



REPSOL Group

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**2019**

Cooperative  
relationships

## Activity in the cooperative relationship area

One of the principles under which our fiscal strategy and policy is grounded refers to the strengthening with tax administrations of relationships based on trust, good faith, professionalism, loyalty and the search of mutual understanding.

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.

### **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 annually informs 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 evaluation on the level of compliance with respect to the principles that guide the tax policy and concrete evidences that support such compliance,
- The accomplishment and tax contribution of the Group in the taxable year,
- The tax risk management policy of Repsol,

## CBTP

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

- The presence of Repsol in Tax Havens,
- The voluntary submission of the Tax Transparency Report before the AEAT, as well as the evaluation by the AEAT of such Report (see below),
- Other initiatives regarding voluntary tax transparency (tax contribution report, country-by-country-report, etc...).

### **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.

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>.

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<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.

As a result of the analysis performed under the ICAP, the participating tax administrations<sup>3</sup> have considered the Repsol Group as a group that presents a low risk of default in relation to the tax risks scrutinized.

### **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 Canadian Revenue Agency, which ratified the proposal presented.

#### **ICAP**

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

Qualified as a low risk taxpayer

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<sup>3</sup> The tax administrations participating in the first ICAP, in terms of their interaction with the Repsol Group, were those in Spain, Canada, the US, the Netherlands and the United Kingdom.

## GSP 2020

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

### **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.

### **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.

### **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.

## Collaboration with International Organizations

### UN

Repsol, the only Spanish company that cooperates in the development of tax guides for developing countries.

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.

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.

We are also active members of a series of forums and tax committees. Mention should be made in this regard of the **Joint Transfer Pricing EU Forum (JTPF)**, a delegate body of the European Commission created as an expert group to advise the European Commission regarding transfer pricing issues in the framework of the EU.

The JTPF is composed of representatives from both Member States and the private sector. The mandates of the Forum are 4 years (two years, extendable another two). Repsol participated at the JTPF since 2015, as a Non-Governmental Member and renewed its designation until 2019.

Its objective is to provide practical solutions to European administrations and taxpayers to the complex problems associated with transfer pricing. In this regard, throughout its existence it has published documents that have been implemented as domestic regulations on the subject, such as the Code of Conduct on Documentation, the Code of Conduct on the effective implementation of the Arbitration Agreement, documents on low services added value, practice adjustments, etc.<sup>4</sup>

We are also members of the OECD **Business and Industry Advisory Committee** and 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).

<sup>4</sup> More information at the following link: [https://ec.europa.eu/taxation\\_customs/business/company-tax/transfer-pricing-eu-context/joint-transfer-pricing-forum\\_en](https://ec.europa.eu/taxation_customs/business/company-tax/transfer-pricing-eu-context/joint-transfer-pricing-forum_en)

The result of this relationship has been the publication in 2018, by the UN Fiscal Committee, of the “United Nations Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries”<sup>5</sup>.

In addition, we also participate in several professional and business associations (International Fiscal Association, International Chamber of Commerce, Business Europe, Fuels Europe, International Tax and Investment Center, CEOE etc.). 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 about 35 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.

### **B-Team**

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

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 **Principles of Tax Responsibility** which were endorsed by Repsol in 2018<sup>6</sup>.

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.

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<sup>5</sup> More information at the following link: [https://www.un.org/esa/ffd/wp-content/uploads/2018/05/Extractives\\_Handbook\\_2017.pdf](https://www.un.org/esa/ffd/wp-content/uploads/2018/05/Extractives_Handbook_2017.pdf)

<sup>6</sup> Available at the following link: <http://www.bteam.org/plan-b/responsible-tax/>