Lithia UK Holding Ltd - Tax Strategy

In accordance with paragraph 17(4), schedule 19, Finance Act 2016, Lithia UK Holding Limited and its subsidiaries as a UK sub-group of Lithia Motors, Inc consider the publication of the information below as complying with the duty to publish the UK sub-group's tax strategy as required by paragraph 19(2), schedule 19, Finance Act 2016, in effect for the year to 31 December 2026.

Overall tax strategy

As a responsible taxpayer, Lithia UK Holding Ltd and its subsidiaries ("Lithia UK") is committed to establishing, maintaining and monitoring an appropriate tax strategy. The overall objective of Lithia UK's tax strategy is to pay the right amount of tax at the right time and to maintain an open and robust relationship with HMRC.

The tax strategy has been formed with regard to the corporate governance guidelines and code of business conduct and ethics established by Lithia Motors, Inc and which applies to all Lithia Motors, Inc's worldwide operations and employees. The corporate governance guidelines recognise that shareholders' long-term interests will be advanced by responsibly addressing concerns of stakeholders essential to the Lithia Motors group's success. These stakeholders include customers, employees, suppliers and government bodies including tax authorities. The code of business conduct and ethics is a principles based code requiring employees to act with integrity and honesty as well as to obey the law in letter and in spirit and promote compliance with all applicable laws, rules and regulations.

Lithia UK adheres to the principles set out in HMRC's "Framework for Cooperative Compliance" (the "framework"), the overall purpose of which is the "payment of the right amount of tax at the right time". However, it should be noted that Lithia UK would aim to structure transactions in a tax efficient way (without resorting to artificial arrangements), and in a way that Lithia UK reasonably believes is not contrary to the intentions of Parliament (as required by the framework), HMRC's subjective view of the matter may well be different.

Lithia UK

The Lithia Motors group is one of the largest global automotive retailers providing an array of products and services throughout the vehicle ownership lifecycle. As of 31 December 2025, Lithia Motors Group operates c.300 dealerships in the USA, c.15 in Canada and c.150 in the UK.

Lithia UK's approach to risk management and governance arrangements in relation to UK taxation

The aim of Lithia UK's tax risk management and governance processes is to identify risks inherent in relevant business processes and ensure controls are in place to mitigate those risks such that Lithia UK's exposure to tax riskis kept to a minimum.

Lithia UK has established and documented processes and controls which consider potential tax compliance risks and the controls in place to mitigate these risks. These processes form the basis on which the senior accounting officer certificate is signed on an annual basis. Lithia UK has adopted a "bottom-up" approach to identifying any significant risk in the business. Broadly this encompasses processes and controls at local, regional and national level. How items are accounted for, the review processes in place to establish integrity, the potential risks that could arise and how those risks are mitigated are all documented and subject to reviews by both internal audit and external auditors from time to time.

Under the provisions of the Criminal Finances Act 2017, Lithia UK is responsible for the prevention of the facilitation of tax evasion by associates (e.g. employees, agents, etc.). Lithia UK's risk assessment concludes that existing controls and procedures are in place to cover those areas where the potential for tax evasion is regarded as most significant.

Established processes and controls are in place to ensure that tax returns are submitted on time and without subsequent correction. All entries in the tax returns are evidenced with supporting documentation. Tax payment calculations are documented and reviewed at a senior tax level. Relationships between the tax department and the rest of the business ensure that calculations are based on the most up to date relevant information.

External third-party software is licensed for use in-house for preparing certain tax returns. As well as providing an additional layer of integrity for HMRC, this helps to ensure that any changes to legislation that impact tax calculations are correctly reflected in the tax returns as appropriate.

Whilst most tax compliance is handled internally within the tax department, Lithia UK uses external tax advice specialists where it considers that in so doing, the integrity of the tax returns and calculations would be maximised or to support with unusual or one-off items.

Attitude towards tax planning (so far as affecting UK taxation)

The commercial needs of Lithia UK are the main priority and any tax planning will be undertaken in this context. All transactions must have a business purpose and Lithia UK will not resort to artificial arrangements in order to reduce its tax liability. Paying the "right" amount of tax is an integral part of Lithia UK's attitude towards tax planning and will involve careful evaluation of the particular facts and applicable legislation. Lithia UK has controls and procedures in place to ensure that it pays what it believes to be the right amount of tax at the right time.

Level of risk in relation to UK taxation that Lithia UK is prepared to accept

Lithia UK does not undertake artificial arrangements which could be regarded as abusive and/or high risk. Tax risk will always arise when there is dispute between Lithia UK and HMRC over the technical treatment of a particular issue; Lithia UK assesses the risk of continuing to dispute any matters by weighing the facts and technical position against the impact on reputation, costs of litigation and any potential penalties, and the desire for certainty versus uncertainty. Apart from any areas of potential technical subjectivity, the governance controls and procedures in place and their monitoring ensure that tax returns are prepared in a low risk environment and give the senior accounting officer sufficient comfort when certifying those controls and procedures. HMRC's latest view of risk, conducted in November 2023 (covering the ex-Pendragon business) and March 2024 (covering the ex-Jardine business), was either low or moderate risk across all categories.

Approach towards dealings with HMRC

Lithia UK's tax department's strategy is to maintain an open relationship with HMRC in that it recognises that it is more productive for both parties to work together rather than adopt an adversarial approach. To this end, HMRC is aware of any one-off transactions before the tax returns containing those transactions are submitted. An annual update meeting is held between the tax department and relevant members of HMRC to discuss open issues and to discuss events occurring within the business. Any disagreements with HMRC have always been in respect of differing interpretations of how the law should be applied.