

Thame & London Limited and its subsidiaries (“Travelodge”)

Tax Strategy for the year ended 31 December 2023

(Published in accordance with Schedule 19 Finance Act 2016)

Approach to tax planning

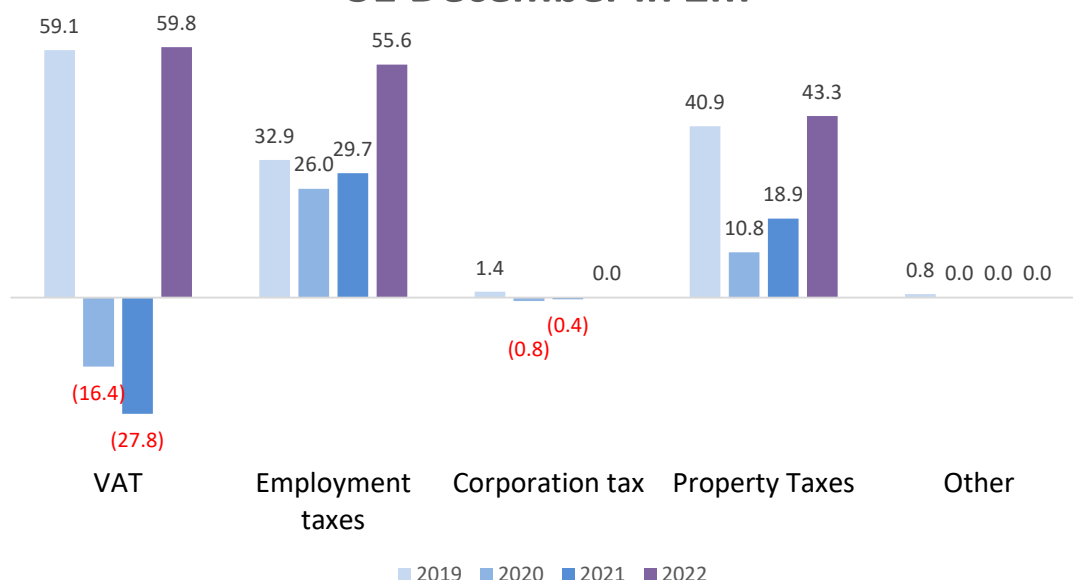
The overwhelming majority of Travelodge’s business activity is in the UK where the group operates almost 600 hotels and employs over 12,000 people. As a UK-focused business with a very limited overseas presence, Travelodge’s tax profile is not complex.

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

The Covid-19 pandemic impact on the year ending 31 December 2022 was significantly reduced, with the majority of our hotels being open from February 2022 onwards following the temporary return to mandatory home-working and restricted travel as a result of the Omicron outbreak between December 2021 and January 2022. Like most hospitality and leisure businesses, the cash tax payments made by Travelodge also reflect the continued VAT rate reduction (although this increased from 12.5% back to pre-pandemic rate of 20.0% in the year).

Accordingly, cash tax paid in the year has returned to pre-pandemic levels for all taxes, with increases in employment and property taxes in line with regulatory changes in National Minimum Wage and increased inflation along with additional headcount for new hotels opened in the latter part of 2019 onwards. The graph below shows the cash payments made in the years 2019 - 2022:

Cash Tax paid in respect of the year ended 31 December in £m



Cash receipts in the year in respect of business rates grants totalled £2m (2021: £nil, 2020: £1m, 2019: nil) and related to the period between April 2021 and March 2022. There were no cash receipts in the year in respect of the Job Retention Scheme (2021: £21m, 2020: £45m, 2019: nil).

The amount of corporation cash tax paid mainly reflects the impact of the COVID-19 pandemic on prior year results, 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. Receipts in the year were £0.4m in respect of Spain (2021: £0.4m, 2020: £0.2m, 2019: £0.6m paid) with no receipt (2021: £nil, 2020: £0.6m, 2019: £0.8m paid) in respect of UK taxes.

The 'Other' cash tax paid in 2019 refers to the Carbon Reduction Commitment charge which ended in March 2019 and was rolled into the existing Climate Change Levy added to utility bills and no longer collected as a separate tax.

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 engage with professional tax advisers to assist with the preparation of calculations and filing of returns. For employment taxes, Travelodge use 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 and is undertaking initial planning around MTD for Corporation Tax as the requirements are confirmed.

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 prepared Country-by-Country Reports ("CbCR") for the years ended 31 December 2019 and 2020, in-line with the OECD's recommendations resulting from its Base Erosion and Profit Shifting ("BEPS") project. The group did not prepare a CbCR in respect of the years ended 31 December 2021 and 31 December 2022 as a result of the reduction in turnover in 2020 and 2021 due to the Covid-19 pandemic. As the group once again exceeded the relevant threshold during the year ended 31 December 2022 it is required to report for the year ended 31 December 2023.

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

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.