

DFS Furniture plc

Group Tax Strategy – 52 weeks ending 28 June 2020 (the “Strategy”)

Background

DFS Furniture plc (“DFS” of the “Group”) is the UK’s leading retailer of upholstered furniture.

We design, manufacture, sell and deliver an extensive range of upholstered furniture products to our customers through a retail network of stores in the UK, Ireland, Netherlands and Spain, together with an online channel.

This Strategy covers all our group subsidiaries which include the UK trading companies DFS Trading Ltd (t/a DFS), The Sofa Workshop Ltd (t/a Sofa Workshop), Coin Retail Ltd (t/a Dwell) and Sofology Ltd (t/a Sofology).

Further to legislation introduced in 2016, large companies trading in the UK are required by Her Majesty’s Revenue and Customs (HMRC) to publish a tax strategy. Therefore, this document sets out the Group’s Tax Strategy and the policies and procedures in place within the Group which we are committed to following in achieving its implementation.

This Strategy is regarded as meeting the requirements under Schedule 19, paragraph 16(2) of the UK Finance Act 2016.

Approach to tax risk management and governance

DFS wishes to achieve a “low risk” tax profile in the UK.

We have developed this Strategy to form an integral part of the Group’s effective management of tax, setting the framework to ensure that suitable controls and processes are in place to enable the Group to fulfil its obligations with regard to tax reporting and compliance. These controls and processes enable us to effectively manage the tax issues facing the business.

We monitor our key tax risks, including any associated issues that develop, on a regular basis and appropriate action is taken to ensure the risks are mitigated. Oversight of this process is provided by both the Senior Leadership Team and the Group Board of Directors who have approved this Strategy.

We manage tax issues, and the associated tax risks, through the detailed involvement of members of the Senior Finance Leadership Team which includes the Group Financial Operations Director and Group Financial Controller supported by each trading subsidiary’s Chief Financial Officer.

We have appointed Mike Schmidt, the Chief Financial Officer for the Group, as the Senior Accounting Officer (“SAO”) for DFS Furniture plc and all of its UK subsidiaries, who is fully aware of his duty as signatory. The Group Financial Controller regularly apprises him of any tax risks that could impact on the SAO role and also any relevant new areas of tax legislation.

We have delegated the overall responsibility for ensuring the day-to-day application of the Strategy and the management of the Group’s tax affairs to the Group Financial Controller.

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Attitude towards tax planning

DFS aims to comply with all applicable tax rules and regulations.

We will consider tax planning opportunities which deliver sustainable value to our shareholders, in-line with our commercial objectives, whilst seeking to maintain a low level of tax risk as determined by the Board. This will include seeking to benefit from available tax reliefs and incentives in line with the applicable legislation.

We will have full regard for the potential impact on our reputation and broader goals when evaluating the tax implications of any significant business transactions. Any transactions undertaken by DFS have a commercial and economic substance and are not led by contrived or artificial tax planning considerations.

We may seek advice from external tax advisers to support the finance department in respect of any significant uncertainty, evaluating risk areas, adhering to new/complex/unusual tax laws and implementing best practice.

Levels of acceptable tax risk

DFS considers the level of risk which the Group accepts in relation to tax is consistent with its overall objective of achieving compliance and transparency in its tax affairs.

We are committed to complying with prevailing tax legislation and therefore endeavour to ensure both the integrity of all reported tax numbers and compliance with all of our tax obligations across all Group companies. This includes the timely filing of all relevant tax returns and timely payment of all tax liabilities.

We seek to actively resolve any uncertainty in the interpretation of tax legislation with the relevant tax authority and, with the support of our external advisors, monitor new tax legislative changes and realign internal tax processes where appropriate.

We aim to ensure that any risks are captured and resolved in a timely, proactive and transparent manner.

Approach towards dealing with HMRC

DFS engage with HMRC constructively, honestly and in a timely and professional manner, in a spirit of co-operative compliance.

We will seek to resolve on-going or disputed matters through open, active and transparent engagement and, where appropriate, engage with HMRC on a real-time basis to minimise tax risk as part of our effective management of tax.

We will not take positions on tax matters that may create reputational risk or jeopardise our good standing with taxing authorities, however we are prepared to defend our position where we disagree with a ruling or decision of a tax authority, having always first sought to resolve any disputed matters through active and transparent discussion.

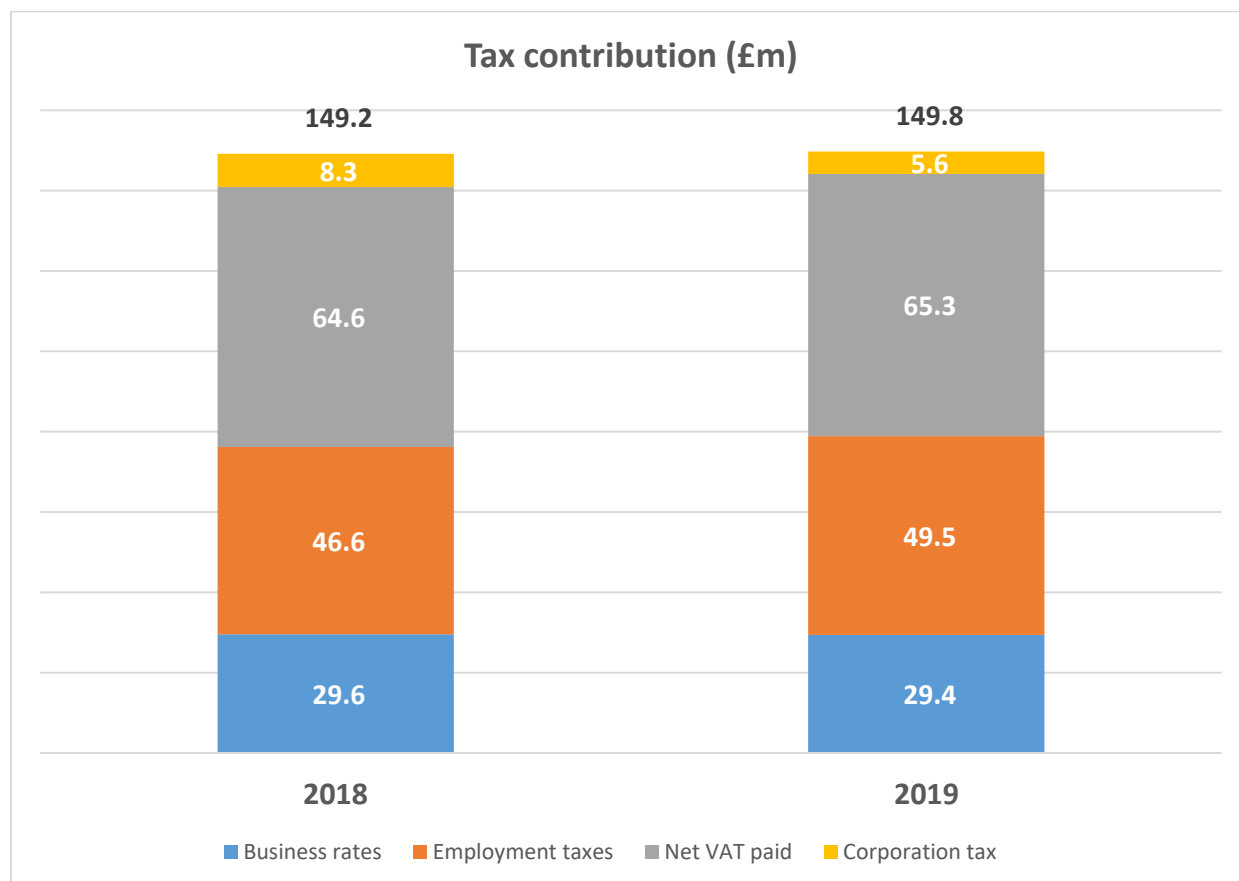
We maintain regular contact with our Customer Relationship Manager, and his/her team, at HMRC including the scheduling of a periodic “Business Risk Review” meeting.

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Appendix

DFS’s underlying effective rate of corporation tax for FY2019 was 19.0% (FY2018: 20.7%), and our tax payments to the UK Exchequer relating to the last two financial years are analysed as follows:



(FY2019 refers to the 48 weeks ended 30 June 2019, FY2018 refers to the 52 weeks ended 28 July 2018.)

The Group makes a significant contribution to the UK Exchequer through:

- the taxes paid by the businesses operated by the Group; and,
- the net taxes collected from its customers on behalf of the Exchequer.

In total, this contribution is approximately £149.8m in respect of FY2019 (approximately £149.2m in respect of FY2018).

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