



# Inter IKEA Group Tax Report FY21

# Introduction

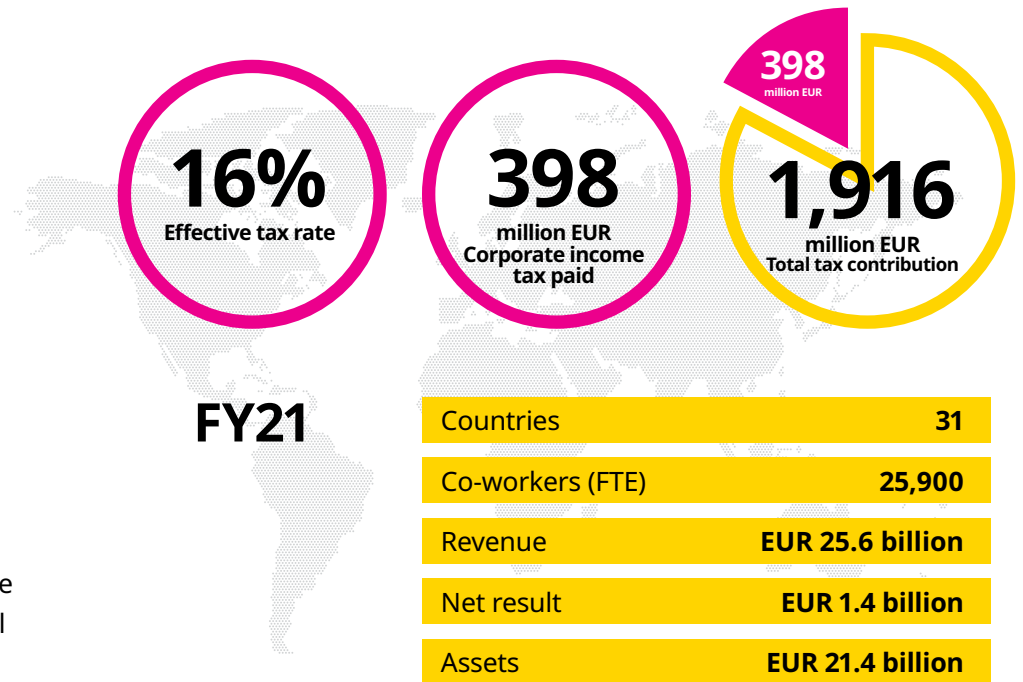
One brand, many companies, and many, many people – that’s IKEA in a nutshell. Spread all over the world, the IKEA brand is founded on an inspiring and shared vision: *to create a better everyday life for the many people*. As the owner of the IKEA brand and worldwide IKEA franchisor, Inter IKEA Group works together with its franchisees and suppliers to co-create an even better IKEA offer and franchise system that benefits the many.

This tax report provides information on the taxes paid by Inter IKEA Group companies for the financial year 2021 (FY21). FY21 is the period from 1 September 2020 to 31 August 2021. In this report we give insight into how our effective tax rate of 16.0% is built up, share the country-by-country report and provide a breakdown of our total tax contribution of EUR 1,916 million.

The tax report is based on the information Inter IKEA Group provides in other reporting:

- The Inter IKEA Group Financial Summary FY21.
- The Inter IKEA Group Annual Report FY21, which is a comprehensive overview of Inter IKEA Group’s business achievements and financial statements for financial year 2021.

Inter IKEA Group also publishes a yearly IKEA Sustainability Report. However, this report has a different scope and covers all companies working under the IKEA brand across the IKEA franchise system.







## About Inter IKEA Group

Inter IKEA Holding B.V. is the holding company of the Inter IKEA Group.

Inter IKEA Group has three core businesses: Franchise, Range and Supply. The core businesses work together with franchisees and suppliers to co-create the IKEA offer and franchise system. Inter IKEA Group aims to provide the best possible conditions for implementing and operating the IKEA Concept, and to create a strong platform for growth.

### **Franchise**

Franchise consists of Inter IKEA Systems B.V. and its subsidiaries, including IKEA Marketing & Communication AB.

Inter IKEA Systems B.V. is the worldwide IKEA franchisor and owner of the IKEA Concept (which includes the IKEA brand). Inter IKEA Systems B.V. continuously develops the IKEA Concept and ensures its successful implementation in new and existing markets. This enables IKEA to remain forward-looking in areas such as brand development, sustainability, people and environment,

market potential and expansion. IKEA Marketing & Communication AB develops and creates IKEA communication content.

### **Range**

Range includes IKEA of Sweden AB and related businesses. It is responsible for designing and developing the overall IKEA product range, including home furnishings, food and packaging solutions, under assignment of Inter IKEA Systems B.V.

### **Supply**

Supply includes IKEA Supply AG, IKEA Industry AB, IKEA Components AB and related businesses. Inter IKEA Systems B.V. assigns IKEA Supply AG to source and distribute IKEA products to IKEA franchisees.

Most IKEA products (89%) are sourced from external suppliers across the globe. IKEA Supply AG manages and operates the IKEA supply chain together with its wholesale subsidiaries and external business partners, such as transport service providers, warehouse providers and custom brokers.

IKEA Industry AB is a strategic IKEA manufacturer owned by Inter IKEA Group that produces IKEA home furnishing products and develops unique IKEA manufacturing capabilities in relevant parts of the supply chain. IKEA Industry produces approximately 11% of the IKEA product range, with a main focus on wood-based furniture.

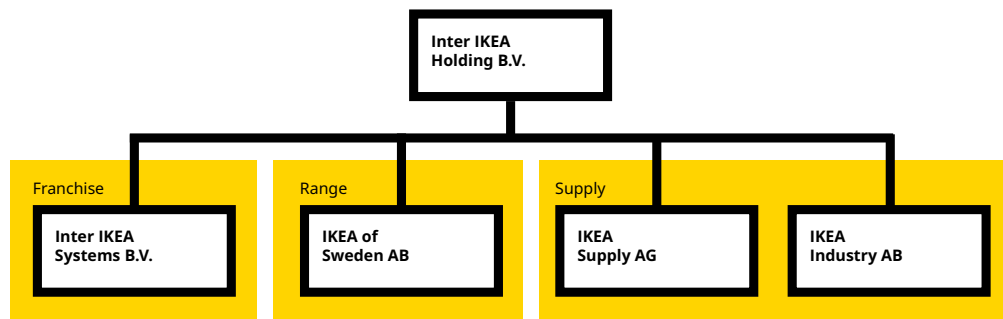
IKEA Components AB develops, sources, packs and supplies components, such as screws and wooden dowels that are used to assemble IKEA furniture.

**Other functions**

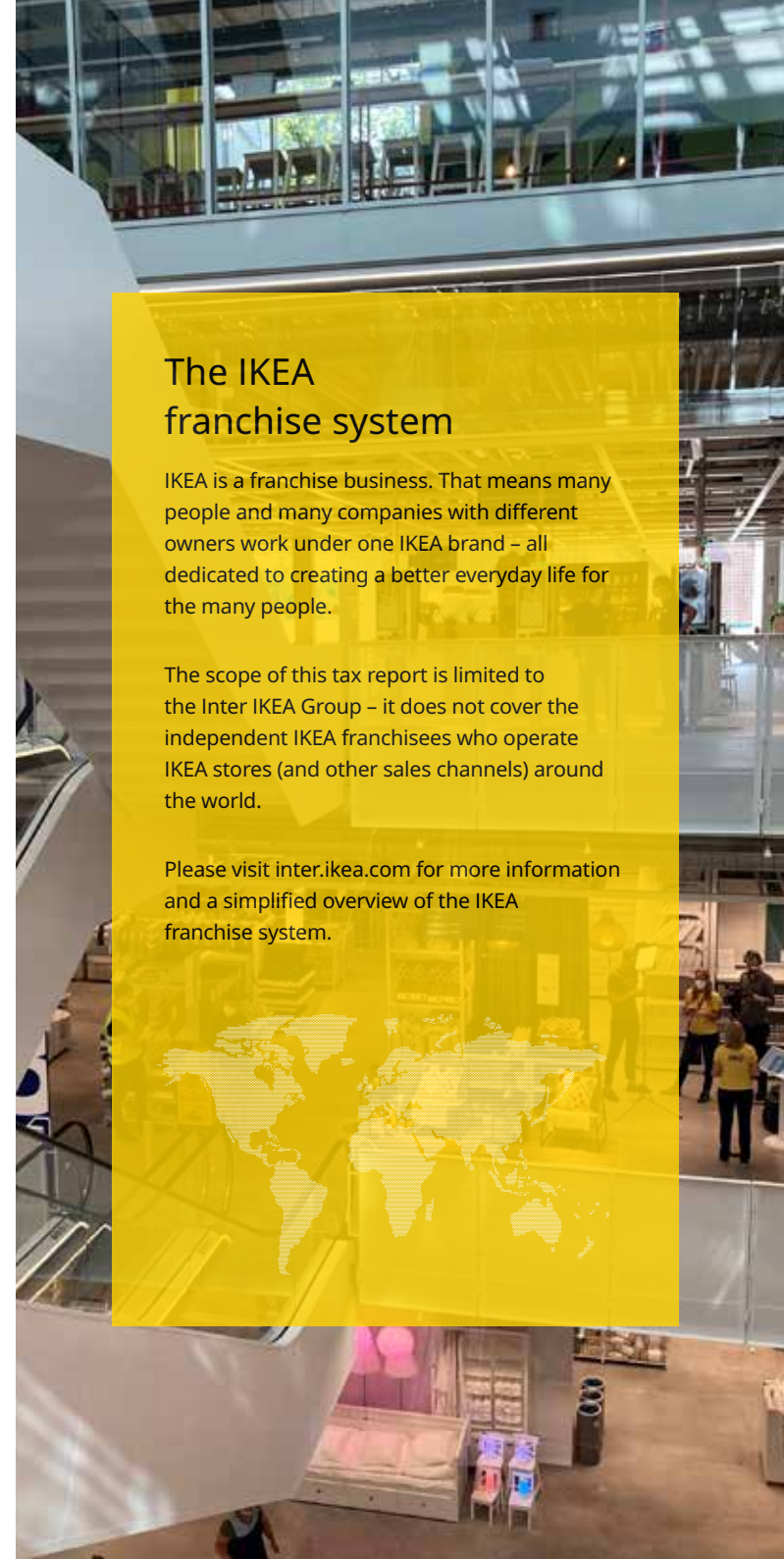
To support the core businesses, Inter IKEA Group includes group functions for People & Culture, Communication, Risk, Finance, Legal and other activities. IKEA Älmhult AB, which owns and operates the IKEA Hotell and IKEA Museum, is also part of Inter IKEA Group.

**Ownership**

Inter IKEA Group is ultimately owned by Interogo Foundation, based in Liechtenstein. Interogo Holding AG is a co-shareholder, contributing capital and loans to Inter IKEA Group. Interogo Foundation is the sole controlling shareholder in Inter IKEA Holding B.V.



**Overview of Inter IKEA Group**



**The IKEA franchise system**

IKEA is a franchise business. That means many people and many companies with different owners work under one IKEA brand – all dedicated to creating a better everyday life for the many people.

The scope of this tax report is limited to the Inter IKEA Group – it does not cover the independent IKEA franchisees who operate IKEA stores (and other sales channels) around the world.

Please visit [inter.ikea.com](http://inter.ikea.com) for more information and a simplified overview of the IKEA franchise system.





## Our tax principles

Inter IKEA Group's approach to tax is based on the following tax principles (these can also be found on [inter.ikea.com](https://inter.ikea.com)):

### **Tax principle 1 - Compliance**

We are committed to complying with all tax legislation and paying taxes in accordance with the rules and regulations in the jurisdictions where we operate.

### **Tax principle 2 - Business rationale**

We believe that tax should follow business. There is always a business reason for operating in a certain country. We pay tax in the countries where we operate based on the value created there and the economic reality of our business.

### **Tax principle 3 - Transfer pricing**

We apply the arm's length principle and follow international transfer pricing guidance when pricing transactions with group companies. We are consistent in our pricing across the countries where we operate and maintain documentation to support the transfer pricing policies applied.

### **Tax principle 4 - Relationship with tax authorities**

We act with integrity towards tax authorities in all the countries we operate in. When tax law is complex or unclear we strive for open and constructive dialogue with tax authorities to achieve clarity. This will always be done on the basis of full disclosure of relevant facts and circumstances.

### **Tax principle 5 - Transparency**

We are transparent about our approach to tax and our tax position. We do this by giving insight into how our effective tax rate is built up, disclosing our country-by-country report for corporate income tax and providing a breakdown of our total tax contribution.

### **Tax principle 6 - Governance**

We have a tax policy in place based on our tax principles that has been approved by the Finance Committee of our Management Board. The Finance Committee receives regular updates on material tax matters and we also report annually to our Audit Committee on our tax position. Inter IKEA Group has the mechanisms in place to safeguard adherence to our tax policy.



## Tax audits and investigations

Inter IKEA Group's income tax position is regularly reviewed by the tax authorities of the countries in which we operate. Just like for other multinational companies, these tax audits often concern transfer prices that have been applied between group companies. Transfer pricing is also the main topic of the pending state aid investigation that the European Commission started against the Netherlands with regard to two rulings that were concluded with Inter IKEA Systems B.V. in 2006 and 2011. This state aid investigation is primarily a matter between the European Commission and the Dutch authorities. Inter IKEA Group has fully co-operated by responding to the questions of the European Commission and is confident about the outcome of the procedure.

## Our effective tax rate

In FY21, the effective tax rate of Inter IKEA Group was 16.0% (FY20 14.6%)

Our effective tax rate is primarily driven by the tax rates of the countries where the majority of our business is conducted, i.e. the Netherlands, Sweden and Switzerland, and the financial performance of the Inter IKEA Group companies in these countries. The increase in the group's effective tax rate compared to the previous financial year is the result of a less profitable year for Supply, headquartered in Switzerland. The main cause was increasing transport costs and raw material prices. This means that compared to the previous year a smaller share of the total profit of Inter IKEA Group was subject to the relatively lower Swiss tax rate.

The impact of the tax rates of other countries can also be seen in the table (right) which reconciles Inter IKEA Group's effective tax rate for FY21 with the Dutch corporate income tax rate (25.0%).

<b>Result before tax (as reported for FY21)</b>	<b>1,705</b>	
Tax expense if the nominal tax rate in the Netherlands (25%) had been applicable	426	25.0%
<b>Tax effect of:</b>		
Other applicable tax rates abroad	(140)	-8.2%
Exempt income	(6)	-0.3%
Non-deductible expenses	9	0.5%
(De)recognition of tax losses	15	0.9%
Adjustment for prior periods	(6)	-0.3%
Changes in tax rates	(11)	-0.7%
Other	(15)	-0.9%
<b>Tax expense (as reported for FY21)</b>	<b>272</b>	<b>16.0%</b>

*All amounts are in million EUR*



# Our country-by-country report

Our country-by-country report provides further transparency into our corporate income tax position in FY21 across the various countries where we operate. It shows that the largest share of the activities and assets, related profits and corporate tax payments are concentrated in the Netherlands, Sweden and Switzerland, where the leadership and central functions of the Inter IKEA Group core businesses are based.

Legislation is currently being developed in the EU to make it mandatory for large multinational companies, like Inter IKEA Group, to publicly disclose country-by-country reports on their websites in the future.

The country-by-country report follows the template laid down in the latest EU proposal for public country-by-country reporting.

We have included a column for assets in our country-by-country report to provide additional insight into our business activities in individual countries.





	Franchise	Range	Supply				Revenues	Profit	Tax paid	Tax accrued	Employees (FTE)	Assets	Accumulated earnings
			Production	Components	Purchasing & Logistics	Wholesale							
Netherlands	●						1,599,389	531,183	90,753	118,345	866	12,032,508	2,475,556
Sweden	●	●	●	●	●		1,720,672	219,063	31,854	54,816	4,703	923,895	242,255
Switzerland					●	●	24,243,836	769,343	246,666	70,289	422	5,588,647	3,613,171
Australia						●	6,969	84	39	25	-	2,604	798
Brazil					●		1,677	313	75	134	18	428	597
Canada						●	16,242	109	495	29	-	5,639	1,347
Chile	●						3,753	238	6	64	14	400	290
China	●	●	●	●	●	●	3,451,679	89,738	20,540	22,641	2,136	1,173,857	194,593
Cyprus							-	-223	-	-	-	-	-
Czech Republic					●		11,984	1,189	274	324	138	5,532	3,460
Germany					●		33,322	3,500	861	1,146	255	16,117	11,533
Hong Kong					●		3,520	478	-148	65	22	2,148	1,736
Hungary			●				38,322	872	-	457	521	25,495	-21,667
India					●		8,896	1,168	-117	386	114	5,003	1,784
Italy					●		19,167	1,881	-	464	166	74,827	6,521
Japan						●	10,875	160	-351	55	1	4,363	-69
Lithuania			●		●		115,750	6,477	-	51	709	131,229	26,637
Malaysia						●	152,730	3,698	1,570	941	41	308,023	6,944
Mexico					●		825	75	-	28	8	530	47
Poland		●	●		●		1,081,392	30,522	5,421	12,365	9,083	674,417	-256,438
Portugal			●				179,138	3,188	-2,694	29	1,426	106,978	4,335
Romania					●		5,934	551	-	64	67	710	3,136
Russia			●		●		187,710	9,346	1,407	1,781	2,371	158,526	-157,385
Serbia							23	-284	35	-	2	115	482
Slovakia			●	●			789,583	3,567	653	4,286	2,360	444,250	-219,915
Taiwan					●	●	19,573	388	70	71	17	8,959	1,494
Thailand					●		2,544	330	-64	66	25	251	586
Turkey					●	●	11,445	418	37	192	75	2,719	2,913
United Arab Emirates						●	544,323	23,651	-	-	36	191,154	76,733
United States of America					●	●	70,797	3,750	482	14	216	46,513	-199,086
Vietnam					●		8,539	1,118	319	276	89	972	1,652
<b>Total</b>							<b>34,340,610</b>	<b>1,705,890</b>	<b>398,183</b>	<b>289,405</b>	<b>25,900</b>	<b>21,936,809</b>	<b>5,824,040</b>



### **Business activities**

The group management of Inter IKEA Group is located in the Netherlands and supported by various group functions (also located in the Netherlands).

Our country-by-country report shows in which countries the core businesses have active business operations. The activities of the core businesses are led from the Netherlands, Sweden and Switzerland.

Franchise activities are led from the Netherlands by Inter IKEA Systems B.V. and supported by local organisations in Sweden, China and Chile.

Range activities are led from Sweden by IKEA of Sweden AB and supported by local organisations, mostly in China and Poland.

Supply activities are led from Switzerland by IKEA Supply AG. These activities can be categorised as follows:

- Production consists of the in-house production activities of the Inter IKEA

Group. There are 40 production units in 8 countries.

- Components covers developing, sourcing and supplying components, such as screws and wooden dowels used to assemble IKEA furniture. There are IKEA Components organisations in 3 different countries.
- Purchasing & Logistics includes the various service and support activities related to the sourcing of IKEA products. There are Purchasing & Logistics Service Offices in 18 countries outside Switzerland.
- Wholesale covers the selling and supplying of IKEA products to IKEA franchisees. IKEA Supply AG in Switzerland is the central wholesaler of the Inter IKEA Group. In addition, there are local wholesale organisations in 9 other countries.

## Revenues

The *Revenues* column shows the total revenues for all Inter IKEA Group companies. This differs from the revenues reported in our annual report as it also includes the inter-company revenues from transactions with other Inter IKEA Group companies

The main sources of revenues for each of the 3 core businesses are as follows:

- Franchise generates revenues from making parts of the IKEA Concept available to IKEA franchisees (for a franchise fee of 3% of retail sales). These revenues are reported by Inter IKEA Systems B.V. in the Netherlands. Inter IKEA Systems B.V. also earns revenues from the retail store in Delft, the Netherlands, which is a “reference store” for running the IKEA retail business.
- Range generates revenues from developing the IKEA range and IKEA products. These revenues are mainly reported by IKEA of Sweden AB in Sweden.
- Supply generates revenues from the sale of IKEA products to IKEA franchisees. These revenues are mainly reported by IKEA Supply AG in Switzerland. The

production units mostly generate revenues from selling the products they produce to IKEA Supply AG.

## Profit

The *Profit* column shows the sum of the result before income tax and is mainly concentrated in the countries where the leadership and central functions of the core businesses are located: the Netherlands, Sweden and Switzerland.

## Tax accrued & Tax paid

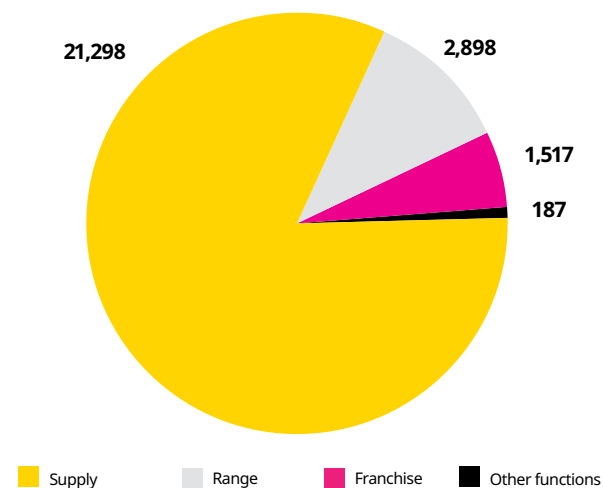
The columns *Tax accrued* and *Tax paid* include the total amount of corporate income tax (including withholding taxes) accrued and paid respectively in FY21:

- *Tax accrued* reflects the current corporate income tax expense recorded for the taxable profit of FY21. This amount is different from the total tax expense reported in our annual report as it does not include deferred taxes or corrections for prior years.
- *Tax paid* relates to corporate income tax payments made during FY21. This amount matches the tax paid in the cash flow statement of our annual report. Differences between *Tax accrued* and

*Tax paid* arise as the actual payment of corporate income tax regularly takes place before or after the financial year in which the tax expense was incurred.

## Employees

The *Employees* column shows the full-time equivalent (FTE) number of employees as an average for the financial year. For FY21, the number of employees was divided across each core business as follows:



FY21 full-time equivalent co-workers



### Assets

The *Assets* column contains the book value of our assets at the end of FY21. This includes intangible, tangible and current assets, but excludes financial assets, cash and cash equivalents. The assets with the highest book value are:

- **IKEA brand**  
All intellectual property rights related to the IKEA brand are owned by Inter IKEA Systems B.V. in the Netherlands. Most activities of Inter IKEA Systems B.V. are centred around the protection and further development of the IKEA brand and the IKEA Concept
- **Inventories**  
The main assets of the wholesale companies are the inventories of IKEA products and the receivables connected to selling these products. The vast majority of the inventories is directly owned by IKEA Supply AG based in Switzerland.

### Accumulated earnings

The *Accumulated earnings* column includes the sum of the accumulated earnings of all Inter IKEA Group entities resident in the relevant country.



# Our total tax contribution

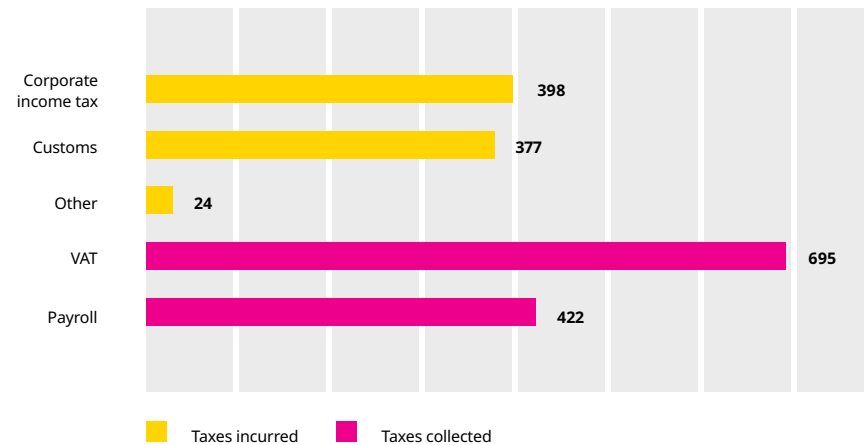
Inter IKEA Group is subject to a number of taxes. All these taxes combined led to a total tax contribution of EUR 1,916 million for Inter IKEA Group in FY21.

The taxes covered in the total tax contribution include both *Taxes incurred* and *Taxes collected*.

**Taxes incurred** are taxes we are obliged to pay on our own behalf to a government or to a third party that cannot be recovered. These taxes have an impact on our profit and are a direct contribution to government tax revenues. This includes corporate income tax, customs duties, environmental taxes and property taxes.

**Taxes collected** are taxes we are obliged to withhold and remit to a government on behalf of another person or another company. These taxes are not incurred by Inter IKEA Group, but we bear the

administrative burden of collecting them. These taxes are indirectly generated by our business activities and are part of our indirect contribution to government tax revenues, such as value added tax (VAT) and payroll tax.



FY21 total tax contribution by type of tax in million EUR

For further information, please visit [Inter.IKEA.com](https://www.inter.ikea.com)

**Released 14 October 2021**



IKEA Facts & Figures FY21

**Released 3 November 2021**



Inter IKEA Group Financial Summary FY21



Inter IKEA Group Annual Report FY21



Inter IKEA Group List of subsidiaries FY21



Inter IKEA Group Tax Report FY21

**Coming early 2022**



IKEA Sustainability Report

Inter IKEA Group 

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