

Netflix Italy Tax Strategy

This Tax Strategy is published in compliance with the provisions of the Legislative decree 2015 n. 128, for the Netflix companies tax resident in **Italy**, namely Netflix Services Italy Srl (“NSI”) and Los Gatos Entertainment Italy Srl (“LGI”) (together “Netflix Italy”).

The Italian Tax Strategy as per the guidelines issued by the Organisation for Economic Co-operation and Development (‘OECD’)¹, ensures that Netflix Italy upholds good tax governance and establishes a set of values in compliance with the foundational principles of Netflix’s tax behavior set out in the ‘**Code of Ethics**’ that the Board of Directors of Netflix Inc. (“Netflix”), especially its directors, officers, and other employees (individually, “Netflix Party” and collectively, “Netflix Parties”) are following.

The Italian Tax Strategy has been signed and adopted by the directors of Netflix Italy who are in charge of its application. It takes effect from the first day following the date on which it is approved by the Board of Directors. Any modifications are subject to the approval of the directors of Netflix Italy.

Background

Founded in 1997, Netflix Inc. is one of the world’s leading entertainment services with paying members in over 190 countries enjoying TV series, films and games across a wide variety of genres and languages. Netflix, Inc. began streaming internationally (i.e. outside of the United States) in 2010, and in Italy in 2015. Netflix incorporated two legal entities in Italy, i.e. NSI and LGI, in 2019.

In Italy, NSI pays corporate income tax and other taxes arising from the access to the Netflix Service to Italian members, while LGI pays corporate income tax and other taxes arising from the provision of content support services. In addition, NSI remits VAT arising from the provision of its internet entertainment service to Italian consumers. Netflix and its US tax resident subsidiaries (“Netflix US”) also invest directly in the Italian entertainment ecosystem. This includes the creation of original content (both Italian and non-Italian), acquisition or licensing of Italian content for Netflix’s audience.

Tax Strategy

Netflix develops tax decisions in a manner that is aligned with the company’s overall business strategy and always in compliance with all domestic and international tax laws. A primary factor in making business decisions concerns the provision and maintenance of the Netflix service to subscribers. Tax considerations are secondary and based on commercial operations and economic substance.

Tax Governance and Risk Management

Netflix appreciates that risks may arise in relation to potentially diverging interpretation of increasingly complex tax laws. Netflix continuously identifies, monitors, and manages tax issues to ensure compliance with all relevant tax laws in a way that prevents disputes while

¹ OECD: [Framework Co-operative Tax Compliance Building Better Tax Control Frameworks](#), May 2016.

avoiding double taxation. The Netflix Tax team implements the company's approach to tax and is responsible for ensuring that appropriate procedures and controls are in place. Where the tax uncertainty or complexity is significant, Netflix seeks professional advice from reputable external tax advisers and / or seeks explicit approval from tax authorities.

Level of Tax Risk Accepted

Netflix seeks to identify, assess and manage tax risks and to account for them appropriately. Netflix has no rigid levels of acceptable tax risk other than those imposed by applicable law.

Relationship with The Revenue Agency in Italy

Netflix seeks to maintain an open and transparent relationship based on mutual respect with The Revenue Agency in Italy and to work collaboratively with the local tax administration to resolve disputes and to achieve early agreement and certainty.

Soft Controls

There are no incentives or reward schemes for managers that are linked to the achievement of tax reduction targets (tax burden).

Tone at the Top

On an annual basis, a report is submitted to the directors outlining the status of the implementation of this Tax Strategy, together with the results of the audits on the Tax Control Framework and the measures to address any deficiencies that might emerge as a result of the monitoring.

Arm's length principle

Cross-border intercompany transactions are regulated through specific written contracts and in accordance with the arm's length principle, as outlined by the OECD (Model Tax Convention and Transfer Pricing Guidelines).

To further strengthen the transparency with the tax authorities, Netflix prepares the transfer pricing documentation in accordance with the OECD Transfer Pricing Guidelines and local country laws (so-called three-tiered approach, i.e. Master File, Local File, Country-by-Country Report).

Aggressive tax planning

Netflix Italy does not engage in conduct and/or operations, whether domestic or cross-border, that result in purely artificial arrangements that do not reflect economic reality and from which improper tax advantages can reasonably be expected, as they are contrary to the purpose or spirit of the relevant tax provisions or regulations.

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