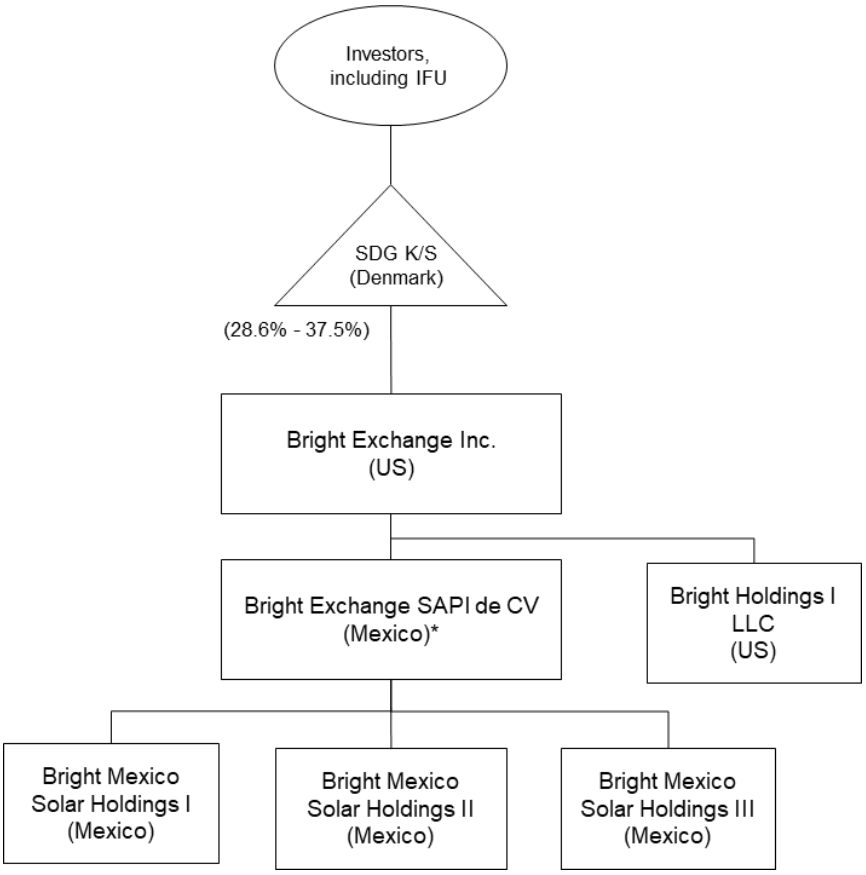
TAX ROOM

Analytical Thinking Clear Answers

Tax policy compliance statement for Bright Exchange Inc., US

1. Contemplated investment structure



Danish SDG I Fund K/S (SDG) will be providing finance for a Mexican solar developing company focusing on homeowners and smaller commercial enterprises as primary off takers through an equity investment in a US parent company named Bright Exchange Inc.

2. Compliance with IFU's tax policy

The investment structure has been subject to due diligence and based on the facts and circumstances made available, TaxRoom is of the opinion that the investment structure complies with IFU's tax policy for the following main reasons:

- The investment structure is a standard investment structure for US investors doing business in Mexico.

TaxRoom P/S
De Coninckx Vej 13
DK-2840 Holte

VAT no. DK 37918911
www.taxroom.dk
Tel +45 25 24 51 76

- The US parent company as well as the Mexican entities are taxable entities subject to local corporate income tax of the activities performed locally.
- The carried-out tax due diligence has not identified any historical Base Erosion or Profit Shifting intention or planning from the US parent company and on a going forward matter Bright has signed up to adhering to the principles in IFU's tax policy and OECD BEPS guidelines.
- Mexico has signed up to the OECD BEPS principles and implemented 30%-EBITDA interest limitations rules inspired by OECD BEPS guidelines but has also exempted businesses engaged in electric energy production like the activities carried out by Bright.
- Bright does currently not have net financing expenses in excess of OECD BEPS interest limitation guidelines but may have in the future. It is however not seen as conflict with IFU's tax policy because Mexico has adopted the OECD BEPS guidelines and IFU recognize the right of the countries to develop its own tax legislation for having increased investments. OECD also recognizes that Infrastructure energy projects may involve increased interest expenses because large investments are required.
- The US parent company has 5 employees working out of the US and is viewed to meet the Limitation of Benefit test in the Mexican-US tax treaty and should be able to benefit from US-Mexican tax treaty.
- The US is not listed on EU's blacklist for non-cooperative jurisdictions and are as per 30 March 2023 viewed to be largely compliant with OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.

3. Disclosure, cf. EU Directive 2018/822/EU (DAC 6)

The equity investment in the Mexican solar project developer Bright through the US parent company Bright Exchange Inc. is a cross-border transaction but because the main benefit test in terms of obtaining a tax benefit due to structuring through the US is not met in this case, no DAC 6 disclosure is required for this investment.

TaxRoom P/S, 30 March 2023

Claus Kirkeby Olsen