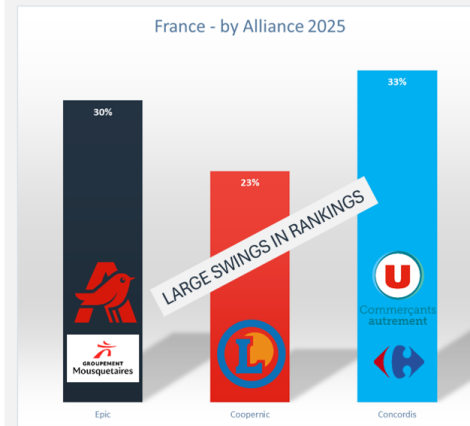
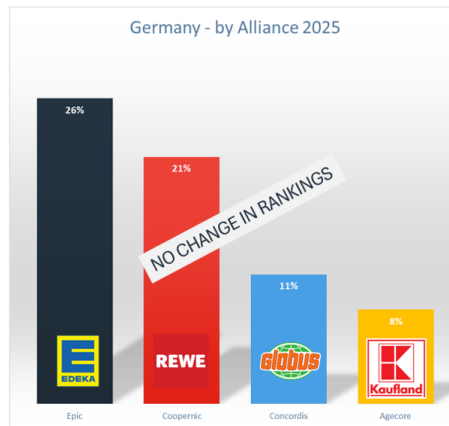




XL Store Reset: Where Do National Alliances Change Competition?



RETAILER TAXES

WHAT BELONGS IN YOUR 2027 NEGOTIATION?

This week: How should retailer taxes shape your international buying alliance preparations?

As teams prepare their 2027 agreements, a retailer's tax burden deserves a place in the negotiation briefing. A tax based on sales can consume a substantial share of operating profit, changing what growth is worth to the retailer and increasing pressure for supplier support.

Hungary provides a useful example. Its progressive retail turnover tax is based on sales rather than profits sent to a foreign parent. A retailer can therefore face a tax bill even when its business is loss-making. The commercial question for suppliers is how that pressure affects the customer's priorities and requests.

What our Hungary analysis shows

In August 2026, Retail Cities reconstructed financial statements for five retailers in Hungary: Auchan, Aldi, Lidl, Tesco and Penny. The workbook covers 2022–2025, although 2025 figures were not available for Tesco and Lidl.

Using 2024, the latest year with figures for all five, operating margins in our reconstruction ranged from approximately –4.0% at Aldi to 3.8% at Auchan and Lidl. Tesco was close to break-even at 0.1%, while Penny was at 2.9%. These are overall operating results; the differences cannot be attributed to tax alone.

The figures show how little room some retailers have to absorb additional costs. To illustrate the sensitivity, a turnover levy equivalent to 4% of sales would consume two-thirds of a 6% operating margin before that levy, leaving 2%, all else equal. This is an illustration, not a measured tax rate or a tax add-back from our five-retailer analysis.

Why this matters in an alliance negotiation

Suppliers and retailers both want profitable growth. But a turnover tax changes the economics behind the sales target. A retailer may place more emphasis on gross profit earned per unit of taxable sales, cash generation or additional supplier funding.

Changing SKU mix does not automatically change the turnover-tax rate. It may, however, improve the margin left after the tax. Suppliers need to understand that distinction when discussing assortment, promotions and new product launches.

In an international buying alliance, establish which member and market face the pressure, and how much of the business under negotiation is exposed. That gives your team a basis for assessing whether the scope and value of the request match the underlying problem.

Five questions before you agree

Where is the tax pressure? Which member, country and legal entity bears the burden? How material is it to that retailer and to the business covered by the alliance agreement?

What is the retailer requesting? Lower purchase prices, additional rebates, service fees and earlier payment of supplier rebates affect earnings and cash differently. Be precise about the problem the proposed support would address.

What is already funded? Check local terms against international fees and rebates. Identify overlapping requests before committing more investment to the same market or activity.

What additional value will the supplier receive? Tie additional investment to measurable improvements in distribution, availability, promotional execution or incremental volume. Establish the baseline and how performance will be verified.

What happens if the policy changes? If support is explicitly justified by a particular tax or temporary measure, agree a review date and a mechanism to revisit that support when the burden changes.

Thought for this week: Understand the tax pressure behind the retailer's request. Then make sure any additional supplier investment earns measurable commercial value in your 2027 agreement.

About European Retail This Week

European Retail This Week shares research that I, Ray Gaul, participate in or lead. The stories are shaped by real conversations with Europe's commercial leaders and the questions they are asking.

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