

## **Group Tax Strategy**

Debenhams generates and collects a variety of taxes including but not limited to VAT, corporate taxes, employment taxes, customs duties and business rates arising from our UK and overseas business operations. The tax we pay is an important contribution to the economies in which we operate. We work hard to ensure we pay all applicable taxes and comply with all relevant laws, regulations and reporting requirements. We strongly value our brand and corporate reputation and are diligent in managing the risks intrinsic within our business, which include a large number of employees, significant annual capital expenditure, and the international aspects of our operating model. We have an open and collaborative approach to working with Tax Authorities.

### **Introduction**

Debenhams is a leading international department store group which was established over 200 years ago and is listed on the London Stock Exchange. We have a total of 176 stores in the UK, Republic of Ireland and Denmark. We also have 58 international franchise stores in 19 countries around the world and sell our products online in more than 60 countries both directly and via third party partners.

Debenhams has a strong presence in key product categories including womenswear, menswear, children's wear, accessories, gift and home and a leading market share in premium health and beauty. We offer our customers a unique and differentiated mix of exclusive own bought brands (including Designers at Debenhams), international brands and concessions. To complement Debenhams' key products and brands we also offer customers additional services, including personal shopper, casual dining options, beauty services, travel and consumer finance products.

Debenhams sources its products from a diverse supply base and through its own sourcing offices in the Far East. It has an ethical responsible sourcing programme which covers the entire product supply base for its own branded products.

### **Governance arrangements**

Debenhams' clearly defined Governance Framework, is aligned with the Group's Code of Business Conduct. We seek to ensure that our taxes are managed with a high degree of honesty and integrity consistent with our business policies and values.

Debenhams' tax team is made up with appropriately qualified tax personnel, headed up by a Head of Tax, and is part of the Finance function which reports to the Group Chief Financial Officer ('CFO'). Certain tax activities are undertaken by other departments or functions of the Group, or outsourced to third party tax agents, according to their specific operational, technical or geographical remit, and all are accountable for their activities to the Head of Tax and ultimately to the CFO. Debenhams maintains a strong tax control environment through both formal and informal dialogue with all parts of the business. Our Governance Framework is supported by periodic updates to our Senior Accounting Officer (who is the CFO) with further regular reporting of tax matters by the Head of Tax to the Group's Audit Committee.

Our structured internal processes along with our compliance programmes aim to ensure that we meet all of our worldwide tax obligations. We always seek to pay the right amount of tax in accordance with the rules of the Country within which we operate.

## **Tax planning**

Debenhams manages its affairs in a tax efficient manner, paying the appropriate amount of tax at all times. Transactions of a purely tax driven nature with no underlying commercial rationale are not undertaken. We do not seek to utilise any scheme that is artificial in nature nor seek to obtain a tax benefit which is not consistent with or contrary to the apparent intent of the legislation. All tax planning undertaken which enhances the value of commercial, investment and financing decisions is aligned with the economic objectives of the business

We are committed to maintaining our strong brand status and judgement will always be given to the long term risks, impact on our corporate reputation and relationships with Tax Authorities.

All of Debenhams' intercompany transactions are considered to be carried out on an arm's length basis in accordance with OECD principles, with the Group's profitability aligned to its value chain.

Debenhams utilises tax incentives in line with the tax legislation and we proactively engage with Tax Authorities to ensure they understand the validity of our claims.

## **Risk management**

Debenhams is a well-established, large international multi-channel retailer. Given the nature of our business, along with the size and the number of different jurisdictions we operate within, tax risk is inherent in our everyday business. Debenhams considers it paramount to take a consistent and systematic approach to the management of these associated tax risks.

Debenhams ensures that tax risks are properly evaluated to understand the impact a specific risk would bring. Decisions are made in accordance with our Governance Framework and Group Risk Management Policy. Appropriate third party professional advice will be sought to assist with fulfilling our tax obligations or where specialist tax advice is required to clarify uncertainty.

Debenhams has appropriate accounting, business and tax controls and procedures in place to mitigate risk. This is enhanced with a highly qualified tax team who regularly maintain their technical knowledge with relevant tax developments in the UK and overseas jurisdictions where we have a tax presence. Where tax risk is unavoidable it will be mitigated within the limits of our Risk Management Framework or any other relevant agreement and risk-based decisions will be made with due regard to our commercial reputation and values

## **Relationship with HMRC and other Tax Authorities**

Debenhams works hard to ensure all of our tax affairs are compliant and up to date. This process is supported by an open and collaborative relationship with Tax Authorities in the spirit of cooperative compliance which we regard as critical to protect and sustain. In the UK Debenhams' plc Group is a customer of HMRC's Large Business Service and has a dedicated Customer Compliance Manager within that team.

Given the multiplicity and complexity of tax legislation applicable to us, which can give rise to uncertainty of interpretation, we consistently seek to ensure that matters and issues are addressed in real time where possible and obtain certainty wherever feasible. We respect that Tax Authority enquiries are an inherent part of Tax Authorities' administration. We always seek to provide full, timely and transparent responses to requests for information and in the course of Tax Audits.

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The Group Tax Strategy has been prepared in accordance with the requirements of Part 2, Schedule 19 Finance Act 2016 in relation to the financial period ended 1 September 2018. It applies to all companies, both UK and overseas, that are consolidated in the accounts of Debenhams plc. This Tax Strategy will be reviewed and re-published on an annual basis. Debenhams regards this publication as complying with the duty under paragraph 16(2) Sch19 FA2016.