

## 6.2. Tax responsibility and transparency

GRI 3-3; 201-2; 201-4; 207-1; 207-2; 207-3; 207-4

**Related material topics: Value creation.**



For Inditex, **strict compliance with our tax obligations in all the markets where we operate** is a fundamental principle of our tax policy. 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, production, 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 in accordance with the recommendation contained in section 2.4 of the Code.



Below is a breakdown of profit before taxes by market for 2022  
(millions of euros)<sup>1</sup>

Markets	2022	2021	2020	2019	2018
<b>Americas</b>	<b>1,141</b>	<b>645</b>	<b>(129)</b>	<b>359</b>	<b>294</b>
Brazil	122	61	(30)	63	74
Canada	91	33	(9)	27	17
United States	424	253	(48)	84	50
Mexico	376	213	(43)	146	116
Other	128	85	1	39	37
<b>Asia &amp; Rest of the world</b>	<b>376</b>	<b>393</b>	<b>60</b>	<b>657</b>	<b>561</b>
Australia	33	14	(2)	13	11
China	105	198	1	375	364
South Korea	50	34	6	57	24
Japan	11	44	17	83	56
Kazakhstan	48	23	14	22	15
Other	129	80	24	107	91
<b>Spain</b>	<b>1,422</b>	<b>1,083</b>	<b>640</b>	<b>1,805</b>	<b>1,650</b>
Spain	1,422	1,083	640	1,805	1,650
<b>Europe</b>	<b>1,919</b>	<b>1,785</b>	<b>388</b>	<b>1,720</b>	<b>1,417</b>
Germany	64	44	1	51	14
Belgium	34	36	(2)	26	83
France	145	127	28	101	139
Greece	27	30	15	41	31
The Netherlands	586	202	9	328	274
Hungary	7	7	(2)	11	12
Italy	127	121	(48)	93	83
Poland	9	25	3	44	38
Portugal	47	62	(1)	77	63
United Kingdom	154	98	30	78	34
Romania	75	66	31	67	67
Switzerland	493	409	145	307	257
Other	151	558	179	497	322
<b>Profit/(loss) before taxes</b>	<b>4,858</b>	<b>3,906</b>	<b>959</b>	<b>4,541</b>	<b>3,922</b>
Consolidation	500	293	442	140	506
<b>Consolidated profit/(loss) before taxes</b>	<b>5,358</b>	<b>4,199</b>	<b>1,401</b>	<b>4,681</b>	<b>4,428</b>

<sup>1</sup> Profit before tax 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 2022, the effective overall income tax rate was 22,6%, and the accrued income tax expense (in million euros) was as follows:

Markets	2022	2021	2020	2019	2018
<b>Americas</b>	<b>326</b>	<b>164</b>	<b>38</b>	<b>120</b>	<b>93</b>
Brazil	51	17	0	14	18
Canada	22	2	6	6	5
United States	99	64	6	41	20
Mexico	113	49	15	42	38
Other	41	32	11	17	12
<b>Asia &amp; Rest of the world</b>	<b>58</b>	<b>59</b>	<b>62</b>	<b>123</b>	<b>119</b>
Australia	11	1	4	4	3
China	(6)	20	20	56	71
South Korea	15	10	7	14	6
Japan	4	10	19	28	21
Kazakhstan	10	4	5	5	4
Other	24	14	7	16	14
<b>Spain</b>	<b>267</b>	<b>195</b>	<b>103</b>	<b>372</b>	<b>360</b>
Spain	267	195	103	372	360
<b>Europe</b>	<b>479</b>	<b>383</b>	<b>222</b>	<b>392</b>	<b>383</b>
Germany	18	7	(6)	12	5
Belgium	5	7	(1)	6	24
France	42	27	15	30	52
Greece	5	7	1	10	12
The Netherlands	190	106	84	127	101
Hungary	1	1	1	1	1
Italy	20	3	6	21	25
Poland	3	10	18	14	12
Portugal	12	14	5	16	14
United Kingdom	22	18	8	15	7
Romania	10	7	1	9	10
Switzerland	92	79	48	58	60
Other	59	98	42	73	60
	<b>1,130</b>	<b>800</b>	<b>425</b>	<b>1,007</b>	<b>955</b>
Consolidation	95	80	42	116	110
<b>Income tax<sup>1</sup></b>	<b>1,225</b>	<b>880</b>	<b>467</b>	<b>1,123</b>	<b>1,065</b>

1. 2022 income tax corresponds to the obligation to pay corporate income tax, or any other, similar tax, paid in the current year, or to be paid in the following year, linked to pre-tax profit by market, in accordance with the provisions of the Information Guide on Non-Financial Information and Diversity published by the Spanish Accounting and Auditing Institute. This year, the payment obligation may be conditioned in some markets by the tax effect associated with tax losses generated in previous years.

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 shady nature for tax purposes, putting shell companies located in territories considered as tax havens or uncooperative territories by the Spanish tax authorities. 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	5,097	2
Monaco	7,538	1
<b>Total</b>	<b>12,635</b>	<b>3</b>

This year, taking into account all the markets in which it operates, the group has received 10 million euros (31 million in the previous year) in public subsidies, mainly from China.

Likewise, section [6.1.3. 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.

Direct tax		Taxes collected	
Income tax	1,185	Income tax	156
Property tax	102	Property tax	10
Personal tax	781	Personal tax	811
Tax on products and services	1,119	Tax on products and services	3,301
Environmental tax	13	Environmental tax	1
<b>Total</b>	<b>3,200</b>	<b>Total</b>	<b>4,279</b>
<b>Total tax contribution</b>			<b>7,479</b>

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 2022, 1,809 million euros in tax were paid in Spain, i.e., 24% of the overall total.

In the financial year 2022, and in compliance with our tax obligations, Inditex's total tax contribution amounted to 7,479 million euros, of which 3,200 million euros were direct taxes paid and 4,279 million 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.

Tax contribution

€7,479 M  
total tax contribution

€3,200 M  
direct taxes

€4,279 M  
taxes collected

€1,809 M  
Spain

€3,962 M  
Europe  
(does not include Spain)

€1,252M  
Americas

€456M  
Asia & rest  
of the world

2022 Taxes	Dir*	Coll**	2022 Taxes	Dir*	Coll**	2022 Taxes	Dir*	Coll**	2022 Taxes	Dir*	Coll**
<b>Total</b>	<b>949</b>	<b>860</b>	Germany	50	296	Brazil	146	82	Australia	11	26
			Belgium	14	120	Canada	54	52	China	42	64
			France	152	465	United States	304	163	South Korea	36	15
			Greece	22	140	Mexico	268	79	Japan	40	41
			Netherlands	205	131	Other	80	24	Kazakhstan	32	7
			Hungary	2	45	<b>Total</b>	<b>852</b>	<b>400</b>	Other	107	35
			Italy	67	450				<b>Total</b>	<b>268</b>	<b>188</b>
			Poland	13	116						
			Portugal	52	225						
			United Kingdom	144	255						
			Romania	12	89						
			Switzerland	110	21						
			Other	288	478						
			<b>Total</b>	<b>1,131</b>	<b>2,831</b>						

\* Direct taxes  
\*\* Taxes collected

Markets	Own taxes paid in the years 2022-2018 (in million euros)					Taxes collected in 2022-2018 (in million euros)				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
<b>Americas</b>	<b>852</b>	<b>592</b>	<b>357</b>	<b>623</b>	<b>489</b>	<b>400</b>	<b>318</b>	<b>177</b>	<b>320</b>	<b>271</b>
Brazil	146	90	53	108	100	82	47	34	84	79
Canada	54	50	41	53	43	52	36	23	35	33
United States	304	259	129	213	151	163	166	88	129	107
Mexico	268	141	101	194	136	79	48	22	52	35
Other	80	52	33	55	59	24	21	10	20	17
<b>Asia &amp; Rest of the world</b>	<b>268</b>	<b>257</b>	<b>248</b>	<b>345</b>	<b>359</b>	<b>188</b>	<b>208</b>	<b>144</b>	<b>189</b>	<b>187</b>
Australia	11	15	11	12	10	26	19	17	25	21
China	42	66	79	138	173	64	108	59	96	109
South Korea	36	32	31	32	27	15	12	10	12	12
Japan	40	51	59	66	64	41	40	40	34	28
Kazakhstan	32	19	12	14	14	7	4	3	4	3
Other	107	74	56	83	71	35	25	15	18	14
<b>Spain</b>	<b>949</b>	<b>780</b>	<b>620</b>	<b>1,049</b>	<b>928</b>	<b>860</b>	<b>721</b>	<b>581</b>	<b>825</b>	<b>764</b>
Spain	949	780	620	1,049	928	860	721	581	825	764
<b>Europe</b>	<b>1,131</b>	<b>794</b>	<b>691</b>	<b>1,023</b>	<b>988</b>	<b>2,831</b>	<b>2,423</b>	<b>1,871</b>	<b>2,375</b>	<b>2,180</b>
Germany	50	26	18	32	33	296	252	189	228	201
Belgium	14	9	7	18	35	120	101	107	99	97
France	152	84	117	190	229	465	360	300	347	324
Greece	22	16	12	31	23	140	107	80	135	124
The Netherlands	205	85	117	166	108	131	113	97	85	86
Hungary	2	3	4	4	4	45	29	23	35	31
Italy	67	37	44	75	82	450	385	246	384	356
Poland	13	17	24	22	11	116	85	82	111	98
Portugal	52	14	20	29	46	225	165	151	203	191
United Kingdom	144	120	16	65	72	255	173	91	132	129
Romania	12	6	2	10	13	89	73	56	78	73
Switzerland	110	62	66	94	70	21	19	15	17	15
Other	288	315	244	287	262	478	561	434	521	455
<b>Own taxes</b>	<b>3,200</b>	<b>2,423</b>	<b>1,916</b>	<b>3,040</b>	<b>2,764</b>	<b>4,279</b>	<b>3,670</b>	<b>2,773</b>	<b>3,709</b>	<b>3,402</b>