Tax Policy

Background on our approach to tax

Established in 1935, Cipla is a global pharmaceutical company focused on responsible and sustainable growth, complex generics and deepening portfolio in our home markets of India, South Africa and North America, as well as key regulated and emerging markets. Our 46 manufacturing sites around the world produce 50+ dosage forms and 1,500+ products using cutting-edge technology platforms to cater to our 80+ markets. For over eight decades, making a difference to patients has inspired every aspect of Cipla's work. Our paradigm-changing offer of a triple anti-retroviral therapy in HIV/AIDS at less than a dollar a day in Africa in 2001 is widely acknowledged as having contributed to bringing inclusiveness, accessibility and affordability to the centre of the HIV movement. A responsible corporate citizen, Cipla's humanitarian approach to healthcare in pursuit of its purpose of 'Caring for Life' and deep-rooted community links wherever it is present make it a partner of choice to global health bodies, peers and all stakeholders. For more, please visit HYPERLINK http://www.cipla.com, or click on HYPERLINK https://twitter.com/Cipla Global Twitter, Facebook, LinkedIn. The Cipla Group ('the Group') is committed to comply with its Code of Conduct[1] and strive to comply with statutory obligations and tax laws in various countries that it operates in.

Cipla Group has its presence in United Kingdom (UK) through its subsidiary, Cipla (EU) Limited.

The statements in this tax policy are publicly available on Cipla's website in order to allow external stakeholders to understand Cipla's approach to tax. With regards to the group's UK entity, CIPLA (EU) Limited, we confirm that the tax policy complies with Paragraph 22(2) Schedule 19 Finance Act 2016.

Country-by-Country reporting regulations is applicable to the group. Cipla Limited, the Indian headquartered parent company is obliged to file the country-by-country report within applicable due date and supports the OECD's (Organization for Economic Co-operation and Development) work on Base Erosion and Profit Shifting ('BEPS') Project. All Group companies being member of international group, are also committed to compliance with international standards in respect of transfer pricing and in alignment to the BEPS Project.

Cipla Group is committed to the highest standards of corporate governance and understands our responsibility to pay appropriate taxes in countries it operates in and is transparent about how our tax affairs are managed. Cipla understands that the taxes it pays are an important part of its wider economic and social impact, and that they play a key role in the development of countries where it operates. Cipla collects a significant amount of tax on behalf of the governments along the supply chain (including from employees) in addition to paying corporate income taxes, property taxes and other indirect taxes such as custom duty, Value Added Tax, Goods & Services Tax, etc.

The Board of Directors ('the Board') of the respective group companies ensures that tax strategy is one of the factors considered while taking any significant investment and business decisions. The Group's approach to tax risk management principles are:

- Meet all the statutory obligations relating to filing of tax returns and timely tax payments.
- Assessing the implications of the transfer pricing and other tax regulations in respect of major or complex business decisions in ensure both compliance and alignment of business objectives.
- Seek to utilize available tax incentives and reliefs and organizes tax affairs in ways that enable the company to be eligible for such government's policies
- Creating an awareness of tax risk at appropriate levels within the organization.
- Adopting the principles of collaborative compliance in the Group's engagement with tax authorities.

[1] The Code of Conduct is approved by the Board of directors of Cipla Limited on 7 February 2018.

Cipla has been continuously working towards and is committed to:

Compliance with Financial and Tax Reporting Norms
We make decisions on tax matters based on a reasonable interpretation of applicable legal provisions of the country in which we operate. In doing so, we observe and adhere to the tax law, the underlying tax policy intent, and the disclosures and reporting requirements in each jurisdiction.

Transfer Pricing
All transfer pricing arrangements are consistent with the OECD Transfer Pricing Guidelines and in particular follow the arm's length principle. Profits are recognized in territories by reference to the activities performed there and the value they generate. To ensure the profits recognized in jurisdictions are aligned to the activity undertaken there, and in line with current OECD guidelines, we base our transfer pricing policy on the arm's length principle and support our transfer prices with economic and functional analysis and reports.

An underlying principle of transfer pricing is that two companies within the same group must act as if they were independent enterprises, with each appropriately rewarded for the functions they perform, assets they employ and risks they assume when entering into intra-group transactions. An appropriate reward is that which would be obtained in a transaction between unrelated parties. This is known as the 'arm's length' principle.

Tax Governance Framework and Risk Management
We are responsible for determining the tax objectives and ensuring that all applicable regulations as well as internal guidance and governance procedures relating to taxation are observed.

We adhere to the internal control framework with a component of tax risk assessment and controls and the same is reviewed by internal and external audit firms.

For material transactions, where there is uncertainty on the treatment of tax and interpretation of legislation, advice from external consultants is sought before any position is taken.

Internal control procedures and processes are subject to self-assessment reviews and audits. We outsource various tax compliance activities to professional firms. Professional advice is sought from external consultants where appropriate. Further, all the employees and external advisors are required to adhere to our Code of Conduct.
Tax legislations are complex and often tax risks arise from differences in the interpretation of tax laws thereby adding further uncertainty.

Cipla welcomes tax benefits and incentives and organizes tax affairs in such a manner that enable the group to be eligible for such benefits while ensuring consistency with business objectives.

Tax affairs are managed on a global basis by team of appropriately qualified and trained finance and tax professionals with the right level of expertise, who work closely with the business to provide advice and guidance along with support from Global tax team to ensure compliance with tax laws and practice. Led by the Global Head of Tax, the team work closely with the business on a day-to-day basis. Cipla's Global Tax team is part of its corporate finance function., Tax risk is also managed through continuous robust internal policies, training, knowledge management, compliance programmes to ensure alignment across all the group businesses, while meeting its tax obligations. Cipla deploys tax technology wherever possible thereby ensuring that it has a sustainable platform to manage the increasing demands of digitally enabled tax authorities.

Tax planning
The Group is committed to maximizing value on a sustainable basis for its shareholders and for any commercial transactions of wider business purpose, where in commercial rationale is the core for entering the arrangement. The Group does not engage in artificial tax planning i.e. without business or commercial substance.

Where uncertainty exists in a transaction, professional advice is sought on a transactional basis from external consultants. The Group seeks to utilize available tax reliefs, incentives, and exemptions where it reasonably believes it meets the conditions for which the legislation is intended to provide a legitimate relief. At all times, the group seeks to be fully compliant with the applicable tax regulatory and other laws and in a way which upholds our reputation as a responsible corporate citizen.

Attitude towards Risk

The group has now a low tax risk appetite and is focused on compliance. It submits tax returns according to statutory time limits and engages with tax authorities regularly to obtain certainty on our business operations. In exceptional cases, where matters cannot be settled by agreement with tax authorities, the group may have to resolve disputes through formal appeals or other proceedings.

The Group monitors taxation policies in its key jurisdictions to deal proactively with any potential future changes in tax law.

As a group, along with the board are fully conscious of the tax litigations and advocate prudent tax compliance to better manage the tax risks. Advice is sought from external advisors where uncertainty exists to review tax legislation and the implications of our business to support the decisions taken by the Board.

Relationship with Governments and Tax Administration

The Group seeks to maintain open and co-operative relationships with tax authorities by providing appropriate responses to requests made and engage in full, open and dialogue with tax authorities.

It employs the services of professional tax advisors to act as its representatives, and in a number of cases they liaise with tax authorities on Group's behalf to get the most of its relationship, thereby reducing tax risk. When submitting tax computations and returns, the group discloses all the relevant facts wherever possible.

Also, the Group aims to obtain advance agreements or clearances where possible and litigation would only be considered as a last resort.

Advocating Reforms and Participation in Formal Consultation

The Group monitors government debate on tax policy in its key jurisdictions so that it can understand and share an informed point of view regarding any potential future changes in tax law. It participates in the tax authority's formal consultation process where it is expected that the matter under consultation will have a material impact on Cipla. Where relevant, it provides pragmatic and constructive business input to tax policy makers either directly or through industry trade bodies, advocating reform to support economic growth and job creation as well as the needs of our patients and other key stakeholders.

Published on 03 August 2023