

T&L Holdco Limited and its subsidiaries ("Travelodge") Tax Strategy for the year ended 31 December 2024

Approach to tax planning

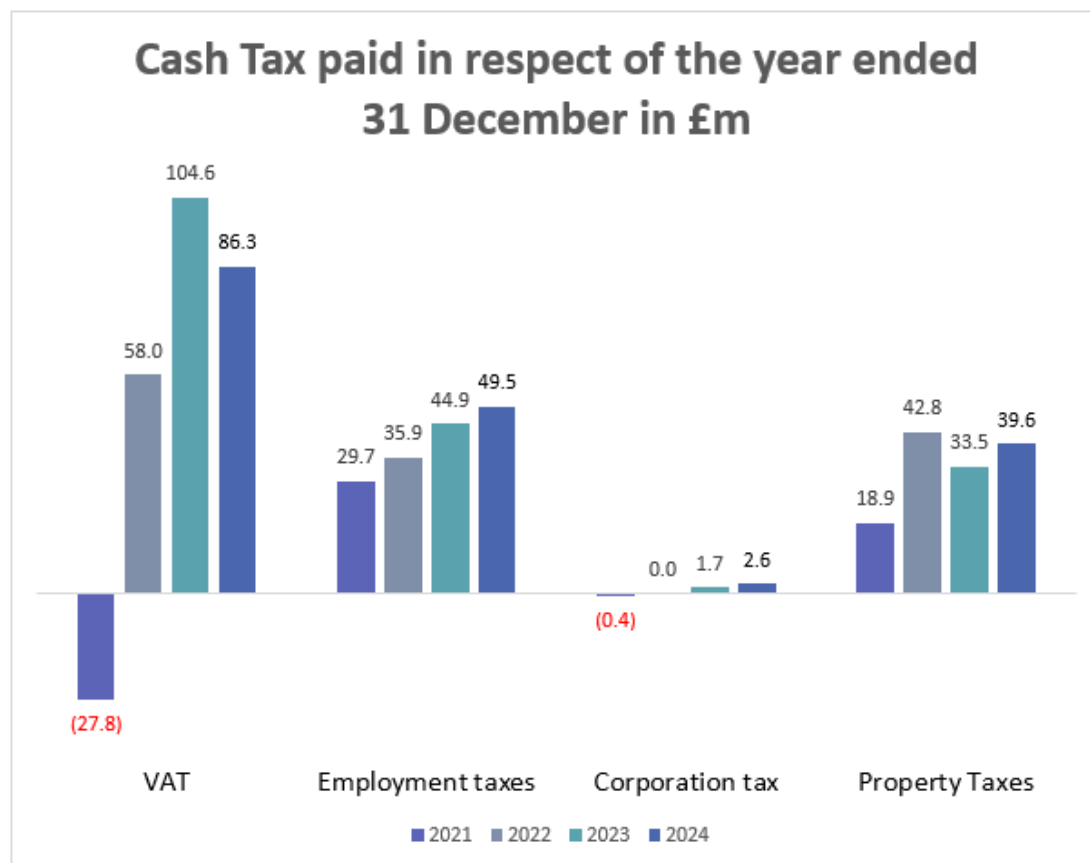
The overwhelming majority of Travelodge's business activity is in the UK where the group operates over 600 hotels and employs over 13,000 people. As a UK-focused business with a very limited overseas presence, Travelodge's tax profile is not complex.

During the year ended 31 December 2024, T&L Holdco Limited was formed and interposed as the new UK parent company of the Travelodge Group, with Thame and London Limited, the parent company of the existing Travelodge operating entities (Travelodge OpCo Group) acquired by way of in specie capital contribution. A new property holding division was also formed, Travelodge PropCo Group, which acquired a number of freehold and long leasehold hotels from our largest landlord, LXi REIT on 28 February 2024.

The Travelodge group aims to comply with all applicable laws and regulations in the jurisdictions where it operates.

Cash tax paid in the year includes increases in employment taxes in line with regulatory changes in National Minimum Wage and increased inflation along with additional headcount for new hotels.

The graph below shows the cash payments made in the years 2021 - 2024:



The increase in property taxes is largely due to a £4.2m increase in stamp duty payable on new leases along with the acquisition of a freehold office building near St Paul's, London, and the acquisition of 24 freehold and long leasehold sites directly by the property sub-group. The balance of 42 sites are held by Jersey Property Units trusts held indirectly by the group and these trusts prepare their own VAT returns managed and approved by the trustees. In addition, refunds of business rates in respect of challenged rateable value assessments decreased by £0.7m from £3.7m to £3.0m while business rates prepayments increased by £1.0m and the introduction of Accommodation Business Improvement Districts ("ABIDs") resulted in additional cost of £0.2m.

The significant decrease in VAT year on year is largely a result of adverse trading conditions year on year equating to less output tax payable. This is compounded by an unusually high cash tax paid in 2023 due to the re-introduction of monthly estimated payments on account ("PoA") in October 2022. As previously noted, the cash tax paid in 2023 represents VAT due on combined sales and purchases from 1 September 2022 to 30 August 2023 along with PoA for September – November 2023. PoA calculated by HMRC for 2022 stood at only £1.1m per month resulting in a balancing payment in Q1 2023 of £11.9m. HMRC revisited the PoA schedule throughout 2023 with monthly payments increasing to £4.1m which more adequately reflected the quarterly returns and resulted in a lower balancing payment due in Q1 2024 of £3.5m. The impact of the new property subgroup on the cash tax paid position for VAT was £0.3m for the year.

The amount of corporation cash tax paid reflects the tax effect of accounting for property leases and the statutory tax relief available for capital expenditure incurred in the investment to modernise the hotel portfolio.

There were no cash tax receipts in the year in respect of corporation tax for the UK or Spain.

Travelodge does not engage in any contrived or artificial tax arrangements lacking economic or commercial substance.

Approach to risk management and governance

Travelodge has an experienced in-house finance team who manage the group's tax matters. In respect of corporation taxes, Travelodge engages with professional tax advisers to assist with the preparation of calculations and filing of returns. For employment taxes, Travelodge uses a recognised and certified payroll solution to prepare and file relevant returns.

Travelodge values certainty with respect to its tax position and seeks advice from professional tax advisers or HMRC in relation to non-routine matters. The level of risk which Travelodge accepts in relation to taxation is consistent with this approach.

Travelodge seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen.

The Board of Travelodge is informed of the tax implications of any material commercial transactions in which the business participates and is ultimately responsible for identifying the risks, including tax risks, which need to be addressed and for determining what actions should be taken to manage those risks.

The company continues to invest in its finance systems in order to ensure the availability of reliable financial information and to ensure the group meets its tax obligations. Travelodge has fully implemented required systems to ensure that it is Making Tax Digital (MTD) for VAT compliant.

Transparency

Travelodge understands its responsibility to pay an appropriate amount of tax and fully supports measures to ensure companies are appropriately transparent about the management of their tax.

The group began preparing Country-by-Country Reports (“CbCR”) from year ending 31 December 2019, in-line with the OECD’s recommendations resulting from its Base Erosion and Profit Shifting (“BEPS”) project. The group prepared a CbCR in respect of the year ending 2020 but as a result of the reduction in turnover in 2020 and 2021 due to the Covid-19 pandemic, reports were not required for years ending 31 December 2021 or 31 December 2022. As the group once again exceeded the relevant threshold during the year ended 31 December 2022 management prepared and filed a report for the year ending 31 December 2023 and are in the process of preparing a similar report for year ending 31 December 2024.

Travelodge’s CbCR is available to the tax authorities in the jurisdictions where the group operates.

“Pillar Two” is a global agreement to establish a minimum tax regime which will apply to both public and privately held multinational groups with consolidated revenue over €750m.

UK legislation has been enacted to introduce the Pillar Two model Income Inclusion Rules (“IIR”) into UK law and they will first apply to accounting periods commencing on or after 31 December 2023 for multinational groups which have global revenues exceeding €750m in *two of the previous four years*. The group acknowledges the registration and reporting requirements and is working with its tax advisers and auditors to identify any liability, determine the necessary disclosures and prepare and file the required Pillar 2 returns.

Approach to dealing with tax authorities

Travelodge seeks to maintain a collaborative and open relationship with HMRC. In cases of uncertainty with respect to the tax position it adopts, Travelodge proactively consults with HMRC to address any uncertainty.