






TAX TRANSPARENCY

Our total tax contribution reached 6.166 billion euros in 2018, almost half in direct taxes (2.764 billion euros). We follow the OECD Guidelines for Multinational Enterprises and publish a transparent tax report, based on our value chain and contribution to the countries where we operate, and expressly reject offshore practices or partnerships.

Photo: Employees at Inditex offices in New York (US)

SDG	TARGETS	INDITEX'S CONTRIBUTION
	9.2	At Inditex we are committed to contributing to the economic, social and industrial development of the different areas where our value chain unfolds. In this sense, the taxes we pay are a fundamental aspect of our social and economic contribution.

 More information on pages 294 and 295 of this Annual Report.



1. Commitment to transparency

Tax payment is a key aspect for the economic and social development of any community. Inhabitants depend on tax payments through construction and infrastructure growth, and the provision of valuable public services. For this reason, strict compliance with tax responsibilities in all the markets in which we operate is an inalienable principle for Inditex, and it's essential to our values and philosophy of creating value wherever we operate.

Therefore, we apply all the principles of best tax practices, acting in a manner consistent with the principles of sustainability and corporate social responsibility.

In compliance with these tax obligations, the Company's tax contribution in 2018 amounted to 6.166 billion euros, 2.764 billion euros of which in direct taxes and 3.402 billion euros in collected taxes.

Relations with tax authorities in the countries in which we operate are governed by the principles of good

faith, collaboration and mutual trust. We work to avoid tax litigation and operate in accordance with tax regulations set by the authorities and courts of each country.

Inditex also forms part of the Large Companies Forum in Spain, the main purpose of which is to promote greater collaboration between large companies and the State Tax Administration, for which it has promoted a Code of Best Tax Practices. Our Company has adhered to this code and follows approved recommendations and proposals.

On the other hand, the measures adopted by Inditex within the framework of the Anti-Money Laundering and Terrorist Financing Policy can be consulted in the chapter on Compliance, good Corporate Governance and ethical culture of this Report.

 More information on pages 236 and 237 of this Annual Report.

2. Tax contribution

When calculating Inditex's tax contribution, which amounts to 6.166 billion euros, we take into account the direct taxes paid and the taxes collected on behalf of third parties in each of the countries and territories where each activity is carried out. The calculation is done by applying the *Total Tax Contribution* methodology, designed by PwC with the aim of standardizing the final information provided, since taxes are denominated differently depending on the country.

In application of this methodology, taxes are divided into five categories:

- **Profit taxes:** These includes taxes incurred for the profits obtained by the Company, such as corporation tax, tax on economic activities and taxes collected as withholdings on payments to third parties.

- **Property taxes:** These are taxes on ownership, sales, transfers or occupancy of property.

- **Personal taxes:** These are taxes associated with employment, both those borne and those collected. Included are employee personal income tax withholdings or Social Insurance payments made by the employee or the Company.

- **Product and Service Taxes:** They take into account indirect taxes on the production and consumption of goods and services, such as VAT or customs duties, among others.

- **Planet Taxes:** Taxes on the supply, use or consumption of products and services considered, in one way or another, to affect the environment.

| Tax contribution 2018 (millions of euros)

DIRECT TAXES		COLLECTED TAXES	
Profit taxes	1,087	Profit taxes	122
Property taxes	110	Property taxes	13
Personal taxes	737	Personal taxes	681
Product and service taxes	822	Product and service taxes	2,585
Planet taxes	8	Planet taxes	1
TOTAL	2,764	TOTAL	3,402
TOTAL TAX CONTRIBUTION		6,166	

2.1. Tax contribution by geographical area

Inditex pays tax on the profits generated in each territory in which it operates, Spain being the main point of direct tax contribution. This market, which accounts for 16.2% of our global sales, also includes the main activities associated with the product and activities deriving from its status as the head office market. 1.692 billion euros were generated in Spain in 2018, representing 27.4% of the global total (6.166 billion). With respect to corporate income tax, the effective tax rate in Spain was 22%, while globally it was 22.12%.

Each of the markets in which Inditex operates has different tax obligations and a specific regulatory context that places us in a very dynamic and complex reality. For this reason, the Company considers it important to manage its taxes, taking as a reference the standards of best tax practices. In addition, on 9 December 2015, the Group's Board of Directors approved a Tax Policy to establish responsible conduct in tax matters. The principles adopted follow those set out in the OECD Guidelines for Multinational Enterprises, defined in 2011.

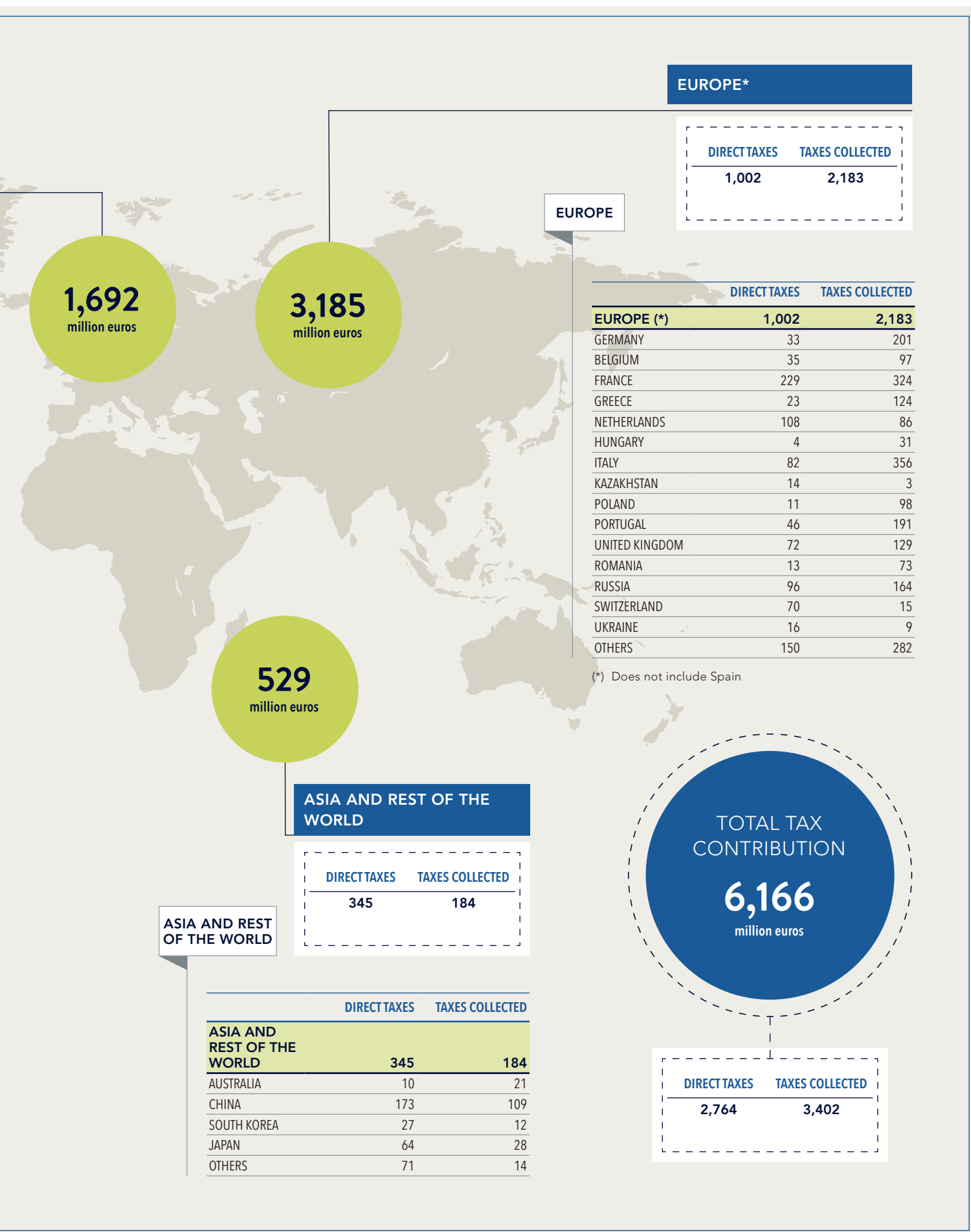
The Company carries out a practical application of the international standard *arm's length principle*, consistent with OECD Transfer Pricing Guidelines and with the tax law of the countries involved in the corresponding Group operations.

In accordance with good tax practices, we expressly reject opaque company structures that have special purpose vehicles in tax havens. During 2018, the Inditex Group companies located in territories or countries considered tax havens by Spanish law correspond exclusively to sales made in our Monaco store and the nine stores located in Macao SAR (*Special Administrative Region*).

	Sale of goods and provision of services (thousand euros)	Number of stores
Macao SAR	17,896	9
Monaco	5,919	1
TOTAL	23,815	10

Inditex's tax contribution by geographical area in 2018 (in millions of euros)







2.2. Tax contribution in the value chain

The different activities of the Inditex Group generate direct and collected taxes paid to tax authorities. Despite being highly integrated, we distinguish between store and online activities specific to the business of selling fashion garments (architecture, exterior and interior design, marketing and sales) and activities prior to the arrival of the product to the store (design, procurement, manufacturing, quality control and logistics).

By virtue of these activities, Inditex generated in 2018 more than 1.087 billion euros in taxes on profits globally, which represents 17.6% of the Total Tax Contribution. Of these, a significant part of the total is paid in Spain, our headquarter market and the one that concentrates especially the activities of design, production and logistics.

The integrated management of our stores generated a total of 1.065 billion euros in taxes associated with employment (including personal taxes and social security contributions), which represent a significant part of the total (17.2%). In addition, sales in our stores and online totalled 2.611 billion in product taxes (VAT and equivalent), representing 42.3% of Inditex's total tax contribution.

On the other hand, product-associated activities are strongly integrated in Inditex through all its processes, from design to logistics, procurement, manufacturing and quality control. These areas, with an important component of innovation, are located mainly in Spain, which allows us to be flexible to adapt our collections at all times to the demand of our customers. In relation to these activities, taxes associated with employment amounted to 353 million euros, representing 5.7% of the Group's total contribution in 2018.

Our centralized model for logistic distribution also generated 796 million euros in customs taxes from the imports of our goods to the markets where our stores are located. These taxes represented 12.9% of Inditex's total taxation in 2018.

In addition, all of our activities, both commercial and product, are taxed through environmental taxes, real estate taxes and other third party withholdings. Because of these items, the Group's taxation amounted to 254 million euros in the year.

