

Information on the implemented tax strategy for mLeasing Sp. z o.o.

Tax Report for 2021

Key information

- mLeasing Sp. z o.o. ("mLeasing" or "Company") considers paying taxes not only as an obligation but also as an important part of its **social responsibility**.
- The Company's tax strategy is consistent with the principles of social justice, the strategy of the mBank Group and the ethical values we follow. The Company considers the payment of taxes as a due **return of part of its profit to society**.
- In 2021, mLeasing's situation was still largely determined by the circumstances caused by the **Covid-19 pandemic** and the **state of epidemic** announced in Poland. We monitored legislative changes connected with these events, including changes in tax law, and analysed their impact on the Company's business. Tax settlements and reporting to tax authorities were adapted to the applicable regulations.
- The Company closed the year with a pre-tax profit of PLN 138 million. According to mLeasing's 2021 financial statements, the effective tax rate calculated as the ratio of income tax to pre-tax profit thus stood at 20.52%. The nominal CIT tax rate was 19%.
- In 2021, we followed **processes and procedures** for managing the performance of its obligations under tax law. This allowed the Company to properly fulfil its tax obligations in the Republic of Poland.
- As of 1 January 2020, the Company and the companies mBank S.A., mBank Hipoteczny S.A. and mFinanse S.A. formed **Podatkowa Grupa Kapitałowa mBank** ("PGK"). The companies entered into an agreement for four years. According to the tax law, the entire tax capital group was a corporate income tax (CIT) taxpayer in 2021. mBank S.A. was the parent company and, in particular, calculated, collected and paid CIT on behalf of PGK.
- In 2021, the Company acted as a **taxpayer** of value added tax (VAT), excise tax, real estate tax, and tax on means of transport. The Company also performed the function of a **remitter** of personal income tax (PIT). The Company also performed other duties required by tax law. Those included information, recording, and documentation obligations.

Entity drawing up the information

Name:	mLeasing Sp. z o.o.
Tax Identification Number:	526 02 12 925
KRS number:	0000090905
REGON number:	012527809
Registered office:	18 Prosta Street, 00-850 Warsaw
Fiscal year:	1 January 2021 – 31 December 2021
Date of preparation of the information:	30 September 2022

Scope of information

We have prepared and publish this **information on the implemented tax strategy for 2021** ("Tax Report") in accordance with Article 27c of the Corporate Income Tax Act of 15 February 1992 ("CIT Act").

In the Tax Report, we refer in particular to:

- information on the processes and procedures followed by the Company to manage and ensure the proper performance of its obligations under tax law,
- information on voluntary forms of cooperation with bodies of the National Revenue Administration applied by the Company,
- information on the fulfilment of tax obligations by the Company in the territory of the Republic of Poland in accordance with the relevant provisions of tax law, including a breakdown by the taxes to which they relate,
- information on the number of tax scheme notifications provided to the Head of the National Revenue Administration,
- information on transactions with related parties within the meaning of the relevant tax law, whose value exceeds 5% of the total assets within the meaning of the accounting regulations, determined on the basis of the last approved financial statements of the Company, including entities which are not tax residents of the Republic of Poland,
- information on restructuring activities planned or undertaken by the Company which may affect the amount of tax liabilities of the Company or of related parties within the meaning of the relevant tax law,
- information on applications submitted by the Company for the issuance, in accordance with the relevant provisions of tax law, of a general tax interpretation, an individual tax interpretation, binding tax rate information or binding excise information,
- information concerning the Company's tax payments in territories or countries applying harmful tax competition as defined in the relevant tax law.

We have not presented information covered by trade, industrial, professional or manufacturing process secrecy in the Tax Report in accordance with Article 27c of the CIT Act.

General information about the Company

The Founding Deed of mLeasing Sp. z o.o. was signed on 27 May 1991 at Notary Public Office No. 35 of Notary Piotr Soroka in Warsaw. On 28 June 1991, the Company was entered into the Commercial Register under number 27711. On 13 February 2002, the Company was entered by the District Court in Warsaw, 19th Commercial Department of the National Court Register, into the Register of Entrepreneurs under number KRS 0000090905. The Company's period of operation is indefinite. On 29 November 2013, the District Court registered the change of the Company's name from BRE Leasing Sp. z o.o. to mLeasing Sp. z o.o.

In 2021, the Company conducted business activities within the scope of the Company's agreement. The core business of mLeasing includes customised and innovative fixed asset financing services. Such services include financing in the form of loans in addition to traditional forms such as (operating and financial) leases. The Company also offers rental of fixed assets, mainly vehicles. In addition to those services, the Company has in recent years also intensively developed support products, including, for example, fleet management services.

Business strategy

The long-term business strategy of mLeasing is to maintain intensive growth of the Company's activities and revenues. The objectives may be attained through innovative solutions and the launch of new products. This, in turn, will allow the Company to become a provider of financing in various forms, as well as a provider of broadly defined business solutions. This is accompanied by continuous development of existing products. We strive to ensure that new products meet customers' needs. We strive to make cooperation with mLeasing fast, efficient and friendly from the clients' perspective. In 2021, the Company pursued its objectives while respecting the Company's obligations as a taxpayer and remitter of taxes. We take into account the applicable tax laws and their interpretation in our operations.

Tax strategy

In 2021, it was the Company's objective to duly perform all the obligations provided for by the tax law ("Tax Strategy"). In its activities, the Company rules out any actions whose only purpose would be purely tax-oriented rather than based on economic and business grounds. In particular, any actions aimed primarily or exclusively at achieving tax benefits are ruled out.

We managed tax risks in the following areas:

- the Company followed internal procedures aimed at the correct and timely performance of tax obligations;
- mLeasing took an in-depth approach to the analysis of the contractors it works with, including in particular potential users and suppliers. The analysis of the reliability of the contractors not only supports the Company's tax safety but above all protects the Company's business interests. Due diligence in the selection of contractors mainly helps to reduce the risk of financial fraud to which the Company is exposed;

- when launching new products or new types of cooperation, the Company undertook their tax analysis. In case of any doubts as to the tax implications of new products, mLeasing submitted them to the tax authorities for assessment by way of an individual interpretation;
- the Company worked to ensure that the substantive knowledge of its employees and the tools available to them allowed for the correct and timely performance of tax obligations;
- mLeasing constantly monitored both the level and nature of risks specific to the industry in which it operates;
- transactions with related parties, as well as transactions with third parties, are based on economic needs of the Company. Such transactions were each time based on market prices and are covered by the transfer pricing documentation.

Processes and procedures in the area of taxation

The Company as an organisation attaches particular importance to the proper and correct determination of public levies.

The Company carried out its activities and ensured compliance with tax law in particular based on:

- a set of procedures, standards and internal instructions. Such regulations defined the principles of the Company's business activities, documentation requirements, tax consequences of such activities, and allocated roles and responsibilities to individual Departments and employees of the Company,
- IT systems adapted to the accounting and tax requirements of the products offered by the Company,
- knowledge and competencies of the Company's employees, care for their continuous development through the availability of tools for their expansion and updating,
- internal control systems allowing for the identification of areas of business, financial and tax threats.

Procedures and instructions defining the principles of the Company's business operations

Most aspects of the Company's activities are regulated by procedures and instructions adopted in the form of resolutions of the Company's Management Board. A significant part of them govern the conduct of the Company's employees and its Departments and, as such, indirectly influences the formulation of mLeasing's tax strategy. From the perspective of the Company's tax payments, the key procedures and processes in 2021 included:

- **Due diligence**

The company followed special rules for withholding tax (WHT). In terms of VAT, we checked whether suppliers of goods and services were active VAT taxpayers. When paying for invoices, the Company determined whether bank accounts were on the list of VAT taxpayers. mLeasing also attached great importance to transactions using the split payment mechanism.

- **Allocation of responsibility for processes and activities**

Procedures in this area concerned to employees of all Company Departments and defined the responsibilities of individual Departments and employees. In particular, they addressed tasks which had or may have an impact on the Company's tax payments. Based on this procedure, the Company's employees complied with all internal organisational acts defining the scope of duties and responsibilities related to the payment of public levies. The key element was the allocation of responsibility for the various stages of the Company's activities to the employees of the various Departments with emphasis among others on:

- ✓ offering only products which meet the criteria set by the Company. This ensures that such products comply with the law (including tax law),
- ✓ carrying out checks of prospective customers, suppliers and prices of goods purchased in accordance with the procedures and instructions in force at the Company,
- ✓ obtaining the required customer information in accordance with the procedures in force at the Company,
- ✓ the obligation to verify the conformity, coherence and completeness of collected documentation, including documentation on the acquisition of fixed assets,
- ✓ the obligation to act with due diligence, in particular with respect to verification of documents that form the basis for accounting records at the Company,
- ✓ responsibility for timely recording and correct documentation of economic events.

IT systems supporting the Company's operations

The Company's tax management system in 2021 was supported by IT systems and applications adapted to the Company's business profile. The IT systems and applications provided automated solutions for handling the products offered by the Company (lease and loan agreements). This primarily concerned the conclusion of lease and loan agreements, invoicing of lease and loan receivables, calculation of depreciation and amortisation, and other elements crucial from the perspective of the Company's tax payments. The operation of such systems and applications significantly reduced the risk of human error.

Knowledge and competences of the Company's employees

The tax management system was also based on the knowledge and long-term experience of the Company's employees. An important aspect was the ongoing monitoring of changes in the law and its interpretation in the tax area. At the same time, the Company took care to continuously update and develop their knowledge in a wide range of issues. In 2021, mLeasing provided employees with the opportunity to participate in various forms of training on broadly understood accounting and tax issues. Employees also had the opportunity to use industry newsletters and bulletins. The Company provided access to press and portals dedicated to accounting and tax issues. mLeasing consulted tax advisors on tax issues which generated potential tax risk. The Company also applied for tax law interpretations. The Company sought to ensure safety of tax payments, i.e., certainty that they complied with applicable laws and their interpretation, and thus the safety of its employees and other stakeholders.

Internal control systems

Taking into account the risks and threats identified by the Company in its operations, the Company put in place an internal control system to identify areas of business, financial and tax threats and to eliminate such threats. The elements of the system include:

- the procedures and instructions established in the Company, including as regards the development and offering of standardised products whose compliance with the provisions of the tax law has been repeatedly verified, the principles of verification of the Company's contractors, the principles of making payments and taking actions, the principles of accepting leased assets, etc.;
- the processes adopted for keeping books of account and other legally required records. As a rule, the correct recording of economic events directly implies the correct determination of tax liabilities by the Company. The Company used control processes which verified the correctness of financial data for the purpose of calculating tax liabilities. mLeasing followed specific procedures in respect of:
 - ✓ the closing of accounting periods,
 - ✓ verification of the completeness of data at the time of closing a period,
 - ✓ rules for automated testing of the accuracy of data entered in the books of account,
 - ✓ testing based on samples,
 - ✓ comparison of system data with data presented in tax returns.

These actions helped to ensure that the data arising from the Company's books of account were consistent with the data presented in tax returns (taking into account the required adjustments).

- the lists of tasks for the employees of the Finance Department comprising the responsibilities for the transmission of the main tax returns and for the execution of the payments to the public budget.

In its operations, mLeasing sought to eliminate tax risks as much as possible, prioritising the safety of the Company and its stakeholders.

Cooperation with tax authorities

In 2021, the Company did not participate in any of the voluntary forms of cooperation with bodies of the National Revenue Administration, among others, the Company did not enter into a tax cooperation agreement pursuant to Article 20s of the Tax Ordinance Act of 29 August 1997.

Fiscal burdens

In 2021, the Company performed its tax obligations in the territory of the Republic of Poland in accordance with tax law and its interpret. The Company was guided by the interpretations of tax laws obtained to date, taking into account changes in such laws.

mLeasing has been a member of Podatkowa Grupa Kapitałowa mBank. since 1 January 2020. Consequently, income tax and income tax advances were calculated and paid by the parent

company, mBank S.A. The CIT for PGK, including the Company, amounted to **PLN 639.7 million** in 2021 as at the date of the Tax Report.

The Company paid the following taxes:

- **value added tax [VAT]**, which was paid in accordance with the Value Added Tax Act of 11 March 2004. The total VAT liability of the Company for the period from January to December 2021 amounted to **PLN 71.2 million**. Taking into account the investment nature of the Company's activities, the Company reported an excess of input VAT over output VAT to be refunded to the Company's account for some periods. The total amount of VAT to be refunded for the periods from January to December reported by the Company amounted to **PLN 74.1 million**.
- **real estate tax [PON]** - the total amount of the real estate tax declared and paid by the Company for 2021 was **PLN 11.6 million**.
- **tax on means of transport [PST]** - the total amount of the tax on means of transport declared and paid by the Company for 2021 was **PLN 13.5 million**.
- excise tax pursuant to the Excise Tax Act of 6 December 2008, the total amount of the excise tax for 2021 was **PLN 27.5 thousand**.

The Company also performed the function of a remitter of corporate income tax [CIT] and personal income tax [PIT]. The Company also performed other information, recording, and documentation obligations.

Tax schemes (MDR)

In 2021, mLeasing did not provide the Head of the National Revenue Administration with notifications on tax schemes.

In 2021, mLeasing also used suspension of the deadline for reporting tax schemes under the Act of 19 June 2020 on interest subsidies for bank loans granted to entrepreneurs affected by COVID-19 and on simplified proceedings for approval of composition in connection with the occurrence of COVID-19.

Transactions with related parties

In 2021, the Company carried out transactions with related parties within the meaning of Article 11a(1)(4) of the CIT Act, the value of which exceeded 5% of the total of assets within the meaning of accounting regulations, determined on the basis of the last approved financial statements. The Company's transactions with related parties exceeded in total **PLN 695.8 million**.

In 2021, the Company carried out transactions with related parties including, among others, loans and guarantees received, loans granted, cash premiums received, sale of goods, sale of leasing services and rental of fixed assets, purchase of goods, lease of office space.

Restructuring activities

In 2021, the Company did not undertake and did not plan any restructuring activities, including any merger of companies, transformation of a company into another company, contribution to a company in the form of a company's enterprise or its organised part (including as part of a company split), or exchange of shares. The Company did not undertake and did not plan any restructuring activities whose main or only purpose would be to achieve tax benefits.

Requests to tax authorities

The Company considers the verification of its position in relation to tax issues which arise in its day-to-day operations by obtaining an individual interpretation from the Director of the National Revenue Service as a natural part of the process of mitigating tax risks. In 2021, the Company applied for individual interpretations as follows:

- 6 applications concerning corporate income tax, where the Company submitted the applications on behalf of PGK,
- 2 applications concerning VAT.

In 2021, the Company did not submit applications for binding excise tax information.

In 2021, the Company did not submit applications for a general tax interpretation or applications for binding tax rate information.

Tax payments in tax havens

In 2021, the Company did not plan or make tax payments in territories or countries applying harmful tax competition listed in the implementing regulations issued pursuant to Article 11j(2) of the CIT Act and in announcement of the minister responsible for public finance issued pursuant to Article 86a(10) of the Tax Ordinance.

Additional information

The Tax Report is attached to the information on the implemented tax strategy for Podatkowa Grupa Kapitałowa mBank available on the website: <https://www.mbank.pl/o-nas/informacje-wymagane-przepisami-prawa/informacja-o-realizowanej-strategii-podatkowej/>

Read other important documents:

- 1/ *Information on the implemented tax strategy for Podatkowa Grupa Kapitałowa mBank*
- 2/ *Annual report of mBank S.A. Group for 2021*
- 3/ *mLeasing's Financial Statements for 2021*