



TAX SHOPPING

**EXPLORING ZARA'S
TAX AVOIDANCE BUSINESS**

CREDITS

A STUDY COMMISSIONED BY THE GREENS/EFA
GROUP IN THE EUROPEAN PARLIAMENT

AUTHOR : Marc Tataret under the
supervision of Jordi Angusto

GRAPHICS AND DESIGN : Capucine Simon
capucine.simon01@gmail.com
<http://capucinesmn.tumblr.com>

WWW.GREENS-EFA.EU
[@GREENSEP](https://twitter.com/GREENSEP)
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I. EXECUTIVE SUMMARY

The Zara group is one of the world's main fashion retailer by sales and profits, growing at a fast pace year after year. The corporate group owning Zara is called Inditex (from the Spanish acronym Industrias de Diseño Textil – Textile Design Industries), and hereafter called "ITX" or Inditex. ITX refers to the whole company group, largely owned by Amancio Ortega Gaona, one of the wealthiest men on the planet. It owns 8 famous brands: Zara, being the most known among them, but also other fashion brands like Bershka, Pull and Bear, Massimo Dutti, Stradivarius, Oysho, Zara Home and

Üterque. The group has one of the highest net profit margins in the sector (13,8 % in 2015) and one of the highest net incomes (€2,9 billion in 2015).¹

However, our research shows that Inditex has saved at least €585 million in taxes during the period 2011-2014, by using aggressive corporate tax avoidance techniques, mainly in the Netherlands, Ireland and Switzerland.

Our findings pointed at three main avoidance techniques - currently legal but raising questions whether ITX pays taxes where its real economic activity takes place.

01 Using the Netherlands: royalty fees paid by Inditex retail branches to a Dutch subsidiary, where they are taxed at only 15%. This Dutch subsidiary got €3,7 billion in revenue in the 2011-2014 period and had a net income of €1,7 billion, with just 203 employees (as of 2014). According to our estimations, shifting royalties to the Netherlands has cost in missing tax revenues: €218 million for Spain, €25 million for Germany, €57 million for Italy, €76 million for France, €20 million for Greece, £22 million for the UK, €18 million for Belgium and €6 million for Austria (over 2011-2014).

02 Using Ireland: Inditex uses Irish subsidiaries dedicated mostly to financial activities (inter-company loans and insurances) and an e-commerce subsidiary, registering huge profits, which are only taxed at 12,5% or 0% in the case of capital gains.

03 Using Switzerland: One of the main trading firms of ITX is located in Fribourg, Switzerland, from where it buys the low-cost manufactured clothes from producers in countries such as Bangladesh, Turkey or Morocco to sell it back to other group companies. In 2014 the ITX Swiss holding company had the most own resources in the group (€1,4 billion in 2014) and paid taxes on profits at 7,8% only (possibly even less).

Simply looking at Inditex' structure is interesting from a tax point of view. There is a huge difference between the companies of the ITX Group dedicated to pure retail, and those with other purposes (financial management, branding management, insurance, etc). **The retail branches had profit margins between negative figures and 5% only** (while ITX, the holding company, had a profit margin between 12% and 14%). **On the other hand, the non-retail companies of the group, had net profit margins between 20% and 70%** and they were all located in the Netherlands, Ireland or Switzerland, which are countries with low-taxation. In other words, it shows that companies like Inditex structure themselves to take advantage of the lowest tax rates and the lack of harmonisation of tax systems at the European level.

This report calls for policy changes to put an end to corporate tax avoidance, which is currently legal. These changes include:

- **Mandatory public Country-by-Country-Reporting**

(CbCR) of key financial data – to enable users of financial statements to assess whether taxes paid by multinationals in each country are in alignment with their substantive economic activities.

- **A Common Consolidated Corporate Tax Base (CCCTB)** – a single set of rules for determining taxable income, combined with an objective and efficient set of "keys" for allocating profits to the various jurisdictions in which multinationals operate, based on their substantive activities in those jurisdictions.

- **A minimum corporate income tax rate throughout the European Union** – to prevent a destructive race-to-the-bottom on rates once other avenues of aggressive tax competition are closed through the adoption of a CCCTB.

Without these changes, the multinationals and their tax consultants, together with states which choose to engage in destructive tax competition, will continue to get around efforts to clamp down on profit shifting and tax avoidance.



II. INTRODUCTION: STILL A LONG WAY TO GO TO TACKLE TAX AVOIDANCE

In recent years, corporate tax avoidance has been in the spotlight thanks to several scandals (OffshoreLeaks, Luxleaks, Panama Papers) revealed by journalists. EU leaders announced their willingness to fight tax avoidance, because it was reducing Member States' available resources, worsening public finances and increasing the tax pressure on small and medium enterprises and citizens. According to recent estimations by the European Parliament, Europe is indeed losing between €50 to €70 billion a year because of corporate tax planning². This is five times the amount of funds allocated to the migration crisis in 2015/2016³.

Several measures have been proposed at the European level to tackle this huge problem⁴. Some of those measures were included in the Anti-Tax Avoidance Package (ATAP)^{5,6}, released by the European Commission in January 2016. It aims at implementing guidelines agreed by the OECD's Base Erosion and Profit Shifting (BEPS) project⁷. The ATAP proposal, was however later diluted by the Council in July of the same year, which shows the great difference between the intentions that were initially stated and the measures that are being agreed upon by EU governments⁸.

ATAP contains measures such as: the Controlled Foreign Company (CFC) rule, that will allow the Member State where a parent company is headquartered to tax certain profits the company parks in a subsidiary in a low tax country; Exit Taxation, preventing companies from avoiding tax by re-locating their assets; limitations on the deductible interest (ensuring companies do not artificially indebt subsidiaries in high-tax countries); or a general anti-abuse rule for when specific rules are not applicable, but a clear situation of aggressive tax planning has been spotted. **Although this takes us forward in tackling tax avoidance, not all the tax saving strategies that appear in this ITX report will be substantially affected by it.** In our point of view, there is still a long way to go in this matter.

In the meantime, the European Commission also proposed to create mandatory public country by country reporting⁹. This reform, once adopted, will oblige large companies to publicly disclose a certain number of financial information such as: where they have subsidiaries, how many people they employ per country, where they have assets, where they

declare profits and pay taxes. However, this reform is facing reluctance by the Member States because the subsequent information should soon already be available for each country's tax authorities. EU governments lack motivation to ensure this information are also available to the public. **But if the information were open to the general public, the customers and shareholders would get to know that these companies were paying a large amount of taxes in low tax countries.** Such reform would force them to rethink their tax strategies, as happened in 2011 with an ITX company located in Ireland.

A common consolidated corporate tax would help avoid tax competition among EU member states, disincentivising shifting taxes on profits from the country in which it was originally generated. The proposal presented by the European Commission at the end of October 2016 constitutes a good basis for negotiation but several Member States are expected to block negotiations in the Council. This is however a necessary step towards a possible fiscal Union. Several reports and research works have come to light in recent years, denouncing practices made by ITX related to profit shifting and tax avoidance. These procedures, although strictly legal, cause the EU to lose dozens of billions of euros year after year. **The goal of this paper is to add our own research to the previous work, and try to put all together to form a solid image of ITX's profit shifting structure,** from the purchasing of clothes in Bangladesh or Morocco to retail sale, finishing at the top of the company structure, the holding company Pontegadea de Inversiones, owned by Amancio Ortega, one of the world's wealthiest men.

This report is part of a series of researches commissioned by the Greens / EFA group in the European Parliament to highlight why corporate tax reforms are urgently needed. With IKEA in February 2016¹⁰, we highlighted the urgent need for large companies to become more transparent about their tax business. With BASF in November this year¹¹, we emphasized on the need to entirely change our approach regarding how to tax large companies. With Inditex, we aim to stress that without public pressure and request for real accountability towards our elected EU leaders, we will not get rid of artificial structures, purely existing for the sake of avoiding taxes.

III. INDITEX - OVERVIEW OF A FASHION GIANT

3.1. Company's history and main figures

Amancio Ortega Gaona is the founder and major shareholder of Inditex. He currently owns approximately 60% stake in ITX through two of his companies, Pontegadea de Inversiones, SL (50,01 %) and Partler 2006, SL (9,284 %). The other major shareholder is ROSP CORUNNA, SL (owned by two of his sons), with 5,053 % of shares in the company¹².

During the 1950s, Mr Ortega Gaona worked as a clothing dealer and shop assistant in different clothing shops in the Spanish city of A Coruña. There he learnt about fashion retailing, and how to swiftly satisfy incipient mass consumption, but also about distribution networks and suppliers contact.

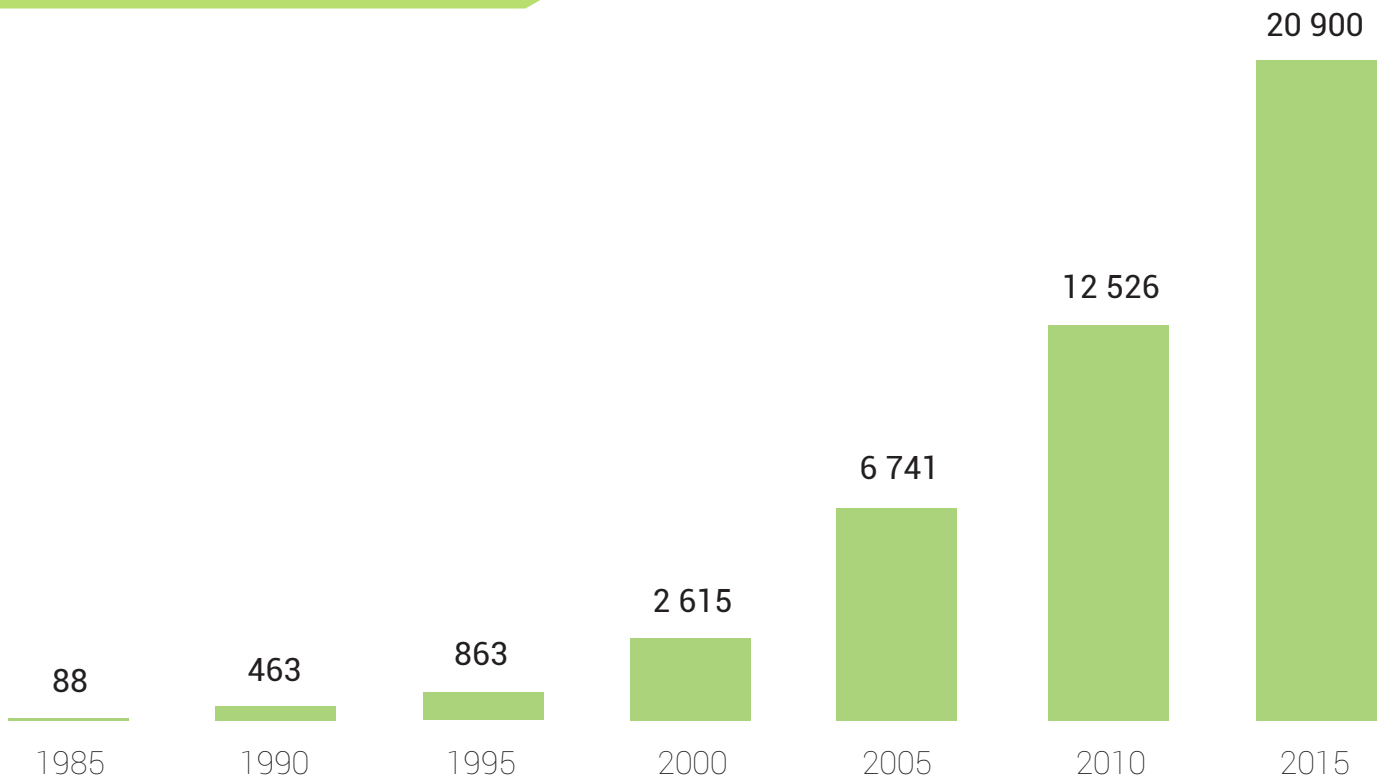
In 1963 Confecciones GOA was established, the first company of the group. The name derives from Amancio Ortega Gaona, his initials spelled backwards. It was a textile

wholesale company, selling its products to big malls and other distributors.

In 1975 the first Zara shop was opened, a key step towards vertical integration, hence including final distribution into the company structure. In 1985 the group holding company, Industrias de Diseño Textil (or ITX), was established in Arteixo (near A Coruña), Spain, to boost expansion in international markets. The company is still headquartered there.

In the 1980s, the ITX group began its international expansion, using as a focal point a Dutch company created ad hoc, Zara Holding BV, established there for tributary reasons¹³. Zara Holding BV is still key in order to understand the non-retail business structure of ITX, as we will see further on in this report. In 1989 ITX opened the company's first US outlet in New York, in 1990 it opened its first store in Paris, France, and in 1998 ITX opened their first store in the United Kingdom, in London.

GRAPH 1: INDITEX GROUP SALES EVOLUTION, 1985 - 2015



The ITX group operates commercially under 8 main brands, Zara being the most recognised and widespread among them, and it is also the source of more than half of the total revenue of the group. The other fashion brands of the group are Bershka, Pull and Bear, Massimo Dutti, Stradivarius, Oysho, Zara Home (household items) and Üterque.

Each brand is devoted to a specific target in terms of age or acquisitive capacity. For example, Massimo Dutti sells mainly formal clothing and working dresses and suits, while Pull and Bear and Bershka are focused towards younger targets and more informal clothing. On the other hand, the ITX group flagship brand, Zara, is aimed at a wider spectrum of the public, with a really fast response to the latest fashion trends, having them available in the shop in a short period of time. Zara, even though it's in the low-cost price range, has slightly higher prices than other competitors such as H&M or Primark.

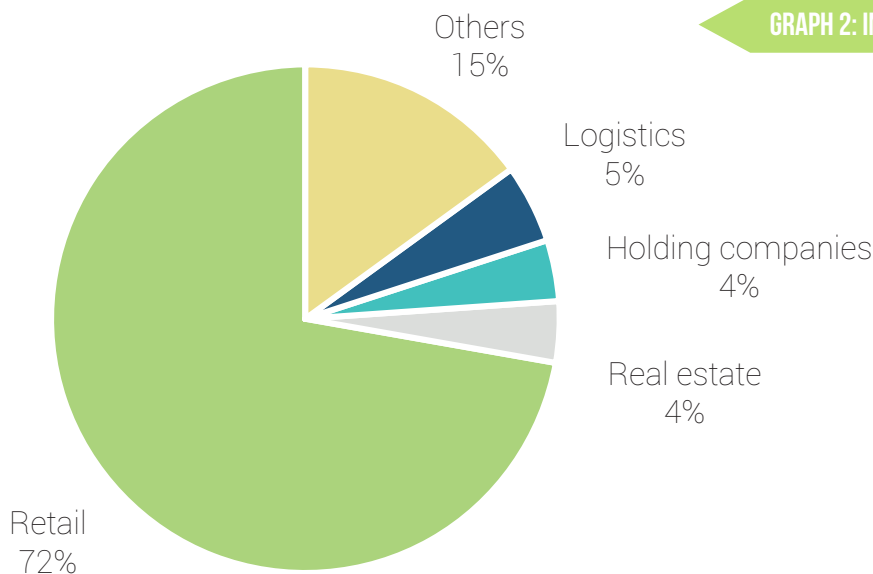
ITX owned 363 companies in 2014, and more than two thirds (261) of them were devoted to retail. In most countries, ITX owns one retail subsidiary for each of its 8 brands operating in that country (e.g. Massimo Dutti Italia, SRL in Italy). Those companies are normally owned by each brand holding company, based in Spain. (Following the same example, Massimo Dutti Italia, SRL is owned by Grupo Massimo Dutti, SA, in Spain, which owns several other Massimo Dutti subsidiaries).

ITX also owns companies devoted to other purposes, such as logistics, portfolio companies, real estate, financial, purchasing or design (among others). Most of the companies analysed in this report will fall under this second group, the non-retail companies. We will analyse companies located in the Netherlands, Ireland and Switzerland. Among the ITX group subsidiaries based in those countries, you can find a large amount of holding companies, financial companies, and insurance or purchasing companies. There is a clear concentration of these kind of companies in such low-tax countries.

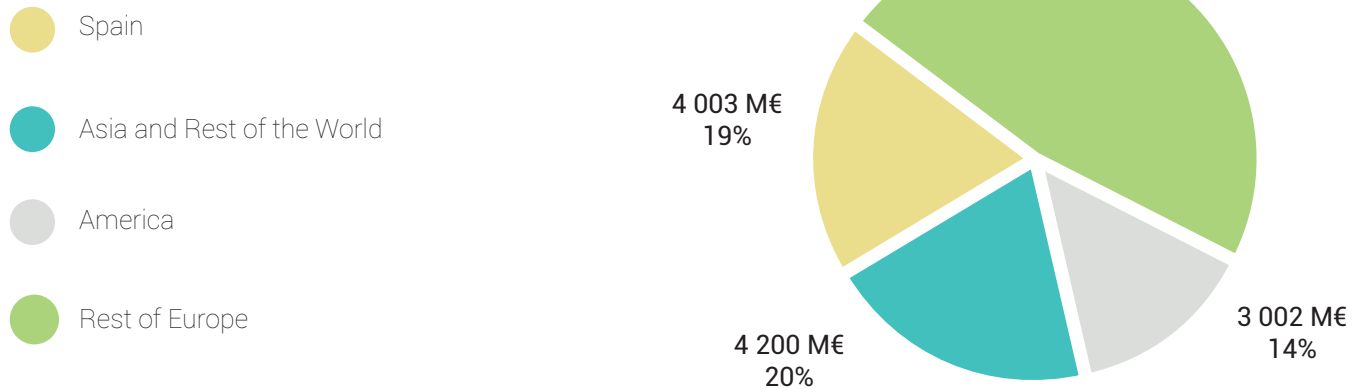
In the past 6 years, ITX sales have increased more than 50%, going from €12,53 billion in 2010 to €20,90 billion in 2015. Its net income has increased year on year, reaching €2,88 billion in 2015.

At the same time the group continued with its process of international expansion, especially in Asia and America. In 2011, 73,73% of its turnover was made in Europe. In 2015 that figure fell to 65,54%. That shift is mainly caused by the continuous loss (in percentage, not in absolute figures) of the importance of the Spanish market, and the increase in the Asian (mainly) and American markets. There are more than 7.000 ITX shops around the world, distributed between 88 countries.

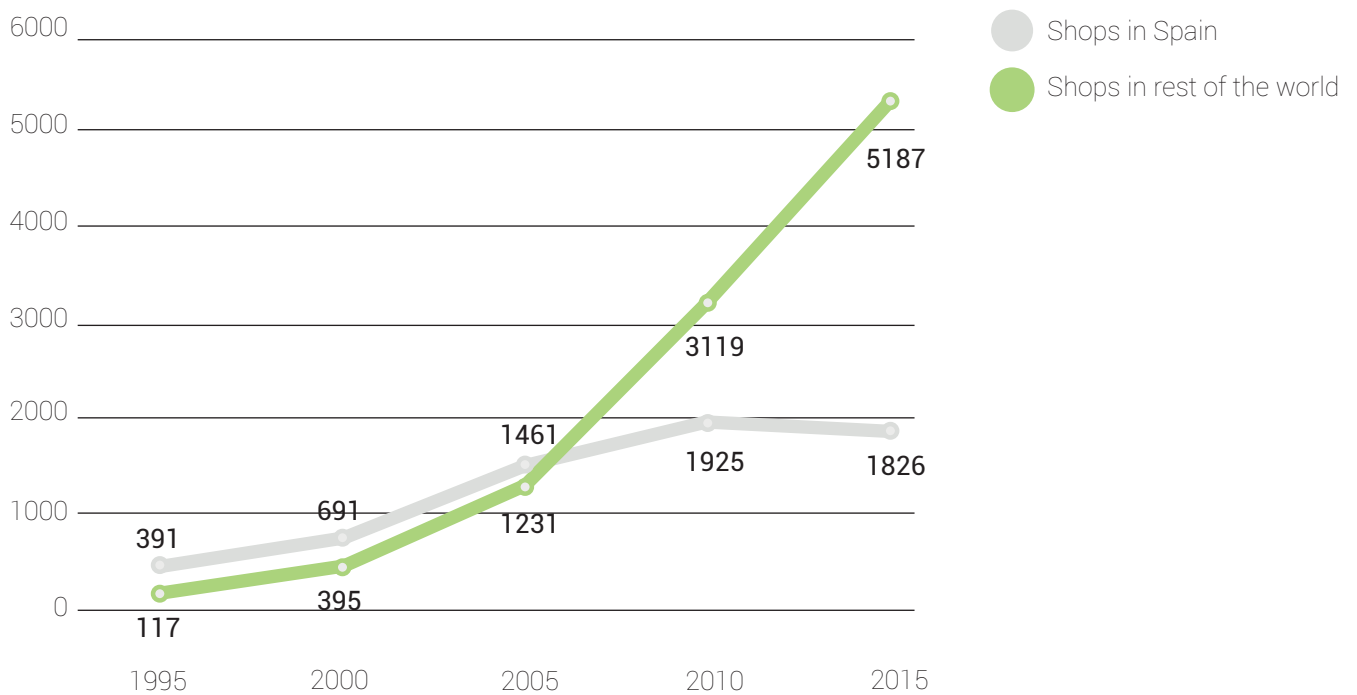
GRAPH 2: INDITEX GROUP COMPANIES, BY FUNCTION - 2014



GRAPH 3: SALES BY GEOGRAPHIC MARKET - 2015 (IN MILLIONS OF €)

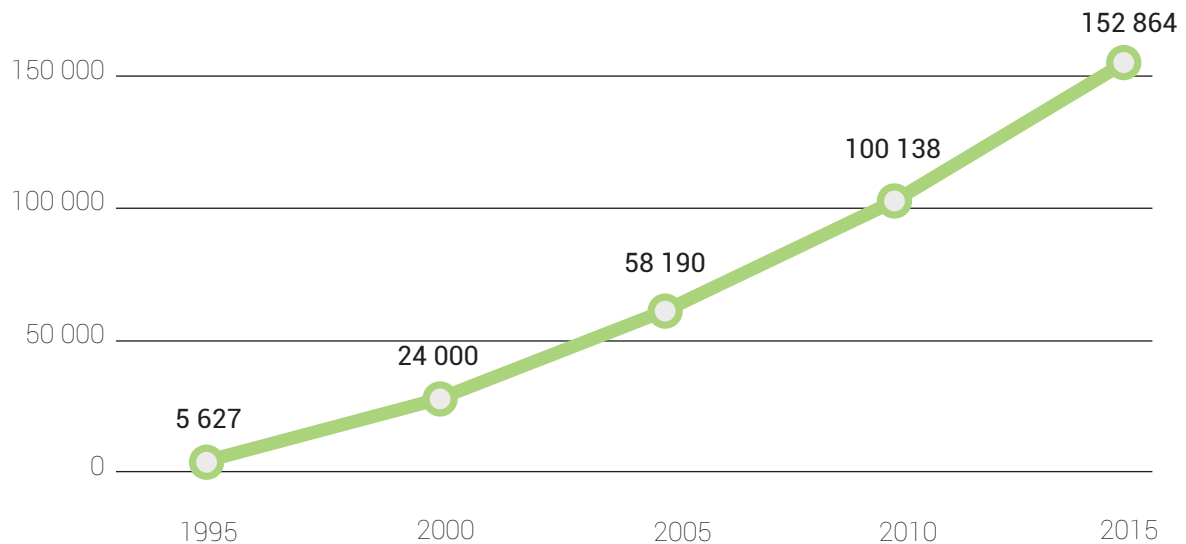


GRAPH 4: DISTRIBUTION OF SHOPS BY LOCATION (1995 - 2015)



In 2015 the company had more than 150,000 employees, more than 80% of them shop staff, and the vast majority women. The rest of the workers are distributed between central services and logistics, manufacturing and non-retail activities.

GRAPH 5: INDITEX GROUP EMPLOYEES (1995 - 2015)



3.2 Pontegadea de Inversiones and Amancio Ortega's inner circle.

An important part of Amancio Ortega's corporate interests are managed by his holding company, Pontegadea de Inversiones, SL. Through this company, Ortega owns a 50,01 % stake of ITX (he also owns another 9,284% through the company Partler 2006, SL), and several other companies, almost all of them devoted to real estate investments.

In 2009 and 2010 Ortega made a clear change in investment priorities. He closed two of his SICAVs^{14;15} (an investing vehicle under Spanish legislation that has a special corporate tax rate of 1%) and increased his investments in real estate (reinvesting the dividends received from Inditex). Among his purchases we can account for buildings in the most expensive areas of Madrid, London, Milan, New York, Paris or Seoul, and his real estate empire was estimated to be worth at least €5,6 billion in 2014¹⁶.

Part of the holding structure included two companies located in Luxembourg, West End Investments and Hills Place, with real estate properties in the UK. Those properties (worth £583 million at the end of 2014) were transferred to a UK subsidiary, Pontegadea UK in 2015.¹⁷

Two of the men who hold key positions in Inditex and Pontegadea have backgrounds as state officials. The first executive of Amancio Ortega's holding companies since 2001 is José Arnau Sierra who is also Vice-president of Inditex. He was the director of the Inditex Tax Department from 1993 to 2001. He is also a State Tax Inspector on a leave of absence, and held other positions within the Spanish tax authorities. That background could have been of clear utility in the design of the tax planning structures of both Inditex and Mr. Amancio Ortega's holding companies and investments.

The second executive, Pablo Isla Álvarez de Tejada, is the CEO of Inditex since 2005. He is an "Abogado del Estado" (State lawyer) on a leave of absence. He was also General Director of State Assets at the Ministry of Economy and Finances in Spain.

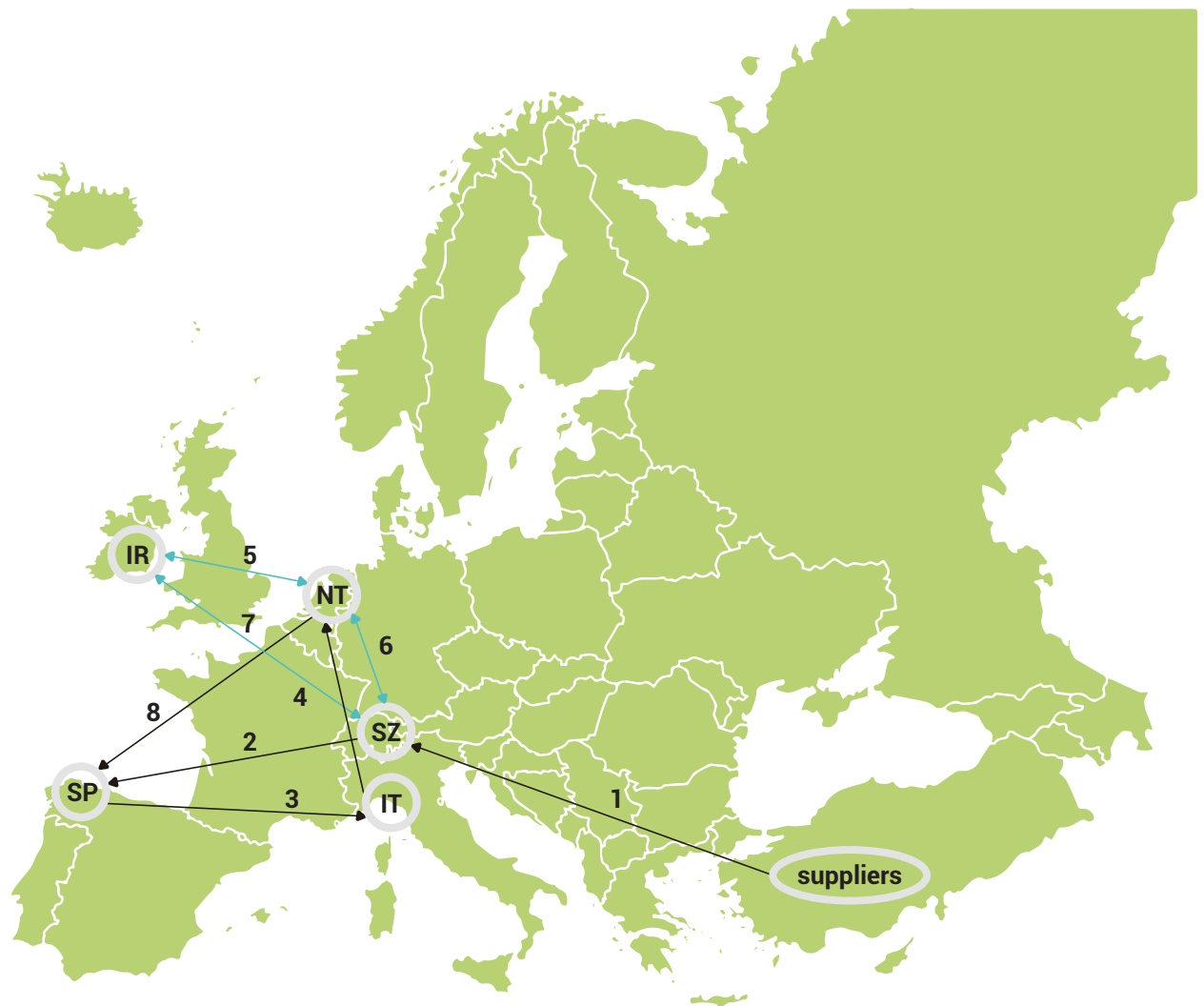
José Romay de la Colina, who appears as statutory director in several companies that we have analysed, like ITX Merken or ITX Fashion, is the nephew of Amancio Ortega. He is the son of a former health minister of Spain, José Manuel Romay Beccaría.

3.3 Pattern of tax avoidance techniques through one example

The ITX group has a wider range of tools at their disposal to reduce their tax payments in different European countries. It is important to see these tax avoidance schemes on a global picture, from the buying of raw material to the sale of a finished piece of clothing to their customers.

In the map below, we have traced the fiscal scheme that ITX uses to lower its tax bill based on one example from Italy and the brand Massimo Dutti. The function of each company involved in the process, and other auxiliary companies that we consider important, is explained and analysed in detail in the next chapters.

GRAPH 6: ITX EUROPE TAX AVOIDING SCHEME (MASSIMO DUTTI ITALIA EXAMPLE)



- 01 A Swiss subsidiary, ITX Trading (indirectly owned by ITX Financien II BV in the Netherlands) buys the clothes from its suppliers (in Bangladesh, Turkey, Morocco or China for instance) at a low price.
- 02 ITX Trading sells the clothes to the Spanish parent company of each brand^{18,19}, with a profit margin and paying corporate taxes on profit as low as 7,8 % (or possibly even less, due to the tax rulings and tax holidays applied in the Swiss cantons). **This is the first tax avoidance point.**
- 03 The Spanish brand holding company (in this case it would be Grupo Massimo Dutti, SA) sells back the clothes to a retail subsidiary of a certain country (Massimo Dutti Italia, SRL), where the transaction with the final customer is made and where profit is generated.
- 04 This subsidiary, MA Massimo Dutti Italia, SRL, pays a 5% royalty on sales to ITX Merken, in the Netherlands, where it pays only a 15 % profit tax, shifting profit from Italy to the Netherlands. **Second tax avoidance point.**
- 05 ITX has quite a complex holding structure in the Netherlands, where it manages more than 60 companies. Those Dutch subsidiaries own different Irish companies (geared towards insurance, financial or e-commerce business), with high profit margins and a 12,5% corporate profit tax. **Third tax avoidance point.**
- 06 The Swiss company ITX Holding, a company that directly owns ITX Trading, pays dividends to ITX Financien II (subsidiary of the also Dutch Zara Holdings BV) – These dividends amounted to more than €620 million between 2012 and 2014.
- 07 As we will see in the specific explanation of the companies that we have analysed in each country, ITX Swiss companies and ITX Irish companies are also connected, because the Swiss company ITX Holding also owns the Irish company Zara Financien.
- 08 A part of the profit generated in the activities already mentioned is paid to Industrias de Diseño Textil, SA (the parent company - headquartered in Spain) in the form of dividends, and the other is used to self-finance the expansion of the group. The payment is made via the Dutch holding company Zara Holding BV, which is the converging point of the whole structure explained above, owning all the Dutch, Swiss and Irish companies mentioned before (directly or indirectly). This structure will be explained in more depth in the following pages.

BOX 1 A NOTE ON THE CHALLENGES OF QUANTIFYING INDITEX'S TAX AVOIDANCE

Over the next pages we will try to show individually how each of the analysed companies of the ITX group works as a tool that helps the company to shift its profits and avoid paying significant amounts of taxes.

For the next chapters we have used information contained in the financial statements of ITX subsidiaries submitted to the Dutch and Irish Business Registries (and some information from Swiss official entities), and we made assumptions to calculate the figures that we put forward. Although we have chosen a methodology that in our view best reflects the reality of the company, errors may arise as these assumptions were made when there was a lack of information provided by the company, because it was not fully available to the public. The best way to solve this potential issue is by making public all the information that help to understand the real behaviour of the company. As we stated, Italy seems to be a pioneering country in this matter, as the financial statements contained in their registry were the most complete of the countries that we have analysed.

IV. GOING DUTCH: SHIFTING PROFITS THROUGH ROYALTY PAYMENTS

Most of the major companies in Europe have holding companies in the Netherlands, where they control financing, insurance or royalty-aimed subsidiaries in order to optimise their fiscal structure, because the Netherlands has a wide range of double taxation treaties²⁰ and a flexible tax system. This country has also been under investigation for tax rulings, as recent examples such as Starbucks (reported by the EU commission)²¹ show. In terms of corporate tax rate, this fell from 35 % (2000) to 25 % (2015), a reduction of 29%, and it is below the European Weighted Average Corporate Tax Rate (EWACTR) of 2014, 28%²².

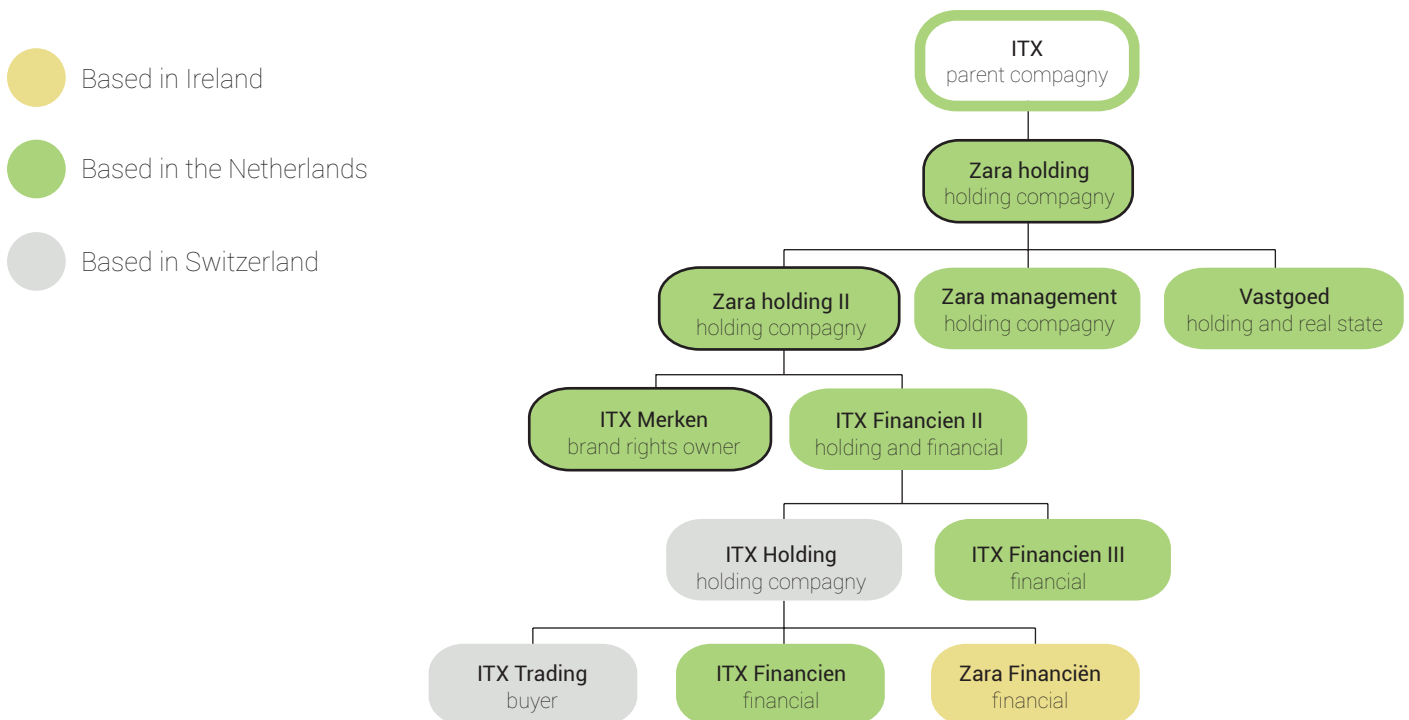
In this chapter, we will look into Inditex' presence and activities in the Netherlands and we will estimate the amount of missing taxes (and other indicators) in 8 of ITX's major European markets, generated thanks to royalty shifting to the Netherlands.

4.1 Inditex' structure in the Netherlands

The ITX group has a strong presence in the Netherlands. In 2014 they had 1569 employees there, and 20 companies registered in the KvK (Kamer van Koophandel), the Dutch chamber of commerce.

In the 2011-2014 period, the group's 3 main Dutch-based companies that we analysed had a combined net income of €3 billion²³. That is 32% of ITX group's global net income for the period. These figures contrast clearly with the Dutch market size for the ITX retail business, as the country has 16,83 million citizens²⁴. In 2014 there were just 56 shops in the country. That's a medium size country for ITX, compared with their presence in countries such as Italy (337 stores), Portugal (336 stores), France (154 stores), Greece (154 stores), Germany (122 stores) or United Kingdom (101) in the same period. Between 2008 and 2014, ITX doubled its non-retail companies in the Netherlands, going from 7 to 14, reinforcing the key role played by Dutch companies in their structure.

GRAPH 7: INDITEX STRUCTURE (SIMPLIFIED)



The ITX simplified structure in the Netherlands, without taking into account retail subsidiaries and similar companies, is shown in the graphic above. We will focus on four subsidiaries in this report.

They have a strong foothold in the country, as we have shown, and that is because ITX is using the Netherlands as an operations base to manage a wide range of activities. From holding companies that own ITX group subsidiaries in Mexico, United States, Hong Kong, Macau and Europe to financial companies or the branding rights operating company²⁵.

The global estimate of taxes avoided thanks to these mechanisms is as large as €378,42 million in the 2011-2014 period.

ITX Merken: the royalty payments receiver

ITX Merken (Merken in Dutch means brands) is in our view the key company to explain the ITX tax avoidance structure. It was registered in the Netherlands in 1996, and according to its financial statements, its core activity is to provide franchise contracts regarding the shop formula of the ITX brands and other complementary activities such as provision

of shop fit-out. It is also stated there that the majority of the company's income comes from royalty payments.

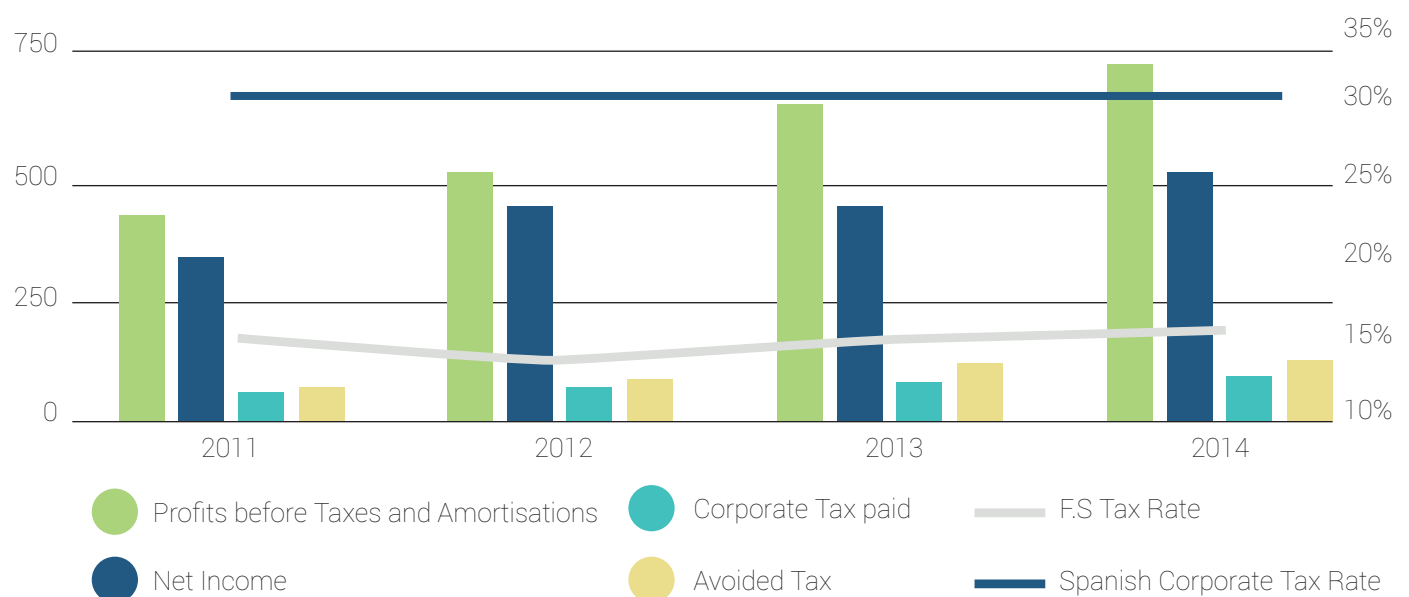
As mentioned above (section 3.3), ITX retail subsidiaries are paying a percentage of their sales as a royalty fee to ITX Merken, in the Netherlands (which is 5% for Italy and which we assumed is similar for other countries where ITX operate). In other words, ITX is able to shift this 5% of its revenues to the Netherlands, where it only pays a 15% rate of corporate tax, in contrast with the 34% that they could be paying in Italy for instance.

ITX Merken declared a net income of €1,95 billion in the 2011-2014 period alone, with a net profit margin of 45%. That profit represents around 21% of ITX's net income, with just 203 employees (2014). **Its profit/employee rate was €2,4 million per employee for 2014 (meanwhile, the ITX group has a general rate of €0,018 million of profit per employee).**

Net Income 2011-2014	1 946,56 M€
2014 Employees	203

Millions of €

GRAPH 8: ITX MERKEN KEY INFORMATION



€290 million: this is the amount of corporate tax paid by ITX Merken for the 2011-2014 period. While this is a substantial amount, ITX is only taxed at 15% in the Netherlands.

€295 million: estimated amount saved by Inditex over the last five years by shifting royalties to the Netherlands, rather than to Spain. If these royalties had been paid to the parent company, in Spain, they would have been taxed at a higher rate (30%).

ITX Merken bought the branding rights from another group company, but its name is not publicly disclosed. In 2013, the company renewed the use of its brands for another 12 years, for the sum of €1.47 billion, that seems to be paid with cash and a short term loan. Branding rights wouldn't produce deductible amortisation in Spain, but they do in the Netherlands. This means that ITX is also saving taxes in this way. We estimate that with the generated deductible amortisation on branding rights (in the Netherlands), ITX has saved around €84 million (compared to if branding rights were owned by the headquarter company in Spain).

Combining these two mechanisms, ITX saved almost €380 million by structuring itself in the Netherlands and benefiting from its lax tax legislation, being effectively taxed at 13% only. And this is without counting possible additional tax breaks, such as tax rulings for example, which are not publicly disclosed.

The strong position of ITX Merken is used for financial means such as guarantees for other group companies or providing a credit of €720,90 million to its direct parent company, Zara Holding BV II. The loan is used to invest in other group companies, so the royalty profit although not distributed as a dividend, serves to increase ITX group's net income.

We noticed that ITX Merken also had a Swiss branch in Fribourg, which was registered in the Fribourg Company Registry in 1996, a few months after the Dutch company was registered. Since more detailed information is not disclosed, we don't know its specific aim or size, so we cannot be sure of the role played by this branch in Switzerland. In 2016, a new Company was registered, ITX Merken New, with a Swiss branch in Geneva. This company was owned by the Dutch group of retail companies (Zara Nederland's BV, Massimo Dutti Nederlands BV, etc.) and it merged with ITX Merken in 2016, creating a new entity.

Zara Holding BV: the one not paying a single euro in corporate tax (2011-2014)

Zara Holding BV is one of the biggest and oldest holding companies in the ITX group. It directly owns more than 40 companies around the world, mainly outside Europe. It is the converging point of the Dutch, Irish and Swiss holding structure, and its direct parent company is ITX, SA (the main Spanish holding company). It was incorporated in 1988, and according to its financial statements is engaged in the holding of retail and fashion subsidiaries (and also holds other holding companies and real estate subsidiaries). The company had 15 employees in 2014 and its shareholder's equity was €1,35 billion.

Net Income 2011-2014	592,79 M€
2014 Employees	15

Its portfolio includes companies in countries such as China, Canada, U.S., Australia, Kazakhstan, Japan, Mexico or Russia. It directly or indirectly controls all the Dutch, Swiss and Irish non-retail companies (such as ITX Merken, ITX Holding or ITX RE). Its function in the ITX structure is to manage a great part of its non-European-retail companies, and being the gateway to Europe of the dividends that those companies could have generated.

Zara Holding BV received nearly €593 million in dividends in the 2011-2014 period and paid €473 million in dividends to its parent company in Spain. The exact origin of the dividends received is not publicly disclosed, so it is not possible to estimate the amount of tax avoided by this means. **But an interesting fact in Zara Holding BV's financial statements is that it didn't pay a single euro in corporate tax over the last five years.**

Zara Holding II BV: the one not having any employee (2014)

Net Income 2011-2014	82,45 M€
2014 Employees	0

As seen in the graphic structure of ITX Dutch subsidiaries, Zara Holding II BV is a very important subsidiary of the group. It is the direct or indirect owner of most of the companies analysed in this report, directly owning for example ITX Merken, ITX Fashion or ITX Financien II.

Incorporated in 1997, it is, according to its financial statements, engaged in the holding of retail and fashion subsidiaries (and also holds other financial, e-commerce or insurance subsidiaries). Its function in the ITX structure seems to be the management of a large part of the non-retail companies though, which play an important part in the ITX tax planning structure.

In 2014 Zara Holding BV also owned 7 other companies based in Macau and 7 companies based in Hong Kong, which are known to be low-tax countries. **Zara Holding II had no employee in 2014 and its shareholder's equity was €509 million.**

4.2 Impact of profit shifting through royalty payments

As previously stated, Europe is the core market for ITX. We have consulted the financial statements of the retail subsidiaries of the ITX group in the Business Registries of

8 European countries to check certain figures, such as their sales, royalty expenses, net income or corporate tax paid, with the purpose of estimating the scale of ITX profit shifting via royalty-expense.

The information concerning royalty expenses is not published by ITX in their consolidated or individual financial statements, but thanks to the completeness of the information published in the financial statement of the Italian retail subsidiaries, we were able to see that the royalty expense paid by them to the Dutch group company that owns the brand management rights, ITX Merken, was exactly 5% of their sales (4% for Zara Home). That is the rate that we have used to estimate the royalty expenses in the other countries that we have analysed.

We analysed the estimated amount of royalties paid by ITX retail companies in Spain, France, Italy, Germany, United Kingdom, Austria, Greece and Belgium. In those countries their business structure is pretty homogeneous, except in the Spanish case as the group is headquartered there²⁶. That structure consists of a subsidiary company for each group brand, owned by their respective brand holding company in Spain. It's a simple structure, with one or two levels of ownership. The sum of ITX sales in the countries that we have analysed represent nearly half (46%) of ITX total sales.

	Sales	Royalties Paid	Legal Tax Rate 2014	Missing Tax
Spain	14 540,1	727,01	30,0%	218,1
Italy	3 607,5	180,38	31,4%	56,6
France	4 542,5	227,12	33,3%	75,7
Greece	1 503,1	75,16	26,0%	19,5
Austria	454,1	22,70	25,0%	5,7
Germany	1 567,2	78,36	32,3%	25,3
United Kingdom	2 059,2	102,96	21,0%	21,6
Belgium	1 062,0	53,10	34,0%	18,1
TOTAL	29 768,1	1 488,40		445,2

In millions of euros (pounds in the case of the United Kingdom). Aggregated data of the 2011-2014 period.

We can see from the previous table that the eight countries analysed have been unable to collect €445 million in corporate taxes in the 2011-2014 period due to royalty payments diminishing subsidiaries' profits in each eight countries. However, part of the royalties have been taxed in the Netherlands, as explained above. This situation nevertheless represents a huge social cost, bigger if possible for countries like Italy, Spain or Greece, that suffered a deep economic crisis, with persistent budget deficits and a major increase in public debt.

The profit margin of these ITX retail companies in different countries is around 4% (in the 2011-2014 period), while the overall margin of Inditex as a group is 14%. Royalty payments is one illustration of the possibility that part of the group's profits is moved to non-retail group companies (with higher profit margins) located in low-tax countries or countries where you could get special tax treatment (in this case: the Netherlands, Ireland or Switzerland).

	Profit before taxes	Royalties Paid	Income tax paid	Effective tax rate	Royalties/Taxes
Italy	187,6	180,4	69,9	37,2%	2,6
France	349,9	227,1	119,6	34,2%	1,9
Greece	38,8	75,2	12,3	31,8%	6,1
Austria	33,0	22,7	8,9	27,0%	2,6
Germany	70,2	78,4	18,7	26,6%	4,2
UK	161,3	103,0	44,4	27,5%	2,3
Belgium	99,3	53,1	29,5	29,7%	1,8
TOTAL	974,0	760,4	312,7	32,1%	2,4

It is worth noticing that ITX subsidiaries in Germany and Greece have paid more royalties to ITX Merken than they declare profit before tax for the same period. We have estimated that the retail subsidiaries in these seven countries (Spain not being included for this purpose) have paid €760 million in royalty payments to ITX Merken in the Netherlands, while they have listed only €312 million in corporate taxes.

In the Netherlands, royalty-profit has been taxed at a 15% rate instead of the Spanish 30% corporate tax rate, or tax rates shown above. This tax competition among EU member states diminishes the available resources of certain countries and increases the resources of others, but the outcome of that shift of tax revenue is a negative figure, as less taxes are collected globally in the European Union.

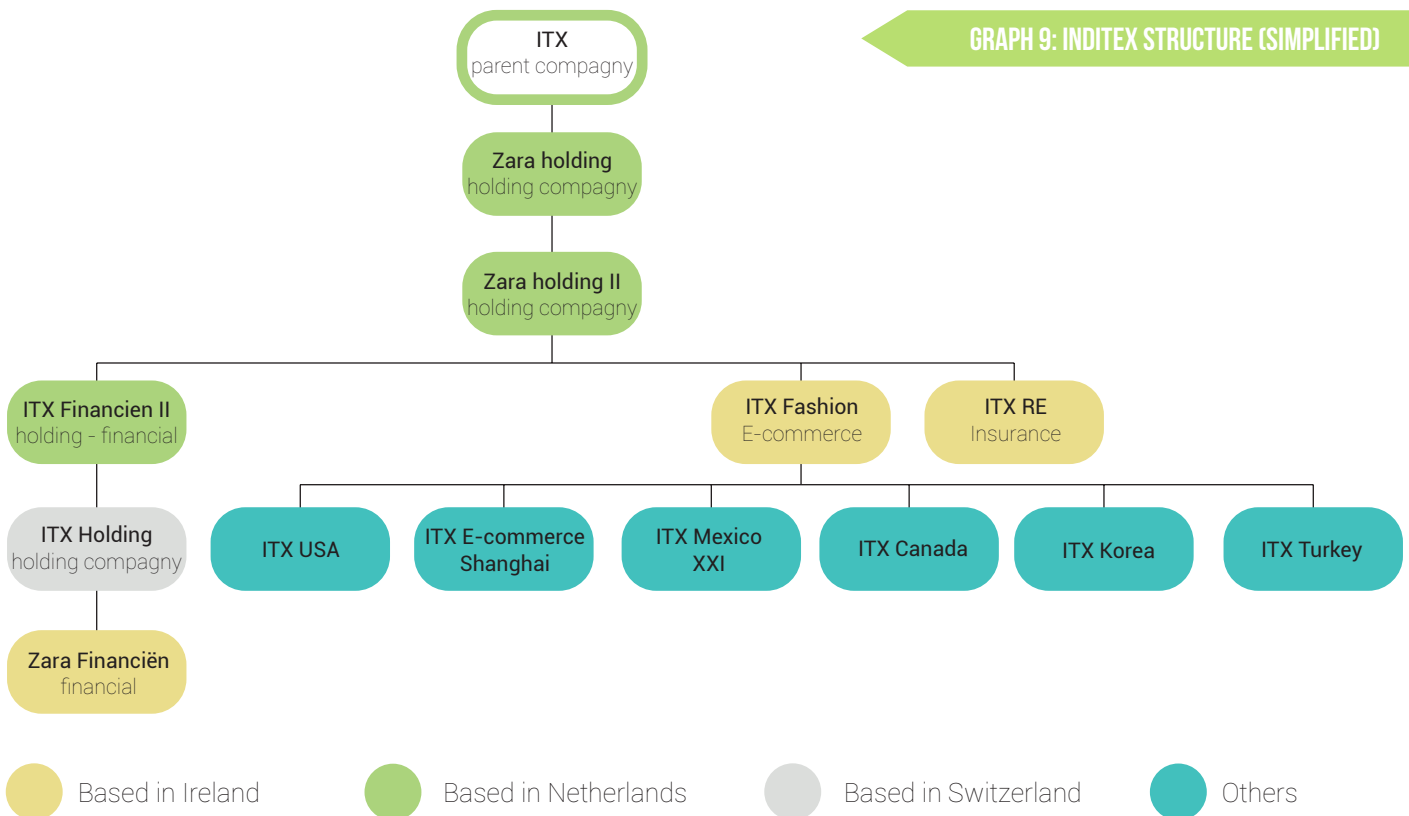
V. THE IRISH CASE - LOWER AND LOWER TAXES

Ireland has been known in recent years for the low tax pressure that it applies to its corporate taxpayers. The Irish corporate tax rate has fallen from 38 % in 1996 to its actual figure of 12,5%. The Irish government announced in 2015 a new specific corporate tax rate of just 6,25%²⁷, to attract R&D companies to locate their activities research in Ireland.

ITX employs 771 persons in Ireland (2014 figures) and has 8 companies registered in the Irish Companies Registration Office (CRO). We have analysed 3 of the group companies in Ireland, which had a combined net income of €264,87

million (2011-2014), higher than ITX net profit in countries such as Germany or Italy in the same period. These figures again contrast clearly with the size of the Irish market for the ITX retail business, as the country has just 4,61 millions of citizens²⁸. In 2014 there were just 23 shops in the country. As we saw in the case of the Netherlands, Ireland is a small-medium size country for ITX business.

The ITX structure in Ireland, without taking into account retail subsidiaries and similar companies, is the following:



ITX Fashion or ITX E-commerce - the king of e-commerce

Net Income 2011-2014	149,04 M€
2014 Employees	21

This company was registered with the Irish Companies Registration Office in December 2006. It concentrated all Inditex e-commerce business, selling Zara Home products first and later expanded to all group brands.

In 2011, the company changed its social denomination from the explicit ITX E-commerce to ITX Fashion. In 2012,

Spanish media revealed that ITX had all its e-commerce business based in Ireland, a low-tax country, which created huge public outcry. As a result, Inditex decided to transfer the e-commerce business for Spain to the Spanish-based subsidiary Fashion Retail España, SA. A year later, Inditex moved its e-commerce activities for the whole Europe to Fashion Retail España, SA. This shows that when subject to public scrutiny, large companies are forced to realign their structure according to their real economic activity.

In 2014 ITX Fashion had 6 subsidiaries: ITX USA; ITX E-commerce Shanghai; ITX Mexico XXI; ITX Canada; ITX Korea and ITX Turkey and employed only 21 persons. The direct owner of this Irish company is the Dutch company Zara Holding II BV, mentioned in the previous chapter.

In the 2011-2014 period, the company had over €1 billion in sales, and a net income of €149 million, with a profit margin of 14,89%. This is more than double the net profit margin of the Irish-based Zara brand retail company, ZA Clothing Ireland Limited, which is just 6,63% (in 2014). Over the last five years, ITX Fashion didn't distribute any profits to its direct company, Zara Holding II BV in the Netherlands, and therefore had €148 million in retained earnings.

Its weight over the group retail sales seems to be diminishing since 2012, when they transferred some of their business areas to other group companies following media pressure^{29,30}. **Nonetheless, we have estimated that having that company located in Ireland saved ITX €29,84 million in taxes (compared to if it were based in Spain).**

ITX RE - the captive insurance business

Net Income 2011-2014	61,27 M€
2014 Employees	2

The company was registered with the Irish Companies Registration Office in March 2006. It is directly owned by the Dutch holding company Zara Holding II BV. ITX RE focuses on the reinsurance business, and according to its financial statements, the company assumes insurance business related to other companies of the ITX group. This kind of

company is known as a "captive insurance company", and serves to maintain as a profit a part of the group's insurance premium expense. These companies are usually based in countries like Bermuda, Cayman Islands, the US or Luxembourg.^{31,32,33}

During the 2011-2014 period the company had a net income of €111 million, and one of the highest profit margins of the ITX group, namely 55,18%. In 2014, ITX had a group profit margin of around 14% only. In 2014, ITX RE only distributed €20 million to its direct owner Zara Holding II BV in the Netherlands.

The "captive insurance company" serves the purpose of maintaining a part of the insurance expense as a profit, but it also serves to diminish its tax expenses³⁴. We have estimated that ITX avoided paying at least €12,25 million in taxes in the 2011-2014 period by having this company located in Ireland (rather than in Spain).

Zara Financiën - effectively managing and controlling without employee

The company was registered in 1995. **Although the company was officially established in the Netherlands, effective management and control of the company is made by its registered office in Dublin. However, according to Zara Financiën's financial statements accounts, the company has no employee.**

Zara Financiën is a financial company, which main purpose is to receive interests on a loan given to a group company, ITX Financien based in the Netherlands. Intra-company loans are known to be a tax avoidance technique widely used by companies to reduce their tax bill. Subsidiaries in high-tax countries contract loans to subsidiaries in low-tax countries, where interests are received (and less taxed). We estimate that by using this Irish based company, ITX has avoided paying €16,82 million in taxes.

In addition, since 2011, Zara Financiën did not pay a cent in corporate tax in Ireland. Meanwhile, it had a net income of €53,92 million in the 2011-2014 period.

VI. SWEET SWITZERLAND: OPAQUE STRUCTURE IN THE ALPS

Switzerland is a well-known tax haven. Traditionally famous for its strong banking secrecy, Switzerland is now turning into a low-tax jurisdiction for big companies. Scandals such as the "Lagarde List" (or "Falciani List") have warned us about the opacity and the practices that are taking place in Switzerland³⁵. Switzerland was also at the heart of the tax planning strategy of our previous research on BASF.

The corporate tax pressure varies between different Swiss cantons. In the present case, corporate taxation in the canton of Fribourg can be as low as 7,8%. If a company qualifies for a holding, principal or mixed company ruling, the effective tax rate can even be reduced to a minimum of 5%. Additionally, full tax holidays up to 10 years might be available in some regions, according to KPMG.³⁶

BOX2 SWISS COUNTER-REFORMS WILL REPLACE OLD LOOPHOLES WITH NEW LOOPHOLES

After years of negotiations with the EU, Switzerland finally agreed to eliminate the preferential regimes that appear to have benefited the four Swiss trading companies discussed in this report. But what comes next may be just as bad. The Swiss parliament approved Corporate Tax Reform III (CTR III) in June 2016. CTR III implements the EU-Swiss agreement to eliminate the preferential tax regimes.³⁷ But when the preferential regimes are phased out in 2019, CTR III replaces them with a comprehensive set of aggressive tax incentives that will seek to maintain Switzerland's status as a European tax haven, while complying with stricter OECD and EU standards.

The new incentives in CTR III include a Notional Interest Deduction, a "super deduction" for research and development expenses, and a patent box. The legislation also includes capital step-up rules which experts say will allow beneficiaries of the old incentives to obtain equivalent tax relief for up to 10 years. These capital step-up provisions will also provide tax benefits to companies relocating to Switzerland³⁸.

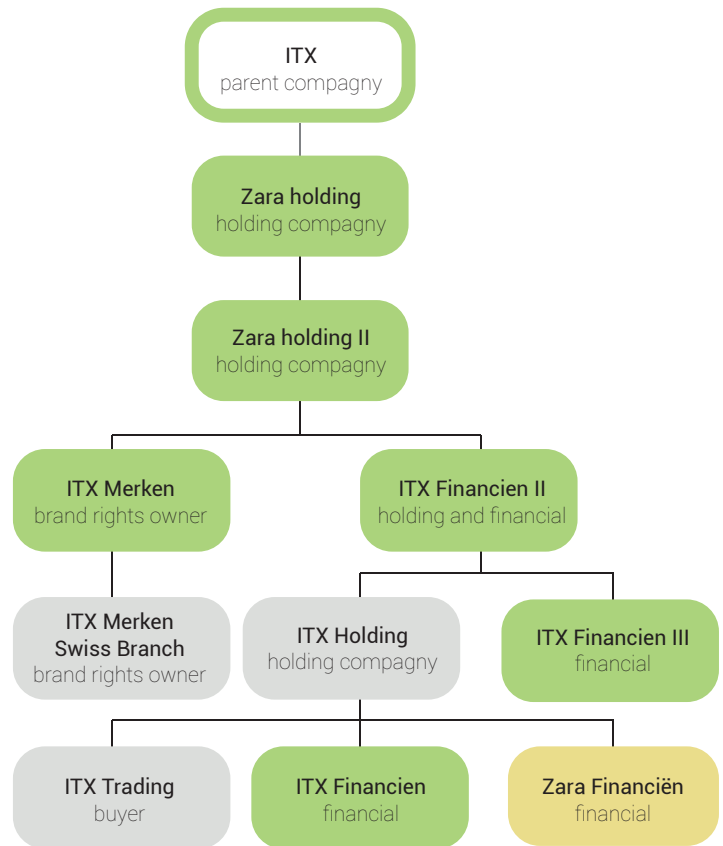
In addition to the new incentives in CTR III, some Swiss cantons have simply decreased their corporate income tax rates to levels that will provide companies with overall effective tax rates (cantonal and federal combined) as low as 12%.

ITX had 1074 employees in Switzerland, and as far as we know, 7 ITX companies were registered in the Fribourg Stat Commerce Registry. In this case the methodology used differs from the Irish and Dutch situations, as there is no

financial information from Swiss sources to apply it to. We have used information obtained from Spanish, Irish and Dutch related parties' financial statements.

GRAPH 10: INDITEX STRUCTURE (SIMPLIFIED)

- Based in Ireland
- Based in the Netherlands
- Based in Switzerland



ITX Holding

Net Income 2012-2014	620 M€
2014 Employees	undisclosed

The first record of this company in the Registry of Commerce of the State of Fribourg dates from April 2010. According to its statutes, modified in 2014, the main purpose of the company is to manage participation in Swiss or foreign businesses. It has a share capital of 100 million Swiss francs (€83,33 million) and from the information contained in the financial statements of ITX Financien II we know that it is fully owned by this Dutch group company.

The company owns at least three subsidiaries. The first one is ITX Trading, based in Fribourg, Switzerland, whose

main aim is to buy, sell, transport, distribute and trade textile products, clothes, shoes and accessories.

ITX holding also owns two of the main financial companies of the group, which we mentioned before: ITX Financien BV, based in Amsterdam, the Netherlands, and Zara Financien BV, effectively managed in Dublin, Ireland. This company manages resources from the 3 European countries that we believe to be key to the ITX tax avoidance structure. This shows how ITX companies in the Netherlands, Ireland and Switzerland are inter-connected.

The net income of ITX holding in Switzerland is not available but its Dutch owner (ITX Financien II) had a net income of €620,09 million between 2012 and 2014. It is fair to assume that this income comes in great part from owning ITX Holding. With limited availability of data and for the purpose of our exercise, we have therefore assumed that ITX Holding net income was of €620 million for the same period.

This would mean that ITX avoided paying €149,03 million thanks to this fiscal structure (compared to if ITX holding was registered in Spain). According to ITX financial statements, it is the company with most own resources in the group: €1,40 billion.

ITX Trading

The first record of the company in the Registry of Commerce of the State of Fribourg dates from February 2006. According to its statutes, the main aim of the company is to buy, sell, transport, distribute and trade textile products, clothes, shoes and accessories.

ITX Trading is one of the key companies in the ITX structure because it is in charge of buying the manufactured clothes to group suppliers in countries such as Bangladesh, Morocco or Turkey, and then selling them back to other subsidiaries (i.e. the first point of tax avoidance identified in the map above). It is owned by ITX Holding, based in Fribourg, Switzerland.

Inditex was one of the companies that was buying clothes from suppliers that had operations in the building that collapsed in Dhaka, Bangladesh in 2013 (as well as H&M, Mango or Primark) and where more than 1100 persons lost their lives³⁹. After that, ITX was a founding member of the Bangladesh Accord on Fire and Building Safety that involves more than 190 textile companies.⁴⁰

ITX products are designed mainly in Spain, but most of them are produced by third parties, and it could be the case that the merchandise goes directly to Spain from the place of manufacture, where most of the group logistic companies

are based. **One of the benefits of locating this company in Switzerland could be low taxation and tax holidays applied to the profits made by the company in the process of buying and selling clothes.**

ITX Merken (Swiss Branch)

The first record in the Registry of Commerce of the State of Fribourg dates from July 1996. According to the Fribourg Registry of commerce, the company is dedicated to generating revenue from franchise agreements related to store and product concepts. It is a Swiss branch of the Dutch company ITX Merken, previously analysed.

Specific information about the company is not available, because it was not disclosed as a separate entity in the financial statements of ITX Merken (Netherlands), and that information is not available either from the Swiss Chamber of Commerce.

New ITX Merken

This company is a new branch of the Dutch company New ITX Merken. The first record in the Registry of Commerce of the State of Geneva dates from January 2016. According to the Registry, the aim of the branch is to deliver services related with brand image, among others.

The purpose of the company could be to serve as a primary or secondary Swiss subsidiary of ITX Merken, but we don't know to what extent this company is strategically important for the business developed by ITX Merken, due to the opacity of Swiss public financial information.

VII. CONCLUSIONS AND RECOMMENDATIONS

Our conclusion after analysing ITX financial accounts is that there is a big difference between:

- The retail activities of the company, located everywhere in Europe. These are the shops where customers buy Zara, Pull & Bear or Massimo Dutti's clothes and;
- The non-retail activities (insurance, e-commerce, etc.) mostly located in low-tax countries such as the Netherlands, Ireland or Switzerland. It seems clear these countries offer certain tax benefits to the ITX group to establish their holdings, royalty-management, insurance, e-commerce, financial or purchasing companies, which other countries do not provide.

The fact that some countries offer special tax advantages matters a great deal to the internal structuring of large companies like ITX. Such structures, however, would no longer have a reason to exist should we have greater fiscal harmonisation in Europe.

The amount that in this case ITX and more general that large companies can avoid by playing one tax system against another is a negative-sum game. Tax avoidance has massive negative effects in Europe with clear winners and losers. The winners are the company themselves and countries like the Netherlands, Ireland or Switzerland. The losers are the rest of the taxpayers and other EU member states, which are either compensating for the losses or seeing their budget reduced.

This report builds on a wealth of recent reporting and research into aggressive tax avoidance by multinational enterprises. It reinforces a series of recommendations, which the Greens / EFA group is defending at European level:

- 01 The need for greater transparency and public Country-by-Country Reporting:** this research has uncovered serious red flags for profit shifting and tax avoidance and current financial reporting standards do not provide sufficient information to determine what is really artificial arrangements designed to shift profits to low-tax jurisdictions.
- 02 The need for publication of tax rulings received by large companies:** while progress has been done to ensure tax authorities in Europe know about sweetheart tax deals received by large companies in another European countries, this is not enough. There is huge selectivity and discretion as to which rulings are really sent to other countries' tax authorities. A simpler option would be to make public which companies receive a special tax treatment, so that citizens and shareholders know about it.
- 03 The need to adopt a Common Consolidated Corporate Tax Base (CCCTB) in Europe:** we should move away from the twin fictions of arms-length pricing (ALP) and the separate entity principle which govern corporate taxation for the past 100 years. Multinationals should pay tax where they make their profits but while we have a European single market, mismatches still exist between tax systems of the 28 member states. A CCCTB would establish a single set of rules that companies operating within the EU would use to calculate their taxable profits (the "common" in CCCTB) and a formula for allocating those taxable profits to member states based on their real economic activities (the "consolidated" in CCCTB). To be effective and fair the CCCTB must be robust enough to prevent multinationals from shifting profits out of the EU and should also ensure that EU-based multinationals will not be able to shift profits out of non-EU countries to non-EU tax havens.

04

The need for a minimum corporate tax rate in Europe: as European corporate tax reforms will soon enter into place, we notice the risk of greater tax competition on corporate tax rates. Several European member states - UK, the Netherlands, Belgium, France etc. - have recently announced their intention to reduce their corporate tax rate, Hungary claiming to go as low as 9% for example. This dangerous race to the bottom should be prevented by agreeing on a minimum corporate tax rate in Europe.

The tax policies of some EU member states are promoting tax avoidance, thus diminishing the capital contribution for the maintenance of the welfare system, precisely at a time when it is suffering the most. More than ever, it is time for European citizens to gather and hold their elected representatives accountable to truly act for tax justice.

10 STEPS TOWARDS Tax Justice IN EUROPE

1 European protection for whistleblowers
Whistleblowers are often sued and suffer from job loss. Campaign to create European protection... and an EU fund to support them.

2 Transparency about sweetheart tax deals
Your proposal got the majority vote in the European Parliament. TAKE THE SHORTCUT!
The Luxleaks scandal made it clear that companies abuse rulings.

3 Tax transparency: public country by country reporting
No more big companies getting secret deals!
Request member states to publish the rulings they grant.
Most large companies keep their subsidiaries and number of employees secret.

4 Fighting tax secrecy and letter box companies
The European Commission decided to do an impact assessment. WAIT HERE TILL YOU ROLL 6!
Companies must be more transparent on where they do business and where they pay taxes.
Transparency of who owns business is essential.

5 Harmonise corporate tax base and rates in Europe
We need real exchange of tax information and a ban on shell companies. GO BACK 2 STEPS!
The proposal for a new directive was killed by lobbyists. GO BACK 2 STEPS!
We need a European common approach to tax bases and tax rates in the EU.
We need to look at multinationals' profits in a consolidated manner in Europe.

6 Reforming existing tax loopholes
Some member states and accountants are always eager to find new ways of offering tax advantages.
The Council is blocking the proposal. GO BACK 5 STEPS!

7 Sanctions against tax havens
Major win! You agree on an EU definition of tax havens!
Adopt greater economic sanctions against your tax haven neighbours.
Denounce the multiplication of tax loopholes such as patent boxes, free tax zones or treaty shopping.

8 More investigations against companies
The Luxleaks scandal included over 350 companies.
Investigate more companies and bring the money recovered to the EU budget.

9 Regulating the industry helping companies to avoid tax
There is a world of accountants and other tax professionals advising companies on the best tax tricks.
Member states show no political will. WAIT HERE FOR 3 TURNS!
Call for stronger separation between their audit and consultancy activities.

10 Strengthening national tax administrations
You took money from a lobbyist and lost all credibility in the European Parliament. START OVER FROM THE BEGINNING!
Fighting tax evasion and tax avoidance cannot be done without tax inspectors.
Increase tax administrations' capacity so that they can track the money.

Start
Ready to ask your leaders to support Tax Justice?

The Greens | EFA
in the European Parliament

Tax Justice
CONGRATS!
Thanks to you WE ALL WIN!
Let's make our European leaders commit to deliver Tax Justice!
NOW!

This infographic is brought to you by the Greens / EFA in the European Parliament – illustration by Paul Stellingwerf.com © 2015

ANNEX I. METHODOLOGY

Selection of the countries for the country-by-country analysis: We selected the countries by following the criteria of representativeness in overall sales and availability of data.

Missing tax revenue by country: The estimated lost tax revenue that could have been paid in the origin country if those revenues and profits (made in the retail stores) had not been shifted to low tax countries, and stayed in the origin country. This is the methodology applied to calculate the figures in Chapter 4.

We have consulted the financial statements of the retail subsidiaries of the ITX group in the different Business Registries of 8 European countries (Austria, Belgium, France, Germany, Greece, Italy, Spain and the UK) to check certain figures, such as their sales, royalty expenses, net income or corporate tax paid, with the purpose of estimating the scale of ITX profit shifting by the means of royalty-expense

Estimation of missing tax:

1. We take the royalty paid to ITX Merken by the retail-subsiary (estimated at a 5% of sales, because that is the rate disclosed in the financial statements of the Italian subsidiaries)

2. We estimate how much tax could be collected by using the Corporate Tax Rate of every country analysed, obtained from Eurostat.

Tax avoided: Tax saved by the company by paying taxes in a low tax country. This is the methodology applied to calculate the figures from Chapters 5 & 6. The tax avoided is calculated in this way:

- We first take the tax paid by each company in the low tax country (Netherlands, Ireland and Switzerland) from their financial statements.
- We apply two slightly different methodologies here. We estimate the tax that could be paid if the company was located in Spain. On the other hand, we also estimate the European Weighted Average Corporate Tax Rate –hereafter EWACTR - (2014: 28% ;) and we apply it to the profit data obtained from their financial statements, to recalculate the possible tax that could have been paid under the assumptions that we made.
- In the case of the Netherlands, more specifically of ITX Merken, since it is possible to reduce the tax base with the amortization of the royalty licence rights by shifting those rights to the Netherlands, we calculate the avoided tax on the amount of profit prior to amortizations (there would not be such amortization if the rights had stayed with the Spanish based proprietary).
- Then, to obtain the exact figure for tax avoided thanks to these practices, we subtract the "Estimate tax at 30% rate" from the "Tax effectively paid in the Netherlands, Ireland or Switzerland".

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ITX Corporate Information:

https://www.ITX.com/en/investors/investors_relations/financial_annual_report

Dutch Business Registry: Kamer van Koophandel:

<http://www.kvk.nl/>

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Irish Business Registry: Companies Registration Office:

<https://www.cro.ie/>

Companies analysed: ITX Fashion Ltd; ITX RE; Za Clothing Ireland, Ltd.; Zara Financien B.V. Ireland

Register of Commerce of Fribourg Canton:

http://www.fr.ch/src/en/pub/search_a_company/search.htm

Companies analysed: ITX Trading, SA;; ITX Holding, SA; ITX Merken B.V.

Chamber of Commerce of Geneve Canton:

<http://rc.ge.ch/>

Companies analysed: ITX Merken New B.V.

Luxembourg: Registre de Commerce et des Sociétés :

<https://www.rcsl.lu/mjrcs/jsp/IndexActionNotSecured.action?time=1461840675029&loop=1>

Companies analysed: West End Investments, Sarl ; Hills Place, Sarl; Zara Luxembourg, SA

Spain: ITX declares its sales in Spain separately in their financial statements. Although we have consulted some financial statements in the site of Registradores de España:

<https://www.registradores.org/registroonline/home.seam#>

Companies analysed: Pontegadea de Inversiones, SL, ITX SA.

Germany: Company Register:

<https://www.unternehmensregister.de/ureg/?submitaction=language&language=en>

Companies analysed: Bershka Deutschland B.V. & CO. KG; BSKE, GMBH; Goa-Invest Deutschland GMBH; KG Massimo Dutti Deutschland, B.V. & CO.; Kommanditgesellschaft ZARA Deutschland B.V. & Co. ; Massimo Dutti Deutschland, GmbH; Pull & Bear Deutschland BV& CO; Zara Deutschland, GmbH; Zara Home Deutschland B.V. & Co. KG; ZHE, GmbH

Italy: Registro Imprese:

<https://www.registroimprese.it/en/web/guest/home>

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United Kingdom: Companies House

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Companies analysed: Bershka U.K., Ltd. ; Massimo Dutti UK, Ltd. ; Pull & Bear Uk Limited ; Zara UK, Ltd. ; Zara Home U.K., Ltd.

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23. The amount of dividends paid among the analysed Dutch companies is relatively low compared with the sum of the net profit.
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25. In this case, and also for the Irish and Swiss cases, we won't analyse the retail subsidiaries of the ITX group in those countries. We won't do so as they are usually indirectly owned by a Spanish firm (Bershka Nederland BV is owned by BERSHKA BSK ESPAÑA SA) and they are devoted to the company's main business. We will only analyse the companies that are not directly related with retail, such as finance, insurance, holding or purchasing companies.
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