Tax strategy

We support the development of the countries where we operate

Our businesses give us the opportunity to make a significant contribution to tax revenues in many jurisdictions, so contributing to economic and social development of the countries in which we operate. As well as taxes on profits, our activities are subject to other forms of taxation, such as royalties on extraction of hydrocarbons, excise duties on production and consumption, turnover taxes such as VAT, payroll taxes, local taxes and other minor taxes. Eni is aware of the importance of such revenue flows for collective wellbeing and therefore adopts a behaviour that is in line with the principles of transparency, honesty, integrity and good faith prescribed in its Ethical Code. The primary objective of this Tax Strategy approved by Eni's Board on 24th of May 2018 is to ensure payment of taxes in the various countries in which Eni operates, in accordance not only with the letter but also the spirit of applicable laws.

We carry out precise and specific checks

Our management decisions are driven by industrial and commercial objectives, and tax considerations are only relevant as a support to the realisation of those objectives. Eni wishes to reduce tax risk to a minimum and, to this purpose, we have specific controls aimed at ensuring accuracy and timeliness of settlement and payment of taxes, in the context of transparent and accurate compliance aimed also at the prevention of possible disputes. To this purpose Eni encourages prior consultation with tax authorities, and the use of statutory procedures in place for that purpose. Our subsidiaries engaged in exploration, development and production of hydrocarbons pay taxes on profits from Oil & Gas activities in the countries where the reserves are located, and in line with contractual and tax rules there applicable. Eni does not operate in such a way as to facilitate tax evasion by persons acting on its behalf.

The OECD "Guidelines for Multinational Enterprises"

Eni adopts the principles established in the 2011 edition of the OECD's "Guidelines for Multinational Enterprises", which require companies to:

- Contribute to public finances in the host countries, paying taxes due on a timely basis;
- Adhere to both the letter and the spirit of tax rules in the countries in which business activities are carried on;
- Communicate promptly to the relevant authorities all information prescribed by law or necessary in order to determine correctly the taxes due;
- Determine transfer prices in intra-group transactions in line with the OECD's "Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations".

Rejection of aggressive tax planning

Eni does not use so-called "aggressive tax planning", which consists of artificial structures put in place merely to save tax, or of transactions lacking economic substance aimed at obtaining undue tax advantages. We make use of tax incentives and concessions in a transparent way.

Relationship with so-called tax havens

Except where needed due to justified operating requirements, Eni does not establish or locate residence of its subsidiaries in countries that do not follow international standards of transparency and exchange of information on tax matters or in low tax countries. Where Eni obtains control of such companies, in the absence of material disadvantages it works towards liquidating or re-domiciling them. In its annual financial statements Eni declares such companies, indicating for each of them the applicable tax regime under Italian legislation on "Controlled Foreign Companies" ("CFC rules").

Reducing double taxation

So as to eliminate or reduce cases of double taxation, Eni applies the rules in relevant “International Conventions for the elimination of double taxation with respect to taxes on income and capital and the prevention of tax evasion and avoidance” following interpretative guidance from the OECD or United Nations. To the same purpose, Eni encourages the use of instruments in national legislation to remove legal and economic double taxation, such as tax consolidations and fiscally transparent structures.

Elimination/ reduction of tax disputes

Where available, Eni makes use of procedures intended to eliminate or reduce tax disputes such as Advanced Pricing Agreements and rulings to regulate in advance circumstances where the legislation could be open to more than one interpretation. Eni aims to maintain a relationship with the tax authorities characterised by transparency, dialogue and cooperation, and is in principle in favour of taking part in Cooperative Compliance initiatives.

Transparency

According to Italian Law n. 208/2015, Eni is subject to the requirement of drafting the Country-by-Country Report "(CbC Report) expected by Action 13 of the “Base erosion and profit shifting - BEPS” project, developed by the OECD with the G20’s support to contrast ”the erosion of the tax base and the transfer of profits" by multinational companies.

The CbC report is a data collection related to the turnover, profits and aggregate taxes with respect to the jurisdictions in which Eni carries out its business activities. The CbC Report is a tool for assessing the fiscal risk and is transmitted by the Italian Financial Administration to all Financial Administrations with which there is an agreement for the mutual exchange of information.

Although there is no obligation to disseminate this information to the market and the public, Eni, in order to maximize its transparency in the fiscal field, publishes the CbC Report.

Tax Control Framework

Within its internal controls system, Eni has established its Tax Control Framework (a system to manage and control tax risk), the objective of which is to ensure with reasonable certainty that business is managed in line with the principles and objectives of this Tax Strategy, reducing the risk of material breaches to a remote level. The adoption of the Tax Control Framework takes place through a structured process that includes three stages:

i) Assessment of tax risks

ii) Identification and valuation of controls to manage those risks

iii) Related reporting.

The Tax Management System Guideline defines the rules and methodology to design and set up the Tax Control Framework and to maintain it over time.

Tax Governance

The Board of Directors approves the Tax Strategy. The CFO is responsible for establishing the Tax Control Framework and on an annual basis presents a report evaluating its effectiveness to the Control and Risk Committee, who in turn refers to the Board of Directors, and to the Statutory Audit Board. The report also summarizes the main issues relating to the implementation of the Tax Strategy occurred during the year. Eni’s tax function works closely with the Lines of Business to ensure possible tax risks are identified and managed adequately. The tax consequences of any non-ordinary course of business transactions are analysed and approved by the persons responsible for the relevant governance aspects.