APPROACH TO TAX

The group's approach to tax outlines the framework by which tax obligations are met from an operational and risk management perspective. While considering the complexity of the evolving global tax landscape, the responsibilities for managing tax compliance obligations and tax risk are varied across the Group.

The Group tax strategy is supported by the Group tax policy, which outlines the group's approach to managing its tax compliance and risks. These documents were reviewed and approved by the Board in November 2023. The policy is reviewed at least every two years and the previous review was in November 2021.

All territories are expected to adhere to the policy and strategy.
Tax management is key to the Group achieving its strategic objectives.

The group's approach to tax governance is based on five principles and aligns with King IV:

Governance

The overall responsibility for approval of the Group tax policy and strategy resides with the Board, which provides oversight and reviews the effectiveness of the policy and approach. The Board delegates authority for the management of tax to the Audit and Risk committees. SPAR's tax division is responsible for identifying and addressing tax risks that arise.

Guiding principles

Tax risk management

1 Zero tolerance	2 Stakeholder value	3 Reputational risk	4 Corporate citizenship	5 Communication with tax authorities
The Group has adopted a principle view and will maintain a zero-tolerance approach to tax non-compliance.	Tax is integral to all internal and external stakeholders.	The group's reputation is protected by managing its tax affairs in a manner that will not have a detrimental effect on the reputation or brand of the Group.	Tax corporate citizenship is underpinned by adherence to tax legislation and regulatory requirements in all jurisdictions in which the Group operates, demonstrable by compliance with tax laws and honesty in its dealings with relevant internal and external stakeholders.	The Group values a good working relationship with tax authorities in the jurisdictions in which it operates and maintains these relationships.

Based on the principles of good corporate tax citizenship, aligned to the principles of King IV, the Group acknowledges its responsibility to its stakeholders, demonstrated through the group's decisions, actions and consideration of the impact thereof, on an ongoing basis. The global tax affairs of the Group are managed in an efficient, transparent, responsible and sustainable manner in full compliance with the prevailing legislation in which the Group operates.

The Group will always aim to mitigate any adverse and/or unexpected financial consequences and protect its reputation. The overall strategy of the Group is that it will only engage in or promote tax planning that supports genuine commercial activity and will not enter into transactions that serve no commercial purpose other than the avoidance of tax.

EFFECTIVE TAX RATE

The **Company effective tax rate** is negative 49.8% in 2023. The main contributors to the movement are as follows:

- A favourable decrease of 1% in the South African corporate income tax rate.
- A favourable movement of 6.9% attributable to the exempt dividend income, 0.6% to exempt Employment Tax Incentive income and 0.8% to Learnership Income Tax Allowances.
- An unfavourable increase of 80.7% relating to impairments of investments and goodwill. This is largely attributable to the impairment of The Spar Group Limited's investment in Poland of R1.3 billion. (The impairment of the investment in Poland is eliminated at Group level).
- An unfavourable increase of 1.1% in the movement in share plans because of a reduction in the deferred tax asset raised on the share plans due to the Employee Share Plan (ESP) nearing its end and fewer Conditional Share Plan (CSP) awards expected to vest.
- An unfavourable increase of 1.1% relating to the write-off of SAP costs incurred in relation to foreign subsidiaries that will not be moving forward with SAP.
- An unfavourable increase of 0.5% due to an over-provision of the deferred tax asset in FY2022. This is purely because of a deeper analysis of tax-sensitive accounts during the tax return preparation process.

The **Group effective tax rate** has increased to 54.8% in 2023. The main contributors to the movement are as follows:

- An unfavourable increase of 12% relating to impairments of goodwill, tangible, and intangible assets, with 8.5% of this amount relating to Poland.
- An unfavourable increase of 7.8% relating to tax losses not being provided for across the Group. The majority of this amount relates to Poland, namely a deferred tax asset not being provided for the current year losses. In addition, an unfavourable increase of 7.3% relating to the derecognition of a significant portion of the deferred tax asset in Poland that was recognised in prior years.
- An unfavourable increase of 1.9% due to non-deductible interest incurred by SPAR Switzerland and TIL JV Ltd in respect of the acquisition of the minority interest in the Swiss and Irish groups.
- An unfavourable increase of 1.2% relating to the write-off of SAP costs incurred in relation to foreign subsidiaries that will not be moving forward with SAP.
- A favourable decrease of 1% in the South African corporate income tax rate.
- A favourable decrease of 4.2% in the foreign tax rate differential.

The variances appear significantly larger in comparison to the prior year. This is because of the base used to determine the reconciling items in the effective tax rate reconciliation, namely profit before tax, decreasing to one third of the prior year's profit before tax. As a consequence, the quantum of the reconciling items appears larger.

The effective tax rate of the Group is detailed below.

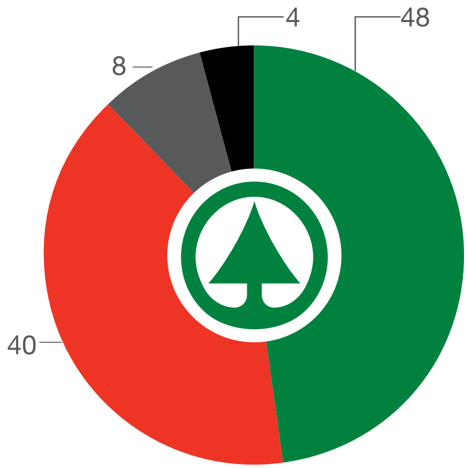
Rmillion	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Current taxation				
– Current year	**460.1**	843.9	**241.0**	630.6
– Prior year under/(over) provision	**(12.3)**	(4.1)	**1.3**	6.6
Deferred taxation				
– Current year	**68.5**	(14.7)	**(26.8)**	(5.8)
– Prior year under/(over) provision	**19.6**	(9.5)	**1.1**	(9.1)
– Change in tax rate		5.5		4.3
Foreign withholding income tax	**0.8**	0.8	**0.8**	0.8
Taxation expense for the year	**536.7**	821.9	**217.4**	627.4
Reconciliation of effective taxation rate (%)				
South African current income tax rate	**27.0**	28.0	**27.0**	28.0
Non taxable income relating to:				
Dividends received			**6.9**	(0.4)
Gain on release of Heaney Meats contingent consideration		(0.2)		
Employee tax incentives	**(0.3)**	(0.1)	**0.6**	(0.1)
Share plans[1]	**0.5**	0.2	**(1.1)**	0.2
Non deductible expenses relating to:				
Business acquisition costs	**0.1**			
Impairments		0.2		0.2
Write-off of SAP asset under construction	**1.2**		**(1.1)**	
Impairment of subsidiary investment			**(78.4)**	
Impairment of goodwill	**6.8**		**(2.3)**	
Impairment of PPE and intangible assets	**4.1**			
Impairment to right of use asset	**1.1**			
Non-deductible interest costs	**1.9**	0.4		
Other operating costs	**1.3**	0.4	**(1.4)**	0.2
Other items:				
Assets not eligible for capital allowances	**0.1**	0.1		
Income tax allowances	**(0.5)**	(0.2)	**0.8**	(0.1)
Withholding income tax	**0.1**		**(0.2)**	
Prior year income tax over provision	**(0.1)**	(0.5)	**(0.5)**	(0.1)
Controlled Foreign Companies income	**0.1**		**(0.1)**	
Unutilised tax losses	**7.8**	2.7		
Write off of deferred tax asset	**7.3**			
Non deductible temporary differences	**0.5**	(0.1)		
Change in tax rate		0.2		0.2
Foreign tax rate differential	**(4.2)**	(4.1)		
Effective taxation rate	**54.8**	27.0	**(49.8)**	28.1

[1] *Temporary differences between deferred tax asset balance raised for future costs to be incurred and income tax deduction granted in current year for costs actually incurred on the ESP and CSP.*

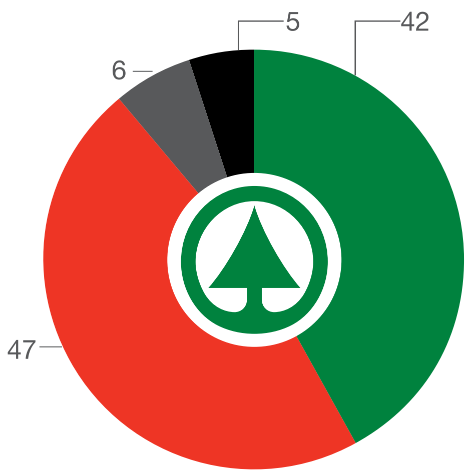
TOTAL TAX CONTRIBUTION

SPAR contributes directly to tax authorities by way of taxes borne and taxes paid in the jurisdictions in which the Group operates, enabling governments to provide social infrastructure and services. The total tax contribution of the Group is detailed below.

Taxes paid by jurisdiction (%)



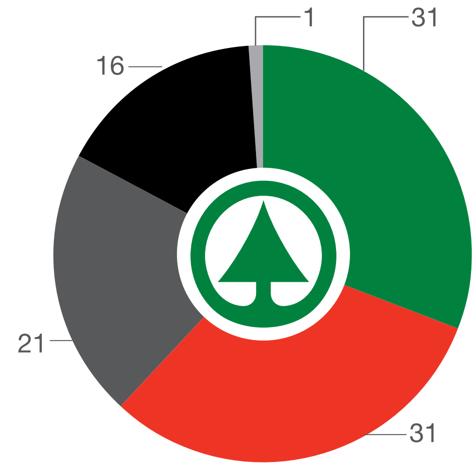
2023 – R3.4 BILLION



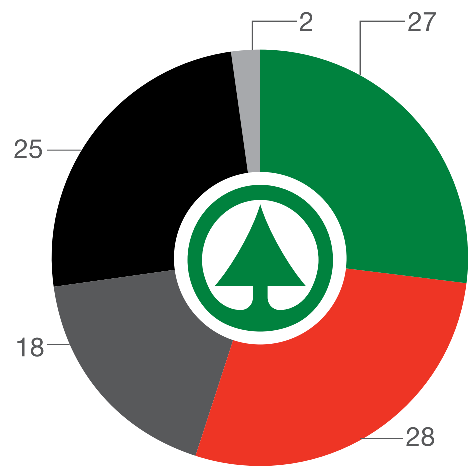
2022 – R3.3 BILLION

- Ireland
- South Africa
- United Kingdom
- Switzerland
- Namibia
- Botswana
- Eswatini
- Luxembourg
- Mozambique
- Netherlands
- Poland

Taxes paid by type (%)



2023 – R3.4 BILLION



2022 – R3.3 BILLION

- Excise duties
- Payroll taxes
- VAT
- Corporate taxes
- Customs duties
- Withholding taxes
- Environmental taxes
- Property tax

In response and in adherence to base erosion and profits shifting, specifically action 13 and the South African Revenue Service (SARS) Country-by-Country (CbC) Reporting, Master File and Local File guidance, the Group submitted its CbC report for the 30 September 2022 year of assessment on 1 September 2023.

AUTHORISED ECONOMIC OPERATOR COMPLIANCE ACCREDITATION

During September 2023, The Spar Group Limited was conferred with Level 1 Authorised Economic Operator Compliance accreditation by SARS. The Company underwent a rigorous assessment conducted by SARS customs officials to conclude that the required criteria for acquiring accreditation status were satisfied.

The Company is now eligible for benefits that are available for accredited economic operators. This is a significant accolade for the Company and reinforces its commitment to SARS compliance.

OUTLOOK

The Organisation for Economic Co-operation and Development's (OECD) Pillar Two has introduced a global minimum effective tax rate. This effective tax rate subjects multinational groups with consolidated revenue over €750 million to a minimum effective tax rate of 15%.

This may have an impact on the Group, particularly in the international jurisdictions. Ireland, the UK, Switzerland and Poland have announced plans to introduce legislation based on the OECD rules. The impact for SPAR is that "top-up" taxes will be required to be paid in jurisdictions where the effective tax rate is below the 15% threshold.

The OECD has recommended that many aspects of Pillar Two be effective for tax years beginning in January 2024, with certain remaining impacts to be effective in 2025, however, the implementation and the effective dates of the legislation are varying from country to country.