



Carpetright plc
Tax strategy

April 2019

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1. Introduction

This document sets out the strategic tax objectives of Carpetright plc and its subsidiaries. The Carpetright tax strategy is set and approved by the Board of Directors.

The strategy sets out Carpetright’s policy and approach to conducting its tax affairs and dealing with tax risk and is made freely available to all Carpetright stakeholders. The strategy is compliant with the UK tax strategy publication requirement as set out in Part 2 of Schedule 19 FA 2016, in relation to the year ended 27th April 2019.

This tax strategy will be subject to regular review – at least annually, and developed if necessary. Any material amendments to the strategy will require approval by the Board of Directors.

2. Implementation

The Group Tax team partners with our businesses to ensure that:

- The strategy is adopted and followed consistently across the Group, with clear lines of responsibility and accountability.
- There is alignment of the strategy with the Group’s overall approach to corporate governance and risk management, and
- The Group pays the right amount of tax required of it under the laws and regulations of the countries in which it operates.

3. Group business strategy statement

Carpetright is Europe’s leading specialist retailer of floorcoverings and beds in the domestic home improvement market.

The primary business objective is to help customers transform their homes with our products and services delivered through an integrated multi-channel proposition.

Through this we will maximise value for shareholders by delivering long-term sustainable growth in earnings per share and cash flow.

4. Group tax strategy statement

Carpetright’s tax strategy is aligned with the overall business strategy, and to the Group’s approach to corporate governance and risk management wherever we operate. Further details of the Groups approach to governance and risk can be found in the annual report and accounts (a copy of which is available on the Group’s corporate web site www.carpetright.plc.uk).

Carpetright is a responsible taxpayer and is committed to conducting its tax affairs consistent with the following objectives, to:

- Apply professional diligence and care in the management of all risks associated with tax matters, and ensure governance and assurance procedures are appropriate.
- Foster constructive, professional and transparent relationships with tax authorities, based on the concepts of integrity, collaboration and mutual trust.
- The Group will use incentives and reliefs to minimise the tax costs of conducting its business activities, but will not use them for purposes which are knowingly contradictory to the intent of the legislation.

4.1 Compliance with laws, rules and regulations.

Carpetright is committed to observing all applicable laws, rules, regulations, and reporting and disclosure requirements, wherever there is a requirement to do so, as a result of our business presence and transactions.

A dedicated tax team (Group Tax) will collaborate with the Group’s businesses to provide advice, monitoring, training, review and guidance necessary to ensure compliance, obtaining external advice where necessary.

There are clear management responsibilities with the Group Tax team ultimately reporting into the Chief Financial Officer, who is nominated as the Group’s ‘Senior Accounting Officer’.

Members of Group Tax have the necessary experience and skill set and are committed to continued professional development.

4.2 Consistency with Group strategy

The tax strategy is at all times consistent with the Group's overall strategy, its approach to risk and the Group's core values of being honest and straightforward.

Key business decisions should be made cognisant of the tax consequences and with the aim of optimising the after-tax returns for the Group's shareholders.

Group Tax will partner with the business segments to ensure there is consistency.

4.3 Governance, Assurance and Tax Risk Management

Responsibility and accountability for the Group's tax affairs is clearly defined in accordance with a Tax Responsibility Matrix, and decisions will be taken at an appropriate level, determined by formal Group Delegation of Authority limits.

Diligent professional care and judgment will be employed to assess tax risks in order to arrive at well-reasoned conclusions on how the risks should be managed. Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be taken from third party advisers to support the decision-making process.

In reviewing the risks of a tax action or decision, always bearing in mind the requirements of the Group Tax Policy, the following would be considered:

- the legal and fiduciary duties of directors and employees;
- the requirements of Carpetright plc's core values and policies;
- the maintenance of corporate reputation;
- the tax benefits and impact on the Group's reported result comparative to the potential financial costs involved, including the risk of penalties and interest; and
- the wider consequences of potential disagreement with tax authorities, and any possible impact on relationships with them.

Group Tax will employ various risk management processes and systems to provide assurance that the requirements of the Group Tax Policy are being met. This will include compliance and risk monitoring systems and internal audit reviews of tax compliance activity across the Group.

4.4 Relationships with tax authorities

The Group is committed to the principles of openness and transparency in its approach to dealing with tax authorities in whichever countries we operate.

All dealings with the tax authorities and other relevant bodies will be conducted in a collaborative, courteous and timely manner.

The aim would be to strive for early agreement on disputed matters, and to achieve certainty wherever possible.

4.5 Incentives, reliefs and tax planning

The Group believes that it should pay the amounts of tax legally due in any territory. There will, however, be circumstances where this amount may not be clearly defined, or where alternative approaches may result in differing tax outcomes.

The Group will use its best judgment in determining the appropriate course of action, using available reliefs and incentives where possible but does not undertake aggressive tax planning for the purpose of tax avoidance.

We understand the importance of corporations not wilfully engaging in tax schemes that go against the intention of legislative authority.

5. UK context

On 9 December 2015, HMRC in the UK published a draft Framework for Cooperative Compliance in the UK, following a consultation process titled "Improving Large Business Tax Compliance". In particular, this addresses the relationship between large businesses and HMRC in the UK, and promotes best practice in a business' governance over its UK tax affairs. This Group Tax Strategy aligns with the published draft and Carpetright plc commits to:

- adopt open and collaborative professional relationships at all times with HMRC;
- engage in full, open and early dialogue with HMRC to discuss tax planning, strategy, risks and significant transactions;
- make fair, accurate and timely disclosure in correspondence and returns, and respond to queries and information requests in a timely fashion;
- seek to resolve issues with HMRC in real time and before returns are filed if possible, and where disagreements arise, work with HMRC to resolve issues by agreement (where possible);
- be open and transparent about decision-making, governance and tax planning;
- reasonably believe that transactions are structured to give a tax result which is not inconsistent with the economic consequences (unless specific legislation anticipates that result), nor contrary to the intentions of Parliament; and

- interpret the relevant laws in a reasonable way, and ensure transactions are structured consistently with a co-operative relationship.

**By approval of the Board
April 2019**