



REPSOL Group

**2020**

Cooperative  
relationships



## Introduction

The enhancement of relationships with tax authorities, inspired by the principles of trust, good faith, professionalism, loyalty and a search for mutual and reciprocal understanding, constitute one of the principles in which relies our tax strategy and policy.

Thus, and in accordance with above principles, Repsol aims to maintain a cooperative relationship with the main tax administrations of which we are taxpayers and participate at diverse tax forums with international organizations promoting a transparent collaboration with them with the mutual objective of facilitating the application of the tax system, improve fiscal certainty and minimize litigation.

We present below a summary of the main initiatives developed by the Repsol Group in this area:

### Tax Principles

Repsol aspires to maintain a cooperative relationship with tax authorities in the countries where it carries out operations.

<b>Cooperative relationships</b>	<b>Spain</b>	Code of Good Tax Practices Report to the Board Voluntary Tax Transparency Report Regular meetings with AEAT Authorized Economic Operator
	<b>OECD</b>	International Assurance Compliance Programme
	<b>Canada</b>	Canada Revenue Agency
	<b>Netherlands</b>	Horizontal tax Monitoring
	<b>Peru</b>	Authorized Economic Operator
	<b>Portugal</b>	Forum of Large Companies
	<b>United Kingdom</b>	Oil & Gas Industry Direct Tax Forum
<b>International Organizations</b>	<b>Singapore</b>	Assisted Compliance Assurance Program
	<b>OECD</b>	Business at OECD (BIAC)
	<b>EU</b>	Bussines Europe Fuels Europe
	<b>ONU</b>	Subcommittee on Extractive Industries Taxation Subcommittee on Environmental Taxation
		International Chamber of Commerce (ICC)
<b>Other Organizations</b>	<b>EITI</b>	Co-founder
	<b>B-Team</b>	Responsible Tax Principles

## Activity in the cooperative relationship area

As established in Repsol's Tax principles, we are committed to:

- Collaborate with the Tax Authorities to detect and find solutions to fraudulent tax practices that may be occurring in the markets in which it is present.
- Provide Tax Authorities with information and required documentation with tax relevance as soon as possible and within the scope due.
- Give priority to non-litigious means for resolving disputes, when possible, and will make use of the options offered by legal procedures to strengthen agreements with Administrations whenever feasible.

Taking into consideration above commitments, the main initiatives carried out by the Group are described below, which describe the level of involvement to obtain the objectives defined in this area.

### Spain. Repsol endorsed the Code of Good Tax Practices

The Repsol Group endorsed the Code of Best Tax Practices [CBTP]. Sponsored in 2010 by the Large Business Forum, its objective, among others, is to promote a cooperative relationship between "Agencia Estatal de Administración Tributaria" [AEAT] and the companies that voluntarily decided to form part of it.

Following the agreement of the Board of Directors of Repsol S.A. in September 23, 2010 [agreement adopted by Repsol S.A. in its capacity as dominant company] all the companies of the tax group of the Corporation Tax [group 6/80] and of the group of entities of the Value Added Tax [Group VAT 0120/08] are subject to the rights and obligations established in the CBTP.

Within the CBPT, different types of activities and initiatives have been developed, including the following:

#### Information provided to the Board of Directors on the tax policy applied

Following the CBPT, the Head of tax of the Group informs the **Board of Directors** and, at least once a year the **Audit and Control Committee** on the tax policy applied by Repsol during the taxable year, providing detailed explanations, amongst others, on the following issues:

- The performance and tax contribution of the Group in the fiscal year.
- Repsol's tax risk management policy.
- The approval and monitoring of the corporate structure.
- The Group's presence in non-cooperative jurisdictions.
- The voluntary submission to the AEAT of the Tax Transparency Report, as well as the AEAT's assessment of the same [see next section].
- Other voluntary tax transparency initiatives [tax contribution report, public Country by Country, etc.].

#### CBPT

Repsol, company adhered to the Code of Best Tax Practices in Spain since 2010.

#### Report to the Board

The Board of Directors monitors the Tax Strategy and the execution of the Tax Policy.

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## Submission of the Voluntary Tax Transparency Report (IVTF)

As above mentioned, the IVTF has been submitted before the AEAT without interruption since 2015, as an expression of the commitment to enhanced transparency assumed by the Group.

This document includes relevant information on the economic activity of Repsol, as well as detailed tax actions and decisions taken by it.

Repsol always has shown its willingness to include in the IVTF those suggestions and clarifications issued by the AEAT, something that has been recognized in the communications delivered by the tax authorities.

In this respect, the AEAT has positively welcomed the initiative and commitment of Repsol towards transparency showed with the presentation of the IVTF, and expressly highlighted in official communication with Repsol the *“magnificent availability and easiness offered by the entity, through its representatives, in respect not only because of the submission of the Transparency report but for the explanations provided afterwards”* and the gratitude for *“the transparency exercise voluntary effected that will contribute, without doubt, to enhance mutual understanding, legal certainty and mutual trust”*<sup>1</sup>.

## Regular meetings with the AEAT on cooperative compliance

Finally, within the scope of the CBPT and cooperative compliance, we also would like to highlight in this area, because of its innovative nature, the holding of periodic meetings between the tax authorities of the “Delegación Central de Grandes Contribuyentes” (Large Taxpayers Central Delegation) and the company with the purpose of continue deepening the knowledge of the Group's business and activities, the policies followed by the Group and tax relevant operations and transactions carried out.

According to the AEAT these initiatives allow *“to continue working with this entity within the framework of collaboration and transparency” for the sake of achievement of the fundamental goal of promoting voluntary compliance and reducing disputes*<sup>2</sup>.

### IVTF

Since 2015 Repsol has presented the Voluntary Transparency Report, improving its content following the suggestions of the AEAT.

<sup>1</sup> Unofficial translation.

<sup>2</sup> Id.

**Spain. Qualification as Authorized Economic Operator in the European Union.**

Repsol Petróleo, S.A., Petróleos del Norte, S.A. (Petronor), Repsol Trading, S.A. and Repsol Química, S.A., have obtained the qualification of Authorized Economic Operator (AEO), both on customs simplifications and security and protection.

Such authorization implies their recognition as reliable operators in foreign trade matters, accredits compliance with certain security measures and good practices in the international merchandise supply chain and expresses the will to maintain a cooperative relationship with customs authorities.

As a consequence of this authorization, customs management is expedited and possible reductions in the guarantees provided are established.

**OECD: We participated in the first International Assurance Compliance Programme.**

In 2018 Repsol was invited to participate in the first program of the International Assurance Compliance Programme (ICAP), which is an OECD initiative that seeks greater cooperation between tax administrations for the supervision of tax risks in multinational groups and, mainly, concerning transfer pricing and permanent establishments. At this pilot programme participated the tax authorities of Spain, USA, Canada, the Netherlands and United Kingdom.

As a result of the analysis performed under the ICAP, the participating tax administrations have considered the Repsol Group as a group that presents a low risk of default in relation to the tax risks scrutinized.

**ICAP**

Repsol, Spanish company invited to participate in the first ICAP program of the OECD.

Qualified as a low risk taxpayer.

**Canada. Good tax practices with the Canada Revenue Agency.**

Repsol maintains a continuous communication with the Canadian tax authorities, through regular meetings in which they exchange their perspective on taxation applicable to different Group operations. In this context, in 2019 a conflictive issue was resolved through a special procedure that only qualified low-risk taxpayers have access to. In this procedure, the audit team and the company presented a joint resolution proposal to a committee of experts made up of senior representatives of the Canada Revenue Agency, which ratified the proposal presented.

In 2020 a tax settlement concluded with the tax authorities regarding the international transactions of several tax years, verifying in this respect the gradual building of a cooperative relationship.

### **The Netherlands. The horizontal monitoring and tax control framework.**

In the Netherlands, the concept of horizontal tax monitoring is considered a regulatory framework for the development of cooperative relations between companies and the tax administration.

In this area, the taxpayer voluntarily provides information on ongoing operations to confirm the applicable tax treatment on a transparent basis where it details the activities carried out in this area. This scheme is aimed at companies qualified as “Very Large Businesses” in view of their size in the Netherlands.

Although Repsol formally does not meet this requirement to be entitled to the horizontal tax monitoring framework, [i.e. it is not a “very large business” for the purposes of the Netherlands] it has voluntarily established a revision standard with the Dutch treasury and control of their tax activities of a similar nature which, in practice, performs the same purpose as the monitoring framework.

#### **PGS 2021**

##### **Objective:**

Promote cooperative relationships and the search for friendly solutions with tax administrations.

### **Portugal. Founding member of the Forum of Large Companies.**

In Portugal Repsol is a founding member of the Forum of Large Companies, constituted in March 2014 by the Portuguese Tax Agency [TA], currently formed by 29 companies.

The main activity of the Forum refers to the approval of a Code of Good Practices and the presentation of measures aimed at facilitating the interaction between companies and the TA. With respect to the former goal, in 2019 the Code was approved and can be endorsed by any taxpayer, individuals or corporates. In respect of the latter activity, some of the measures have been passed and even lead to legislative amendments. In addition, other measures are under way, amongst which, it can be highlighted the creation of VAT Groups.

Repsol also participates in the risk assessment program with the TA. It provides relevant information on the statements presented and the main operations of the period. Through joint analysis meetings, the tax authorities may request explanations or additional information on any specific issue.

### **Peru. Qualification as Authorized Economic Operator.**

In 2019, the qualification of Authorized Economic Operator (AEO) was granted to Refinería La Pampilla before the customs Peruvian authorities (SUNAT) based on its satisfactory background of legal compliance, its satisfactory accounting and logistics recording that permits to trace transactions, its financial reliability and adequate level of security.

**United Kingdom. Membership the Oil & Gas Industry Direct Tax Forum.**

Our company is a member to the Oil & Gas Industry Direct Tax Forum. This initiative provides the creation of links between the business community of the Oil & Gas sector and the Tax Administration [HMRC] based on a climate of mutual trust and cooperation.

Through the meetings of the Oil & Gas Industry Direct Tax Forum, the business community is allowed to share with the HMRC its position regarding the fiscal policies implemented, while being informed about the recent developments and interpretative criteria applicable to the tax legislation in the Oil & Gas sector.

**Singapore. Voluntary participation at the ACAP programme.**

Since 2016 Repsol has joined the Assisted Compliance Assurance Program [ACAP]. This programme consists of the review of internal procedures by an authorized third party (tax advisor), introducing controls that ensure the correct declaration of transactions for the purposes of Singapore Value Added Tax, thus increasing legal certainty and cooperation with the Tax administration.

In sum, the Group follows the spirit of this type of cooperative relationship program and maintains a very fluid relationship with the tax authorities, based on mutual trust and transparency.

## International Tax Framework

Repsol contributes to the creation of a more balanced and fairer international tax framework.

## Collaboration with International Organizations

The major part of regulations on transparency and tax responsibility currently in force have their origin in the debates and forums of different international organizations (UN, OECD, EU, etc.)

Therefore, at Repsol we try to establish and promote institutional relationships with these authorities and other stakeholders in order to align the Company's fiscal policies with social reality, contribute responsibly to the creation of a more balanced and fair international fiscal framework and allow the anticipation in the management of tax matters.

Within this context, Repsol actively participates at different industrial and international organizations where it shares its opinion and expertise on the diverse issues that may be discussed therein. It is not rare, that Repsol is called to lead determined matters which may have some technicalities linked to energy or because of Repsol's pioneering experience.

The participation of Repsol is always done showing respect and seeking consensus amongst the different groups (organizations and institutions, investors, civil society, academia, etc.) that form the working groups where it collaborates, through a transparent exchange of opinions on the issues, proposals, doctrine or trends that may arise.

Through our participation in these debates (in the majority of cases carried out with the prior invitation of the corresponding agency), we have had the opportunity to present our vision on matters of great importance in the current environment, such as the tax contribution of multinationals, the problem regarding shifting of benefits and the demand for information on payments made by companies to governments.

### Repsol's participation in forums and tax committees. Issues discussed

We are members of the OECD **Business and Industry Advisory Committee** (currently Business at OECD). This organization grants its members generate growth, economic development, and prosperity through the interaction with OECD representatives.

In 2020, Repsol through its participation at the BIAC's tax and policy committee has formed part of the working teams on "Pillar 2" upon the release of the blueprint on the anti-base erosion proposal regarding a minimum tax.

We also form part of several Subcommittees of the **UN Committee of Experts on International Cooperation in Tax Matters** (specifically we take part in the Subcommittee on Extractive Industries Taxation Issues for Developing Countries, the Subcommittee on Environmental Taxation Issues and the Subcommittee on the Mutual Agreement Procedure — Dispute Avoidance and Resolution).

As a result of this relationship, in 2018 the UN tax Committee published the [United nations handbook on selected issues for taxation of the extractive industries by developing countries](#).



In 2020, Repsol has continued collaborating with the UN in the preparation of the second edition of this handbook, in new chapters or updating the current ones, having been expressly asked to act as draft-leader of some of them.

Repsol is Vice-chair at the tax commission of the **International Chamber of Commerce [ICC]**. The participation of Repsol at the meetings and in several working groups of this organization has focused on the issue of comments in the report of cooperative relationships made together with the University of Vienna or on the [Draft Toolkit on Tax Treaty Negotiations](#) issued by the Platform for Collaboration on Tax.

At the EU level, Repsol also have an active participation through [Fuels Europe](#) responding to public consultations launched by the European Commission on relevant issues as the review of the Energy Taxation Directive.

In 2020 Repsol participated, upon request by the European Commission, in two meetings with other taxpayers in order to provide feedback and share experiences in domestic and international cooperative compliance programs (i.e. ICAP). These meetings are part of the workstreams of the European Union aimed to present a legislative proposal on cooperative compliance within the EU that facilitates tax compliance of companies, based on greater cooperation, transparency and mutual trust, as announced in the “fiscal package” launched in July 2020.

In addition, it is worth mentioning that Repsol is a founding member of the [Extractive Industries Transparency Initiative \[EITI\]](#). This initiative was born in October 2002 with the aim of promoting transparency and accountability in countries rich in natural resources with a view to mitigating the negative effects of poor administration.

The EITI establishes a global standard for companies to publish what they pay and governments to report what they earn, in a process that emphasizes the participation of multiple stakeholders, thus strengthening the cooperative relations of these companies with administrations.

Since its creation, EITI has become the global standard, supported by more than 40 oil, gas and mining companies and more than 50 countries, which encourages increased transparency in a context of respect for contracts and laws.

Finally, special mention deserves our participation in the **B-Team**, a non-profit initiative sponsored by a group of global leaders in the field of politics and finance that aims to be the catalyst for a new way of doing business, focused on welfare of people and the planet.

Within the B-Team we participated in the working team of drafters, together with other multinationals and in collaboration with investors, international organizations and NGOs, of the [Responsible Tax Principles](#) which were endorsed by Repsol in 2018.

### ***B-Team***

Repsol, a company adhered to the Responsible Fiscal Principles since 2018.

These principles include relevant areas on tax management, interaction with tax authorities and transparency and are called to become a global standard in terms of good practices that motivate responsible fiscal behavior of the business community.

The B-team recognized our commitment with transparency in a [case study](#) published in 2020 and considered Repsol “amongst the most radically tax transparent multinationals”.

Lastly, we may also mention our participation in other professional and business associations, as the International Fiscal Association, International Tax and Investment Center, the Spanish Confederation of Business Organisation, etc. through which we try to transmit our commitment in building a more equal and effective tax system.