Tax Strategy 2026

Introduction

Simon Lowth
Chief Financial Officer

We connect for good

Our purpose

This drives everything we do. We help people, businesses and governments to harness technology to connect, improve lives and unlock potential without limits. We believe in the power of connections – in personal lives, at work and increasingly between machines and devices.

Our strategy

Our tax strategy sits at the heart of our business responsibility agenda, ensuring that we pay our fair share of taxes and that we conduct our tax affairs ethically and with integrity. The taxes we pay in the countries in which we operate contribute to the local economies and people's lives.

We are proud to be a major contributor of taxes in the UK. In our financial year ended 31 March 2025 (FY25), we paid £365m of employer's National Insurance contributions for our 68,300 people in the UK and £467m of business rates in respect of our extensive UK fixed and mobile networks and our significant retail footprint.

The 100 Group 2025 Total Tax Contribution survey ranked us as the sixth-highest contributor in the UK.

>47%

of UK homes and businesses already able to access our new full fibre network

>85%

of the UK population covered by our 5G network

>30m

Consumer and Business retail connections

Background

We are proud to be a major contributor of taxes to the UK economy. The 100 Group 2025 Total Tax Contribution survey ranked us as the sixth-highest contributor in the UK.

UK taxes paid

	£m	%
Rates	**467**	61
Employer's NIC	**365**	47
Other	**35**	5
Corporation tax	**(102)**	(13)
Total	**765**	100

We received a corporation tax refund of £102m from earlier years.

UK taxes collected

	£m	%
VAT	**1,887**	70
Payroll deductions	**779**	29
Other	**15**	1
Total	**2,681**	100

Tax contribution

Total tax contribution is the total of UK taxes paid by us and UK taxes collected by us for the UK Government.

We collected £2.7bn of UK taxes from our customers and our people on behalf of the UK Government.

UK taxes paid		UK taxes collected		Total tax contribution
£765m	+	£2,681m	=	£3,446m

Background continued

Our FY25 income statement tax charge benefits from the UK patent box regime.

FY25

	Pre-tax £m	Tax £m	After tax £m
Income statement	**1,334**	**(280)**	1,054
Other comprehensive income (OCI)	**251**	**(78)**	173
Total	**1,585**	**(358)**	1,227

OCI comprises principally of movements in relation to cash flow hedges

25%

UK corporation tax rate

We do most of our business in the UK, so we expect our underlying tax rate to be around the UK rate of corporation tax.

We are within the scope of the OECD Pillar Two model rules for the first time in FY25, however, the impact of these rules is not expected to be material.

In FY25 we paid corporation tax globally of £60m. We generated a UK tax loss and paid UK corporation tax of £nil.

What are the key differences between your UK accounting profit and your UK tax loss?

1

Tax depreciation. A large proportion of our capital expenditure qualifies for full expensing, meaning that an accelerated tax depreciation rate applies to this expenditure. In FY25 our tax depreciation exceeded our accounting depreciation, leading to a loss for UK tax purposes.

2

Employee pension schemes. We obtain tax deductions for contributions made to our employee pension schemes, not on the accounting revaluations of our pension obligations.

Tax planning

Our attitude towards tax planning

We seek to ensure that our business grows and develops in a tax-efficient manner, and in doing this we act responsibly. This means we don't undertake tax planning that is unconnected with our business. We also don't undertake transactions that are designed solely to create a tax benefit.

We provide telecommunications services globally, and accordingly may establish entities in countries with low tax rates.

We ensure that the results of these entities reflect the value created in those countries. Any profits of these entities relating to activities performed in the UK are taxed in the UK. We also have various legacy offshore investment companies and an internal offshore insurance company. However, these do not create any material tax benefits for us.

Transfer pricing is how we allocate our profits to the countries where they were created, which for us is mainly the UK. We apply OECD principles to transfer pricing, which means our related entities trade with each other as if they were unrelated.

We fully disclose all our related entities in countries with low tax rates in our Annual Report 2025.

Tax planning continued

Full expensing

A large proportion of our capital expenditure is eligible for full expensing. Full expensing is a timing benefit and does not reduce our UK effective tax rate. We have increased tax depreciation in the year of spend and reduced tax depreciation in the future.

These accelerated deductions reduced our UK corporation tax payment to £nil for FY25 and contributed to around £11bn of carried-forward UK tax losses at the end of FY25.

In FY25 our capital expenditure was

£4.9bn

relating largely to our UK fixed and mobile networks

Patent Box

The UK profits generated from our portfolio of 5,500+ patents and patent applications are taxed at 10% under the UK Patent Box regime, generating a benefit of £55m in FY25.

In FY25 we recognised

£0.7bn

on research and development, centered at our technology headquarters in Suffolk

Risk appetite

The level of risk in relation to taxation that we are prepared to accept

We maintain

a limited appetite for tax risk by requiring a strong connection between tax planning and our business. We conduct our tax planning responsibly.

We seek

out opportunities that meet these requirements, where there is reasonable tax technical merit and we are confident that we can manage any organisational complexities.

Where a tax position is particularly uncertain, we seek to agree it with the appropriate tax authority in real time. If this approach is not available, we take reputable independent advice.

We believe

our approach results in an appropriate balance between our stakeholders.

Governance and management

Our approach to tax risk management and governance arrangements

We have a framework for managing taxes that forms part of our wider enterprise risk management. We call this our Tax Control Framework. It is set centrally and agreed by our Board of Directors. The framework comprises three key parts.

People & organisation

This is how we seek to ensure that our tax matters are dealt with in a manner consistent with our wider corporate purpose. We hire suitably qualified professionals globally and ensure that they act ethically and with integrity. We also ensure they comply with the continuing professional development requirements of the professional bodies to which they belong, and our own learning and development policies.

Management

This is how we seek to ensure that our Board's limited appetite for tax risk is applied globally.

We use a standard responsibility assignment matrix methodology to allocate ownership for different tax-related activities and different taxes globally. This ensures that any gaps are identified and closed, and appropriate individuals have direct accountability for tax matters. Our central tax team monitors this model and our internal audit function undertakes periodic reviews.

Operations

This is how we seek to ensure that we comply with the tax rules of all the countries in which we do business. We set a single quality standard for our tax compliance activities globally, which reflects our obligations to our stakeholders.

Governance and management continued

Executive responsibility for tax matters is held by our Chief Financial Officer (who is also our senior accounting officer for UK tax purposes) and our Director of Group Corporate Finance. Day-to-day responsibility is delegated to our Group Tax Director.

The Group Tax Director manages our relationships with tax authorities globally, and escalates issues to the Director of Group Corporate Finance, or the Board if material concerns arise.

We seek to pay tax in accordance with the laws of the countries where we do business. However, in some areas these laws are unclear, and it can take many years to either agree an outcome with a tax authority or resolve through litigation.

We use our Tax Control Framework to ensure that we resolve these disputes ethically and with integrity.

To find out more about our Board visit bt.com

At an enterprise level, we monitor two key tax risks:

1. Failure to comply with the tax laws of the countries in which we operate, leading to financial loss and reputational damage.

We manage this risk by applying the Operations part of our Tax Control Framework.

2. Failure to reflect current and future tax consequences in our decision making, leading to financial loss, financial misstatements and reputational damage.

We manage this risk by applying the Management part of our Tax Control Framework. This ensures that we understand the tax consequences when we make our material business decisions.

Our Board

Adam Crozier
Chairman

Allison Kirkby
Chief Executive

Simon Lowth
Chief Financial Officer

Dame Ruth Cairnie
Senior Independent Non-Executive Director

Maggie Chan Jones
Independent Non-Executive Director

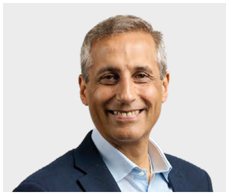
Sir Alex Chisholm
Independent Non-Executive Director

Steven Guggenheimer
Independent Non-Executive Director

Matthew Key
Independent Non-Executive Director

Raphael Kübler
Non-Independent Non-Executive Director

Sunil Bharti Mittal
Non-Independent Non-Executive Director



Tushar Morzaria
Independent Non-Executive Director

Rima Qureshi
Independent Non-Executive Director

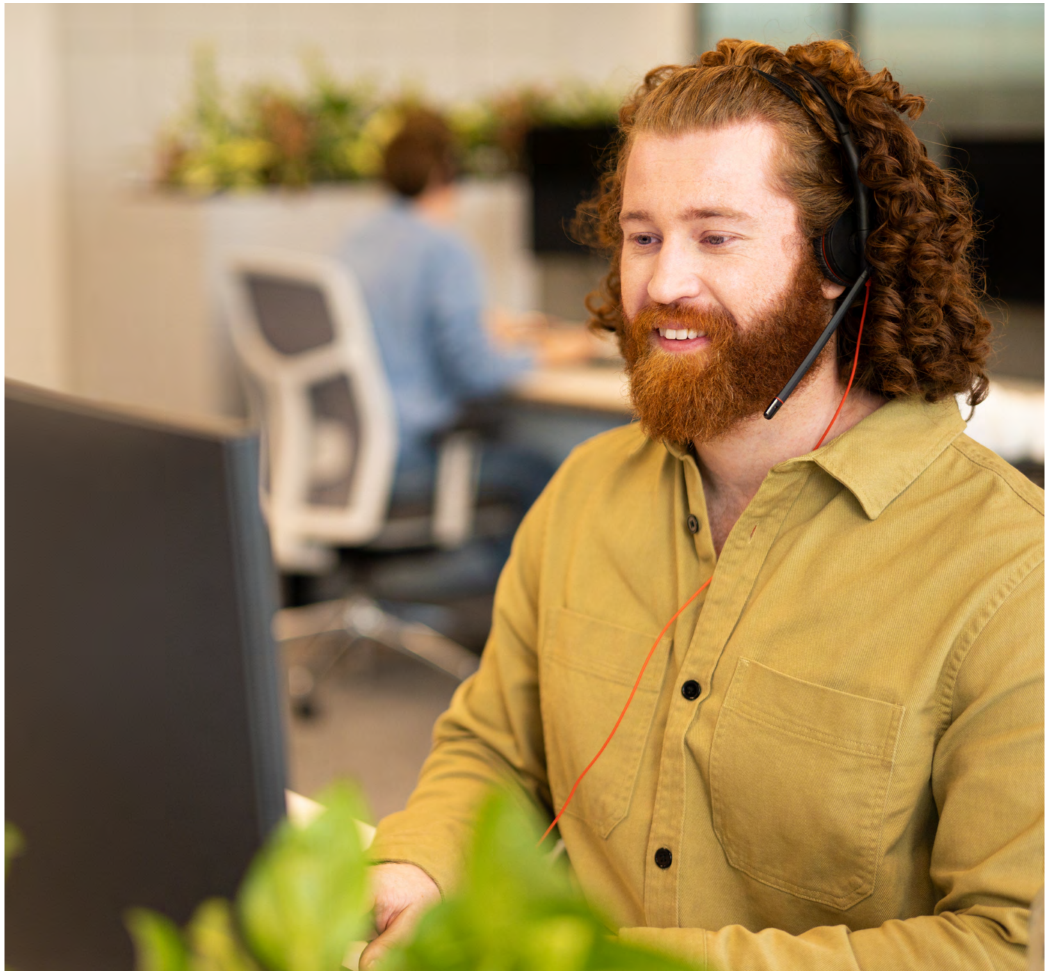
Gopal Vittal
Non-Independent Non-Executive Director

Sara Weller
Independent Non-Executive Director

Sabine Chalmers
General Counsel, Company Secretary & Director of Regulatory Affairs

Dealing with tax authorities

Our approach towards our dealings with tax authorities



We seek open and constructive working relationships with tax authorities worldwide.

Given our major tax contribution in the UK, we have extensive dealings with HMRC. We are routinely subject to tax audit. We conduct tax audits, disputes and litigation ethically and with integrity.

We disclose significant matters to HMRC and, where appropriate, seek clearance to ensure that tax implications are agreed upfront.

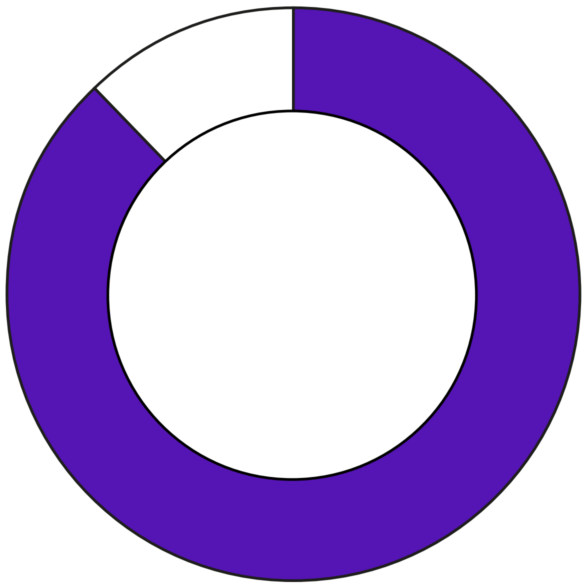
We regularly participate in UK tax consultations and pilot programmes that impact our business to ensure that our views are known and to help shape the future.

Country-by-country reporting

Our principal operations are in the UK, where the majority of our customers, people, functions and assets are located.

UK

In FY25 we realised 88% of our aggregated revenues in the UK and all our corporation tax was paid outside the UK.

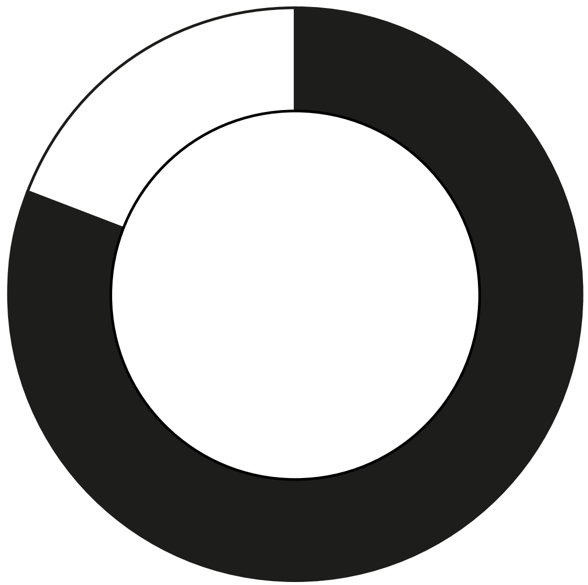


Revenues

UK	**88%**
Non-UK	**12%**

Non-UK

We have taxable presences in 107 countries outside the UK, but only 11 have aggregate revenues in excess of £100m.



Aggregate revenues

Top 11	**81%**
Balance of 96	**19%**

Country-by-country reporting continued

Typically, we expect our companies in non-UK countries to realise low, stable operating margins, reflecting the significant activities we undertake in the UK.

The operating margins realised by our non-UK operations depend on the type of customers they serve and the functions they perform.

The data below for our top ten countries is extracted from our Country-by-Country Report for the year ended 31 March 2025, which we file with HMRC.

Country	Revenues[1] £m	Profit/(loss) before tax £m	Corporate income tax paid £m	Employees	Tangible assets £m
United States	647.4	33.1	10.3	603	31.9
India	412.8	75.2	11.5	15111	56.8
Ireland[2]	407.7	158.8	22.6	694	6.8
Italy	213.2	16.4	(4.5)	447	92.1
Switzerland	196.9	1.8	1.8	68	3.8
Germany	187.2	27.2	3.6	299	42.8
France	133.4	15.3	0.1	257	13.2
Belgium	118.2	8.5	1.7	146	11.3
Netherlands	115.0	7.8	0.1	201	29.6
Hong Kong	111.4	6.1	0.3	47	4.1

1 External and related party revenue.
2 This includes the results of BT Sourced, our innovative, stand-alone procurement company based in Dublin.

Country-by-country reporting continued

Extracted data for all our business in the EU is shown opposite:

We will be required to publish certain financial and corporation tax information in relation to our European operations, on a country-by-country basis, by 31 March 2027.

Country	Revenues[1] £m	Profit/(loss) before tax £m	Corporate income tax paid £m	Employees	Tangible assets £m
Austria	6.8	0.4	0.0	2	0.9
Belgium	118.2	8.5	1.7	146	11.3
Bulgaria	0.9	(0.1)	0.0	0	0.2
Cyprus	0.0	0.0	0.0	0	0.0
Czech Republic	11.9	0.8	0.0	6	2.1
Denmark	4.8	(0.1)	0.0	0	0.6
Finland	2.7	0.2	0.0	0	1.1
France	133.4	15.3	0.1	257	13.2
Germany	187.2	27.2	3.6	299	42.8
Greece	0.0	0.0	0.0	0	0.0
Hungary	76.8	8.8	2.6	1865	19.0
Ireland[2]	407.7	158.8	22.6	694	6.8
Italy	213.2	16.4	(4.5)	447	92.1
Latvia	0.5	0.0	0.0	0	0.1
Lithuania	0.2	0.1	0.0	0	0.0
Luxembourg	10.9	1.0	0.0	6	0.4
Malta	0.0	0.0	0.0	0	0.0
Netherlands	115.0	7.8	0.1	201	29.6
Poland	7.6	(0.7)	0.1	8	1.3
Portugal	8.6	0.4	0.0	5	0.3
Romania	0.0	0.7	0.0	0	0.0
Slovakia	1.5	0.1	0.0	0	0.5
Slovenia	0.7	0.0	0.0	0	0.3
Spain	57.1	5.1	0.8	184	3.5
Sweden	11.8	0.0	0.0	10	1.4

1 External and related party revenue.
2 This includes the results of BT Sourced, our innovative, stand-alone procurement company based in Dublin.

BT Group

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This document is the group tax strategy for BT Group plc and all its subsidiaries in respect of its financial year ending 31 March 2025 for the purposes of paragraph 16(2) Schedule 19 Finance Act 2016. It was published on bt.com on 23 March 2026, and remains accessible and free of charge. A full list of our related undertakings, including place of incorporation, branches and business activity, is disclosed from page 223 onwards in BT Group plc's Annual Report 2025, also published on bt.com. We have a single global tax strategy and all references to our tax strategy in this document include a reference to our UK tax strategy. Further, all references to tax or taxation include a reference to UK tax or UK taxation.