

# Total Tax Contribution PricewaterhouseCoopers survey for The Hundred Group

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February 2006

## Executive Summary

### The changing tax environment

- The amount of Corporation Tax (CT) paid by large companies is coming under increasing scrutiny and public debate
- The implication being made is that some large companies do not pay their fair share in taxes
- Companies pay many business taxes as well as CT, which also contribute to public finances
- There is a lack of transparency over these other taxes, a lack of understanding of what business taxes are, and how much tax companies actually pay

### The PwC Total Tax Contribution Framework

- A survey held by PwC in 2004 demonstrates that 99% of the Heads of Tax of large companies felt there was insufficient understanding among investors, employees and other stakeholders about a company's economic contribution in taxes
- The Total Tax Contribution of a company (TTC), which combines CT and relevant other business taxes, is considered to be a better measure of the economic contribution made in taxes
- The framework draws a distinction between business taxes paid and borne by the company itself (the company's own contribution in taxes), and business taxes collected on behalf of Government (the company's wider economic contribution in taxes) and other factors.

### The Hundred Group Survey

- The purpose of the survey was to collect information on the total amounts of all business taxes borne in the UK by members of the Hundred Group
- Members were asked to complete a questionnaire to provide data for their last two financial years
- The intention is to create a bank of anonymised data to use as a tool to facilitate dialogue with Government and other stakeholders
- It is intended that the results are updated on an annual basis going forward so that trends can be monitored
- Data has been collated, aggregated and anonymised from questionnaires returned by members of the Group using the PwC TTC framework. The data has not been verified, validated or audited.
- For this first year, the survey has only included business taxes borne
- The data provided has been extrapolated on a conservative basis to represent all Hundred Group members

### Participation

- There has been a high level of interest, with 66 members participating in the survey. Most of those declining cited lack of resource as the main reason and many expressed interest in participating in the survey next year
- Many participants made a significant effort to supply the necessary data. As a consequence there is a good bank of data to support the results
- It is of note however that some participants did not supply data on all taxes, or for both years, and consequently the survey results are conservative
- It is anticipated that the quality of data will further improve when the survey is repeated next year, when there will be improved definitions and an increased familiarity with how the framework operates

### **Corporation Tax results**

- In their 2004 / 05 year-ends, the survey participants paid CT of £7,437m, which is more than 1/5<sup>th</sup> of all CT receipts expected by Government. This is contributed by only 4.2% of the UK workforce
- Extrapolating the results suggests that in total the Hundred Group members paid CT of £9,077m in 2004/05, representing 27% of Government forecast CT receipts.
- The 10 largest CT payers participating in the survey contributed £4,903m representing 15% of Government CT receipts in 2004/5
- It is notable that 14 companies in the survey paid no CT due to losses available for offset, but they did still make a substantial tax contribution in view of the other business taxes noted below

### **Results for Other Business Taxes**

- In their 2004 / 05 year-ends, survey participants suffered £7,360m in other business taxes.
- Other business taxes represented 49.7% of the Total Tax Contribution (TTC) of participants
- Extrapolating the results suggests that in total the Hundred Group's corporate members paid other business taxes of £9,118m in 2004/05, representing 50% of their TTC
- Employers' NICs have been identified as a significant tax for the Hundred Group members. Participants contributed 3.8% of total Government NIC forecast receipts (and an estimated 6.5% of employer NIC receipts)
- Business rates also appear as a substantial cost for businesses to manage along with irrecoverable VAT
- The survey identified 18 other business taxes in total. The administrative burden of these other business taxes, including some which are small and many of which are growing, is considerable

### **Total Tax Contribution**

- In their 2004 / 05 year-ends, participants made a TTC of £14,797m
- Extrapolating the results suggests that in total all Hundred Group corporate members suffered a TTC of £18,195m in 2004/05, representing 4.3% of Government receipts
- "Other taxes" therefore essentially double the tax take from industry from £9bn to £18bn, when added to the CT bill
- The number of relevant taxes to take into account would increase further if taxes collected on behalf of Government but not borne were also included in the survey. The inclusion of such taxes would emphasise the point that large UK companies are contributing in a substantial way to the collection of revenues for the UK Government
- The number of "other" taxes, which the Hundred Group has to comply with also supports the fact that the fiscal environment is complex, and as mentioned above the associated administration is a significant burden.
- The tentative conclusion for the Hundred Group participants is that their TTC is increasing at a rate above the rate of inflation, with the contribution increasing by 5.8% from 03/04 to 04/05. CT receipts increased by 5.3%, and the take from all "other taxes" increased by 6.2%. Data in this respect will be more robust after next years survey

### **Future development and use of the survey**

- The immediate focus is to communicate and discuss the survey results which is the objective of this report
- The survey is to be repeated for 2005 / 6, and the intention is to do this in Spring of 2006. Building on the experience of this first year, improvements will be made to the design of the survey in terms of the questions asked and the ability to identify trends and to track key factors

## 1 Introduction

During the summer of 2005, PricewaterhouseCoopers carried out a survey for the Hundred Group using the PwC Total Tax Contribution framework. This survey was initiated and supported by Jon Symonds, then Chairman of the Hundred Group, with the intention of creating a bank of data of UK tax payments by members to support a constructive discussion with Government on the shape and competitiveness of the UK tax system.

Data was collated and aggregated from questionnaires completed by members of the Hundred Group. The data was not verified, validated or audited, so PwC cannot make any representations or warranties with respect to the accuracy of the information contained in this report.

The PwC Total Tax Contribution (TTC) framework covers all of the taxes which a company pays, not just those (mainly corporation tax) which are currently disclosed in a company's annual accounts. The detail of the framework and its components are explained further in section 3 and Appendix 1 below. The survey for the Hundred Group covered taxes borne by its members, and did not include taxes collected (concepts to be defined later). 18 UK business taxes borne in addition to corporation tax were identified, the most significant of which are employers' National Insurance Contributions, Local Business Rates, and irrecoverable VAT.

The response by the Hundred Group to the survey was excellent, with 66 of the 108 corporate members replying. Details of participation are set out in section 5 below. The survey results contain some important messages regarding the taxes borne by Hundred Group members, and the substantial contribution made by large companies to the public finances. These are set out in section 4. The results of the survey have been discussed with the Government and other interested parties and are now being made more widely available in this paper.

The survey will be repeated in 2006 to collect data for a further year.

## 2 The Changing Tax Environment

### Summary

- The amount of Corporation Tax (CT) paid by large companies is coming under increasing scrutiny and public debate
- The implication being made is that some large companies do not pay their fair share in taxes
- Companies pay many business taxes, as well as CT, which also contribute to public finances
- There is a lack of transparency over these other taxes and a lack of understanding of what business taxes are, and how much tax companies actually pay

The tax landscape is changing. Companies are coming under increasing scrutiny for their corporate tax planning and wider groups of stakeholders are becoming more interested in companies' tax payments. High profile corporate failures, such as Enron, have moved tax up the risk agenda and HM Revenue and Customs are calling for tax to be put on the Boardroom agenda as a corporate governance matter. Campaigning groups, such as the Tax Justice Network, are calling for companies to make ethical choices in deciding on tax planning and tax is now firmly on the agenda of the corporate responsibility movement. To quote Jeffrey Owens, senior tax official at the OECD "Tax is where the environment was [as a corporate responsibility issue] 10 years ago."

Britain's 50 biggest quoted companies have avoided paying corporate tax worth £20bn over the past five years, according to a new report.

Nearly £12bn of that sum – enough to pay for 45 hospitals or eight aircraft carriers – could have gone to the Exchequer, with the remainder paid to tax authorities overseas, says the campaign group Tax Justice.

Tax Justice's report, Mind The Tax Gap, published this week, analyses the accounts of each of the FTSE 100's top 50 companies. It also claims they make 63 per cent of their profits in the UK on average, but pay only 42 per cent of their total corporate tax bill here.

The Observer, 15 January 2006

The implication put forward is that because of corporate tax planning, companies do not pay their fair share in taxes and therefore other, and poorer, sections of sections of society have to pay more. Yet companies pay many other business taxes, apart from corporate tax. The survey results identified 18 other UK business taxes which are directly borne by companies. However, there is a lack of transparency about these taxes. In many cases, the only information on taxes in the public domain is that disclosed in the company's financial statements within its annual report. This provides information on corporate taxes paid or provided on the company's business profits, in the UK and overseas. Employees' social security costs are also disclosed. But there is no information included on all the other taxes, duties and payments which are deductible in computing business profits and are often called 'above the line' taxes.

Some companies have already recognised this lack of transparency and provide further information on business taxes, often in the company's corporate responsibility report.

What has been missing to date however has been a robust, standard method of calculating total business taxes which can be used for reporting and also for benchmarking and trend analysis, as well as improved tax management, and better connected decision making.

### 3 The PwC Total Tax Contribution framework

#### Summary

- A PwC survey held in 2004 demonstrated that 99% of the Heads of Tax of large companies felt there was insufficient understanding among investors, employees and other stakeholders about a company's economic contribution in taxes
- The PwC Total Tax Contribution (TTC), which combines CT and relevant other business taxes, is considered to be a better measure of the economic contribution made in taxes
- The framework draws a distinction between business taxes paid and borne by the company itself (the company's own contribution in taxes), and business taxes collected on behalf of Government (the company's wider economic contribution in taxes) and other taxes

A survey conducted by PwC in 2004 confirmed that 99% of the Heads of Tax of large companies felt there was insufficient understanding among investors, employees and other stakeholders about a company's economic contribution in taxes. 64% felt that the development of an accepted framework for reporting the company's total tax bill would be a positive step.

In February 2005, PwC published a discussion paper called 'Total Tax Contribution Framework: What is your company's overall tax contribution?'. The aim of the paper was to stimulate an informed debate regarding the tax contribution made by companies. The paper looked at the concept of the Total Tax Contribution, why we believe that it better represents a company's tax costs rather than the disclosures in annual reports and why it may be seen as an appropriate measure of a company's fiscal contribution to the economy.

The paper responded to the identified need for a consistent framework to quantify and report information on all business taxes paid by companies. The Total Tax Contribution framework combines corporation tax and other business taxes, and as such can be considered to be a better measure of the economic contribution made by companies in taxes.

The framework draws a major distinction between taxes borne by a company (e.g. corporation tax, business rates and Irrecoverable VAT) and taxes which it collects on behalf of Government (e.g. employees' taxes and sales taxes). Taxes borne represent the company's own Total Tax Contribution; taxes collected are part of its wider economic impact in taxes. The framework also covers tax compliance costs, other payments to and from Government which impact the public finances (e.g. subsidies) and more indirect economic impacts arising from a company's activities e.g. supplier taxes. The survey for The Hundred Group covered taxes borne, since this is the direct contribution made in taxes by companies. In future data may also be collected on taxes collected.

The TTC Framework is already being put to good use. It has been used by individual companies and trade associations to collect and report data on tax payments. HM Treasury, HM Revenue & Customs, the Dti and other interested parties have been briefed on the Framework to ensure understanding and agreement of the concepts and definitions used. With increased use of the Framework, the data generated should provide a better understanding of what companies contribute in taxes.

To summarise, the framework will potentially be used for;

- Internal tax management with proper attention to attention to all taxes and benchmarking
- Communication and engagement with all stakeholders ensuring full credit for what is paid
- Better information for tax decisions, internally and for Government with decisions taken on the basis of the full tax picture

#### 4 The Hundred Group Survey

##### Summary

- The purpose of the survey was to collect information on the total amounts of all business taxes borne in the UK by members of the Hundred Group
- Members were asked to complete a questionnaire to provide data for their last two financial years
- The intention is to create a bank of anonymised data to use as a tool to facilitate dialogue with Government and other stakeholders
- It is intended that the results are updated on an annual basis going forward so that trends can be monitored
- Data has been collated, aggregated and anonymised from questionnaires returned by members of the Group using the PwC TTC framework. The data has not been verified, validated or audited.
- For this first year, the survey has only included business taxes borne
- The data provided has been extrapolated on a conservative basis to represent all Hundred Group members

The Hundred Group of Finance Directors is an association whose members broadly equate to the FTSE100. There are currently 112 members (see appendix II) of which 108 are corporate members.

The purpose of the survey was to collect information, using the PwC Framework, of the total amounts of business tax payments in the UK by members of the Hundred Group. Each member was asked to complete a questionnaire designed by PwC to provide their Total Tax Contribution data for their last 2 financial years. Accounting years ending in the period up to 31 March 2004 were included in 2003/4 data, and those ending in the year to 31 March 2005 were included in 2004/5 data. A cut off date of 31 March facilitates an easy comparison of data generated with standard Government information issued by the Treasury.

The intention was to create a bank of anonymised data that can be used as a tool by The Hundred Group to facilitate dialogue with Government on the shape and competitiveness of the UK tax system. There is perceived to be value in collecting and reviewing this data on an ongoing basis. Repeating the survey in subsequent years will enable a robust trend analysis to be prepared.

The questionnaire identified 18 taxes other than corporation tax which members may bear, and gave suggested sources as to where data on these other taxes could be found. It also provided details of a proxy calculation in order to check the reasonableness of the data provided. PwC provided an email and telephone helpline for companies completing the questionnaire.

The 19 taxes borne included in the survey were:

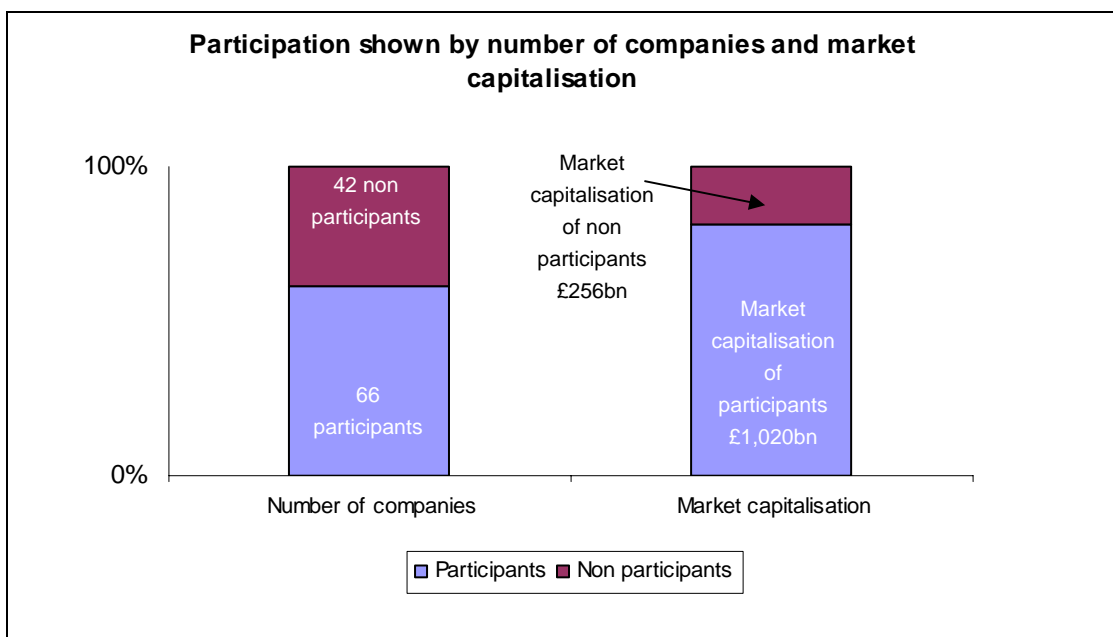
Corporation tax	Customs Duties
Employers NIC's	Climate Change Levy
PAYE on Settlements	Landfill Tax
Local Business Rates	Aggregates Levy
Irrecoverable VAT	Excise Duty (on own consumption)
Stamp Duty	Vehicle Excise Duty (own consumption)
Stamp Duty Land Tax	Air Passenger Duty (own travel)
Stamp Duty Reserve Tax	Insurance Premium Tax (own policies)
Petroleum Revenue Tax	Congestion Charge
Betting & Gaming Duties	

The questionnaire was sent to Finance Directors by The Hundred Group on 31 May 2005. When the survey finally closed in November, 66 members had responded to provide data.

All the questionnaires received were sense checked and queries raised, but the data was not audited or validated. PwC are therefore unable to make any representations or warranties with respect to the accuracy of the information contained in this report.

The data provided was anonymised and then aggregated with data provided by other participants to obtain the survey results. All references to the company name were removed for the purposes of processing the data. No list of participants will be published.

The survey results are considered representative of the Hundred Group membership comprising over 60% of their corporate members by number and covering all the range of size by market cap, all industry sectors etc.



The Hundred Group of companies cover a wide range of sectors as shown below. There were survey participants from each sector.

Aerospace	Beverages	Oil & gas
Engineering	Food Producers	Real estate
Chemicals	Tobacco	Construction
Support	Pharmaceuticals	Transport
Banks	Retailers and household	Telecoms
Insurance	Electricity	Software & computers
Investment	Utilities	Leisure & hotels
Speciality and other finance	Mining	Media & entertainment

To generate results for the entire membership, an extrapolation process was used. Each non participant was extrapolated into the data by a separate individual calculation. As a first step the UK CT paid by the non respondent was estimated by reference to the publicly available information in their accounts. In some cases, the cash flow statement analysed tax paid into UK tax paid and foreign tax paid. Where there was no such analysis, the total tax paid per cash flow statement was apportioned into UK and non UK according to the ratio of the UK and non UK elements of current tax. A check of public data against data provided by participants showed that this approach was reasonably accurate. As a next step each non respondent company was matched with a respondent company in terms of size and type of business. Finally the TTC of the non respondent company was estimated by taking the percentage which CT represented of the TTC for the similar respondent company and applying this to the non respondent company.

Some of the non respondent companies did not pay CT. A conservative approach was adopted and these companies were not included in the extrapolation exercise. The extrapolation results can therefore be assumed to be prudent.

Also where respondents companies had not provided data on all taxes, again a prudent view was adopted and no extrapolation exercise was carried out to estimate the missing taxes. Extrapolation was only applied to those companies where no data was given at all.



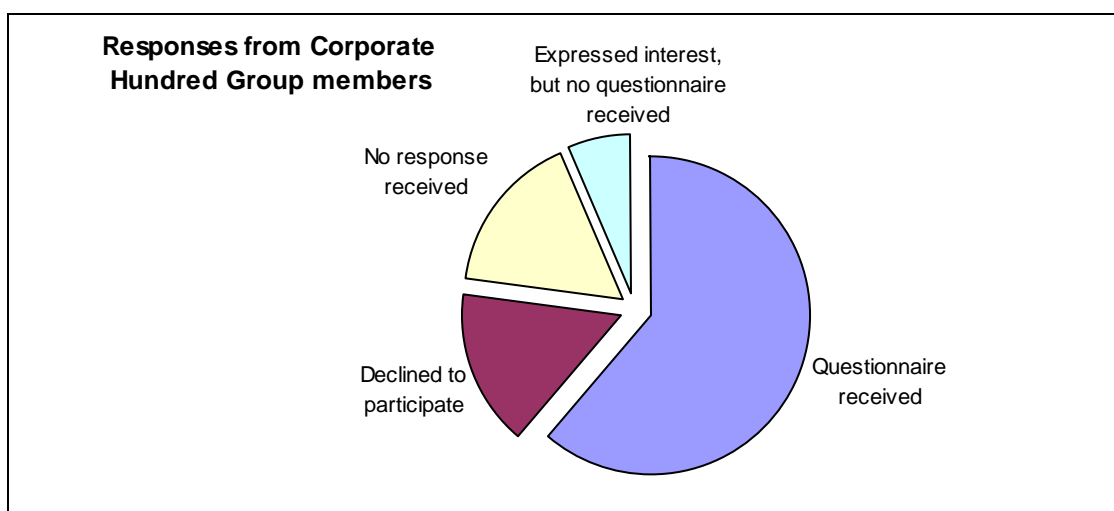
## 5 Participation

### Summary

- There has been a high level of interest, with 66 members participating in the survey. Most of those declining cited lack of resource as the main reason and many expressed interest in participating in the survey next year
- Many participants made a significant effort to supply the necessary data. As a consequence there is a good bank of data to support the results
- It is of note however that some participants did not supply data on all taxes, or for both years, and consequently the survey results are conservative
- It is anticipated that the quality of data will further improve when the survey is repeated next year, when there will be improved definitions and an increased familiarity with how the framework operates

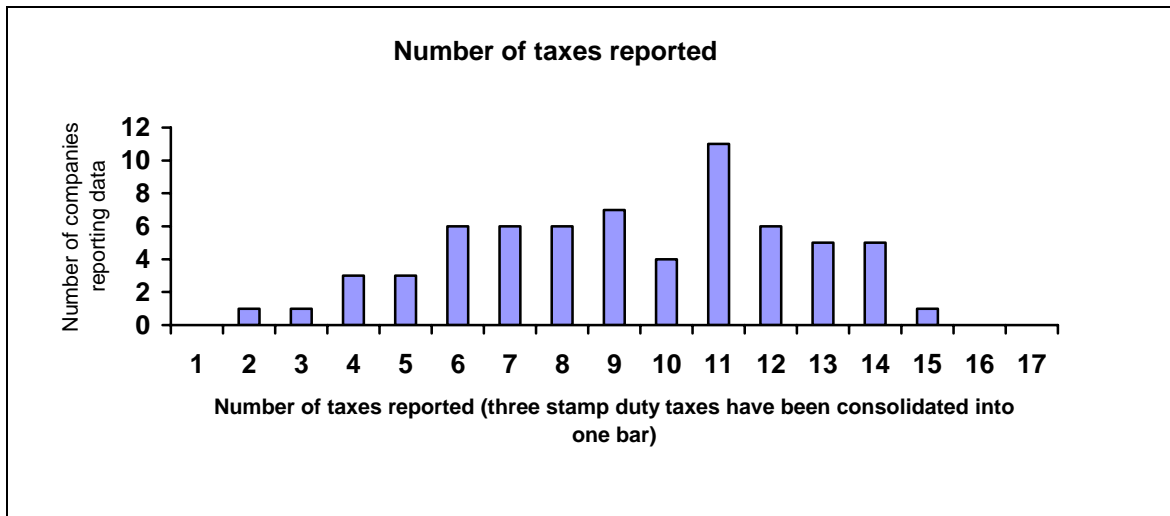
Questionnaires were sent to all 112 members of the Group and the response was excellent. 66 of the 108 corporate members supplied data. The 66 included 18 of the FTSE20.

Of those 17 members who declined to participate, the majority cited resource problems as the reason, with only one company doubting the benefit of extracting the information. Of the FTSE20, 18 supplied data and 2 declined due to lack of resource. It is hoped that interest will be even higher when the survey is repeated in 2006 in view of the strength of the data and the messages generated by the survey results.

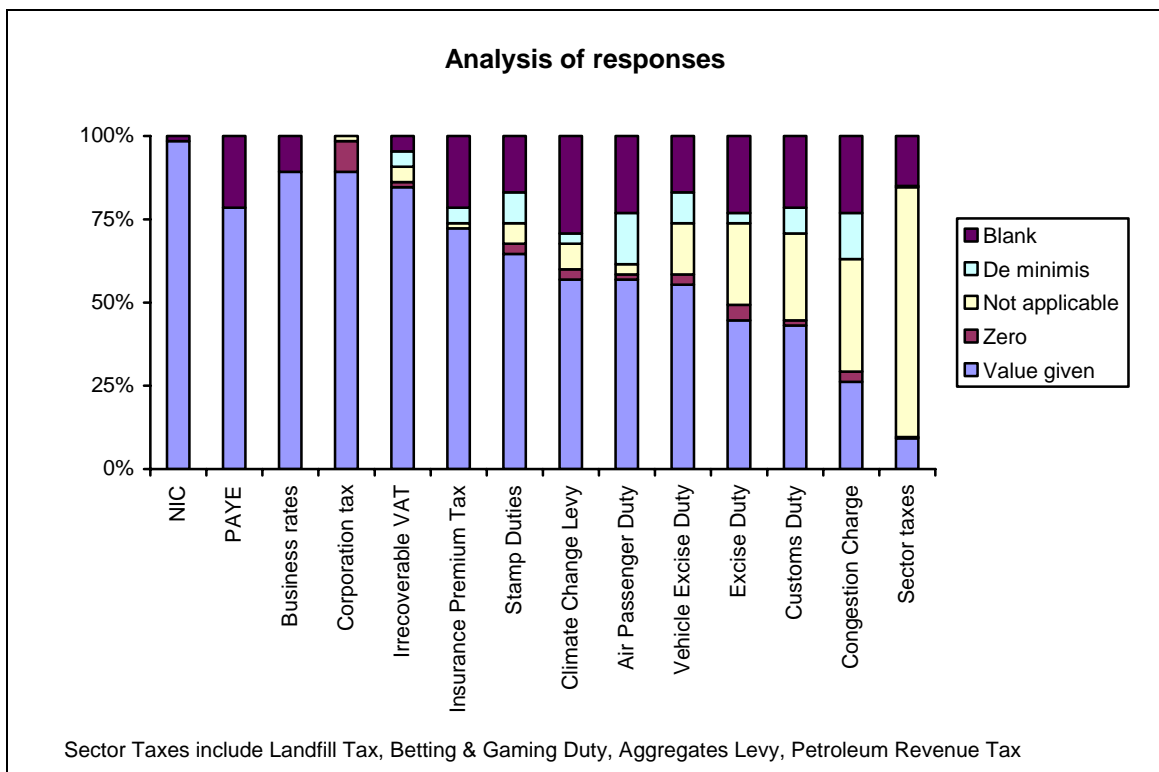


The amount of data provided by respondents varied. Companies were asked to identify relevant taxes and were offered the use of a “de minimis” option where the data was hard to find and the amount was estimated to be less than £250,000. It is notable that many respondents went to significant effort to obtain data, which often required distributing the questionnaire to different parts of the UK group to obtain the information. Many respondents did not take advantage of the de minimis option. PwC recommend that companies use the survey as the opportunity to put in place an internal process to collect this information regularly. Our view is that every company should know the amount of all its tax payments.

The chart below shows the number of taxes for which data was reported across the participants.



The chart below analyses participant responses across the taxes to show where a value was given or the de minimis option was used, where the tax was stated to be not applicable or where no response at all (blank) was provided.



9 of the 66 respondent companies gave data for only one year. (5 of these were in the FTSE20). 8 of the 9 provided data only the second year of the survey and 1 for only the earlier year. The trend analysis in the results (percentage increase between the two years) includes only data from participants supplying both years.

The quality of data is expected to improve in subsequent years with improved guidance on definitions and increased familiarity with how the Framework operates. It is expected that some

companies will also be able to implement new systems to enable the identification and monitoring of all taxes, in addition to Corporation Tax.

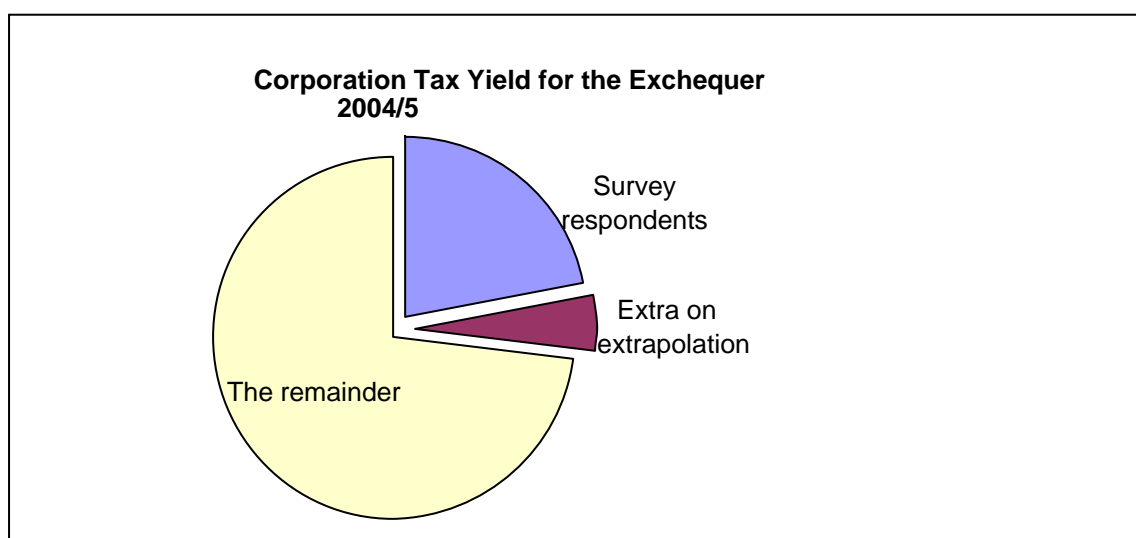
## 6 Survey Results

### Corporation Tax

#### Summary

- In their 2004 / 05 year-ends, the survey participants paid CT of £7,437m, which is more than 1/5<sup>th</sup> of all CT receipts expected by Government. This is contributed by only 4.2% of the UK workforce
- Extrapolating the results suggests that in total the Hundred Group members paid CT of £9,077m in 2004/05, representing 27% of Government forecast CT receipts.
- The 10 largest CT payers participating in the survey contributed £4,903m representing 15% of Government CT receipts in 2004/5
- It is notable that 14 companies in the survey paid no CT due to losses available

In 2004/5 year ends, participants paid Corporation Tax of £7,437m which is 22% of 04/5 Government receipts. Extrapolating the results suggests that in total the Hundred Group members paid CT of £9,077m in 2004/05, representing 27% of Government forecast CT receipts. This is being contributed by only 4.2% of the UK workforce.

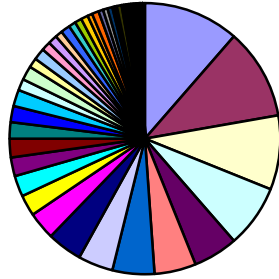


Comparing the data for those companies who provided information for two years, shows an increase of 5.3% from £5,829m (03/4) to £6,139m (04/5). This compares to an increase shown in Government figures between 03/4 and 04/5 of 19%.

Corporation Tax	2003/4 £m	2004/5 £m	increase %
Survey participants	5,829	6,139	5.3
Government	28,600	34,100	19.2

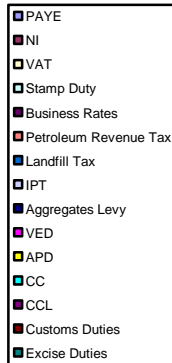
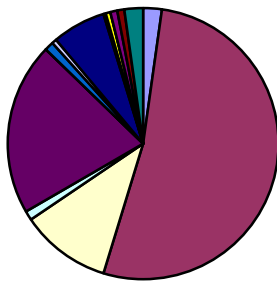
The 10 largest corporate tax payers participating in the survey contributed £4,903m, 15% of Government corporate tax receipts in 04/5.

### Corporation tax by company

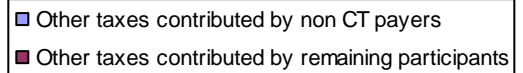
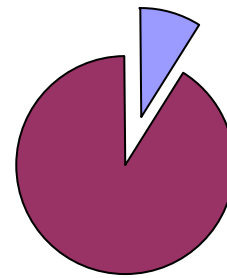


14 of the companies responding did not pay Corporation Tax. The main reasons for this were tax losses brought forward from earlier periods, commercial losses made in the year, the application of capital allowances for capital spend, and tax refunds for settlements reached for prior year liabilities. These companies however continued to make a substantial contribution to the Treasury in view of their other business taxes paid.

### Other taxes contributed by non corporation tax payers



### CT v non CT payers



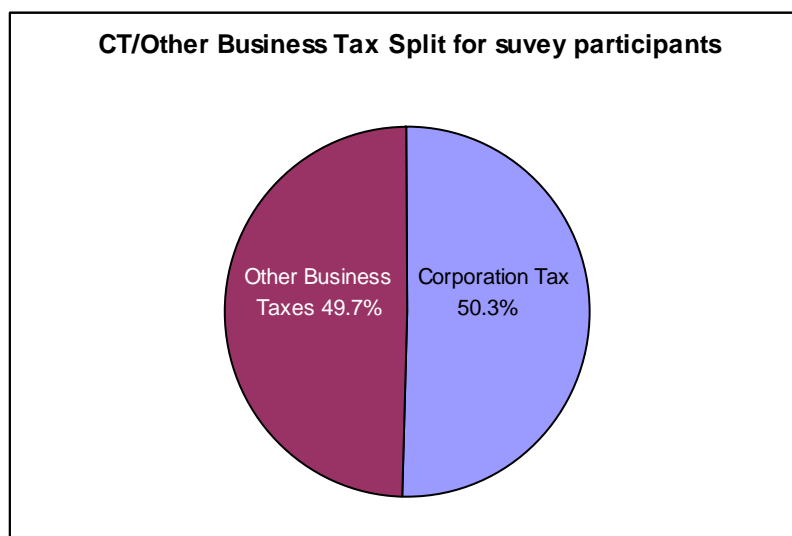
### Other Business Taxes

#### Summary

- In their 2004 / 05 year-ends, survey participants suffered £7,360m in other business taxes.
- Other business taxes represented 49.7% of the Total Tax Contribution (TTC) of participants
- Extrapolating the results suggests that in total the Hundred Group's corporate members paid other business taxes of £9,118m in 2004/05, representing 50% of their TTC
- Employers' NICs have been identified as a significant tax for the Hundred Group members. Participants contributed 3.8% of total Government NIC forecast receipts (and an estimated 6.5% of employer NIC receipts)
- Business rates also appear as a substantial cost for businesses to manage along with irrecoverable VAT
- The survey identified 18 other business taxes in total. The administrative burden of these other business taxes, including some which are small and many of which are growing, is considerable

In 2004/5 year ends, participants paid other business taxes of £7,360m. Extrapolating the results suggests that in total the Hundred Group members paid other business taxes of

£9,118m in 2004/05. These results indicate that other business taxes represent almost 50% of Hundred Group companies Total Tax Contribution



While almost 50% of the Total Tax Contribution of participants was derived from other business taxes, there are 18 sets of legislation governing the calculation and collection of these taxes. The administrative burden of other taxes is therefore considerable.

The level of many of these other taxes is not so connected with profitability, unlike Corporation Tax. The impact of these other taxes is therefore proportionately larger, the lower the profits of the company.

For those companies who provided data for two years, there is an increase of 6.2% in other business taxes from £5,912m (03/4) to £6,277m (04/5). This compares to an increase shown in Government figures for taxes other than corporation tax in the same periods of 6.6%.

<b>Other Taxes</b>	2003/4 £,m	2004/5 £,m	increase %
Survey participants	5,912	6,277	6.2
Government	368,700	393,100	6.6

Of the other business taxes, employers' national insurance contributions, business rates and irrecoverable VAT are by amount the most significant elements, as can be seen from the pie chart below.

In 2004/5, it is calculated that survey participants contributed 3.8% of Government total National Insurance Contributions (NIC's) (i.e. employer and employee). Using the approximation that as a percentage of total Government receipts for NIC's, employer NIC's are estimated to be 58%, this suggests that participants contributed 6.5% of all employers NIC's.

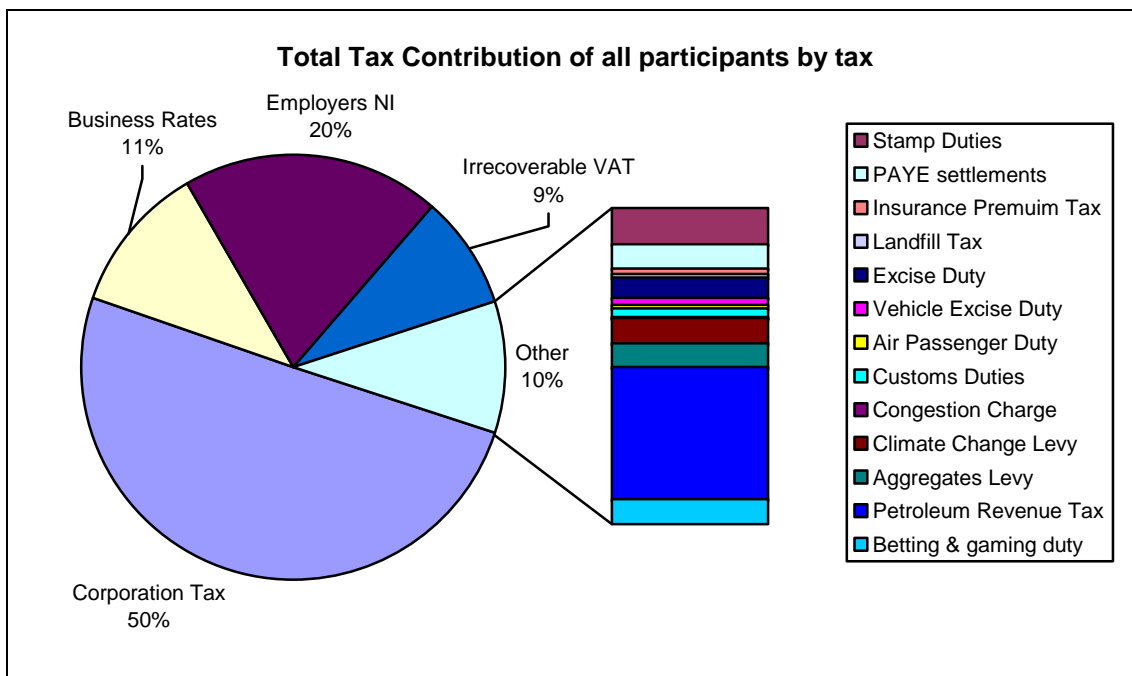
## Total Tax Contribution

### Summary

- In their 2004 / 05 year-ends, participants made a TTC of £14,797m
- Extrapolating the results suggests that in total all Hundred Group corporate members made a TTC of £18,195m in 2004/05, representing 4.3% of Government receipts
- “Other taxes” therefore essentially double the tax take from industry from £9bn to £18bn, when added to the CT bill
- The number of relevant taxes to take into account would increase further , if taxes collected on behalf of Government but not borne were also included in the survey. The inclusion of such taxes would emphasise the point that large UK companies are contributing in a substantial way to the collection of revenues for the UK Government
- The number of “other” taxes, which the Hundred Group has to comply with also supports the fact that the fiscal environment is complex, and as mentioned above the associated administration is a significant burden.
- The tentative conclusion for the Hundred Group participants is that their TTC is increasing at a rate above the rate of inflation, with the contribution increasing by 5.8% from 03/04 to 04/05. CT receipts increased by 5.3%, and the take from all “other taxes” increased by 6.2%. Data in this respect will be more robust after next years survey

Participating companies contributed total taxes of £14,797m for the year ends 2004/5. Extrapolating the results suggests that in total all Hundred Group members suffered a TTC of £18,195m in 2004/5 representing 4.3% of Government receipts. Other taxes therefore essentially double the tax take from industry from £9bn to £18bn.

The allocation of the TTC is well demonstrated by the pie chart below



As mentioned above the number of other taxes in addition to corporation tax is 18. It is of note that the number of relevant taxes to take into account would increase beyond these 18, if taxes collected on behalf of Government but not borne, were also included in the analysis.

The number of taxes which need to be complied with supports the fact that the fiscal environment is fragmented and complex.

<b>Total Tax Contribution for survey participants</b>			
<b>£m</b>	<b>2003/04 58 Participants</b>	<b>2004/05 65 Participants</b>	
Corporation tax	5,829	7,437	
Other business	5,917	7,360	
TTC	11,746	14,797	
<b>Total Tax Contribution for Hundred Group Membership 2004/05</b>			
<b>£'m</b>	<b>Corporation tax</b>	<b>Other taxes</b>	<b>TTC</b>
Survey participants	7,437	7,360	14,797
Extrapolation	1,640	1,759	3,399
Total	9,077	9,118	18,195

A more detailed analysis of the Total Tax Contribution by component is set out in the table below. This additionally shows a comparison to the receipts expected by Government from each tax. The TTC is also split into three components for this purpose by reference to their argued final incidence: those on capital (e.g. CT); those on people (e.g. employers' NICs); and those on product (e.g. most duties).

### Taxes Borne by all participants returning data for 2004/5 compared to HM Treasury expectations for the UK National Figures

<b>£'000</b>		<b>2004/05 Taxes Borne</b>	<b>2004/05 Tax Yield*</b>	<b>% of Tax Receipt</b>
Capital	Corporation Tax	7,436,950	33,600,000	22.1%
	Stamp Duty, Stamp Duty Land Tax, Stamp Duty Reserve Tax	181,298	9,000,000	
	Business Rates	1,680,324	18,700,000	9.0%
People	PAYE settlements	111,358	122,900,000	
	Employers National Insurance Contributions**	2,940,287	78,100,000	3.8%
Product	Insurance Premium Tax	28,072	2,400,000	
	Irrecoverable VAT	1,267,288	73,000,000	
	Landfill Tax	12,985	700,000	
	Excise Duty	97,396	39,300,000	
	Vehicle Excise Duty	32,456	4,700,000	
	Air passenger Duty	13,505	900,000	
	Customs Duties	43,113	2,200,000	
	Congestion Charge	1,459		
	Climate Change Levy	122,104	800,000	
	Aggregates Levy	108,272	300,000	
	Petroleum revenue Tax	612,667	1,300,000	
	Betting and gaming duty	107,064	1,400,000	
		Other receipts***		37,400,000
	<b>TOTAL</b>	<b>14,796,595</b>	<b>426,700,000</b>	<b>3.5%</b>

\* From 2005 Pre Budget report published by HM Treasury.

\*\* Tax yield figure includes employee national insurance contributions. It is thought that employers' NI is 58% of the total. If this is the case, participants contributed 6.5% of employers' NI.

\*\*\* Includes Capital gains tax, Inheritance tax, Council tax, Other taxes and Royalties.

While trend data will be more revealing when the survey has been rerun for future years, some limited trend data is available from this first survey from those companies which provided data for two years which enable tentative conclusions to be drawn. It seems that the TTC is increasing at a rate which is above the rate of inflation. The data shows an increase of 5.8% from £11,740m (03/4) to £12,415m (04/5). This compares to an increase shown in the Government figures between 03/4 and 04/5 of 7.5%.

<b>Total Tax Contribution</b>	2003/4 £m	2004/5 £m	increase %
Survey participants	11,740	12,415	5.8
Government	396,800	426,700	7.5

Almost all business taxes have increased. The most notable exceptions are Petroleum Revenue Tax and Aggregates Levy which have declined.

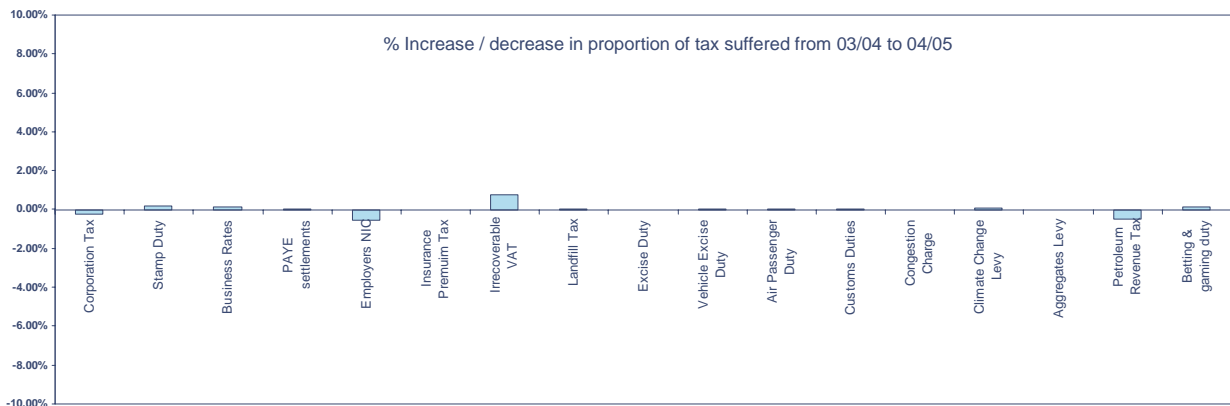
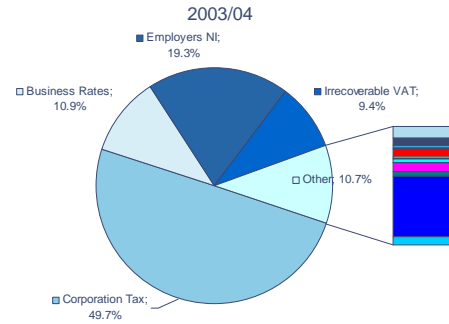
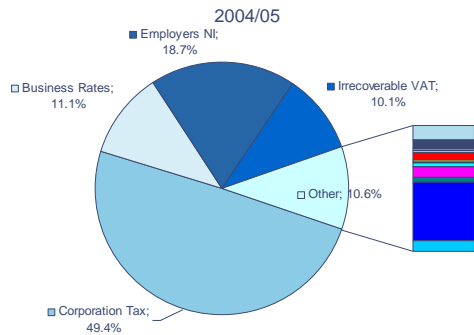
### TTC detailed analysis tables

#### Taxes Borne by Survey Participants returning two years of data

£'000		2004/05 Taxes Borne	2003/04 Taxes Borne	Trends
<b>Capital</b>	Corporation Tax	6,138,511	5,828,820	5.3%
	Stamp Duty	157,714	130,463	20.9%
	Business Rates	1,372,603	1,284,860	6.8%
<b>People</b>	PAYE settlements	89,222	82,351	8.3%
	Employers NIC	2,326,615	2,265,151	2.7%
<b>Product</b>	Insurance Premium Tax	25,692	24,925	3.1%
	Irrecoverable VAT	1,258,986	1,100,964	14.4%
	Landfill Tax	12,985	11,311	14.8%
	Excise Duty	80,235	81,189	-1.2%
	Vehicle Excise Duty	24,006	16,554	45.0%
	Air Passenger Duty	12,036	9,202	30.8%
	Customs Duties	41,612	33,862	22.9%
	Congestion Charge	459	374	22.8%
	Climate Change Levy	109,764	94,188	16.5%
	Aggregates Levy	47,272	49,272	-4.1%
	Petroleum Revenue Tax	612,667	639,556	-4.2%
	Betting & gaming duty	104,764	86,687	20.9%
	<b>TOTAL</b>	<b>12,415,140</b>	<b>11,739,729</b>	<b>5.8%</b>

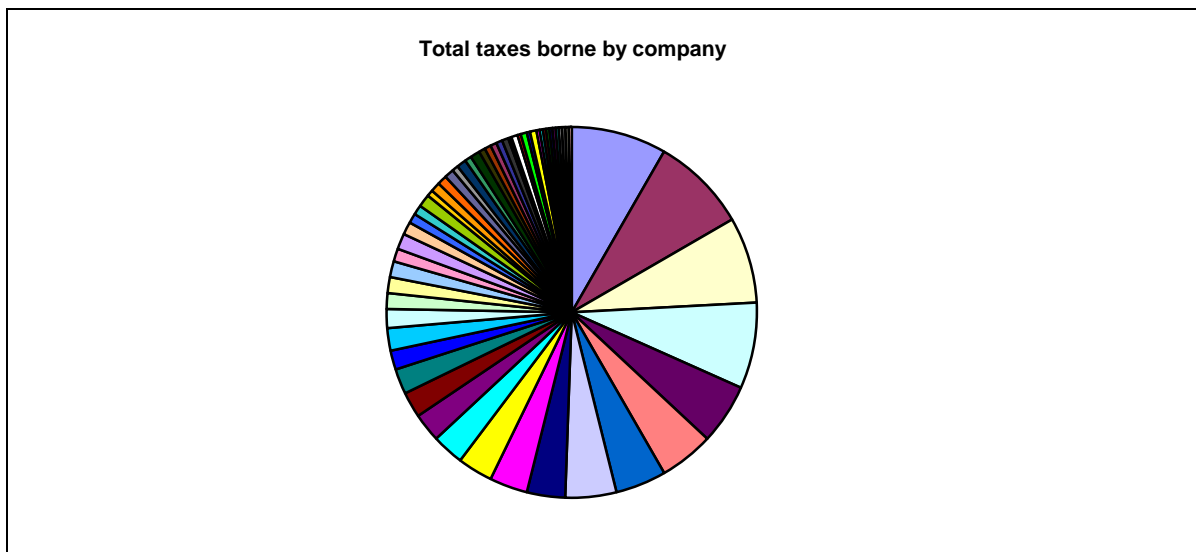
It is also of note that the relative proportions of each tax have remained roughly constant over the two years of the survey as can be seen from the pie charts below





Data for companies reporting only one year has been omitted from this slide

More than 50% of participants' Total Tax Contribution is generated by only 8 companies. This indicates the importance of some of the very largest British companies to the nation's public finances.



It is also of note that within other taxes, there are four which are ostensibly there to change behaviours to benefit the environment (Landfill tax, Climate Change Levy, Aggregates Levy, Congestion charge)

## 7 Future development and use of the survey

### Summary

- The immediate focus is to communicate and discuss the survey results which is the objective of this report
- The survey is to be repeated for 2005 / 6, and the intention is to do this in Spring 2006. Building on the experience of this first year, improvements will be made to the design of the survey in terms of the questions asked and the ability to identify trends and to track key factors

One of the key actions arising from the survey is to communicate the findings to interested parties.

A number of briefings have been provided including to Government departments and the media. This paper is intended to make the results more widely available.

The Total Tax Contribution approach is becoming accepted as being an appropriate measure of a company's economic contribution in taxes. In November 2005, a survey questionnaire was sent to the top 500 businesses in the UK from a joint HMRC/business 'Tax on the Boardroom Agenda (TOBA)' Project team, It included a reference to "Total Tax Contribution" and asked whether respondents would find it helpful to have to TTC of British industry. PwC believe that having this information will inform the debate around the tax burden on business and the competitiveness of the UK tax system.

It is interesting at this point to compare the TTC framework with one of the other methods of calculating the UK tax burden which has recently been published. Last year in the third of its series of global annual reports (Doing Business in 2006), the World Bank for the first time included a measure to quantify how tax payments impact the "ease of doing business" for a standard small to medium sized business. Respondents to the World Bank survey were asked to calculate the Total Tax Rate for such a company in their territory. This was based on a theoretical assumed set of circumstances and transactions. The World Bank asked accountants in 155 countries to perform the exercise and PricewaterhouseCoopers were used to help collect data for this exercise, but had no input to the model itself, or on how the output was generated. The basic result of the survey was that the UK was ranked 9<sup>th</sup> in terms of the overall ease of doing business with positive aspects relating to corporate governance, a strong legal framework, and an easy start up regime. The report however identified the UK as having a complex fiscal regime with many tax payments to be made, and a relatively high corporate tax burden. The Total Tax Rate attributed to the UK by the Bank was 52.9%. High perhaps when compared with 21.5% in the US, 34.65% in Japan, and 42.8% in France. There are some distinct differences between the World Bank methodology and the PwC Total Tax framework. These largely revolve around the inclusion of certain figures for VAT, the separate disclosure of Employer NIC's and using Gross Profit as the reference point rather than profit before tax. PwC is currently discussing these differences with the Bank with a view to securing a common view and approach for the future.

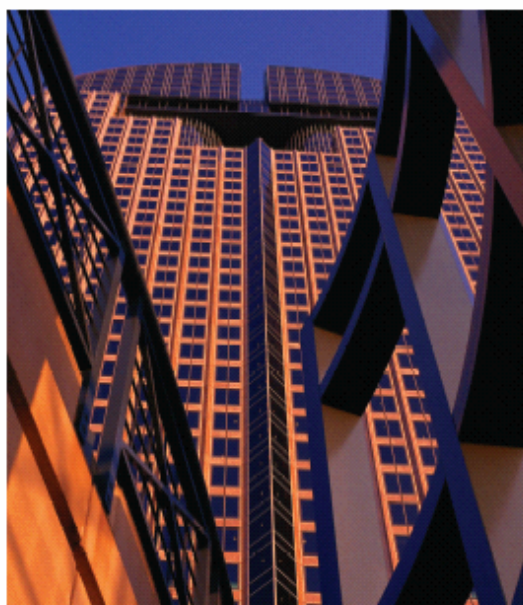
The intention is to repeat the Total Tax Contribution survey in Spring 2006 to obtain data for a further year. Improvements will be made to the design of the survey in terms of the questions asked, building on the experience of the first survey. Participants will be asked to provide figures for turnover and profits from UK business operations, with guidance given to ensure a consistent approach in calculating these figures which may not be required for any other purposes. This should facilitate the calculation of overall corporation tax, and total tax rates which has not been possible with the data received so far. Appropriate questions will also be posed so that we can explain why these rates may differ from the headline statutory rates. A further year's data, with the improvements mentioned, will enable us to identify trends, and to track key factors in the analysis. It is also intended to extend the survey to cover taxes collected as well as taxes borne.

## **Appendices**

- I The Total Tax Contribution Framework**
- II The Hundred Group membership**
- III Letter sent to the Finance Directors**

# Total Tax Contribution framework

Improving reporting and understanding of the impact of tax on business\*

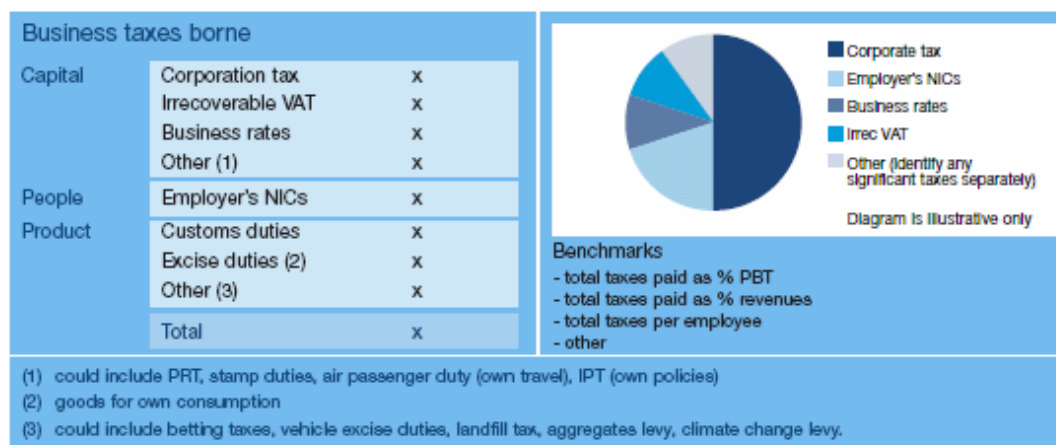


The amount of tax paid by large companies is coming under increasing public scrutiny. But often the only information in the public domain is that on corporation tax in the financial statements. This simply does not give a proper picture of a business's contribution to tax revenues.

PricewaterhouseCoopers has developed a framework for reporting a company's Total Tax Contribution, which we believe is a better measure of the company's economic contribution in taxes. It is, we believe, an important component of transparency and better reporting. Our suggested Total Tax Contribution framework is below. But we think that companies also need to consider saying more in their published statements about their tax policies: their approach to tax and how they manage tax risk.

## Business taxes borne

Business taxes paid by the company and charged to its profit and loss account will be the core disclosure in its Total Tax Contribution. Analysing between impacts on capital/people/product is suggested to link to corporate responsibility. Companies may want to consider what the appropriate benchmark measurements might be.



The company will need to decide whether to show global figures or whether to break down totals by the major territories in which it has activities.

**Total Tax Contribution**  
November 2005

As well as reporting its business taxes borne, a company may wish to consider wider reporting of its economic impact in respect of taxes.

**Tax compliance costs**

Tax compliance costs are a cost to the company. These arise both from the company's own compliance but more importantly from the work done by the company in collecting taxes on behalf of the Government. These latter compliance costs could be said to defray costs from the public finances and therefore form part of the company's Total Tax Contribution. Consideration should be given to monitoring these costs and possibly disclosing them.

Tax compliance costs		
People costs	Salary/related costs	x
	Time proportion	x
System costs	Design/changes	x
External costs		x
	Total (4)	x

(4) Compliance costs will be offset by cash flow benefits from taxes collected.

**Business taxes collected**

Business taxes collected are not a cost charged to a company's profit and loss account and are not therefore part of the company's main Total Tax Contribution in the PwC framework. However, business taxes collected contribute to the company's wider economic impact and there is merit in including these in wider reporting of the company's economic contribution in respect of taxes.

Business taxes collected		
People	PAYE	x
	Employees' NICs	x
Product	VAT	x
	Industry specific (5)	x
	Total	x

(5) could include, for example, excise duties for producers, air passenger duty for airlines/airports, insurance premium tax for insurers and interest withholdings for banks.

**Other payments**

Other payments to and from Government will not be, strictly speaking, taxes. Nevertheless if they are significant, it may be appropriate to highlight them in the company's wider reporting of its impact in respect of contributions to the economy.

Other payments to and from Government		
	Payments for value (6)	x
	Grants or subsidies	x

(6) An example will be fees for a licence to broadcast

**Indirect economic impacts**

There are also indirect economic impacts arising from the company's commercial activities. For example employees' income taxes and NICs arise from jobs created; net VAT (output tax less input tax recovered) from the company's activities; suppliers' and contractors' tax payments could be said to relate to the company's purchase of supplies and services. Again these do not form part of the company's Total Tax Contribution but in some circumstances companies could wish to include them as part of wider reporting of its economic impact in respect of taxes.

Indirect economic impacts		
	Employees' taxes & NICs	x
	Net VAT	x
	Suppliers' taxes	x

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## Appendix II – The Hundred Group membership

3i Group plc	GUS plc	Reed Elsevier Group plc
Abbey National plc	Hammerson plc	Rentokil Initial plc
Alliance & Leicester plc	Hanson PLC	Rexam plc
Allied Domecq PLC	Hays PLC	Rio Tinto plc
Anglo American PLC	HBOS plc	Rolls-Royce plc
Associated British Foods plc	Hilton Group plc	Royal & Sun Alliance Insurance Group plc
AstraZeneca PLC	HSBC Holdings plc	SAB Miller plc
Aviva Plc	ICAEW Representative	Schroeders plc
BAA plc	ICAP plc	Scottish & Newcastle
BAE Systems	Imperial Chemical Industries PLC	Scottish & Southern Energy plc
Barclays plc	Imperial Tobacco Group PLC	Scottish Power plc
BG Group	Intercontinental Hotels Group PLC	Severn Trent plc
BHP Billiton Ltd	International Power plc	Shell International Limited
BOC Group plc	ITNET PLC	Shire Pharmaceuticals Group plc
BP PLC	ITV plc	Slough Estates plc
Bradford & Bingley plc	J Sainsbury plc	Smith & Nephew plc
British Airways Plc	Johnson Matthey	Smiths Group plc
British American Tobacco PLC	Kingfisher plc	Standard Chartered Bank
British Broadcasting Corporation	Land Securities Group PLC	Stora Enso International Ltd
British Sky Broadcasting PLC	Legal and General Group plc	Tate & Lyle PLC
BT Group plc	Liberty International PLC	Tesco PLC
Bunzl plc	Lloyds TSB Group plc	The Boots Company PLC
Cable & Wireless plc	Logica CMG	The British Land Company PLC
Cadbury Schweppes plc	London Stock Exchange	The Royal Bank of Scotland Group plc
Centrica PLC	Maisha PLC	The Sage Group plc
Compass Group PLC	Man Group plc	Tomkins plc
Criminal Cases Review Commission	Marks & Spencer plc	Transport Research Laboratory
Daily Mail and General Trust plc	MISYS plc	Unilever plc
Diageo plc	Mm02	Uniq plc
Dixons Group plc	National Grid Transco plc	United Business Media plc
EMAP plc	Next Group plc	United Utilities PLC
EMI Group plc	Northern Rock plc	Vodafone Group plc
ExxonMobil International Limited	Old Mutual plc	William Hill
Friends Provident plc	P&O	Wolseley plc
Gallaher Group PLC	Pearson plc	WPP Group PLC
George Wimpey plc	PricewaterhouseCoopers	Yell Group PLC
GKN plc	Prudential plc	
GlaxoSmithKline plc	Reckitt Benckiser plc	

## Appendix III

Jon Symonds  
Chairman of The Hundred Group  
c/o AstraZeneca PLC  
15 Stanhope Gate  
London  
W1K 1LN



31 May 2005

Dear Member

### TAX CONTRIBUTION SURVEY

As part of our continued efforts to demonstrate the importance of a competitive UK tax regime, I am seeking to understand the total UK tax contribution 100 Group members make to the UK Exchequer.

To that end I have enlisted technical support from PWC to survey the membership's material tax payments made during the last two accounting periods. I would also propose that we collect this information in future in order to show trends in the total contribution.

This information, I believe, is the very basic data we require in order to present credible argument for policy and administrative change. I would propose that this initiative together with the research programme, endorsed by many of you and now progressing to the next stage of detail, would begin to strengthen large business' voice in the debate for improvement in the competitiveness of the UK tax regime.

Attached is an electronic survey prepared by PWC and the Fiscal Committee. I would be grateful if you would pass this to your tax director for completion and submission to Janet Kerr at PWC; her details are included on the front page of the questionnaire.

The data will of course remain confidential and will only be presented in anonymised form. Any sectoral data with less than 5 companies in will not be disclosed.

As greater scrutiny is applied by tax authorities, regulators and other stakeholders to corporate tax policy and contributions, I have no doubt that the data will be of great value to individual companies as well as making an important contribution to the common objective we share in moving the UK toward a leading rather than a lagging tax regime.

Yours sincerely



J R SYMONDS

If you would like further information about this report, please contact:



**Susan Symons**, is a senior client tax partner who leads the engagement with the Hundred Group having been instrumental in developing the PwC Total Tax Contribution Framework. Susan is one of PwC's most experienced partners and works with leading clients on global tax management and planning. Prior to joining PwC she spent 16 years with the Inland Revenue.

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**Neville Howlett**, is the External Relations director for the Tax practice. Before rejoining PwC last year he worked within the oil and gas industry on tax and other government-related issues for almost 16 years. As regards Total Tax, he assists with the analysis of the results of the project, helping to define key messages, and ensuring effective communication with interested stakeholders including government.

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**Janet Kerr**, a Senior Manager in the Tax practice is a primary point of contact in terms of the data collection and analysis. Janet has experience in both audit and tax and has a wealth of experience in conducting the Total Tax analysis and surveys, and in reviewing companies tax strategies, benchmarking their tax ratios and dealing with shareholder value analysis

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