

Annual report on executed tax strategy for FY2021

Bacardi Martini Polska (Poland) spółka z ograniczoną odpowiedzialnością

1. Introduction

Bacardi Martini Polska spółka z ograniczoną odpowiedzialnością (hereinafter referred to as: “BMP” or the “Company”) is a taxpayer for Polish corporate income tax purposes subject to tax on its worldwide income with an annual revenue in fiscal year ended on March 31, 2021 that exceeded EUR 50 million. Consequently, the Company was required to prepare and publish an annual report on executed tax strategy for fiscal year(s) ended on or after 31 December 2020. This document presents such annual report for fiscal year 2021 (ended March 31, 2021) and is prepared in accordance with Art. 27c of paragraph 2 of the Act of February 15, 1992 on corporate income tax (consolidated text, Journal of Laws 2021, item 1800, as amended).

2. BMP

BMP is part of the Bacardi Group (www.bacardilimited.com), the largest privately held spirits company in the world. BMP is the distributor of Bacardi products in Poland. Bacardi products include Bacardi rums, Grey Goose vodka, Dewar’s whisky, Bombay Sapphire gin, Martini vermouth and other alcoholic beverages.

General information about BMP:

Company name	Bacardi Martini Polska sp. z o.o.
Date of incorporation	April 4, 1995
Company registered office	Wołoska 22, 02-675 Warszawa
Identification data KRS #	000084196
NIP #	5271022944
REGON #	0109512200
Date of entry into the register of entrepreneurs of KRS	January 23, 2002

3. Processes and procedures for managing the fulfilment of duties arising from tax law and ensuring their proper fulfilment

Bacardi’s approach to tax is laid down in its Global Tax Strategy, which is aligned with Bacardi Group’s Code of Conduct.

Our Code of Conduct established by Bacardi’s Board of Directors, applies to all employees and guides our professionals in their key responsibilities, their professional conduct, and how they work with third-party partners. As stated in the Code of Conduct, Bacardi also recognizes the substantial interest of governments in the regulation and taxation of cross border trade in alcoholic beverages. As such, Bacardi and its employees must always abide by all applicable laws related to customs, taxes, cross border trading and transporting of product.

In accordance with the Global Tax Strategy, BMP's tax management was focused on financial and reputational risk management, ensuring tax compliance while adopting a conservative approach to tax planning and risk management.

Furthermore, Bacardi's internal controls were based on criteria established by the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The internal control framework included tax processes and procedures for managing and ensuring the fulfilment of duties arising from tax law. These processes and procedures included the following:

- Corporate Income Tax provision and Corporate Income Tax Return assessment procedure – which establishes a process for the preparation of the annual Corporate Income Tax provision and tax calculation for purposes of the annual Corporate Income Tax Return for BMP
- VAT compliance process description – which establishes the process of the preparation of VAT registers and the VAT declaration
- Withholding Tax & vendor due diligence procedure – which establishes the process for identifying and complying with WHT obligations, including maintaining required documentation
- Mandatory Disclosure Rules procedure applicable for Poland – which establishes a process to identify, assess and report relevant tax schemes.

BMP ensured compliant and timely tax filings and payments by implementing, controlling, monitoring and documenting the above processes and procedures. BMP completed these processes and procedures on a regular basis (monthly and quarterly) and followed established internal controls. BMP was supported by the Global Tax team.

4. Information about the fulfilment of tax duties in Poland including information on the number of submitted tax arrangements to the Head of National Tax Administration

The Company was subject to the following taxes in Poland:

- Customs & Excise Tax
- Corporate Income Tax (CIT)
- Value Added Tax (VAT)
- Withholding Tax
- Wage Tax and Social Security Contributions

During this fiscal year the Company ensured compliant and timely fulfilment of tax duties, resulting in a tax payment of PLN 24,5 million relating to VAT and CIT.

No Mandatory Disclosure reports were filed with the National tax Administration. The Company followed the Mandatory Disclosure Rules procedure applicable for Poland to identify, assess and report relevant tax schemes.

5. Information on voluntary forms of cooperation with the National Tax Administration

The Company did not apply any voluntary forms of cooperation with the National Tax Administration.

6. Related party transactions

During this fiscal year, the Company entered into transactions with related entities within the meaning of article 11a paragraph 1 point 4 of the Corporate Income Tax Act, including related entities that are not tax residents of the Republic of Poland, the value of which exceeds 5% of the balance sheet total of assets within the meaning of the accounting regulations, determined on the basis of the last approved financial statements of the Company.

Related party transactions included:

Name of transaction	Country	Related party	Values arising from invoices, agreements or other documents (PLN)	
			Revenue	Cost
The Company's distribution activities - Purchase of goods				
Transaction 1a: Purchase of goods from MP	Poland	Martini Polska sp. z o.o.		54 217 492,04 ¹
Transaction 1b: Purchase of goods from Tradall	Switzerland	Tradall SA	-	70 881 371,68 ²
The Company's distribution activities - Settlements of marketing costs				
Transaction 2a: Settlement A&P costs with MP	Poland	Martini Polska sp. z o.o.	8 121 450,45	-
Transaction 2b: Settlement A&P costs with BMBV	The Netherlands	Bacardi-Martini B.V.	15 592 656,24	-
Services supporting the Company's core activities - Business unit (HUB) services				
Transaction 3: Business unit (HUB) services	The Netherlands	Bacardi-Martini B.V.	4 413 639,12 ³	-
	Switzerland	Tradall SA	897 502,34	

¹ The value of transaction does include transfer pricing adjustments.

² The value of transaction does include transfer pricing adjustments.

³ The amount includes mark-up correction which relates to the previous financial year (FY2020).

Name of transaction	Country	Related party	Values arising from invoices, agreements or other documents (PLN)	
			Revenue	Cost
Financial transaction				
Transaction 4: Intercompany loans granted by BMBV	The Netherlands	Bacardi-Martini B.V.		PLN 304 904,44 ⁴

The Company complied with relevant Polish transfer pricing requirements and documented the related party transactions accordingly in the 2021 Local File supported by relevant comparative analyses. In addition, the Company has submitted the information on transfer pricing (TPR-C form) and a statement on the preparation of local transfer pricing documentation.

7. Information on planned or undertaken restructuring projects which may affect the amount of the taxpayer's tax liabilities or tax liabilities of the related parties

During this fiscal year no restructurings were planned or undertaken that could affect the amount of the tax liability of the Company or its related entities within the meaning of article 11a paragraph 1 point 4 of Corporate Income Tax Act.

It is noted that in FY22, Bacardi Group decided to simplify the supply chain in Poland. As of FY22 all Martini products will be imported and sold by BMP to the customers in Poland, except the Martini vermouth, which will be sold to the customers through a related party, Martini Polska sp. z o.o. Prior to this change, Martini Polska sp. z o.o. was the importer of vermouths into Poland.

8. Information on making tax settlements in harmful tax jurisdictions

During this fiscal year, the Company did not engage in tax settlements in countries or in territories pursuing harmful tax competition listed in the regulations issued under article 11j paragraph 2 of Personal Income Tax Act and under article 23v paragraph 2 of Corporate Income Tax Law and the announcement of the Minister of Finance issued based on article 86a paragraph 10 of Tax Code.

⁴ This amount constitutes of interest equal to PLN 294 606,29 related to FY2021 and posted in FY2021, and interest equal to PLN 10 298,15 related to FY2021 and posted in FY2022. Value of loan capital according to the agreement amounted to PLN 300 000 000. As of April 1, 2020 (first day of FY2021) the level of debt was equal to PLN 42 712 572,54 and as of March 31, 2021 (last day of FY2021) – PLN 18 201 758,89. The highest outstanding value of the loan during the year was PLN 65 674 448,21.

9. Information on applications submitted by the Company

During this fiscal year, the Company did not submit the following applications:

- general tax ruling (article 14a paragraph 1 of the Tax Code)
- individual tax ruling (article 14b of the Tax Code)
- binding rate information decision (article 42a of the Value Added Tax Act)
- binding excise information (article 7d of the Excise Tax Act)