

Tax principles

AkzoNobel has built a very strong foundation for sustainability and is recognized as a frontrunner in its industry. A coherent and responsible position on tax is an essential element of our sustainability strategies. In that context, we have adopted the following tax principles.

Compliance

Taxes are paid in accordance with all relevant rules and regulations in the countries in which we operate. We aim to comply with both the spirit and the letter of the law. Compliance is monitored through a Tax Control Framework. Additionally, also in managing tax affairs, our employees must adhere to the AkzoNobel Code of Conduct.

Business rationale

Tax follows business, and profit is allocated to countries in which value is created, in accordance with domestic and international rules and standards (such as the OECD Guidelines) and applying the at arm's length principle.

We do not seek to avoid taxes through “artificial” structures in tax haven jurisdictions.

Relationship with tax authorities

We seek an open and constructive dialog with tax authorities on the basis of disclosure of relevant facts and circumstances. We aim to enhance clarity and upfront certainty around tax.

Transparency

We are transparent about our approach to tax and our tax position. Disclosures are made in accordance with the relevant domestic regulations, as well as applicable reporting requirements and standards such as IFRS.

Tax update 2021

Effective tax rate and Cash tax rate

The reported effective tax rate (ETR) for the year 2021 is 22.3%. The weighted average statutory income tax rate based on the geographic spread of AkzoNobel's activities is 25.2%. The difference between this statutory rate and the effective rate is explained in the following table:

Effective tax rate		
in %	2020	2021
Corporate tax rate in the Netherlands	25.0	25.0
Effect of tax rates in other countries	(0.4)	0.2
Weighted average statutory income tax rate	24.6	25.2
Non-taxable income	(1.8)	(3.0)
Non-deductible expenses	2.4	2.3
(De)recognition of deferred tax assets	(0.1)	(1.6)
Non-refundable withholding taxes	0.6	0.9
Adjustment for prior years	0.2	(3.3)
Deferred tax adjustment due to changes in tax rates	0.3	1.8
Effective tax rate	26.2	22.3

In the table below the effective tax rate is shown for the years 2020 and 2021. In the annual report only the effective tax rate for continued operations is shown. As the cash tax paid in the cash flow statement is on a total basis (including discontinued operations), we also show the effective tax rate on a total basis in the table below.

Continued operations only:	2020 in € millions	2021 in € millions	Calculated average in € millions
Earnings before tax	919	1,105	1,012
Reported taxes	(241)	(246)	(244)
Reported tax rate	26.2%	22.3%	24.1%
Including discontinued operations:			
Earnings before tax	920	1,113	1,017
Reported taxes	(249)	(248)	(249)
Reported tax rate	27.1%	22.3%	24.4%
Cash taxes paid	(187)	(250)	(219)

The above amount of cash taxes paid of €250 million includes €222 million of income tax paid as per the 2021 consolidated statement of cash flows, plus €28 million Dutch dividend withholding tax for the account of AkzoNobel on the executed share buyback program.

The difference between the book tax rate and the amount of tax paid in a given year is mainly caused by the following factors:

- Deferred tax:
 - the creation or usage of tax losses and tax credits
 - certain cost or income elements may be included for IFRS results in another year than for taxable results
- Timing differences tax payment:
 - the tax liability of a certain year is generally partly paid within the year, and partly in the next year

Taxes borne and paid by AkzoNobel

In the countries where AkzoNobel is operating, we are contributing to society in several ways. We pay to suppliers, employees, capital providers and governments. AkzoNobel can only operate in countries if certain conditions are fulfilled. For example, educated people are needed to run and manage our operations, and a logistical infrastructure is needed in order to transport our goods. By paying to governments, we contribute to the general funds out of which these conditions can be financed.

We provide our country-by-country-report to the tax authorities in the Netherlands, in line with the Base Erosion and Profit Shifting (BEPS) Plan as initiated by OECD and as enacted into Dutch legislation.

Corporate income taxes and withholding taxes borne and paid in 2021 by AkzoNobel worldwide were €250 million.

The following overview shows a breakdown of the 2021 revenue, profit before tax, the taxes borne and paid and the number of AkzoNobel employees for its key countries and regions:

Tax statistics 2021 In € millions	Revenue by origin	Profit before tax	Taxes paid / (received)	Number of employees (FTE)
The Netherlands*	445	348	28	2,400
UK	1,034	68	1	3,000
France	393	20	6	1,400
Germany	495	23	4	1,200
Spain	376	7	24	1,200
Italy	301	35	12	600
Sweden	389	14	6	900
China	1,389	102	44	4,400
United states	1,045	59	-3	2,600
India	329	45	17	1,700
Other EMEA countries	1,431	161	39	5,900
Other Asian countries and pacific	1,087	59	35	4,600
South America	724	146	33	2,400
Other North America	149	17	4	500
Total	9,587	1,105	250	32,800

* Dutch dividend withholding tax for account of AkzoNobel on the executed share buyback program.

The taxes borne and paid include corporate income tax and withholding tax paid in 2021. This may include tax payments or refunds relating to previous years, whereas taxes and refunds related to the year 2021 may only have a cash impact in future years. The withholding tax is reported by the countries to which the taxes were paid.

The corporate income tax paid in a given year can be lower or higher than the statutory rate in a country due to, among others, deferred tax differences relating to timing differences between tax law compared to accounting standards, carry forward of tax losses and/or tax credits, prior year true ups, timing differences in payment and/or refunds.

Besides the indicated taxes, AkzoNobel also pays and bears other taxes like custom duties, property taxes, sales taxes and environmental/energy taxes. These taxes are not included in the overview above. Furthermore, the presence of AkzoNobel within countries also leads to other material tax revenues than those that are borne by AkzoNobel, like the tax withheld from customers (VAT) and employees (wage tax).