

BP's comments on the tax issues raised by the Platform report 'Making a Killing' (27 February 2013)

The Platform report is very misleading in respect of BP's tax position:

- BP has worked for many years with governments, non-governmental organisations and international agencies to improve transparency in revenue flows from oil and gas activities in resource-rich countries, to the benefit of the citizens of those countries. We are a founding member of the Extractive Industries Transparency Initiative, just one example of our work in this area.
- In BP, we believe that everyone, businesses and individuals, should pay their fair share of tax as intended by the relevant government. BP does not engage in corporate tax avoidance. BP is committed to complying with tax laws in a fully responsible manner both to shareholders and governments and engaging in honest and constructive relationships with all stakeholders.
- BP is one of the world's largest corporate taxpayers. In 2012 BP paid \$6.5bn of Corporate Income Taxes and an additional \$8.6bn of Production Taxes. A significant portion of these taxes were paid to developing countries such as Angola, Azerbaijan, Egypt and Trinidad. This does not include the very material taxes collected by BP on behalf of Governments such as motor fuel duty, sales taxes, VAT and employment taxes.
- For 2013 and in future, BP will be reporting taxes paid in each of the countries in which it operates – in compliance with S.1504 of the Dodd Frank Wall Street Reform and Consumer Protection Act (2010).

UK Tax

- BP has a long history in the UK North Sea, having been present since the 1960s. In that time BP has invested around £35bn and paid over £40bn to the UK Government in taxes.
- Profits from oil production are currently taxed at a corporate tax rate of 62%. In addition Petroleum Revenue Tax is payable on oil profits extracted from PRT qualifying fields, increasing the tax rate for those fields to 82%.

- The Table below shows the very significant taxes paid by BP in the UK over the last three years:

UK Tax £m	2010	2011	2012
Taxable profits	1,434	1,231	569
Corporate tax paid on these profits	717	730	366
Petroleum Revenue Tax paid on these profits	234	260	158

- BP does not avoid paying tax by “minimising the amount of profit that passes through the company’s UK books” as suggested in the Platform report. BP’s taxable profits and corporation tax payments have declined since 2010; but this is a consequence of many business factors – such as BP’s divestment programme, lower oil prices and increased capital investment to increase the life of the fields and to boost long term production - which will increase taxable profits and tax payments in future years.

International Taxes

- BP is a global integrated energy company with many subsidiaries operating across the full hydrocarbon value chain in more than 100 countries. Transactions between those subsidiaries are conducted on an arm’s length basis, in accordance with OECD guidelines, as required by most tax authorities. BP does not engage in arrangements to shift profits to low tax jurisdictions or to move costs to higher tax jurisdictions.
- Contrary to the Platform report, BP does not establish subsidiary companies in so called “tax havens” for tax avoidance purposes. It is also very misleading to imply that the Netherlands, Belgium and the US State of Delaware are tax havens. BP currently has 42 subsidiaries in the jurisdictions which are more commonly referred to as tax havens: The Cayman Islands,

British Virgin Islands, Bermuda, Bahamas, Guernsey, Jersey, Barbados, Bahrain and the Isle of Man. The majority of these are holding companies that exist for BP's shared interests in commercial oil and gas joint ventures, where the business activities are taxed elsewhere - in the countries where the business is carried on. Some of the companies are located in these countries to support local businesses or for other regulatory reasons – not for tax avoidance purposes. (15 of those 42 companies are inactive or dormant).

- BP Shipping is a UK based business subject to normal UK corporation tax rules. BP does have interests in shipping joint ventures based in Bermuda but BP's profits from that business are fully taxed in Australia – as the ships concerned are used to transport LNG from Australia's North West shelf. There are no tax avoidance motives involved in this structure. .
 - Contrary to the Pipeline report, BP does not have Exploration or Production interests in Nigeria. Six of its 7 subsidiaries in Nigeria are dormant.
 - BP does hold some international investments through its subsidiaries in the Netherlands. But this is not for the purposes of avoiding tax in the overseas countries concerned and it is misleading to describe the Netherlands as a tax haven.
 - BP in Turkey: The Pipeline report's reference to Turkey concerns BP's business of supplying road fuels to an independent dealer on a border site in Turkey. The dealer did not charge VAT or consumption duty on sales of fuel to vehicles leaving the country in accordance with the legislation. The Turkish fiscal authority has assessed BP for the amount it claims should have been withheld by the independent dealer. BP has appealed against this assessment in the Turkish courts. The Turkish court has upheld BP's claim in the VAT case. The consumption duty appeal is still before the court.
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