

A young child with dark hair, wearing a white long-sleeved shirt and a dark blue and white checkered skirt, is pointing towards the camera. The background is a blurred cityscape with tall buildings. A white curved line is drawn over the top left of the child's head.

# Tax Transparency & Reporting

Taru Taajamaa | Head of Tax and Customs | 26.4.2022 | Aalto  
University



# Agenda

1. Transparency
2. Neste's tax management
3. ESG Tax Reporting
4. Tax footprint
5. CbC-reporting
6. DAC6/MDR
7. CSRD

# Abbreviations

BEPS = Base erosion and profit shifting (OECD 2013-)

CbCR = Country-by-country reporting (non-public OECD; public EU Directive 2021/2101)

CSRD = Corporate Sustainability Reporting Directive (EU)

DAC6/MDR = Mandatory Disclosure Regime (EU Directive (2018/822))

ESG = Environmental, Social and Governance

ETR = Effective tax rate (income tax expense / profit before tax)

FY = Financial year

GRI = Global Reporting Initiative

MNE = Multinational enterprise

NGO = Non-governmental organisation

# 1. Transparency

**Tax transparency means  
sharing of information in  
an open way without  
secrets**



# Tax transparency in brief

- Tax information has generally been subject to secrecy
- NGOs support that corporates should i.a. be under obligation to publicly disclose their country-by-country reports
- Business representatives are concerned about protection of business and trade secrets and the increasing administrative burden

## Tax transparency

- Tax payer vs. Tax Authority and vice versa
- Tax citizen vs. Society, incl. Investors
- Tax citizen vs. other Stakeholders incl. Auditors

\* More information, please see OECD, IBFD and Helsinki University, Kristiina Äimä, Finland.

# 2. Neste's tax management

FI: 14+4  
NL: 1  
US: 1



## Business

Tax opportunities for enhancing the company's agility and flexibility

## Shareholders

Secure a stable and attractive cash return with a higher profit after tax

## Society

Open, accurate and timely reports filed

Statutory taxes paid in every country in which Neste Operates

Neste's tax strategy is to support the Group's long-term business strategy by providing feasible solutions for business decisions



# Our strategic themes

**Grow renewable and circular solutions**

**Get ready for the future**

**Boost competitiveness and transformation**

Renewable Aviation

Renewable  
Polymers and  
Chemicals

Renewable Road  
Transportation

From a regional oil refiner to becoming a global leader in renewable and circular solutions.

# Tax Principles

We follow all relevant local laws and regulations, as well as the OECD Transfer Pricing Guidelines

The material business decisions take into account the feasible tax solutions

We do not use tax havens, low tax jurisdictions nor other such arrangements to avoid taxes

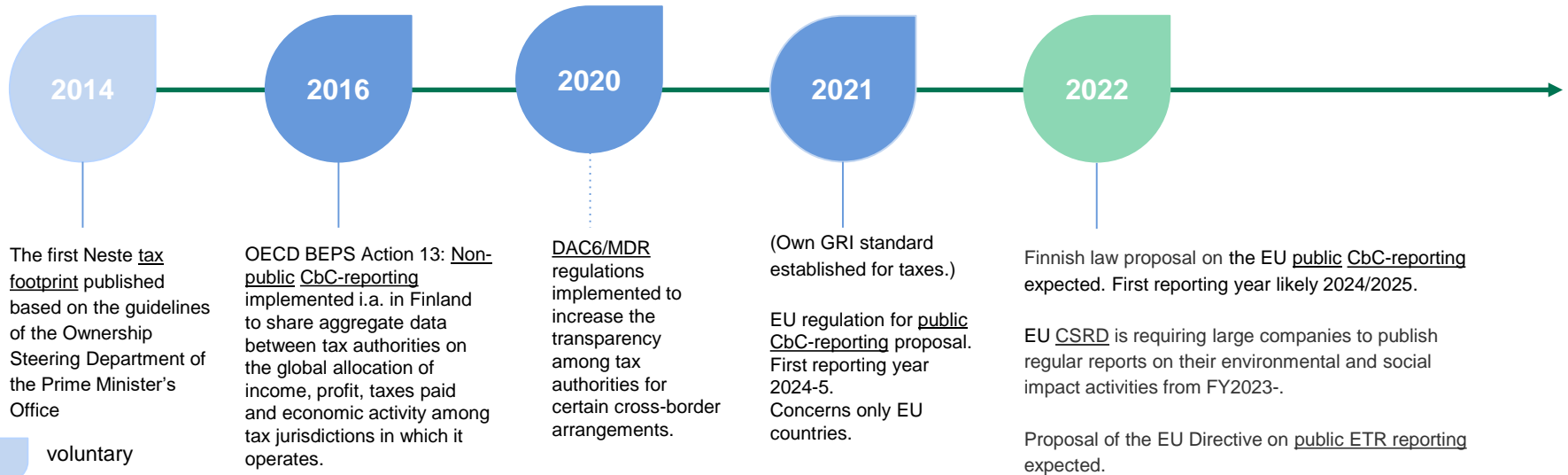
We ensure a high quality of tax compliance in every jurisdiction in which we operate

We maintain open and honest relationships with the tax authorities

We publish a Tax Footprint annually

# 3. ESG

# ESG tax reporting timeline



voluntary

compulsory



# 4. Tax Footprint (All taxes)



# Why Tax Footprint?

- Increases knowledge of taxes both internally and externally
- Provides a deeper understanding of statutory taxes and charges, as well as their magnitude
- Provides accurate input for tax solutions
- Keeps us focused and helps prioritization
- Provides valuable benchmarking data on tax management
- Increases useful tax discussion based on detailed facts

# Content



## Tax strategy

Business driven



## Management of tax affairs in Neste

BoD->CEO->CFO->Finance



## Neste's approach to tax planning

Business driven



## Co-operation with key stakeholders

Open and honest



## Principles regarding business transactions

Business driven



## Principles regarding group structure and tax agreements

Simple structures



## Tax figures

3.9 billion EUR in 2021



# Tax figures

|  | 2021         | 2021      | 2021        | 2021          | 2021            | 2021           |
|--|--------------|-----------|-------------|---------------|-----------------|----------------|
|  | Finland      | Sweden    | Switzerland | United States | Other countries | Group in total |
| Revenue, MEUR                                | 7 999        | 1 207     | 1 840       | 2 911         | 1 192           | 15 148         |
| Earnings before taxes, MEUR                  | 595          | 19        | 40          | 63            | 1 245           | 1 962          |
| <b>Taxes borne, MEUR</b>                     |              |           |             |               |                 |                |
| Corporate income tax                         | 52           | 3         | 6           | 15            | 19              | 94             |
| Real estate tax                              | 1            | 0         | 0           | 0             | 5               | 7              |
| Employer's charges                           | 53           | 0         | 2           | 2             | 7               | 64             |
| Environmental taxes                          | 0            | 0         | 0           | 0             | 0               | 0              |
| Customs duty                                 | 16           | 0         | 0           | 0             | 2               | 17             |
| <b>Total taxes borne, MEUR</b>               | <b>122</b>   | <b>4</b>  | <b>7</b>    | <b>17</b>     | <b>33</b>       | <b>183</b>     |
| <b>Taxes collected, MEUR</b>                 |              |           |             |               |                 |                |
| VAT/GST, remitted                            | 953          | 59        | 0           | 69            | 17              | 1 099          |
| Excise taxes                                 | 2 038        | 2         | 0           | 116           | 295             | 2 451          |
| Withholding taxes                            | 156          | 0         | 1           | 5             | 16              | 179            |
| Employee's social security                   | 22           | 0         | 1           | 0             | 4               | 28             |
| <b>Total taxes collected, MEUR</b>           | <b>3 169</b> | <b>63</b> | <b>2</b>    | <b>191</b>    | <b>331</b>      | <b>3 756</b>   |
| <b>Total taxes borne and collected, MEUR</b> | <b>3 291</b> | <b>66</b> | <b>10</b>   | <b>208</b>    | <b>364</b>      | <b>3 939</b>   |

- DAC6/MDR
- CbC
- No deferred tax

# Feedback from audience



# 5. CbC-reporting (Income tax)

# Non-public CbCR

- OECD BEPS Action 13
- CbCR requirements are introduced in the EU Directive 2016/881
- The Finnish CbCR rules follow in all relevant aspects the above regulation
  - Group revenue >750MEUR (MNE)
  - Provisions on secondary filing and surrogate parent filing are also in line with the BEPS Action 13 final report
  - Report must be submitted within 12 months after the end of the accounting period for which the report is being prepared
  - Finland has signed to the OECD multilateral competent authority agreement on the exchange of CbC reports
  - All multinational enterprise groups must **notify** the relevant tax authorities of the reporting entity and submit the CbCR within the given timelines

# Non-public CbCR at Neste

Roles and responsibilities:

- **CbC report\*** and notifications of the Finnish companies are filed by Neste Oyj' Corporate Tax Team **in Finland** electronically and
- Other country respective **notifications\*\* locally** by subsidiaries
  - Each group company has a person/persons responsible for coordinating transfer pricing (TP) issues with the Corporate Tax Team. They are the primary contacts to handle TP issues and will look for needed information locally. Typically TP contact person is Finance/General Manager, Chief Accountant, Country Controller or Finance Business Partner.

\* CbC report is a tax form where country specific information on e.g. turnover, taxes paid, share capital, number of employees, etc. has to be filed to the tax authorities annually. CbC report is considered part of transfer pricing documentation.

\*\* CbC notification is a tax form sent to the local tax authorities informing that which of the group companies sends the CbC report. Then local tax authorities know from which country they can request for CbC report information. All countries do not have CbC notification requirement. Neste needs to follow the countries having such obligation.

# Non-Public CbCRs often electronically (XML) – Notifications vary

**CbC Reporting Solution**  
Easy CbC Report Generation  
www.altova.com

Select the country that you will send the CbC Report to.

**Reporting Country** Switzerland

**OECD Schema** OECD XML Schema v 2.0

**Reporting Entity**

Name \* **Test Reporting Entity AG**

Country \* Switzerland

Tax ID Number (UID) \* 4545454545454545454 issued by Switzerland

Entity ID

Address  
Werdstrasse 75  
Zurich  
Switzerland

Reporting Role \* Ultimate Parent Entity

[Edit Reporting Entity...](#)

[Create a new CbC Report](#) [Create new CbC Report](#) [Create New CbC Report](#)

Quick Start Guide  
Also Available for On-Premises Installation

Version 2.1.5  
Based on OECD CbC XML Schema version 2.1 (June 2015)

**Selvitysvelvollisen tiedot**

Suomalainen Y-tunnus \* 6612663-4

Nimi \*

Muu nimi

## Selvitysvelvollisen osoitetiedot

Ilmoita ainakin selvitysvelvollisen osoitteen sijaintivaltio ja kaupunki tai kunta.

**Selvitysvelvollisen osoitetiedot**

Osoitteen tyyppi  Osoitteen sijaintivaltio \*

< Valitse >  < Valitse >

Kaupunki/kunta \*  PL  Kadun nimi

Talon/rakennuksen numero  Huoneiston numero  Sijaintikerros rakennuksessa

Kaupungin osa  Postinumero  Osavaltio tms.



Beskrivningen ska gå till  
Skatteverket  
403 32 Göteborg

## Underrättelse Annans skyldighet land-för-land-rapport

Datum 9.9.2020

### Svensk enhet som omfattas av den kommande land-för-land-rapporten

Namn Neste AB Organisationsnummer 556232-3906

### Rapporteringskyldig svensk eller utländsk enhet

Namn Neste Oyj Organisationsnummer/Identifikationsnummer 1852302-9

Postadress PL 95

00095 NESTE

Land där rapporten ska lämnas Finland

### Underrättelse om rapporteringskyldighet

Datum för räkningsåret början och slut 2020-01-01 - 2020-12-31

# Public EU CbCR

## EU Directive 2021/2101 to be implemented in 2022 in Finland

- >750 MEUR turnover, EU ultimate parent company
- Publicly accessible commercial register, group website
- On country basis all EU countries and non-cooperative jurisdictions

## Data to be published

- Description of the nature of the activities
- Net turnover, including turnover with related parties
- Profit/loss before income tax
- Income tax paid and accrued
- Accumulated earnings
- Number of full time employees

## When

- Likely from FY2024 onwards to be published in 2025
- 12 months after the end of financial year
- Auditors need to check whether the report was published in line with the provisions of the Directive



## 6. DAC6/MDR (Income tax)

# Based on EU Directive 2018/822

## What to report?

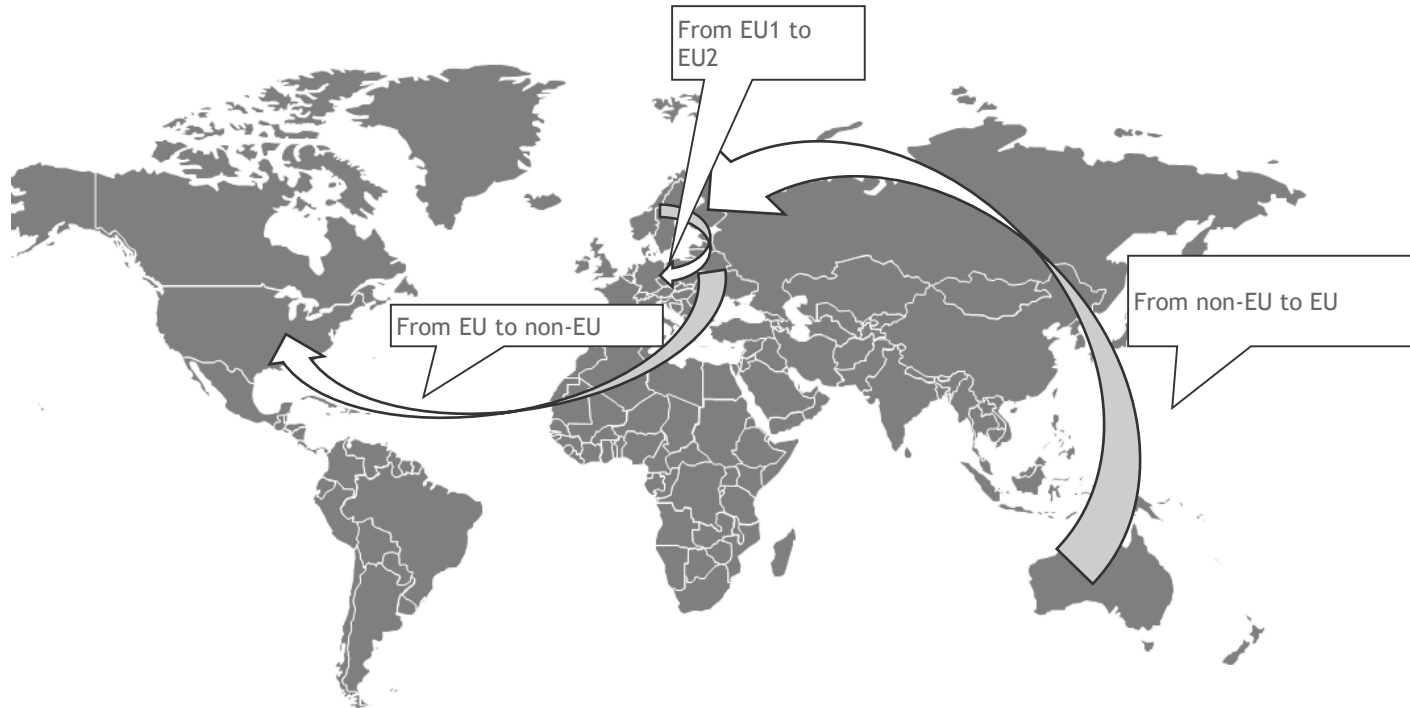
- EU introduced a directive (DAC6) on mandatory disclosure rules (MDR) aimed at increasing transparency to **detect** potentially **aggressive cross-border tax planning**
- Examples:
  - Company A pays interest payment to Company B who can treat the payment as income tax exempt dividend (double dip)
  - Company A agrees a success fee with an external service provider for a cross-border transaction and such success fee is linked to income tax savings received from the transaction
  - Artificial structures or nature of payments with income tax benefit
  - Hidden ownership structures with chain of companies/trusts offering income tax benefit

### Out of scope:

- Purely domestic arrangements
- Typical recurring intra-group transfer pricing transactions

# Cross-border<sup>1</sup> EU Arrangement/Plan/Agreement/Structuring

Companies are liable to report



# MDR/DAC6 at Neste



# Local EU legislations may deviate

Who, when and what if we fail?

1. External tax service providers report **primarily** (usually Big4s)
2. Neste reports **secondarily** on behalf of Neste EU companies

- Started in August 2020

- Filing must be done no later than in **30 days** after the **arrangement**/plan/advice/agreement was prepared  
- Liability continues monthly

- Non-compliance is sanctioned (Max 15 kEUR penalties in Finland but even millions of euros in Poland)

# Implementation 2018-2020

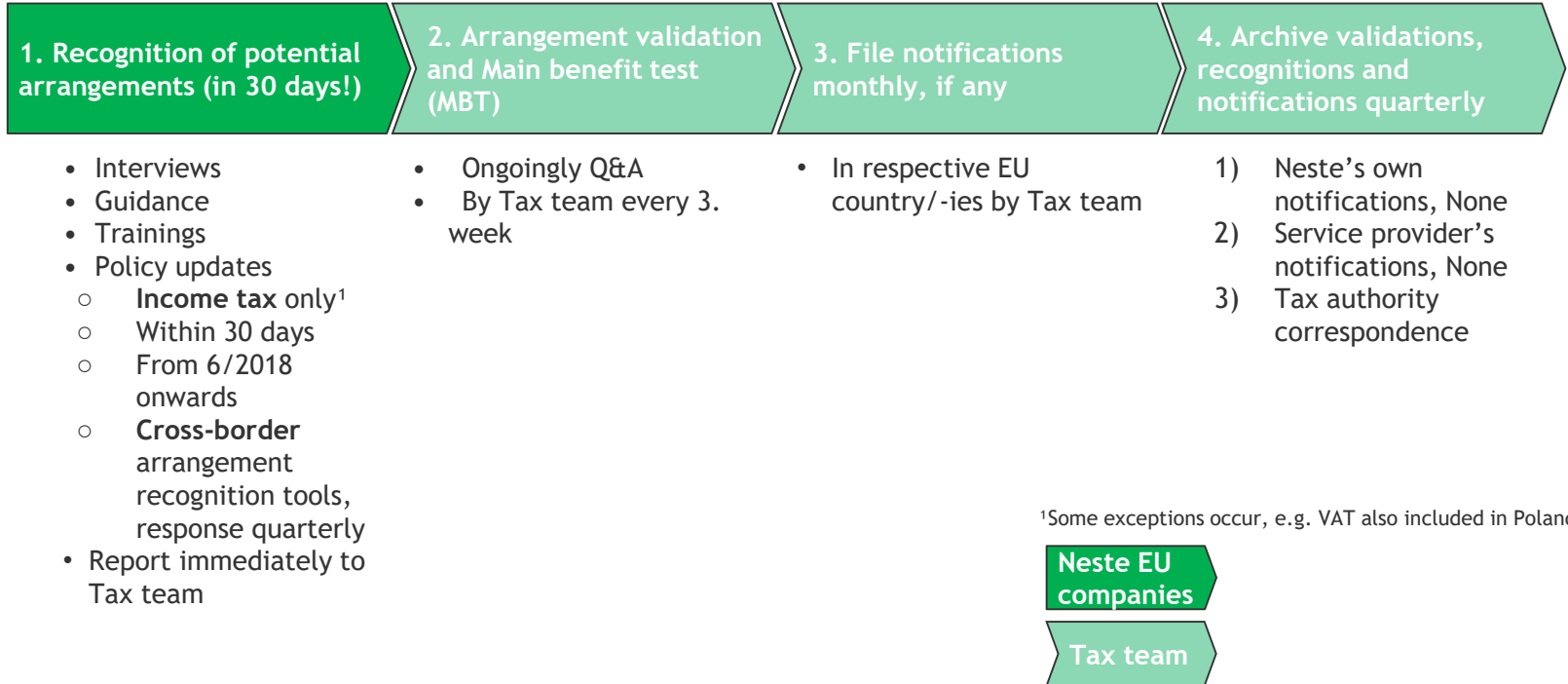
- Understanding of Directive's scope 2018-2020
  - Tool demos and benchmarks evaluated 2018-2019->self-made process chosen for Neste
  - Directive interpretations examined, Big4s and Tax administration
  - Approach chosen for Neste: **Centralized model with minimized costs and workload for business**
  - Understanding of local regimes deviating from EU scope
- Prepared readiness for August 2020- (Finland and Germany)
  - Interviews: Finance/M&A, HR, Procurement, Treasury
  - Trainings: Finance/M&A, HR, Procurement, Treasury, Legal/COO, Contracts team
  - Policy reviews and update needs: Finance, Procurement, Treasury, Sales
  - Recognition tools implemented 7-9/2020
  - Steering group reviews weekly in 8-9/2020, every 3. Week as of 10/2020-
  - Recognition process continues to meet the **30 days time frame**
  
  - Arrangements between 6/2018 and 6/2020-> **0 found for Neste**
  - Arrangements made 7-9/2020 -> **0 found for Neste**
  - Finnish tax authorities' review passed 9/2020
  - Auditor's review passed 11/2020
- Local regimes to be reviewed more closely, such as Swedish internal arrangements for 2021

|                  |   |
|------------------|---|
| 18.1§ 1-k        | To my understanding Neste has not used such entities in the Group structure where an entity has <b>no tax residency</b> in any state, e.g. acquired any partnerships                                      |
| 18.1§ 2b-k (TP*) | To my understanding Neste has not paid cross-border any payment to an associated party resident in the <b>country of the below list**</b> .   |
| 20§              | To my understanding Neste has not paid any cross-border payment to a <b>bank-account</b> located in a country without decent exchange of information rules ( <b>in an exotic and developing country</b> ) |
| 20§              | To my understanding Neste EU company has not opened or taken into use <b>US bank account</b> .  |
| General          | To my understanding, an <b>external tax advisor</b> has not informed Neste about a cross-border transaction/agreement which external tax advisor has reported to any Tax Authority.                       |
| General          | I understand that I need to report the above mentioned cross-border plan/agreement, if any, to the Steering Group (JMT, KS, TT) Tax and Custom quickly, <b>within 30 days</b> .                           |



# DAC6 Process at Neste

## Roles and Responsibilities



# 7. CSRD

# EU CSR Directive is aiming for sustainability reporting to reach similar status than financial reporting

- Effective from FY2023-
- Significantly enhance the scope of the existing Non-Financial Reporting Directive (NFRD) rules
- Reported non-inancial information needs to be audited

|  | NFRD - Non-Financial Reporting Directive, the current Directive   | CSRD - Corporate Sustainability Reporting Directive  |
|--|---|--|
| When applicable?                                 | FY 2018   | FY 2023 <ul style="list-style-type: none"> <li>• FY 2023: first set of Sustainability Reporting Standards (draft standards available mid-2022)</li> <li>• FY 2024: second set of Sustainability Reporting Standards</li> <li>• Adoption EU-Directive in member states legislation: Dec 1, 2022</li> </ul>  |
| What is the scope of the reporting requirements? | Companies are to report on: <ul style="list-style-type: none"> <li>• Environmental protection</li> <li>• Social responsibility and treatment of employees</li> <li>• Respect for human rights</li> <li>• Anti-corruption and bribery</li> <li>• Diversity on company boards (in terms of age, gender, educational and professional background)</li> </ul> | Adding additional requirements on: <ul style="list-style-type: none"> <li>• Double materiality concept: Sustainability risk (incl climate change) affecting the company + Companies' impact on society and environment</li> <li>• Process to select material topics for stakeholders</li> <li>• More forward looking information, including targets and progress thereon</li> <li>• Disclose information relating to intangibles (social, human and intellectual capital)</li> <li>• Reporting in line with Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Regulation</li> </ul> |
| 3rd party assurance                              | Non-mandatory in Finland  | Mandatory – limited level of assurance<br>Including: <ul style="list-style-type: none"> <li>• Integration in Auditor's Report,</li> <li>• Involvement of key audit partner,</li> <li>• Scope to include EU Taxonomy and process to identify key relevant information.</li> </ul>   |



# Thank you

Contact

# Appendix





**Our purpose  
is to create a  
healthier planet  
for our children**

<https://www.youtube.com/watch?v=Qvkgs-Qll6Y&t>

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# Neste in a nutshell

- We create solutions for combating **climate change** and accelerating a shift to a **circular economy**.
- We **refine** waste, residues and innovative raw materials into renewable fuels and sustainable feedstock for polymers and chemicals.
- We are the world's leading producer of sustainable aviation fuel and renewable diesel, and renewable feedstock solutions for various polymers and chemicals industry uses. We are also developing chemical recycling to combat the plastic waste challenge.
- Our ambition is to make the Porvoo refinery in Finland the most sustainable refinery in Europe by 2030. We are introducing renewable and recycled raw materials such as liquefied waste plastic as refinery raw materials. We have committed to reaching carbon-neutral production by 2035.





# Driven by our purpose



We are

# 4,872

dedicated professionals  
committed to our  
purpose

In 2021, our customers reduced

# 10.9 Mt

**greenhouse gas emissions** with  
our renewable products

In 2021, we reached

# 1,920 m€

comparable EBITDA

# A strong global mindset with key markets in Europe and North America

## Production:

Porvoo, Finland,  
Rotterdam, The Netherlands,  
Singapore

## Other locations:

Espoo, Naantali, Stockholm, Tallinn, Riga,  
Vilnius, Geneva, Amsterdam, Düsseldorf,  
Houston, Singapore, Shanghai, Melbourne

