




# TAX TRANSPARENCY

*In 2019, our tax contribution totalled 6.749 billion euros. Direct taxes accounted for 3.04 billion euros of this sum, and taxes collected on behalf of third parties amounted to 3.709 billion euros. Our tax reporting is transparent, in line with the OECD Guidelines for Multinational Enterprises, with a breakdown of our contributions at all stages of the value chain, explicitly rejecting opaque practices and companies.*

SDG	Goals	Contribution of Inditex
	9.2	We are strongly committed to contributing to economic, social and industrial development across all areas of our value chain. This is in line with our philosophy of creating value and being a positive agent of social change in the countries in which we operate. In this sense, the taxes we pay are a fundamental aspect of our social and economic contribution.

 More information on pages 328 and 329 of this Annual Report.

## 01/ Commitment to transparency

At Inditex, the good tax practice principles we adhere to are an extension of our commitment to sustainability and corporate social responsibility. One of Inditex's fundamental principles is, therefore, strict compliance with our tax obligations in all of the markets in which we operate. It is intrinsic to our values, and our philosophy of creating value and being a positive agent of social change in the countries in which we operate.

Meeting our obligations as taxpayers, for both companies and individuals, boosts the economic and social development of all communities. It means infrastructures and public services can be developed, helping individuals to grow personally and, as a consequence, society as a whole.

In the 2019 financial year, by fulfilling our tax obligations, Inditex made tax contributions of 6.749 billion euros;

3.04 billion in direct taxes, and 3.709 billion in taxes collected on behalf of third parties.

Across all the markets we operate in, our relationship with the tax authorities is governed by principles of good faith and mutual collaboration and trust; and we give priority to applying the interpretive criteria contained in the local tax regulations set by each territory's authorities and courts.

In Spain, Inditex endorses the Code of Good Tax Practices approved by the Large Companies Forum, adhering to its recommendations and adopted proposals. This organisation, which Inditex is a member of, aims to promote collaboration between large companies and the state tax authority.

Information on the measures Inditex has taken to prevent money laundering and the funding of terrorism can be found in the section on *Robust Compliance Architecture* in this Annual Report.

*In the 2019 financial year, the total tax contribution made by Inditex was 6.749 billion euros; 3.04 billion euros in direct taxes, and 3.709 billion euros in taxes collected.*

## 02/ Tax contribution

Inditex's total tax contribution of 6.749 billion euros in 2019 can be broken down into direct taxes paid, and taxes collected on behalf of third parties in each of the territories and countries where the company operates. The *Total Tax Contribution* framework developed by PwC has been used to standardise tax information and terms across the territories. Under this framework taxes are divided into five categories, or bases:

- **Profit taxes.** These include taxes on companies' profits such as corporate income tax and trade tax, as well as taxes collected as withholdings on payments to third parties.

- **Property taxes.** These are taxes on the ownership, sale, transfer or occupation of property.

- **People taxes.** These are taxes on employment, both borne and collected. This includes employee income tax deducted at source and social security payments made by the employee or the company.

- **Product taxes.** These take into account indirect taxes on the production and consumption of goods and services, including VAT and customs duties.

- **Planet taxes.** Taxes on the supply, use or consumption of goods and services that have an impact on the environment.

### TAX CONTRIBUTIONS 2019 (MILLION EUROS)

DIRECT TAXES		TAXES COLLECTED	
Profit taxes	1,203	Profit taxes	144
Property taxes	112	Property taxes	13
People taxes	794	People taxes	749
Product taxes	921	Product taxes	2,802
Planet taxes	10	Planet taxes	1
<b>TOTAL</b>	<b>3,040</b>	<b>TOTAL</b>	<b>3,709</b>
<b>TOTAL TAX CONTRIBUTION</b>			<b>6,749</b>



## 02.01/ Tax contribution by geographic area

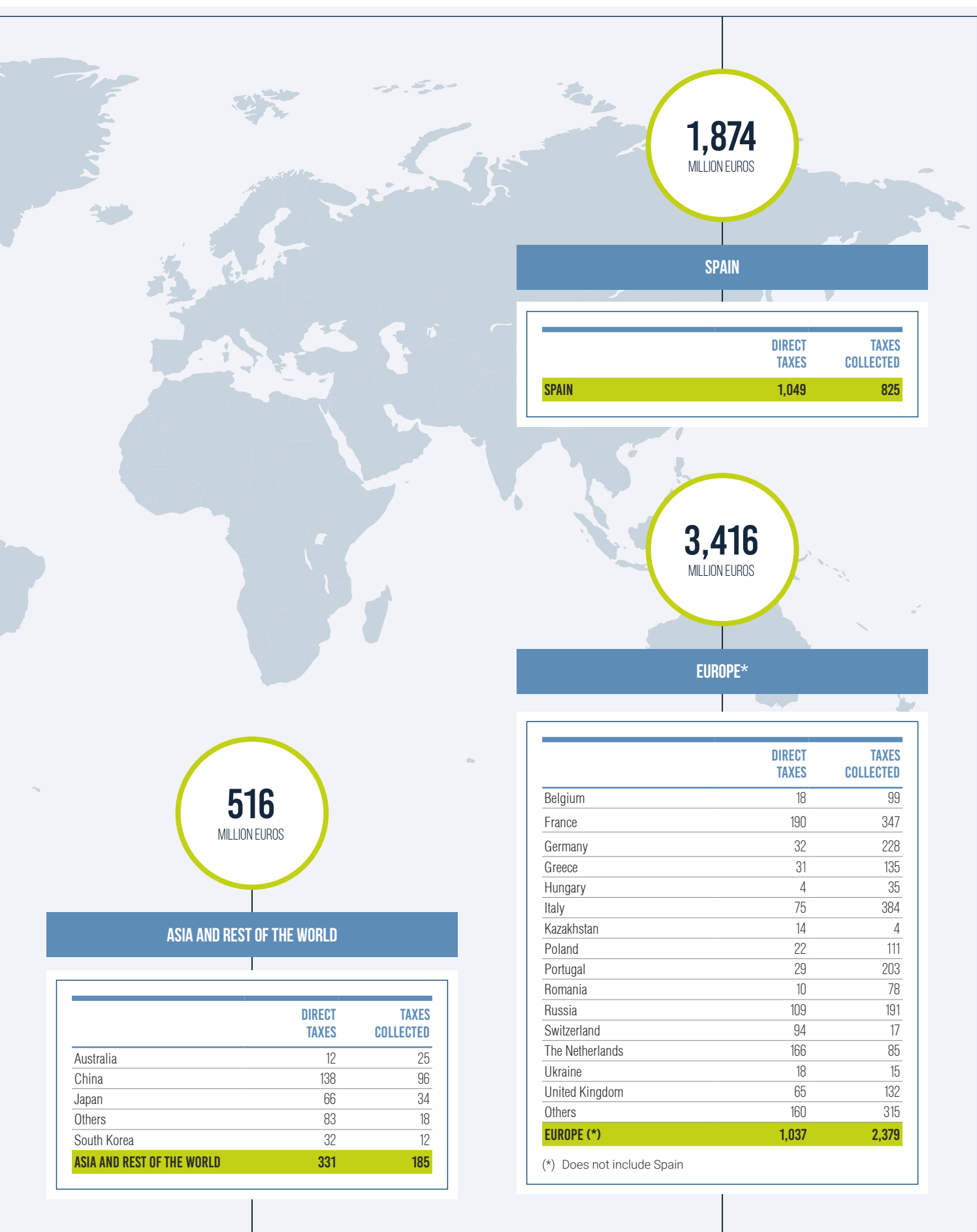
Inditex pays taxes on the profits earned across all the markets it operates in, all with different tax requirements. Given the complexity of this regulatory environment, it is of paramount importance to Inditex that its tax management is carried out according to best practice in each territory. The Inditex Tax Policy, approved by the Group's Board of Directors in 2015, establishes responsible conduct in all tax matters. The principles adopted follow those set out in the 2011 OECD Guidelines for Multinational Enterprises.

Spain, which accounts for 15.7% of Inditex's global sales, is the Group's main territory for direct taxes, as both the base for its main activities associated with the product and the location of its headquarters. In 2019 Inditex paid 1.874 billion euros in taxes in Spain, representing 27.7% of the worldwide total. The company's effective tax rate in 2019 for corporate income tax in Spain was 22%, the same as its global effective tax rate.

The Company applies the international arm's length principle to its tax practices, in line with the OECD Transfer Pricing Guidelines and the tax law of the markets involved in the corresponding transactions. It is also company policy to expressly reject opaque company structures involving shell companies in tax havens. In the 2019 financial year, Inditex Group companies located in territories or countries considered tax havens by the Spanish relate to sales generated in a store located in Monaco and premises in Macao SAR (Special Administrative Region).

	SALE OF GOODS AND PROVISION OF SERVICES (THOUSAND EUROS)	NUMBER OF STORES
Macao SAR	16,032	9
Monaco	6,710	1
<b>TOTAL</b>	<b>22,742</b>	<b>10</b>





**1,874**  
MILLION EUROS

**SPAIN**

	DIRECT TAXES	TAXES COLLECTED
<b>SPAIN</b>	<b>1,049</b>	<b>825</b>

**3,416**  
MILLION EUROS

**EUROPE\***

	DIRECT TAXES	TAXES COLLECTED
Belgium	18	99
France	190	347
Germany	32	228
Greece	31	135
Hungary	4	35
Italy	75	384
Kazakhstan	14	4
Poland	22	111
Portugal	29	203
Romania	10	78
Russia	109	191
Switzerland	94	17
The Netherlands	166	85
Ukraine	18	15
United Kingdom	65	132
Others	160	315
<b>EUROPE (*)</b>	<b>1,037</b>	<b>2,379</b>

(\*) Does not include Spain

**516**  
MILLION EUROS

**ASIA AND REST OF THE WORLD**

	DIRECT TAXES	TAXES COLLECTED
Australia	12	25
China	138	96
Japan	66	34
Others	83	18
South Korea	32	12
<b>ASIA AND REST OF THE WORLD</b>	<b>331</b>	<b>185</b>

## 02.02/ Tax contribution throughout the value chain

The Inditex business model encompasses all stages of the value chain, including those prior to the product arriving in store: design, purchasing, manufacturing, quality control and logistics; as well as the activities that fall under the business of selling fashion garments in physical stores or online: architecture, exterior and interior design, marketing and sales.

In 2019 these activities combined generated more than 1.203 billion euros in profit taxes globally, representing 17.9% of its total tax contribution. A particularly significant proportion of Inditex's total tax contribution was paid in Spain, where the Group headquarters are located and where design, production and logistics activities are mainly concentrated.

In 2019 the integrated management of Inditex stores (physical and online) generated 2.844 billion euros in product taxes (VAT and equivalent), representing 42.1% of

Inditex's total tax contribution. These commercial activities also generated 1.123 billion euros in taxes on employment (16.7% of the total) including personal income tax and social security contributions.

Activities prior to the product's arrival in-store, from design, purchasing, manufacturing and quality control, to logistics, generated 421 million euros in employment-related taxes, representing 6.2% of the Group's overall contribution for the financial year. These activities involve a high degree of innovation. They are mainly located in Spain, providing the flexibility needed to continuously adapt collections to the demands of consumer fashions.

Importing items into markets where we have stores generated 879 million euros in customs duties, representing 13% of our total tax contribution.

Similarly, all Group activities, including both commercial and pre-sale production activities, are subject to environmental and property taxes and other third party withholdings, which increased to 279 million euros in the 2019 financial year.



