

# 5.8.

## Fiscal responsibility and transparency

GRI 103-2; 103-3; 201-1; 201-4; 207-1; 207-2; 207-3; 207-4;  
AF33 AND AF34

Related material topics: Value creation.



### Strict compliance with our tax obligations also fulfils our commitment to create value and develop a positive social impact.

For Inditex, strict compliance with our tax obligations is a fundamental principle in all the markets where we operate. We see the application of good tax practices as an extension of our commitment to sustainability and corporate social responsibility.

It is also consistent with our **philosophy of value creation** and our determination to bring about positive social transformation wherever we are present, as the payment of taxes, by companies and individuals, enables the economic and social development of a community. Moreover, it fosters the construction and consolidation of infrastructures and public services that benefit the well-being of citizens and society in general.

Inditex's Tax Policy, approved by the Board of Directors in 2015, establishes that, in its tax practices, Inditex shall apply the fiscal legislation of the markets where it is present and, preferably, the interpretative criteria established by the authorities or courts

of those markets. Due to the heterogeneity of this regulatory framework, Inditex approaches its tax management by taking the standards of best practice in each territory as a reference.

The Inditex Group is based upon a vertical organisation which takes part in all stages of the value chain of the textile industry (design, manufacturing, procurement, distribution and sale). Since all such activities are carried out in different territories, the part of profit created in the value chain attributed to each one needs to be determined. Profit attribution is done pursuant to the arm's length principle, in accordance with local regulations and OECD Transfer Pricing Guidelines.

The principles of **collaboration, mutual trust and good faith** govern Inditex's relationship with the tax authorities. Furthermore, we are part of *Foro de Grandes Empresas* ("Large Companies Forum") in Spain, whose primary objective is to promote greater collaboration among large companies and the State Taxation Administration. We also comply with the Code of Good Tax Practices promoted in the Forum, and have followed its recommendations and subsequent developments. Specifically, it is important to note that the Group has presented the Tax Transparency Report for the 2021 financial year in accordance with the recommendation contained in section 2.4 of the Code.



Below is a breakdown of profit before taxes by market for 2021 (millions of euros) <sup>97</sup>:

Markets	2021	2020	2019	2018
<b>Americas</b>	<b>645</b>	<b>(129)</b>	<b>359</b>	<b>294</b>
Brazil	61	(30)	63	74
Canada	33	(9)	27	17
United States	253	(48)	84	50
Mexico	213	(43)	146	116
Others	85	1	39	37
<b>Asia &amp; Rest of the world</b>	<b>393</b>	<b>60</b>	<b>657</b>	<b>561</b>
Australia	14	(2)	13	11
China	198	1	375	364
South Korea	34	6	57	24
Japan	44	17	83	56
Kazakhstan	23	14	22	15
Others	80	24	107	91
<b>Spain</b>	<b>1,083</b>	<b>640</b>	<b>1,805</b>	<b>1,650</b>
Spain	1,083	640	1,805	1,650
<b>Europe</b>	<b>1,785</b>	<b>388</b>	<b>1,720</b>	<b>1,417</b>
Germany	44	1	51	14
Belgium	36	(2)	26	83
France	127	28	101	139
Greece	30	15	41	31
The Netherlands	202	9	328	274
Hungary	7	(2)	11	12
Italy	121	(48)	93	83
Poland	25	3	44	38
Portugal	62	(1)	77	63
United Kingdom	98	30	78	34
Romania	66	31	67	67
Russia	240	86	229	154
Switzerland	409	145	307	257
Ukraine	58	39	54	28
Others	260	54	213	140
<b>Profit before Tax</b>	<b>3,906</b>	<b>959</b>	<b>4,541</b>	<b>3,922</b>
Consolidation	293	442	140	506
<b>Consolidated profit/(loss) before taxes</b>	<b>4,199</b>	<b>1,401</b>	<b>4,681</b>	<b>4,428</b>

97. Profit before tax in 2021 results from the application of the International Financial Reporting Standards (IFRS), including the application of the accounting standard for leases IFRS 16 and excludes the result of the dividend distribution of other subsidiaries of the Group, capital gains from the sale of intra-group holdings, as well as provisions for portfolio impairments in Group subsidiaries. Profit before tax is conditioned by the 'headquarters effect' and compliance with international regulations on transfer pricing (OECD Guidelines) whereby the result derived from design, supply, logistics and distribution functions is allocated to certain markets and, therefore, does not represent the Group's profitability in each market.

**In 2021, the effective overall income tax rate was 22.6%, and the accrued income tax expense (in million euros) was as follows:**

Markets	2021	2020	2019	2018
<b>Americas</b>	<b>164</b>	<b>38</b>	<b>120</b>	<b>93</b>
Brazil	17	-	14	18
Canada	2	6	6	5
United States	64	6	41	20
Mexico	49	15	42	38
Others	32	11	17	12
<b>Asia &amp; Rest of the world</b>	<b>59</b>	<b>62</b>	<b>123</b>	<b>119</b>
Australia	1	4	4	3
China	20	20	56	71
South Korea	10	7	14	6
Japan	10	19	28	21
Kazakhstan	4	5	5	4
Others	14	7	16	14
<b>Spain</b>	<b>195</b>	<b>103</b>	<b>372</b>	<b>360</b>
Spain	195	103	372	360
<b>Europe</b>	<b>383</b>	<b>222</b>	<b>392</b>	<b>383</b>
Germany	7	(6)	12	5
Belgium	7	(1)	6	24
France	27	15	30	52
Greece	7	1	10	12
The Netherlands	106	84	127	101
Hungary	0	1	1	1
Italy	3	6	21	25
Poland	10	18	14	12
Portugal	14	5	16	14
United Kingdom	18	8	15	7
Romania	7	1	9	10
Russia	48	18	41	34
Switzerland	79	48	58	60
Ukraine	10	7	10	5
Others	40	17	22	21
	<b>800</b>	<b>425</b>	<b>1,007</b>	<b>955</b>
<b>Consolidation</b>	<b>80</b>	<b>42</b>	<b>116</b>	<b>110</b>
<b>Income tax<sup>98</sup></b>	<b>880</b>	<b>467</b>	<b>1,123</b>	<b>1,065</b>

98. Reported income tax corresponds to the obligation to pay the Corporate Tax, or another of a similar nature, paid in the current year, or to be paid in the following year, linked to the result before taxes by market, in accordance with the provisions in the Informative Guide on Non-Financial Information and Diversity published by the Institute of Accounting and Auditing of Accounts: In the current year, the payment obligation could be conditioned in some markets by the tax effect associated with tax losses derived from covid-19 generated in this year and, particularly, in the previous year. In this case, these tax losses have been offset in the current year.



The relation between profit/(loss) before tax and corporate income tax in each market is obtained by applying the prevailing tax rate to the taxable income. This, in turn, is the result of performing certain permanent or temporary adjustments to the accounting profit/(loss) before tax.

These adjustments relate mainly to avoiding double taxation on income, to non-deductible expenses and to differences in the criteria for temporary allocation of income and expenditure between tax and accounting legislation (depreciation, impairment, etc.).

The Group is committed to not using structures of a questionable nature for tax purposes, putting shell companies located in territories considered as tax havens by the Spanish legislation or uncooperative territories by the Spanish legislation. In this regard, the incorporation of companies located in territories considered as tax havens is limited to situations where it is absolutely indispensable for the development of the Group's own commercial activities, as is the case with the companies which operate the stores located in Macao SAR and Monaco.

	Sale of goods and services (thousands of euros)	Number of stores
MACAO SAR	7,554	5
MÓNACO	6,132	1
<b>Total</b>	<b>13,686</b>	<b>6</b>

In the current financial year, the Group has made use of legal instruments approved by the authorities of different foreign markets, among which Canada, Japan, France, Austria and the Czech Republic could be highlighted, to offset the costs of occupation and other negative impacts derived from the restrictions caused by covid-19, which has made it possible to recover around 31 million euros.

Likewise, section **5.9.2. Compliance and criminal risk prevention system** of this Report, sets out the measures that Inditex has adopted within the framework of stopping money laundering and the financing of terrorism. In addition, this year we received the Tax Compliance Management System Certificate in accordance with the UNE 19602 standard issued by the AENOR certification body.

In the financial year 2021, and in compliance with our tax obligations, Inditex's total tax contribution amounted 6,093 millions of euros, of which 2,423 millions of euros were direct taxes paid and 3,670 millions of euros were taxes collected on behalf of third parties in the territories and markets where the Company operates. In order to standardise the tax disclosures and denominations of these territories, PwC's Total Tax Contribution methodology is used. In it, taxes are divided into five categories:

- **Income tax.** This includes tax payable on profits earned by companies (such as corporate income tax or business tax), as well as taxes collected and some withholdings on payments to third parties.
- **Property tax.** Tax payable on the ownership, sale, transfer or occupation of property.
- **Personal tax.** Tax related to employment, paid and collected. This includes employees' personal income tax withholdings or social security contributions payable by the employee or the Company.
- **Tax on products and services.** Indirect taxes on the production and consumption of goods and services, such as VAT or customs duties, among others.
- **Environmental tax.** Duties relating to the supply, use or consumption of products and services that, in one way or another, affect the environment.

# 6,093 M€

## TOTAL TAX CONTRIBUTION

Inditex's total tax contribution amounted 6,093 millions of euros,

With respect to the tax contribution by markets, as Inditex's home market, Spain is home to the main product activities and resulting business. For this reason, and because it represents 14.4% of global sales, it is the Group's largest direct tax contribution market. In 2021, 1,501 million euros in tax were paid in Spain, i.e., 25% of the overall total.



Direct tax		Taxes collected	
Income tax	760	Income tax	120
Property tax	84	Property tax	10
Personal tax	663	Personal tax	659
Tax on products and services	905	Tax on products and services	2,880
Environmental tax	11	Environmental tax	1
<b>Total</b>	<b>2,423</b>	<b>Total</b>	<b>3,670</b>
<b>Total tax contribution</b>			<b>6,093</b>

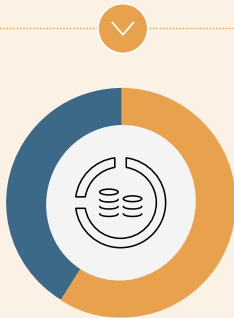
# TAX CONTRIBUTION



# 6,093

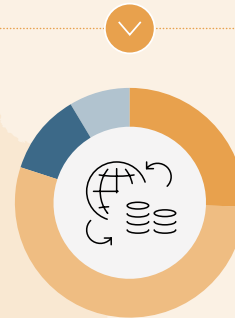
MILLION EUROS

**TOTAL TAX CONTRIBUTION**



**2,423**  
MILLION EUROS  
**DIRECT TAXES**

**3,670**  
MILLION EUROS  
**TAXES COLLECTED**



**SPAIN**  
**1,501**  
MILLION EUROS

**AMERICAS**  
**910**  
MILLION EUROS

**EUROPE (\*)**  
**3,217**  
MILLION EUROS

**ASIA & REST OF WORLD**  
**465**  
MILLION EUROS

(\*) Does not include Spain.

Spain	Direct taxes	Taxes Collected
	2021	2021
Spain	780	721
<b>Total</b>	<b>780</b>	<b>721</b>

Europe (*)	Direct taxes	Taxes Collected
	2021	2021
Germany	26	252
Belgium	9	101
France	84	360
Greece	16	107
Netherlands	85	113
Hungary	3	29
Italy	37	385
Poland	17	85
Portugal	14	165
United Kingdom	120	173
Romania	6	73
Russia	124	204
Switzerland	62	19
Ukraine	22	14
Others	169	342
<b>Total</b>	<b>794</b>	<b>2.423</b>

Americas	Direct taxes	Taxes Collected
	2021	2021
Brazil	90	47
Canada	50	36
United States	259	166
Mexico	141	48
Others	52	21
<b>Total</b>	<b>592</b>	<b>318</b>

Asia and rest of the world	Direct taxes	Taxes Collected
	2021	2021
Australia	15	19
China	66	108
South Korea	32	12
Japan	51	40
Kazakhstan	19	4
Others	74	25
<b>Total</b>	<b>257</b>	<b>208</b>



**Direct taxes paid in the years 2021-2018 (in million euros)**

Markets	2021	2020	2019	2018
<b>Americas</b>	<b>592</b>	<b>357</b>	<b>623</b>	<b>489</b>
Brazil	90	53	108	100
Canada	50	41	53	43
United States	259	129	213	151
Mexico	141	101	194	136
Others	52	33	55	59
<b>Asia &amp; Rest of the world</b>	<b>257</b>	<b>248</b>	<b>345</b>	<b>359</b>
Australia	15	11	12	10
China	66	79	138	173
South Korea	32	31	32	27
Japan	51	59	66	64
Kazakhstan	19	12	14	14
Others	74	56	83	71
<b>Spain</b>	<b>780</b>	<b>620</b>	<b>1,049</b>	<b>928</b>
Spain	780	620	1,049	928
<b>Europe</b>	<b>794</b>	<b>691</b>	<b>1,023</b>	<b>988</b>
Germany	26	18	32	33
Belgium	9	7	18	35
France	84	117	190	229
Greece	16	12	31	23
The Netherlands	85	117	166	108
Hungary	3	4	4	4
Italy	37	44	75	82
Poland	17	24	22	11
Portugal	14	20	29	46
United Kingdom	120	16	65	72
Romania	6	2	10	13
Russia	124	79	109	96
Switzerland	62	66	94	70
Ukraine	22	16	18	16
Others	169	149	160	150
<b>Direct taxes</b>	<b>2,423</b>	<b>1,916</b>	<b>3,040</b>	<b>2,764</b>

**Taxes collected in 2021-2018 (in million euros)**

Markets	2021	2020	2019	2018
<b>Americas</b>	<b>318</b>	<b>177</b>	<b>320</b>	<b>271</b>
Brazil	47	34	84	79
Canada	36	23	35	33
United States	166	88	129	107
Mexico	48	22	52	35
Others	21	10	20	17
<b>Asia &amp; Rest of the world</b>	<b>208</b>	<b>144</b>	<b>189</b>	<b>187</b>
Australia	19	17	25	21
China	108	59	96	109
South Korea	12	10	12	12
Japan	40	40	34	28
Kazakhstan	4	3	4	3
Others	25	15	18	14
<b>Spain</b>	<b>721</b>	<b>581</b>	<b>825</b>	<b>764</b>
Spain	721	581	825	764
<b>Europe</b>	<b>2,423</b>	<b>1,871</b>	<b>2,375</b>	<b>2,180</b>
Germany	252	189	228	201
Belgium	101	107	99	97
France	360	300	347	324
Greece	107	80	135	124
The Netherlands	113	97	85	86
Hungary	29	23	35	31
Italy	385	246	384	356
Poland	85	82	111	98
Portugal	165	151	203	191
United Kingdom	173	91	132	129
Romania	73	56	78	73
Russia	204	174	191	164
Switzerland	19	15	17	15
Ukraine	14	12	15	9
Others	342	248	315	282
<b>Taxes collected</b>	<b>3,670</b>	<b>2,773</b>	<b>3,709</b>	<b>3,402</b>