

**Tax Transparency Report**  
2021-22

**Care that  
inspires  
innovation**

**Cipla**



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# 1. Introduction from our Interim Global CFO



**Mr Dinesh Jain**

Interim Global Chief Financial Officer

I am pleased to introduce Cipla's second annual Tax Transparency Report.

At Cipla, our purpose of 'Caring for Life' guides all our ideas, innovation and strategic initiatives. Our constant endeavour is to maximise the value that we deliver to our stakeholders. Our core strengths have enabled us to emerge as a strong partner of choice for all our stakeholders across our value chain. We have consistently worked towards maximizing the returns to our stakeholders and upliftment of the community in all our geographies.

In keeping with our ethos of transparency and in our endeavour to elaborate on our contribution to the global economy and the nations where we operate, we present this second annual Tax Transparency Report covering the contribution of taxes and duties for the financial year 2021-22.

Tax disclosure in the sphere of a Tax Transparency Report has been an initiative adopted, on a voluntary basis, by multinationals to demonstrate their commitment to responsible tax behavior.

I look forward to sharing further progress with you in the future.

We are committed to:

- ▶ Complying with tax laws in a responsible manner
- ▶ Paying and reporting on our taxes on time
- ▶ Being transparent about our tax principles and the taxes we pay
- ▶ Having an open and constructive dialogue with stakeholders, including government and tax authorities
- ▶ To actively participate in tax policy consultation process to support the development of effective tax systems, legislations, and administration.

## FY 2021 – 22 at a glance

# 26

countries where we operate

Total taxes paid

# 1420

(₹ in crores)

includes corporate taxes on profits, as well as other direct and indirect taxes levied on our activities.

# 35000+

Employees (including contractual employees) worldwide

Total taxes collected

# 2754

(₹ in crores)

includes amounts that we collected on behalf of others – for example our customers, suppliers and employees – and paid to governments.

Total tax contribution

# 4174

(₹ in crores)

comprises the taxes we paid and collected on our global operations.

Total tax contribution

# 19

per cent of Turnover

We are taking every relevant step to keep improving our transparency on tax matters and invite valuable feedback in this endeavour.

**Dinesh Jain**

Interim Global Chief Financial Officer

## 2. About Cipla

**Established in 1935, Cipla is a global pharmaceutical company, focused on agile and sustainable growth, with a firm commitment to make medicines accessible and available to those in need.**

Our product portfolio spans complex generics as well as drugs in the respiratory, anti-retroviral, urology, cardiology, anti-infective, CNS, and various other key therapeutic segments. With a rich portfolio, we are deepening our presence in the home markets of India, as well as South Africa, North America, and other key regulated and emerging markets. Our 47 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

**Cipla is the third-largest pharma company in India (IQVIA March 2022) and the third largest in the private pharma market of South Africa (IQVIA March 2022).**

We are the largest Indian exporter to emerging markets and also among the most dispensed generic players in the US. Our approach to responsible resource consumption, efforts to enhance access and affordability of medicines worldwide and strong financial growth, provide a robust foundation to build a responsible business and stay committed to sustainable growth.

**By 2025, Cipla endeavours to be a Carbon Neutral, Water Neutral and Zero Waste to Landfill Company, Attain AMR Stewardship, Green Chemistry & Making it Right and Well-being of employees & partners.**

A responsible corporate citizen, Cipla's humanitarian approach to healthcare in pursuit of its purpose of 'Caring for Life' and deep-rooted community linkages to wherever it is present, make it a partner of choice to global health bodies, peers and all stakeholders.



### 3. Approach to Tax & Our Responsible Tax Principles

#### Background on our approach to tax

We seek to comply with all applicable tax laws, regulations and disclosure requirements and to pay the amount of tax that is required to be paid in all of the jurisdictions in which we operate. Where compliance processes have been outsourced, we ensure that this principle is adhered to by the service provider. All material positions taken in the tax compliance process must be supportable in terms of documentation and legal interpretation. Where a tax law or its interpretation is unclear, external advice may be sought in order to determine the appropriate tax treatment and, where practical, we will engage with tax authorities pro-actively to seek clarification

**As a global business, we have established the following tax principles to consistently apply our approach to taxation matters across our organisation.**

Accountability and governance	Compliance	Relationships with authorities	Seeking and accepting tax incentives	Transparency	Supporting effective tax systems	Business structure
Tax decisions are made in adherence to the principles set out in the Code of Conduct <sup>1</sup> . Our multi step process ensures that tax decisions are made at appropriate levels.	We comply with the tax legislation of the countries in which we operate and pay the right amount of tax at the right time, in the countries where we create value.	We seek, wherever possible, to develop co-operative relationships with tax authorities, based on mutual respect, transparency and trust.	Where we claim tax incentives offered by government authorities, we seek to ensure that they are transparent and consistent with statutory or regulatory frameworks.	We provide regular information to our stakeholders, including investors, policy makers, employees, civil society and the general public, about our approach to tax and taxes paid.	We engage constructively in national and international dialogue with governments, business groups and civil society to support the development of effective tax systems, legislation and administration.	We will only use business structures that are driven by commercial considerations, are aligned with business activity and which have genuine substance. We do not seek abusive tax results.

<sup>1</sup>The Code of Conduct was approved by the Board of directors of Cipla Limited on 7 February 2018.

## 4. 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.

Our Multi step process ensures that tax decisions are made at appropriate levels. As a process, tax team comprising of qualified experienced tax professionals partners with business teams or respective departments, brainstorms on the subject, and proposes tax positions / decisions which are further being discussed with heads of respective department. Senior management is also consulted on critical positions and decisions taken in case of high value transactions.

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.

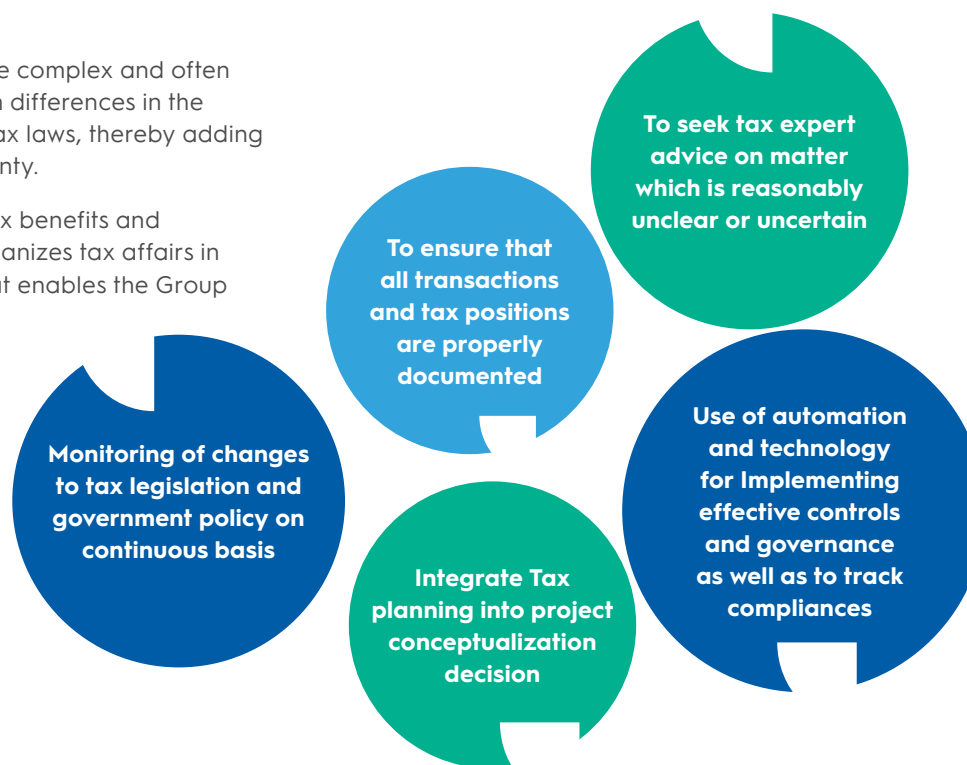
Tax legislations are complex and often tax risks arise from differences in the interpretation of tax laws, thereby adding to further uncertainty.

Cipla welcomes tax benefits and incentives and organizes tax affairs in such a manner that enables the Group

to be eligible for such benefits while ensuring consistency with its business objectives.

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 and compliance programmes to ensure alignment across all the Group's 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.



## 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 & 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 Planning

The Group is committed to maximizing value on a sustainable basis for its shareholders and for any commercial transactions of wider business purpose, wherein the commercial rationale is the core for entering the arrangement. The Group does not engage in artificial tax planning, i.e., without any 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 its reputation as a responsible corporate citizen.

## Cipla has been continuously working towards and is committed to:



### Attitude towards Risk

The Group has 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 its 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, it is 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 its Group 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 the Group's behalf to get the most of its relationship, thereby reducing tax risk. When submitting tax computations and returns, the Group discloses all 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 its patients and other key stakeholders.

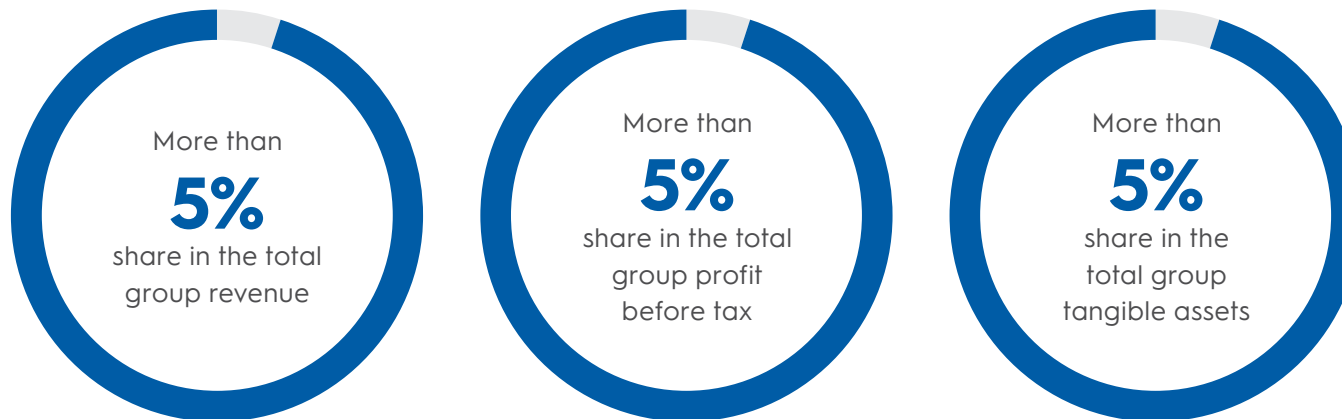




## 5. Basis of Preparation

**1** The amounts reported in the Tax Schedule are for the period 1 April 2021 to 31 March 2022. The report has been subject to internal review and external audit by an Independent Chartered Accountants Firm, G. P. Sharma & Co. LLP. The Independent Auditor's Report forms a part of our disclosures below.

**2** In this report, our major countries of operation for the year are defined as those that fulfill one of the following criteria:



**3** For the purpose of reporting numbers under the Tax Schedule, we have used the individual audited financial statements of each entity in the corresponding jurisdiction and wherever necessary, the corresponding tax ledgers, tax returns, etc. were relied upon. If there is more than one group entity in a jurisdiction, the information has been reported on an aggregate basis at country level.

**4** The data is reported in INR and is rounded off to nearest crores. To convert the numbers in respective jurisdictional currency into INR terms, the corresponding exchange rates for the year ended 31 March 2022 were used.

**5** Our Tax Schedule has been categorized into two parts viz., 'Taxes Borne' and 'Taxes Collected' (Table 1). While 'Taxes Borne' demonstrates the cost of tax borne by us directly, 'Taxes Collected' is the amount of tax collected by us on behalf of others and subsequently paid to the governments. Additionally, we have also provided the other relevant financial information (Refer Other Key Financial Information at Page 016) to enable the better understanding of our tax contributions. Over and above the tax related contributions to the governments, we also incur some social expenditures in the form of Corporate Social Responsibility (CSR) related contributions, etc. which does not form part of our Tax Schedule below.

## Basis of Preparation

### 6 Definitions:

#### A) TAXES BORNE - These include:

<p><b>Corporate Tax</b></p> <p>Taxes paid by us on the taxable profits of our group operations. This includes the amounts of withholding taxes withheld by third parties while making payment to us.</p> <p>Since these are reported on cash basis, it may also include the amount of corporate tax which was accrued in the earlier years but paid during the year on self-assessment or assessment by the jurisdictional government. Further, wherever the past year(s) tax refund was received during the year, it has been netted off against tax paid to reflect the actual cash tax outflow.</p>	<p><b>Custom Duty:</b></p> <p>Duties paid by us on the import of goods across a border.</p>	<p><b>Property Tax:</b></p> <p>Property tax is an ad valorem tax assessed on real estate by a local government and paid by the property owner. These reflect the taxes paid by us as a result of occupation of land and/or property in various jurisdictions where we conduct our operations.</p>	<p><b>Social Security Contribution:</b></p> <p>Social Security Contributions are compulsory payments to the government that confer entitlement to receive a future social benefit to employees. These are solely for the benefit of employees. However, they are in two forms i.e., contribution by employer and contribution by employees themselves. The Social Security Contributions forming part of 'Taxes Borne' reflect employer's contribution to social security funds/retirement plans, etc. for the benefit of individuals employed with us.</p>	<p><b>Others:</b></p> <p>Includes State Excise Duties, Fringe Benefit Tax and any other taxes paid by us on our operations.</p>
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## Basis of Preparation

### 6 Definitions:

#### B) TAXES COLLECTED - These include:

##### Output VAT:

Value Added Tax (VAT)/ Goods and Service Tax (GST) is a consumption tax that is levied on the added value. Output VAT/ GST represents the tax billed by us on customers which was collected by us from customers and eventually, paid to the respective jurisdictional governments. This excludes the VAT/ GST billed by us on our invoices relating to stock transfers. We also incur VAT/ GST when purchasing certain goods and services. In most countries where we operate, the VAT/ GST collected are offset against the VAT/ GST incurred with the net being paid to the government.

We have shown only VAT/ GST collected amounts in our disclosures. We have not shown the Input VAT/ GST separately since those are largely creditable and used for making the payment of VAT/ GST collected.

##### Withholding Taxes:

These represent taxes withheld by us on vendor bill payments, dividend payments, taxes collected at source and paid to the governments.

##### Payroll Taxes:

Payroll Taxes represent taxes withheld on salary payments to individuals employed with us and paid to the governments on their behalf.

##### Social Security Contribution:

The Social Security Contributions forming part of 'Taxes Collected' represent employees' individual contribution to social security funds/ retirement benefit plans, etc. in accordance with the respective jurisdiction's social security laws.

##### Others:

Includes any other taxes collected on behalf of others and paid to the governments.

## Basis of Preparation

### 6 Definitions:

#### C) OTHER FINANCIAL INFORMATION

##### Revenue:

Revenue is split between unrelated and related-party revenues.

Unrelated revenue consists of all forms of revenue flowing from entities which are not controlled by us. Related-party revenues include revenue from our group companies. These exclude the amounts of inter-company dividend.

##### Profit or (loss) before tax:

The profit or loss is calculated using the respective jurisdiction accounting policy.

##### Corporate income taxes accrued:

The amount of corporate income tax accruing on the operations for the reporting period. It may or may not be the same as corporate income taxes paid or refunded in the period. These exclude the amount of deferred tax in accordance with the guidance provided under GRI 207 and Guidance on Country-by-Country Reporting: BEPS Action 13.

##### Stated capital and accumulated earnings:

The amount of capital invested in Cipla Limited and our group companies and the earnings accumulated from our operations. The amount of Stated Capital includes the share application money as well as the securities premium. The amount of accumulated earnings includes all other reserves, distributable as well as non-distributable reserves (except for securities premium which has already been considered in the Stated Capital).

##### Employees:

The number of employees indicate the number of average employees employed with us during the year ended 31 March 2022, on the basis of the normal work jurisdiction of the employee. It also includes the employees working with us on contractual basis.

##### Tangible assets:

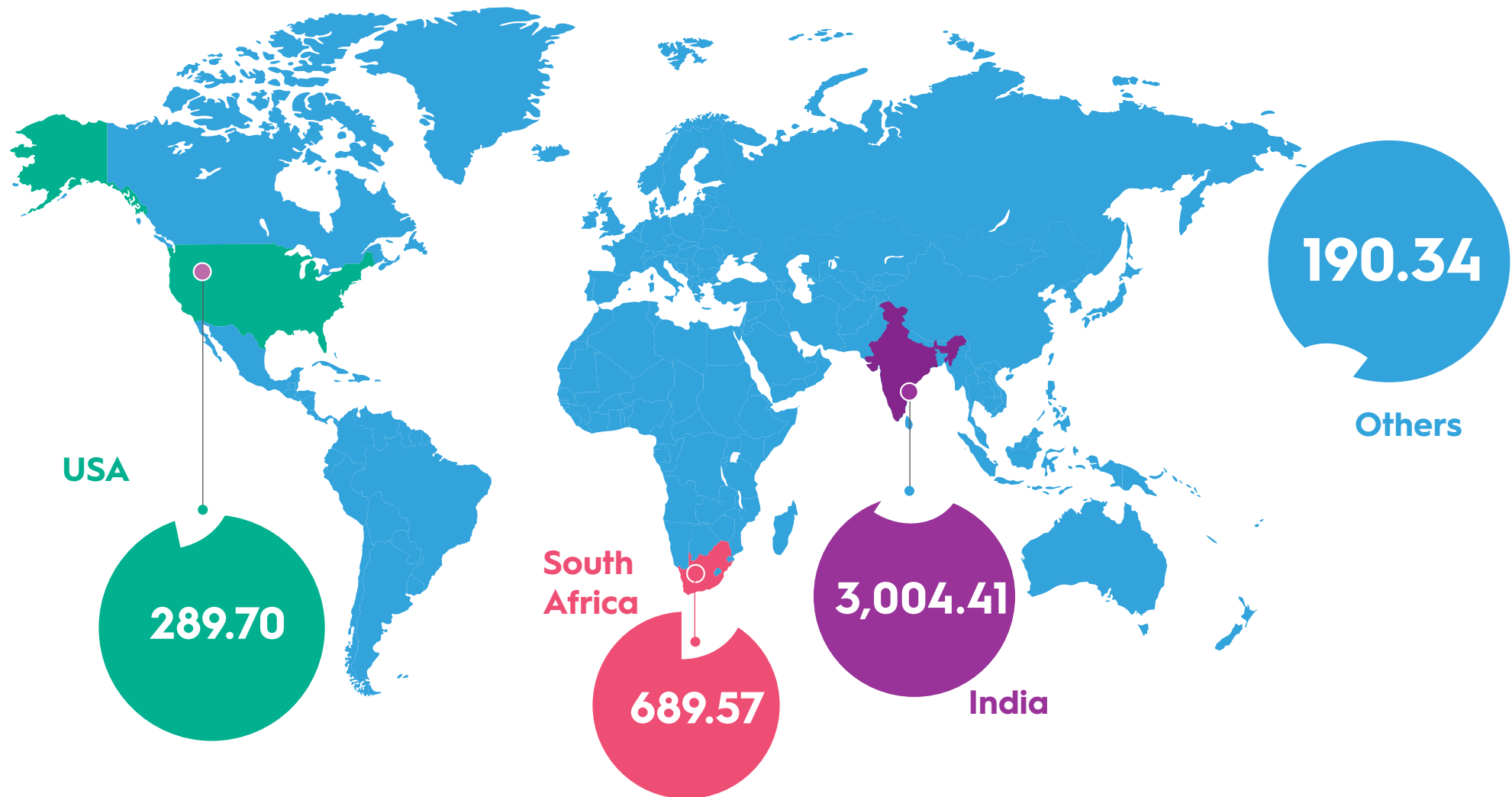
Includes Property, Plant and Equipment as defined in the respective jurisdiction's accounting policies, Tangible Capital Work-in-Process, Right of Use Assets and Inventories as on 31 March 2022.



## 6. Tax Schedule

The numbers are disclosed in INR crores

### Total of Borne and Collected Taxes by Cipla Group



The numbers are disclosed in INR crores

## Our Total Tax Contribution

### Taxes Borne by Cipla Group

Total Taxes Paid by Cipla Group

#### INDIA

**1,164.88**



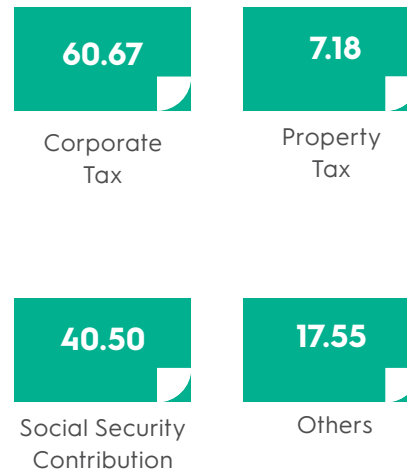
#### SOUTH AFRICA

**66.53**



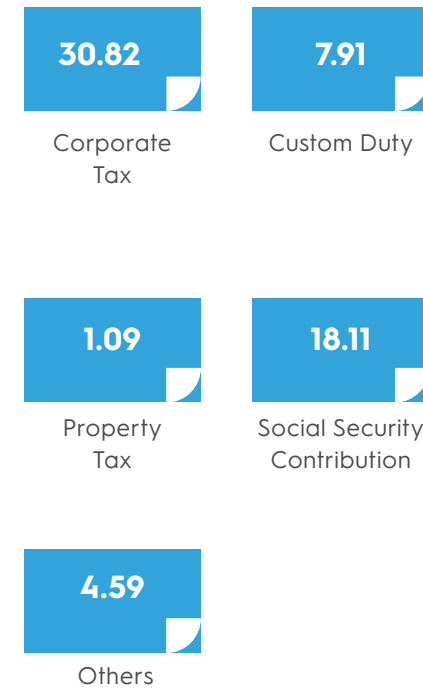
#### USA

**125.91**



#### OTHERS

**62.52**



## Our Total Tax Contribution

The numbers are disclosed in INR crores

### Taxes Collected by Cipla Group

Total Taxes Collected & Paid by Cipla Group

#### INDIA

# 1,839.53

1,320.90

Output VAT

187.43

Withholding  
Taxes

229.50

Payroll  
Taxes

101.70

Social Security  
Contribution

#### SOUTH AFRICA

# 623.04

528.97

Output VAT

6.72

Withholding  
Taxes

86.46

Payroll  
Taxes

0.89

Social Security  
Contribution

#### USA

# 163.79

NA\*

Output VAT

9.11

Withholding  
Taxes

102.58

Payroll  
Taxes

52.07

Social Security  
Contribution

0.03

Others

#### OTHERS

# 127.82

62.46

Output VAT

8.74

Withholding  
Taxes

48.13

Payroll  
Taxes

8.48

Social Security  
Contribution

0.00

Others

\*Not Applicable

The numbers are disclosed in INR crores

## Other Key Financial Information

Tax Jurisdiction	Unrelated Party Revenue	Related Party Revenue (Excluding Inter-Company Dividend)	Total Revenue (Excluding Inter-Company Dividend)	Profit/ (Loss) before Income Tax	Corporate Income taxes accrued	Stated Capital	Accumulated Earnings	Employees	Tangible Assets
<b>TOTAL</b>	<b>21,901.61</b>	<b>5,495.22</b>	<b>27,396.83</b>	<b>4,272.74</b>	<b>1,142.79</b>	<b>15,205.39</b>	<b>20,381.31</b>	<b>37,458.00</b>	<b>11,674.44</b>
<b>INDIA</b>	13,530.17	3,687.67	17,217.85	4,339.97	1,015.91	3,078.82	20,557.57	34,652	7,986.22
<b>SOUTH AFRICA</b>	2,680.22	0.02	2,680.24	197.69	67.31	544.73	664.79	968	732.75
<b>USA</b>	4,291.02	1,238.68	5,529.70	(313.29)	19.01	4,911.35	(1,238.27)	728	1,766.20
<b>OTHERS</b>	1,400.20	568.84	1,969.04	48.38	40.55	6,670.49	397.21	1,110	1,189.27



## 7. Independent Auditor's report

To  
The Board of CIPLA LIMITED

### Report on the audit of the Tax Schedule included in the Tax Transparency Report 2021-22

We have verified the accompanying "Tax Schedule" for the year ended 31 March 2022, included in the Tax Transparency Report 2021-22 of Cipla Group headquartered in Mumbai, India.

### Management's Responsibility

The Management is responsible for the preparation and presentation of the Tax Transparency Report 2021-22 in accordance with the "Basis of Preparation" and for such internal control as management determines is necessary to enable the preparation of the Tax Transparency Report 2021-22 that is free from material misstatement, whether due to fraud or error.

In preparing the Tax Transparency Report 2021-22, management is responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters relating to going concern and using going concern basis of accounting unless management either intends to liquidate the Group company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Independent Auditor's Responsibility

Our responsibility is to express an opinion on the Tax Schedule based on our verification. We have taken into account ISA 805 which require us to obtain reasonable assurance about whether the Tax Transparency Report 2021-22 is free from material misstatement, whether due to fraud or error.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Tax Transparency Report 2021-22.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Tax Schedule.

### Our opinion

In our opinion, the financial information - Tax Schedule (on page 014 , 015 and 016) contained in the Tax Transparency Report 2021-22 is prepared, in all material respects, in accordance with the "Basis of Preparation".

This report is not issued under any statute/law.

### Restriction on Use

This report has been issued at the request of Cipla and should not be used by any other person. We are appointed to only verify the Tax Schedule in accordance with the Basis of Preparation shared with us and are not the auditors of Cipla. G P Sharma & Co. LLP shall not be liable to Cipla or to any other concerned for any claims, liabilities or expenses relating to this assignment. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For G. P. Sharma & Co. LLP  
Chartered Accountants  
Firm Registration No.: 109957W/W100247

CA. Utkarsh Sharma  
Membership No: 147906  
UDIN: 22147906AOSRLQ2355  
Place: Mumbai  
Date: 10th August 2022

# Cipla

## **Cipla Limited**

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Corporate Identity Number: L24239MH1935PLC002380