



EST. 1884

MARKS AND SPENCER GROUP PLC

HOW WE MANAGE OUR TAXES

March 2020

This statement is prepared in accordance with the requirements of Part 2, Schedule 19, Finance Act 2016 in relation to the financial year ended 28 March 2020. It applies to all companies, both UK and overseas, that are consolidated in the accounts of Marks and Spencer Group Plc. Our main place of business is, however, the UK and this is where most of our taxes are paid.

As a large organisation with over 80,000 colleagues we recognise the importance of our tax obligations and take seriously our responsibility to contribute to the countries in which we operate through the payment of taxes.

Last year, our total tax contribution in the UK amounted to £879m including corporation tax, VAT, PAYE, national insurance, customs & excise duties and business rates.

Our tax governance framework

Our approach is governed by a Board approved tax governance framework under which the Chief Finance Officer and the Director of Group Finance are responsible for overall management of our tax affairs.

We seek to ensure that our taxes are managed in a sustainable manner with a high degree of integrity, which is one of our core values. Our approach seeks to ensure that:

- a) tax matters are proactively managed by having a clear internal governance framework, robust business controls and processes, and maintaining an open and regular dialogue with the tax authorities;
- b) we are fully transparent and comply with the law so that tax returns and payments are made on time and proper disclosure is made to the tax authorities; and
- c) we properly reflect tax considerations in our commercial business activities.

We have a clearly documented tax governance structure which sets out the internal approvals, including Board level, that are required in relation to the management of any significant tax risk, exposure or settlement.

The Audit Committee receives an annual report on the management of the Company's tax affairs, with any major issues arising in the intervening period brought to their attention separately.

How we incorporate tax in our business activities

As part of structuring our commercial business activities we seek to ensure that tax is properly considered so that we remain compliant with relevant tax laws. We will not seek to undertake contrived or artificial transactions (including the use of marketed or abusive schemes) or those with no commercial or economic substance. We only operate in low tax jurisdictions where there are commercial business reasons to do so (e.g. retail shops).

Intra group transactions are carried out on an arm's length basis that reflects the economic contribution of each group company

As a general guideline, where the tax treatment of a significant matter is uncertain or contentious, favourable positions are only adopted in our tax returns where it is considered likely that the position will be accepted as correct.

Professional opinions are sought from reputable independent external advisers on any matters where the amount of tax involved is significant and the tax treatment may be contentious or uncertain.

Our attitude to tax risk

In view of the scale of our business and the volume of transactions undertaken there is a risk of transactions being recorded incorrectly for tax purposes. We mitigate this by ensuring that we have appropriate accounting, business and tax controls in place and ensuring that these are regularly reviewed with any identified weaknesses rectified as soon as practicable.

The Chief Finance Officer is our Senior Accounting Officer for the purpose of Paragraph 2, Schedule 46, Finance Act 2009 and certifies compliance with our UK tax obligations to Her Majesty's Revenue and Customs ("HMRC") on an annual basis.

Working with the tax authorities

We engage with tax authorities, including HMRC, on a regular and open basis in the spirit of co-operative compliance. Group policy requires proper disclosure of tax matters to all tax authorities: consistent with our corporate code of ethics, concealment or deliberate non-compliance is never acceptable.

In view of the size and complexity of our business on occasions we may have differences of opinion with the tax authorities on the interpretation of the law relating to particular transactions. If this happens, we will seek to resolve such differences of opinion through discussion and negotiation.

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