risk management. BASF has adequate processes in place to regularly identify, assess, reduce, control and monitor tax-related risks and their interrelation with other business risks including BASF’s wider reputation and relationship with stakeholders.

5. Intercompany transfer pricing

Transfer prices are set in accordance with national and international rules and standards, including OECD guidelines. In setting intercompany transfer prices consistently worldwide, BASF strictly adheres to the “arm’s length” standard and has instituted quality management activities to ensure implementation of this standard globally. Accordingly, BASF’s profit is allocated to countries in which value is created and where appropriate economic activities are performed.

6. Tax optimization

In line with our broader fiduciary duties to our shareholders, BASF has a legal obligation to protect and promote shareholder value. To meet shareholder’s expectations, BASF strives to reduce tax costs while complying fully with all relevant tax laws and upholding its reputation with governmental authorities and the public. Decisions on business and operating structures are driven by commercial considerations and any tax optimization is aligned with the commercial substance of our business. Consequently, taxes are paid on profits according to where value is created.

Tax incentives are government measures to encourage investments, employment and economic development in the host nation and are intended to bring about increased total tax contributions in the host nation, long-term. In this regard, BASF seeks to accept tax incentives and exemptions that are transparent, published and/or endorsed by the host nation statutory and regulatory framework and where the economic substance requirements of the tax incentive are met.
Publisher:
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