# Total Tax Contribution

PricewaterhouseCoopers LLP 2007 survey
for The Hundred Group

# Contents



February 2008

# 1 Executive summary

## Introduction

- This publication sets out the results of the third annual Total Tax Contribution (TTC) survey conducted for The Hundred Group in 2007. It follows two previous successful surveys in 2005 and 2006.
- The purpose of the annual surveys is to put data into the public domain to show the contribution of Hundred Group members to UK tax revenues and to inform the discussion on the shape and competitiveness of the UK tax system.
- As in previous years the survey was based on the PwC Total Tax Contribution Framework. This looks beyond corporation tax and provides a framework for measuring all the taxes that companies pay.

## The PricewaterhouseCoopers Total Tax Contribution Framework

- Total Tax Contribution provides a framework and a standard methodology for companies to measure and report all of the taxes they pay.
- The Framework is not tax technical and is relatively straightforward for stakeholders to understand.
- The fundamentals of the Framework are the definition of a tax and also the distinction between taxes borne and taxes collected.
- The Framework also includes the cost for companies in complying with the tax system, both for taxes borne and taxes collected.
- The Total Tax Contribution concept has gained momentum in the UK and other countries, and the Framework has become widely accepted as a robust measure of the tax contribution of business.
- Many companies are seeking to communicate their wider tax contribution, often in their corporate responsibility reports.
- The Framework continues to evolve and we are active in seeking views and input from business, Government and other interested parties.

## The 2007 survey

- This third survey was again carried out at the request of The Hundred Group, whose members mainly comprise the FTSE 100.
- Members completed an electronic questionnaire providing data on business taxes borne and collected in their accounting year ending in the year to 31 March 2007.
- The survey covered the 22 business taxes in the UK that can be borne or collected by companies.
- In 2007, for the first time, participants were also asked to provide information on the time spent on compliance activities relating to their taxes borne and collected.
- Participants were asked to estimate the time spent on complying with all their main UK tax responsibilities and to provide details of any fees paid to external service providers for tax compliance services.
- The inclusion of information relating to UK tax compliance costs adds a further dimension to the overall analysis of the regulatory burden for companies in respect of taxes.
- PricewaterhouseCoopers (PwC) has not audited, verified or validated the data provided and is unable to make any representations or warranties with respect to the accuracy of the information contained in this report.
- The data has been anonymised and aggregated to produce the survey results.
- The high level of participation has ensured that the results show a good picture of the tax contribution made by this group of companies.

## Participation and provision of data

- Participation in this third survey was again excellent with 74 Hundred Group members providing data on their tax payments.
- The impressive level of interest once again underlines the support for the survey and the importance of the information generated by it for all stakeholders.
- The quality of the data provided is again very good. On average Hundred Group members report that they bear 9.0 business taxes and collect 4.1, which is consistent with the previous year, demonstrating again the significant compliance burden.
- The results of the surveys in 2005, 2006 and 2007 constitute a considerable bank of data on tax payments by large UK listed companies.
- 70% of the participants in the survey have provided the additional data on UK tax compliance.
- The level of data provision for compliance costs is good. However participants found it more difficult to estimate the time spent on UK compliance costs than to provide data on their UK tax payments.

## 2007 survey results

### Taxes borne

- In the 2007 survey, the total taxes borne by participants totalled nearly £23bn, representing 4.7% of all UK Government tax receipts.
- Participants paid corporation tax of £12.8bn, representing 28.8% of Government corporation tax receipts.
- Corporation tax represents 56% of taxes borne by survey participants. For every pound of corporation tax therefore there is another £0.79 being paid in other taxes borne.
- The 2007 survey shows the impact of UK legislative change in 2006, notably the increase in the rate of the supplementary charge on North Sea profits, effective from 1 January 2006.
- Corporation tax payments included £1.5bn relating to the supplementary charge paid by oil and gas companies. Excluding the supplementary charge from the calculation means the figure for other taxes borne becomes £0.90 for each £1 of corporation tax – in line with 2005 and 2006.
- Employers' national insurance contribution (NIC), business rates, irrecoverable VAT and petroleum revenue tax continue to be the major other business taxes borne.

### Taxes collected

- In the 2007 survey the taxes collected by participants totalled £41.8bn representing 8.6% of total UK Government tax receipts.
- Taxes collected were almost twice the size of taxes borne (1.83 times).
- For every £1 of corporation tax paid by Hundred Group members they collect another £3.27 in taxes collected. Excluding the supplementary charge increases this to £3.72 which is similar to last year's figure of £3.70 (no comparable data was collected in 2005).
- The largest taxes collected are excise duties. Participants in the survey collected £20.6bn in excise duties.
- Employee taxes deducted under pay as you earn (PAYE) are the next largest tax collected reflecting the role of the Hundred Group members as large employers. Participants in the 2007 survey collected £8.4bn in income tax deducted under PAYE and £2.5bn in employees' national insurance contributions.

### Total Tax Contribution

- Hundred Group members make a significant contribution to UK tax revenues.
- Taxes borne and collected by survey participants total £64.6bn, representing 13.3% of total Government receipts for all taxes.
- Looked at in a different way, taxes borne and collected represent 46% of the value added by survey participants.
- In the 2007 survey, 13 participants had taxes borne of £0.5bn or more.

## The industry analysis

- The results of the Hundred Group survey show a cross industry sector picture. It is important to note that the picture will vary by industry sector.
- The survey results show the importance of certain industry sectors. Oil and gas companies participating made the largest tax contribution followed by the banks.
- The percentage of the survey results for taxes borne contributed by the oil and gas companies has risen significantly over the three years surveyed.

## Extrapolation to all Hundred Group members

- Extrapolating the results to make them representative for The Hundred Group as a whole suggests a total taxes borne and collected of £78.6bn representing 16.2% of total UK Government receipts for all taxes.
- This shows the importance of large UK based business to the UK tax receipts.
- For corporation tax the results suggest The Hundred Group contributes a third (32.7%) of Government receipts for corporation tax.

## Trends in taxes borne and collected

- Through the three surveys we have data for four years on taxes borne and for two years on taxes collected, and are able to look at the trends in amounts paid over this period.
- The trends for these years have been calculated on a like-for-like basis to ensure they are not distorted by higher participation in the survey or increased coverage of taxes reported.
- The increase in total taxes borne between 2006 and 2007 for those reporting data is 10.8%. The increase over a four year period between 2004 and 2007 for those reporting data is 35.4%.
- It is important to try to put these increases into context. Inflation was 2.75% in 2006/07 and real GDP growth 3.0%. The size of the participants' business operations in the UK as measured by UK turnover grew by 9.6% in the period.
- The increase in corporation tax for those reporting data for 2006 and 2007 is 18.2%. The increase over a four year period for those reporting data for all years is 50.4%. The trend in corporation tax payments can be measured against the trend in UK accounting profits before tax. Participants reported an increase in UK profits of 7.8% between 2006 and 2007.
- The increase in corporation tax payments is mainly attributable to the oil and gas companies participating in the survey. The increase for these companies was 78.8% largely due to the change in the rate of supplementary charge with effect from 1 January 2006.
- Taxes collected decreased by 2.5% between 2006 and 2007.

## The picture for individual participants

- We have again looked at the impact of tax on business and the picture for individual participants.
- The Total Tax Rate (TTR) is a measure of the burden of all taxes borne on a particular business. On average, the TTR for participant companies is 36.2%, which is lower than last year (40.5%). This is due to differences in the population in the survey rather than any reduction in the tax cost.
- Taxes borne and collected, expressed as a percentage of turnover, is a measure of the contribution of a particular business to UK tax revenues in relation to their size. On average, the percentage for participant companies is 17.9%, very similar to last year (18.3%).
- Employment taxes borne and collected per employee is a useful measure in considering the wider economic impact of a business through jobs created. On average, participant companies paid £16,820 in employment taxes per employee, an increase to the figure for last year (£15,645).

## The cost of tax compliance

- 51 of the survey participants provided data on the time spent on compliance with UK taxes.
- They reported on average the equivalent of 11.8 full time employees dealing solely with all UK tax compliance.
- 41% of the total time was spent on compliance activities relating to corporation tax, 29% on employment taxes and 23% on VAT.
- The results indicate that participants' central tax department plays a key role in compliance for a number of taxes including corporation tax. For VAT and other taxes its role is more limited.
- On average, the participants' central tax departments spend 38.9% of their time on tax compliance.
- Nearly half the UK compliance time was spent by non tax specialist resource outside the tax department – in what is termed the 'shadow tax department'. This is probably an underestimate, and the true level of this resource although higher is not known.
- The shadow tax department plays a key role in compliance for many taxes such as VAT and employment taxes.
- Participants reported on average, a spend of £471,000 with external service providers for UK tax compliance services.
- The data provided by participants has been translated to a cost using a standard cost by grade of staff and adding external spend.
- The total cost of UK tax compliance for the participants in the survey including external spend is £65.6m.
- Nearly a quarter of the cost (23.6%) relates to the international aspects of the UK tax system.
- On average the tax cost of compliance represents 0.86% of the tax payments (borne and collected) of participants.
- The cost of tax compliance varies by tax. Customs duties were the most expensive tax to collect for participants with overall compliance cost of 1.69% of the duties paid.
- We would particularly welcome feedback on the survey results relating to compliance costs and how this aspect of the survey might be enhanced in future years.

## Comparison with inbound companies

- The results of the Hundred Group survey can be compared with a similar survey carried out for large overseas companies with operations in the UK.
- In 2007, PwC also carried out a Total Tax Contribution survey of UK taxes paid by large companies listed overseas with operations in the UK.
- 29 companies participated and these included some of the largest companies in their home countries.
- The survey results for inbound companies show a similar pattern of taxes borne and collected to that for The Hundred Group.

## International comparisons

- The Hundred Group results can be compared with the results of a similar survey carried out in Australia.
- In April 2007 the Business Council of Australia (BCA) and the [Australian] Corporate Tax Association (CTA) published the results of a Total Tax Contribution survey for their members, carried out by PricewaterhouseCoopers in Australia.
- 92 members participated, representing a significant proportion of large business in Australia.
- The results show that Australia has a complex federal, state and local tax system. There are 56 taxes which are borne and collected by companies in Australia. 21 of these are levied at the federal level, 33 by the states and territories, and two by local government.
- The large number of state and territory taxes raise relatively little revenue.
- As in the UK, the Australian results show the importance of large business to government tax receipts.
- Corporate income tax is a higher percentage of taxes borne in the BCA/CTA survey results. Corporate income tax is also a higher percentage of government tax receipts in Australia than in the UK.
- On average, the TTR for participants in Australia is higher than in the UK. However, on average, taxes borne and collected are a lower percentage of turnover.
- On average, participants in the BCA/CTA survey reported the equivalent of 9.1 full time employees dealing with compliance with Australian taxes, compared to 11.8 dealing with UK tax compliance for Hundred Group members.
- The BCA/CTA survey is being repeated to collect data for a further year. In addition, PwC Total Tax Contribution surveys of large business are underway or planned in a number of countries.
- We welcome feedback on what aspects of these country surveys it will be useful to compare.

## Future developments and use of the survey

- An important use of the survey results is to inform debate on tax policy. Meetings have taken place with HM Treasury, HM Revenue & Customs and the Department for Business, Enterprise and Regulatory Reform (BERR) and other interested parties to discuss the survey results.
- The results have also attracted attention from outside the UK. Briefings have been given to international organisations and to governments in other countries.
- A similar survey in Australia has demonstrated that the TTC Framework translates easily to other countries. The publication of results from a number of other countries is expected during 2008.
- We have also carried out a survey for the insurance industry sector in the UK. Further industry sector analyses will be useful.
- We recommend that companies should use the TTC Framework to report on their tax contribution.
- The intention is to repeat the survey for The Hundred Group in 2008. We invite comments and feedback so that the results can be further enhanced.

# 2 Introduction

"This is the third year that The Hundred Group and PwC have conducted this survey. With each year that passes the data bank improves and the analysis of trends becomes more beneficial - both to the business community and other interested bodies. This year's survey once again highlights the importance of large UK based businesses to UK tax receipts.

Sharing this survey with a wide range of stakeholders, including the UK Government, contributes to the understanding and development of business tax policy in the UK, which in turn, is an important factor influencing the competitiveness of UK businesses."

*Ashley Almanza*

*Chairman, The Hundred Group*

This publication sets out the results of the 2007 (third) annual Total Tax Contribution survey for The Hundred Group. The first and second surveys in 2005 and 2006 were very successful, generating a high level of interest from the Government, business and other stakeholders with an interest in tax, both in the UK and overseas. The survey has been repeated for a third year collecting data from Hundred Group members for accounting periods ending in the year to 31 March 2007.

The purpose of these annual surveys is to put data into the public domain on the business taxes paid in the UK by Hundred Group members. Our work has shown that there are 22 business taxes in the UK that companies pay. However, there is little transparency over most of these as many are embedded in other costs 'above the line' and only corporation tax and employers' NICs are usually identified in the financial statements. Further details of the taxes covered in the survey are in section 4.

As in previous years, the survey is based on the PwC Total Tax Contribution Framework. The Framework looks beyond corporation tax and provides a framework for measuring all of the taxes that companies pay. The Framework is careful to make a distinction between taxes borne and taxes collected. Taxes borne are those that are a real cost to the company, such as corporation tax, employers' NIC and irrecoverable VAT. Taxes collected are those, such as PAYE, employees' NIC and net VAT (output tax less input tax), where the company is collecting and administering taxes on behalf of Government. Further details of the Framework are in section 3. It is important to note that the Framework is not an economic model and does not look at the ultimate incidence of taxes borne. Taxes borne, as with any other cost, will be ultimately be passed on to shareholders, customers and employees.

The purpose of the survey is to gather and provide data on all the business taxes paid, and to inform the debate on what companies contribute in taxes and on the shape and competitiveness of the UK's tax system. This is aligned with proposal 12 of HM Revenue & Customs (HMRC) *2006 Review of Links with Large Business* (the Varney review). This commits "HMRC [to] working with HM Treasury, business and advisers to develop a better shared understanding of the contribution of the UK tax system to the overall attractiveness of the UK as a place to do business. Consideration will be given to the potential future engagement with independent bodies and research programmes, such as the Oxford University Centre for Business Taxation."

The first TTC survey, in 2005, collected data on business taxes borne by Hundred Group members in their accounting years ended in the year to 31 March 2005 and also for the previous year as a comparison. The second survey, in 2006 collected data on business taxes borne and business taxes collected by Hundred Group members in their accounting years ended in the year to 31 March 2006. The third survey, in 2007, collected data for both business taxes borne and collected in the accounting years ending in the year to 31 March 2007. Through the three surveys we therefore have a considerable bank of data on UK tax payments made by large listed UK companies. Stakeholders have indicated that this ability to monitor trends over time is an important feature of the surveys. For example, the impact of the legislative changes in 2006 can be seen in the 2007 survey results, notably the impact of the change in rate (with effect from 1 January 2006) of the supplementary charge to corporation tax on companies operating in the North Sea. Looking forward, it is anticipated that the impact of the reduction in the statutory rate for corporation tax and changes in capital allowances with effect from 1 April 2008 and the changes in business rates on vacant properties will be seen in the 2009 survey results. Trends in tax payments are discussed further in section 9 of this report.

A new feature of the survey in 2007 is the inclusion of data on the cost of complying with UK taxes. In our discussions with stakeholders, they have shown strong interest in having this data as an indicator of the complexity of the tax system. Therefore, in the 2007 survey, Hundred Group members were also asked to provide data on the time spent on UK tax compliance and the cost of any fees paid to external providers of UK tax compliance services. Further details of the data requested are shown in section 4. It should be stressed that by 'tax compliance costs' we are referring to the total cost of meeting all the companies' obligations with regard to all taxes, especially corporation tax, employment taxes and VAT i.e. well beyond the basic cost of submitting annual corporation tax returns.

The survey results for tax compliance costs are set out in section 11. We have expressed these results in a number of ways – including the number of full time equivalent staff needed to deal with UK tax compliance for these companies, and the cost of compliance as a percentage of their tax payments. We are keen to have feedback on the usefulness of these indicators and how this aspect of the survey might be enhanced in future years.

Participation in the 2007 survey has been extraordinarily good with 74 Hundred Group members providing data on the business taxes they pay compared to 78 in the 2006 survey (and 66 in 2005). This continued high level of participation underlines the support of large UK business for the concepts underlying Total Tax Contribution and the output of the surveys. These participation levels also ensure high quality and representative survey results. Details of the level of participation and data provision are in section 5.

In producing the survey results, PwC has aggregated the data provided by Hundred Group members but has not verified, validated or audited the data. PwC cannot therefore make any representations or warranties with respect to the accuracy of the information, or the survey results.

The results again confirm that corporation tax is only part of the tax contribution. For every £1 of corporation tax paid by companies participating in the survey they paid another £0.79 in other business taxes borne and £3.27 in taxes collected. However, to get a true comparison with previous years, it is perhaps appropriate to adjust for the effect of the increased supplementary charge to corporation tax. So doing brings the ratio for corporation tax paid to other taxes borne broadly in line with the £1:£1 of 2005 and 2006.

The survey results also again show how large UK based business contributes to UK tax receipts. In the 2007 survey, taxes borne and collected by The Hundred Group overall represent 16.2% of Government receipts for all taxes (including non business taxes). In the 2007 results we have again looked at how UK taxes impact individual participants. On average Hundred Group members paid an amount equivalent to 17.9% of their UK turnover in business taxes borne and collected, and on average the burden of total taxes borne is 36.2% of profits before all business taxes (the Total Tax Rate). Further details are in section 10.

The results of the 2007 survey reinforce and build on the results of the first and second surveys in 2005 and 2006 and can be said to fairly represent how UK taxes impact large UK listed companies. We have also been able to compare the results to those for other groups of companies. In 2007 we carried out a Total Tax Contribution survey of UK taxes paid by large companies listed overseas with operations in the UK (inbound companies). A summary of the inbound survey results and a comparison with The Hundred Group is in section 12.

We are also beginning to be able to make international comparisons. In April 2007 the Business Council of Australia and the Corporate Tax Association published the results of a Total Tax Contribution survey of their members carried out by PricewaterhouseCoopers in Australia. A summary of the Australian survey results and a comparison with The Hundred Group is in section 13. Total Tax Contribution surveys of large business are also underway or planned in a number of other countries (including Belgium, Canada, France, Germany, Ireland, Netherlands, South Africa, and the United States) and the results will be available later this year. We are keen to have input as to which aspects of the survey results it will be useful to compare across countries.

A full discussion of the 2007 survey results is included in sections 5-13. These have been discussed with a number of interested parties, including HM Treasury, HMRC, BERR, the OECD, the European Commission and the World Bank. We have also briefed business organisations, trade associations, and the Oxford University Centre for Business Taxation at the Said Business School. By the publication of this report, the results are being made available to a wider audience.

The survey will be repeated in 2008 to obtain another year of data and enable further analysis and monitoring of trends and changes. The intention is to cover both taxes borne and collected and the cost of compliance in the 2008 survey.

"This Total Tax Contribution report once again provides valuable data on the tax payments of large UK companies, supplemented this year by a useful comparison with the position of inbound companies. The new information on compliance costs also provides very interesting additional data which is relevant to the current Government focus on complexity and how best to simplify the tax system."

*Michael P. Devereux*

*Director, Oxford University Centre for Business Taxation*

# 3 The PricewaterhouseCoopers Total Tax Contribution Framework

Total Tax Contribution provides a framework and a standardised methodology for companies to measure and report on the taxes that they pay. PwC developed the Framework in response to a perceived lack of transparency about what taxes companies pay. This may not be surprising since generally only corporate income tax and, to an extent, employers' NICs (social security) are visible in the financial statements. Companies in fact pay many other business taxes but these are typically 'above the line' and embedded in other costs and thus not visible.

The Total Tax Contribution Framework provides information on all the taxes companies pay. It is straightforward in concept, not tax technical and therefore relatively easy for stakeholders, many of whom will have limited knowledge of tax complexities, to understand. By focusing on payments it provides a measure of companies' contributions to public finances. The Framework is built around two simple criteria: the definition of a tax and the distinction between taxes that are the company's cost (the taxes borne) and taxes which the company collects on behalf of government.

The first criterion is whether the payment is a tax. A tax is a payment to government, at any level (federal, state or local) which is mandatory, for no return of value, and which is used by government as part of public finances to fund social expenditure. Not all payments made by companies to government will meet the definition of a tax. For example, royalties paid by mining companies for the right to extract minerals, or the licence fee paid by a TV or telecoms company for a licence to operate. Payments may be significant but both probably give a return of value (the right to exploit/broadcast) and so are not taxes.

The key point to note is that there are many taxes that companies pay as well as corporate income tax on profits. There are 22 taxes paid by companies in the UK, (as listed in section 4) and by comparison, 56 in Australia (see section 13). These include property taxes (often levied at the local level), property transfer taxes (stamp duties) customs duties, VAT, and other indirect and environmental taxes. They also include labour taxes and contributions which are borne and collected by the employer, where they meet the definition of a tax. National insurance contributions in the UK are treated as a tax since these payments by employers and employees are paid into the general public finances to fund social expenditure. It is interesting to note that in some countries social security payments do not meet this definition and are more akin to pension arrangements being paid into a personal employee fund (Australia has such an example).

The second criterion is the distinction between taxes borne and taxes collected. Taxes borne are the company's immediate cost and will impact their results; for example business rates form part of property costs; and insurance premium tax part of the cost of insurance. These taxes borne will ultimately be passed on to shareholders, employees or customers, with all the company's other costs, depending on the final incidence but in the immediate term, however, they are paid and borne by the company.

Taxes collected are not the company's own costs. Here the company is collecting taxes on behalf of government from others, for example, income tax under PAYE from employees. Some taxes appear both as taxes borne and taxes collected either from their nature (for example VAT – distinguish irrecoverable VAT and net VAT collected) or from their incidence (for example, insurance premium tax (IPT) on a company's own insurance cover versus the collection of IPT by insurance companies). Taxes collected are administered by the company and will involve costs of compliance. Taxes collected will also have an indirect impact on the company's results since, for example, indirect taxes collected will impact prices to customers and employee taxes the cost of labour.

The Framework also includes the cost to companies of complying with the tax system, both for taxes borne and taxes collected. In our discussions with Government and business we have found strong interest in having data on the compliance burden as well as the tax cost. It is an indicator of the complexity of the tax system and also a feature that might be useful to compare between the tax systems in different countries. The UK

Government has a strong interest in reducing the regulatory burden on business from the tax system, having announced a major simplification programme in the October 2007 Pre-Budget Report (to address VAT rules and administration in the UK and the EU, how anti-avoidance legislation can best meet the aims of simplification and revenue protection, and how to simplify the corporation tax rules for related companies) in addition to the ongoing Administrative Burdens Reduction Project. This is an area where Government and business have a common interest.

The PwC Total Tax Contribution Framework therefore includes taxes borne and taxes collected, and the cost of tax compliance. It can also extend to take into account other payments to government which do not meet the definition of a tax, and to subsidies or other payments received from government. A further extension could be to include more indirect impacts in respect of tax, for example supplier or subcontractor taxes, if that is an important element for a particular company or industry but it would be important to give clear designation of any such payments. In some countries payments in lieu of taxes (usually contributions to infrastructure costs) are significant and may warrant disclosure.

It is important to note that Total Tax Contribution is not an economic model and does not, for example, address the final incidence of taxes borne. It provides a different perspective in that it looks at things from the company perspective and the taxes it bears and collects. It provides greater transparency over what taxes are paid by companies and their impact.

PwC developed the Total Tax Contribution Framework to provide a standardised methodology and a common language for companies to communicate the taxes that they pay. Since we published our original discussion paper in April 2005[1] the concept has gained momentum in the UK and other countries and the Framework has become widely accepted as a robust measure of the tax contribution made by business.

Every company should know the total amount of tax it pays. Total Tax Contribution provides visibility to companies' internal stakeholders on the impact of all taxes on the business and enables management to make better investment decisions. It also improves tax risk management, controls and the allocation of tax resource. As part of our surveys for The Hundred Group we have advised members to put systems in place to collect data on all their tax payments on a regular basis.

Total Tax Contribution also provides a framework to communicate to external stakeholders in a non technical and readily understandable form. It provides a measure of what companies pay into the public finances and as such may better meet the needs of some stakeholders than the normal tax disclosures in companies financial statements. In 2007 PwC carried out a review of the tax communications of the largest listed companies in the UK in conjunction with the Tax Reporting award as part of the annual PwC Building Public Trust Awards. The review looked at nine criteria of good reporting on tax and identified best practice. Full details of the review and our findings are published in the *Tax Transparency Framework. A review of the tax communications of the UK's largest listed companies*[2]. Our review showed that many of these companies are seeking to communicate their economic contribution through paying taxes and are often choosing to do so in their corporate responsibility reports. Total Tax Contribution aligns with the guidelines on tax as part of corporate responsibility reporting.

The purpose of The Hundred Group survey is to put data into the public domain and to inform dialogue with Government on the shape and competitiveness of the UK tax system. The data in the survey results is information that would not otherwise be readily available to Government, either from their own systems or from companies' tax returns. It is now being applied in a number of countries and as the data becomes available it will also inform comparisons between the impact of different systems and the tax burden on business.

"The taxes that we pay as a company and those which we collect on behalf of Government represent an important contribution to the creation of wealth and stability of the countries in which we operate. We fully endorse the principle of transparency and this applies equally in the area of taxation as in all our business dealings. We seek to effectively communicate with stakeholders the level of taxes that we both bear and collect and this is where the concept of Total Tax Contribution plays an important role firstly in helping us to understand and then explain to stakeholders the overall tax burden on our operations."

*Keith Tucker*

*Executive vice president taxation, Anglo American plc*

[1] *Total Tax Contribution Framework. What is your company's overall tax contribution?*, April 2005 www.pwc.com/uk/ttc

[2] *Tax Transparency Framework. A review of the tax communications of the UK's largest listed companies*, November 2007 http://www.pwc.co.uk/pdf/Tax_Transparency_Framework_2007.pdf

"The Total Tax Contribution (TTC) data produced by PwC is an important complement to the *Doing Business* Paying Taxes data. TTC measures taxes borne and collected by actual firms in the UK, while *Doing Business* measures the tax liability of a standardised company. The results produced by the two studies are very similar: PwC finds that the Total Tax Rate is 36.2% of profits, while *Doing Business'* assessment is 35.7%. As the TTC methodology is extended to other countries it will be useful to compare the results with *Doing Business* data."

*Michael Klein*

*Vice president, Private Sector Development Vice Presidency, the World Bank*

Each year PwC undertakes a study jointly with the World Bank Group to compare the impact of the tax system in economies worldwide as part of the World Bank *Doing Business* project. The study adopts many of the principles of the PwC Total Tax Contribution Framework and looks at the impact of labour taxes and contributions, consumption taxes and other taxes that companies pay, as well as corporate income tax. The study looks at the comparative tax burden and calculates a Total Tax Rate for each country, based on a case study which uses a standard modest sized company. It also looks at the compliance burden and calculates the estimated number of hours that it will take the case study company to comply with its main taxes and the number of tax payments it will have to make. It is interesting to compare the results from the study for the small case study company with the actual results of our work with the large companies through the Hundred Group survey.

*Paying Taxes 2008 – The global picture*[3] was published in November 2007 and, as in the previous year, has attracted attention from governments and the media around the world. The aim is to increase transparency and to encourage governments to look across all the taxes when considering the reform agenda. Reducing the tax burden in countries where the Total Tax Rate is high, together with easing the compliance burden, generates an economic win:win scenario for government and business.

The Total Tax Contribution Framework continues to evolve. Development of the Framework has from the outset been a dynamic process. We welcome comments and feedback on both the concepts and the results of our work and continue to be very active in seeking the views of government, non governmental organisations and other interested parties, both in the UK and in other countries.

[3] *Paying Taxes 2008 – The global picture*, November 2007 www/pwc.com/payingtaxes

# 4 The 2007 survey

The 2007 survey was again carried out at the request of The Hundred Group of Finance Directors whose members are drawn principally from the FTSE 100. A list of the corporate members of The Hundred Group invited to participate in the survey is included in appendix II.

Hundred Group members were asked to complete the electronic PwC Total Tax Contribution questionnaire. The questionnaire requested data on payments of business taxes borne and collected in their accounting year ending in the year to 31 March 2007. If the member did not participate in the 2006 survey, they were also asked to provide the same data for the previous year. Three participants provided prior year data and this has been included in the 2006 figures used to measure trends in taxes borne and collected (see section 9).

The survey questionnaire was sent by The Hundred Group to the members' Finance Directors on 30 April 2007, and data was received over the following months. PwC provided an email and telephone helpline to members completing the survey.

**Table 4.1. Taxes and data included in the survey results**

| Taxes for which data is requested | | Tax payments | | Compliance costs | |
|---|---|---|---|---|---|
| | | Tax borne | Tax collected | Borne | Collected |
| **Profits taxes** | | | | | |
| Corporation tax | | ✔ | | ✔ | |
| Tax deducted at source | note 1 | | ✔ | | ✔ |
| Petroleum revenue tax | | ✔ | | ✔ | |
| Betting and gaming duty | | ✔ | | ✔ | |
| **Property taxes** | | | | | |
| Business rates | | ✔ | | ✔ | |
| Stamp duty land tax | | ✔ | | ✔ | |
| Stamp duty | note 2 | ✔ | | ✔ | |
| Stamp duty reserve tax | note 2 | ✔ | ✔ | ✔ | ✔ |
| **Employment taxes** | note 3 | | | | |
| PAYE | | | ✔ | | ✔ |
| PAYE settlements | note 1 | ✔ | | ✔ | |
| Employees NI contributions | | | ✔ | | ✔ |
| Employers NI contributions | | ✔ | | ✔ | |
| **Indirect taxes** | | | | | |
| Net VAT | | | ✔ | | ✔ |
| Irrecoverable VAT | note 1 & 3 | ✔ | | ✔ | |
| Customs duties | | ✔ | | ✔ | |
| Fuel duty | note 4 | | ✔ | | ✔ |
| Alcohol Duty | note 4 | | ✔ | | ✔ |
| Tobacco duty | note 4 | | ✔ | | ✔ |
| Vehicle excise duty | | ✔ | | ✔ | |
| Insurance premium tax | note 5 | ✔ | ✔ | | ✔ |
| **Environmental taxes** | | | | | |
| Landfill tax | note 5 | ✔ | ✔ | | ✔ |
| Air passenger duty | note 5 | ✔ | ✔ | | ✔ |
| Congestion charge | note 6 | ✔ | | | |
| Climate change levy | note 5 | ✔ | ✔ | | ✔ |
| Aggregates levy | | ✔ | | ✔ | |

Note 1. These taxes are not regarded as separate taxes under the TTC Framework.

Note 2. The questionnaire asked for one amalgamated figure for stamp duty and stamp duty reserve tax.

Note 3. Aggregate data is requested for the costs of compliance for PAYE, NIC (employment taxes) and with VAT.

Note 4. Excise duties are embedded in the price of goods subject to excise when they are purchased and not shown separately on the invoice. The survey results include data only on excise duties collected and the compliance costs for the participants collecting these taxes but not on excise duties borne.

Note 5. For these taxes, the tax borne is shown separately on the purchase invoice but is paid to the supplier, rather than directly to Government. The survey results include data on the amount of taxes both borne and collected by survey participants, also on the compliance costs for participants collecting these taxes.

Note 6. No data on compliance costs requested as it is considered to be *de minimis*.

The 2007 survey requested data on the 22 taxes borne and collected by Hundred Group members as in previous years. Table 4.1 lists the taxes and data included in the survey results. As indicated in the table, a number of taxes are included in the survey results as both taxes borne and taxes collected. Insurance premium tax, for example, will be borne by most companies in relation to their own insurance policies. It will also be collected by companies in the insurance sector, as an addition to the premium charged to customers. The treatment is indicated by a tick in the relevant columns in the table. As was the case in 2006, in the 2007 survey we have included such taxes as a tax borne only where the tax is separately charged to the company by the supplier, as is insurance premium tax. We have not included it where the tax is included in the purchase price but not shown separately, for example, fuel excise duty. The 2007 survey therefore covers 18 taxes that may be borne and 12 taxes that may be collected by companies.

For the first time this year participants in the survey were also asked to provide information on the time spent on compliance activities relating to their UK taxes borne and taxes collected. Participants were asked to provide estimates of the time spent on;

- gathering data for tax purposes from existing records;
- corresponding with other departments on tax compliance issues;
- creating additional records for tax purposes;
- calculating tax liabilities;
- completing tax return forms;
- submitting return forms;
- making tax payments;
- dealing with HMRC queries; and
- studying legislation and changes to legislation to ensure the company is compliant.

The request did not include time spent on other activities relating to tax such as tax accounting, tax mitigation, and tax advice. Also not included was time spent on complying with tax legislation in other countries.

Participants were provided with a general definition of compliance activities and in addition a further definition for each tax naming specific activities and tax forms. Figures 4.1 and 4.2 show the general definition as it appeared on the survey questionnaire and as an example the specific definition for VAT.

Participants were asked to provide an estimate of time spent on compliance activities by both specialised tax resource in the central tax department and by resource elsewhere in the business known as the shadow tax department. This includes staff in business functions such as accounting, finance, shared services, property and payroll who also have a role in UK tax compliance.

Participants were asked to provide information in man days, by grade of staff, based on 220 working days per year. They were also requested to provide information on the costs incurred for UK compliance services from external providers.

**Figure. 4.1 Participants were provided with a general definition of compliance activities**

What activities are defined as compliance work?

We are collecting data on the cost of complying with UK business taxes, both taxes borne and taxes collected. Please exclude time spent on:

- Other activities relating to tax such as tax accounting, tax mitigation or tax advice
- Compliance with overseas (i.e. non UK) tax legislation. Include, however, time spent on international issues governed by UK legislation e.g. transfer pricing

Please include, as UK tax compliance, costs associated with gathering data, making payment and dealing with HMRC queries.

Where accounting records are mandatory or normally maintained and are used for tax purposes, exclude time spent on maintaining those records.

Where specific or additional accounting records are maintained solely for tax purposes, include that time.

Please therefore include time spent:

**Gathering data**

- Gathering data for tax purposes from existing records
- Corresponding with other departments on tax compliance issues
- Creating additional records for tax purposes

**Making payment**

- Calculating tax liability
- Completing tax return
- Submitting return form
- Making tax payment

**Dealing with HMRC queries**

**Study of legislation and changes to the legislation to ensure that the company is compliant**

Further guidance is given on the page for each tax those activities which we consider to fall within the description of compliance, detailing actual HMRC forms as far as possible.

**Figure 4.2…and a further specific definition for each tax, for example VAT**

Activities falling into the description of VAT compliance

UK

Gathering data required to complete VAT100
Completing data form VAT100 (will include partial exemption calculation)
Sending payment
Administering payment on account
Dealing with HMRC queries
Dealing with VAT inspections
Registration and deregistration issues
Please also include time spent by sales and customer service departments or others in calculating rates of VAT to apply

International

Completing EC sales list (details of sales to member states)
Completing intrastat returns (details of goods shipped into and out of the UK)
Administering deferment account for importers

PwC briefly reviewed each completed questionnaire on receipt to identify any obvious errors (for example, amounts entered in precise numbers rather than £000) or where the data was not in line with our expectations (for example, a very large figure shown as a PAYE settlement agreement, which was more likely to be PAYE deducted at source). In each case a query was raised with the participant company and all such queries were resolved during analysis of the survey results.

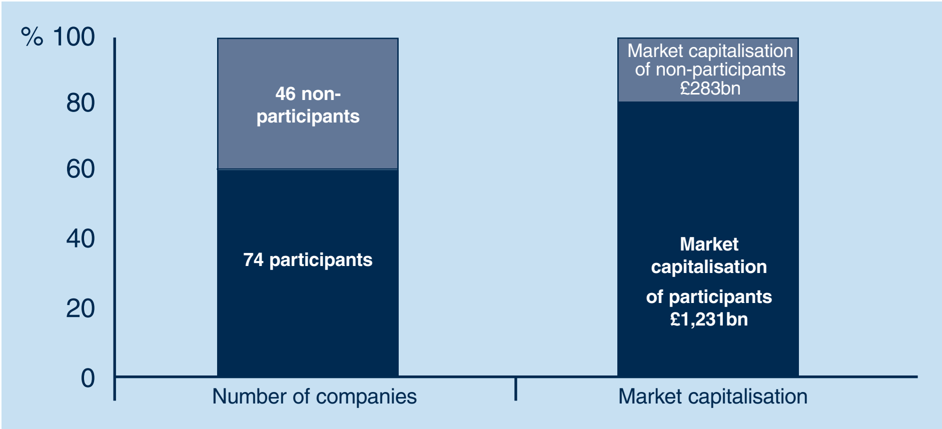
We would emphasise that our review constituted a sense check only. The data provided by survey participants has not been audited, verified or validated and PwC is unable to make any representations or warranties with respect to the accuracy of the information contained in this report.

Participants in the survey were given an undertaking of confidentiality and no list of actual participants will be published. The data provided has been anonymised and, where appropriate, aggregated with data provided by other participants to obtain the survey results. The high level of participation by Hundred Group members has ensured that the survey results are high quality and show a representative picture of the contribution of this group of companies. Further information on participation is in section 5. The companies providing data represent a significant majority of the membership by numbers and size and a good cross-section by industry sector.

# 5 Participation and provision of data

Participation in this third survey was again excellent with 74 of the 120 corporate members of The Hundred Group providing data on their tax payments. This compares to 78 in the 2006 survey and 66 in the first survey in 2005. This very high response rate demonstrates the continued high level of interest in and backing for the Total Tax Contribution survey by a large part of the business community. The 74 participants represent 81% of the total market capitalisation of the corporate members of The Hundred Group.

**Figure 5.1 – Participation shown by number of companies and market capitalisation**




As well as representing a good cross section by size participants also represent the full range of industry sectors.

**Table 5.1 Industry sectors represented in the survey results**

| | | | |
|---|---|---|---|
| Aerospace | Food producers and household products | Media and entertainment | Software and computers |
| Banks | Insurance | Oil and gas | Support |
| Beverages | Investment and speciality finance | Pharmaceuticals | Telecoms |
| Chemicals | Leisure and hotels | Real estate | Transport |
| Construction | | Retailers | Utilities |
| Engineering | | | |

The high levels of participation ensure that the survey results are representative of The Hundred Group as a whole. The quality of reporting by respondents enhances this further ensuring that the survey results are reliable and comprehensive. The results of the surveys in 2005, 2006 and 2007 contribute a considerable bank of data on tax payments by large UK listed companies. This now includes four years data on taxes borne, and two years of data on taxes collected. Table 5.2 shows the number of companies providing data for the periods covered by the three surveys.

**Table 5.2 – Summary of data available from the three TTC surveys**

| Number of companies providing data in the survey | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|
| 2005 survey | 58 | 65 | | |
| 2006 survey | | 7 | 75 | 2 |
| 2007 survey | | | 3 | 72 |
| **Totals** | **58** | **72** | **78** | **74** |

## Taxes borne and collected

On average the participants provided data on 9.0 taxes borne, a similar figure to last year, suggesting a consistent coverage of taxes borne.

**Figure 5.2 Number of taxes borne reported by company**

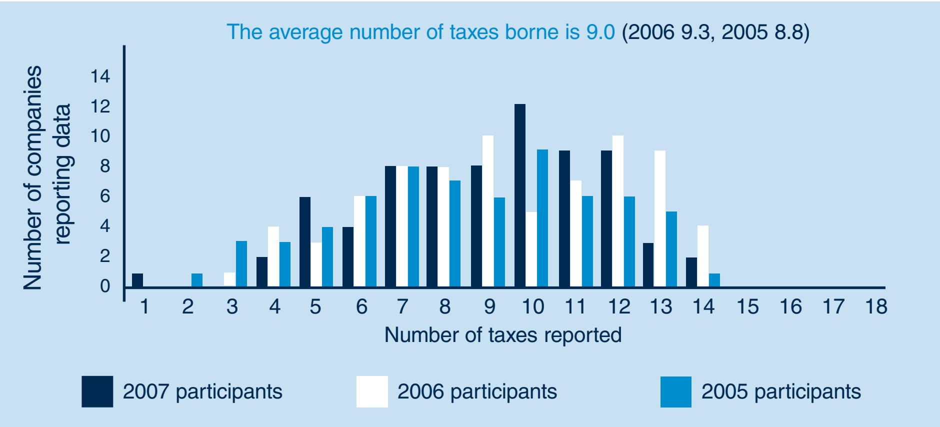
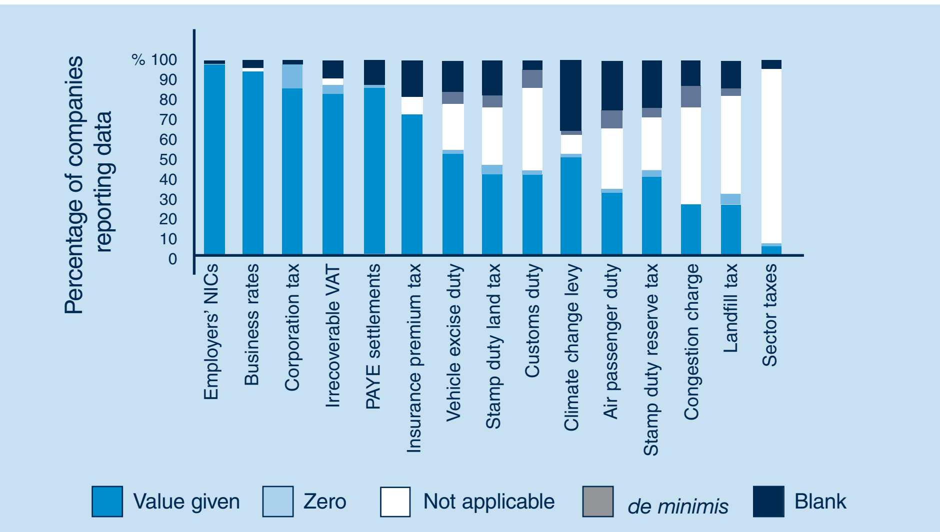



Figure 5.3 below summarises the reporting of taxes borne. For each tax relevant to them, participants were asked to provide a value (including if this were zero) or indicate the use of the *de minimis* option. Participants were offered the use of a *de minimis* option where data on a particular tax was hard to find and the amounts involved are thought to be below £50,000.

Participants were also asked to indicate if the tax was not applicable to them. In a few cases participants provided no information on a particular tax leaving it blank.

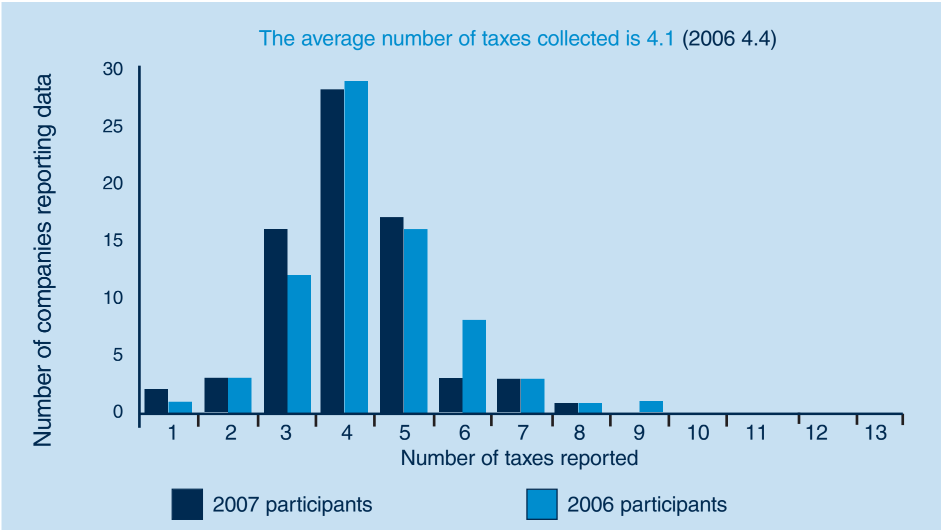
**Figure 5.3 Percentage of companies reporting each tax borne**




From this it can be seen that, as would be expected, some of the taxes are applicable to only a relatively few participants, particularly those taxes such as petroleum revenue tax, which only apply to certain industry sectors. Note also that participants make relatively little use of the *de minimis* option. It is also apparent that some participants are still unable to provide data on all of their taxes paid, identifying that the tax applies to them but leaving the amount blank. To this extent the results are understated.

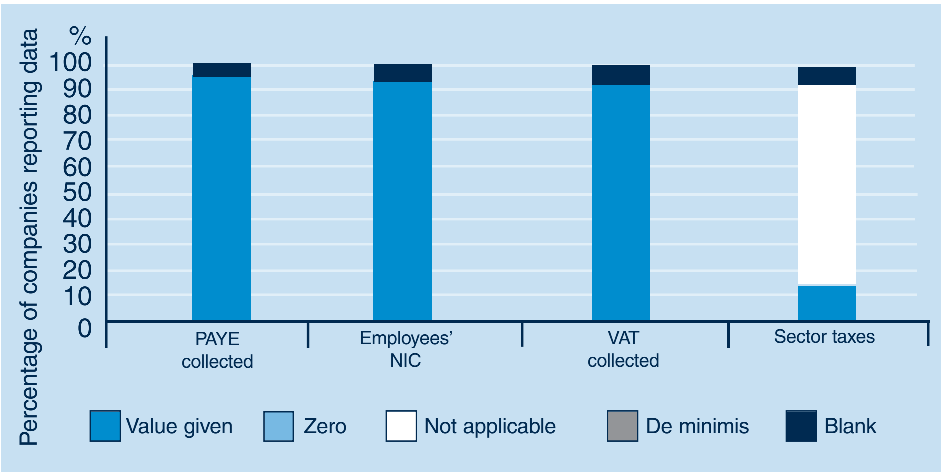
On average participants reported 4.1 taxes collected again a similar figure to last year suggesting a consistent coverage of taxes collected.

**Figure 5.4 Number of taxes collected reported by company**




The reporting of taxes collected is shown in figure 5.5. A similar pattern is shown to taxes borne. Some taxes are collected only by participants in the relevant industry sector for example, insurance premium tax, and are not applicable to most participants. The de minimis option is little used but some companies cannot provide data on all their taxes collected and leave amounts blank.

**Figure 5.5 Percentage of companies reporting each tax collected**




As was the case in previous years, survey participants were advised to put in place a process to enable them to collect data on taxes borne and collected on a regular basis. We believe that companies need to have this information for management purposes.

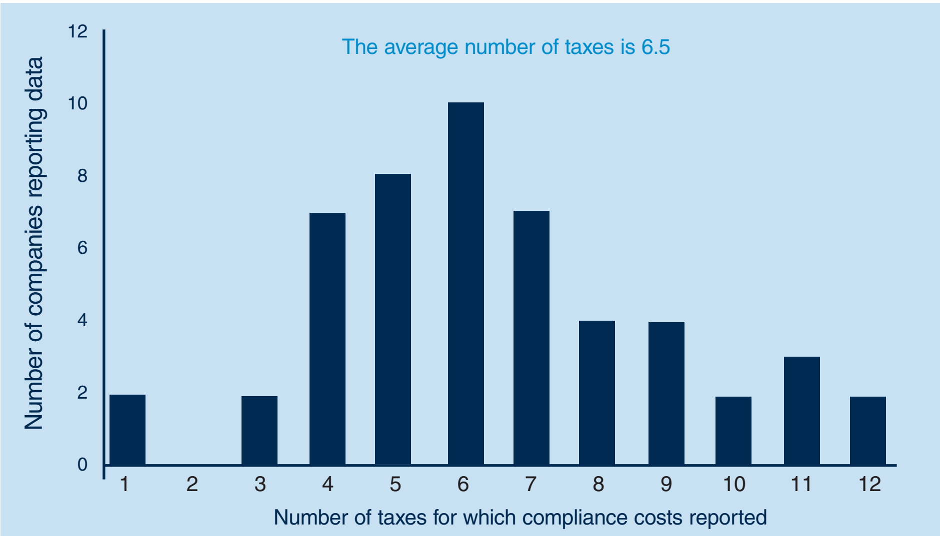
## Compliance costs

Of the Hundred Group members that provided data on their taxes borne and collected, 51 (70% of total survey respondents) additionally provided data on their compliance costs. Where respondents did not provide data on compliance, the principal reason given was lack of time and resources to undertake this new feature of the survey.

Participants were requested to estimate time spent on compliance related activities, as defined for each tax. The results are, therefore, an estimate rather than an actual figure. Since companies do not generally require employees to keep time sheets, no actual figures would be available.

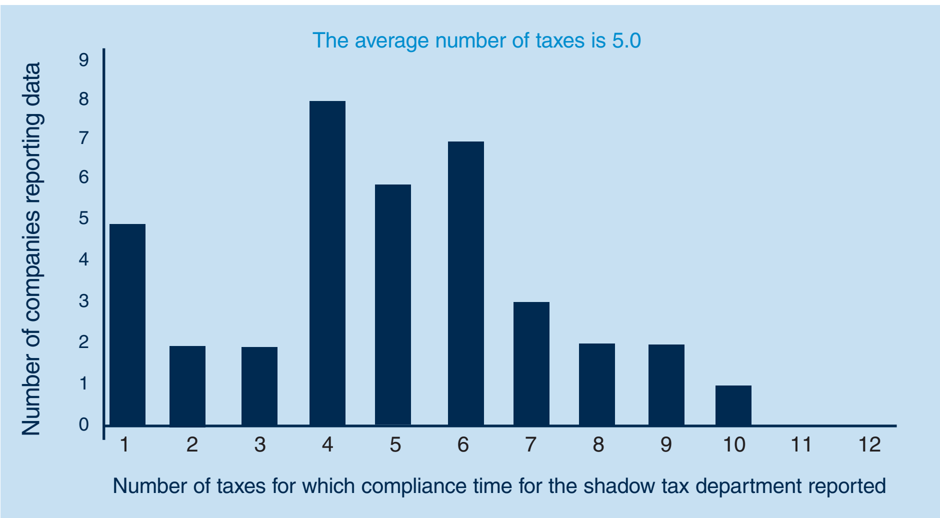
The quality of the data provided on compliance costs was good. The average number of taxes for which each company reported compliance data is 6.5. When compared to the average results of 9.0 taxes borne and 4.1 taxes collected this suggests that the survey results relating to compliance are likely to understate the actual position. However, it is important to note that no data was requested for the cost of compliance with certain taxes so far as they were borne by companies. This is because the main compliance obligation is considered to fall on the collector of these taxes. Data on the time to comply was therefore only requested from the collectors of these taxes. The taxes were – air passenger duties, climate change levy, insurance premium tax and landfill tax. In addition, no data was requested on the cost of complying with the congestion charge since this was considered to be *de minimis*.

**Figure 5.6 - Number of taxes for which compliance costs reported by company**




Participants found it more difficult to estimate the time spent on tax compliance activities by the shadow tax department. It is notable that only 37 of the 51 companies providing data gave an estimate of any time relating to the shadow tax department. In addition the average number of taxes reported for time on compliance activities by the shadow tax department was lower (average 5.0 – see figure 5.7), than the overall average (6.5). It seems clear, therefore, that the survey results underestimate the time spent on tax compliance by non tax specialist resource outside the tax department.

**Figure 5.7 - Number of taxes for which compliance time for the shadow tax department reported by company**



# 6 2007 survey results

This section summarises the data on taxes borne and collected provided by Hundred Group members participating in the 2007 survey.

Section 7 shows the importance to the survey results of participants in certain industry sectors. Section 8 extrapolates the survey results for taxes borne and collected to estimate the contribution of The Hundred Group as a whole to UK Government tax receipts. Section 9 looks at the increases in taxes borne and collected over those reported in previous surveys.

## Taxes borne

Taxes borne by Hundred Group members participating in the 2007 survey total £22.8bn representing 4.7% of total UK Government tax receipts (i.e. including income tax, capital gains tax, inheritance tax and council tax etc). Table 6.1 shows the breakdown of the taxes borne reported and how each tax compares to Government receipts.

**Table 6.1 - Taxes borne 2007 – by amount**

| £'000 | | 2007 taxes borne | 2006/07 Government receipts* | % of tax receipt |
|---|---|---|---|---|
| Direct taxes | Corporation tax | 12,765,029 | 44,300,000 | 28.8% |
| | Business rates | 2,633,461 | 21,000,000 | 12.5% |
| | Stamp duty land tax | 177,938 | 13,400,000 | 2.6% |
| | Stamp duty reserve tax | 172,912 | | |
| | Petroleum revenue tax | 1,299,746 | 2,200,000 | 59.1% |
| | Betting and gaming duty | 65,159 | 1,400,000 | 4.7% |
| Employment taxes | Employer NIC*** | 3,479,879 | 50,110,000 | 6.9% |
| | PAYE settlements | 118,747 | 143,400,000 | 0.1% |
| Indirect taxes | Irrecoverable VAT | 1,785,710 | 77,400,000 | 2.3% |
| | Customs duties | 152,174 | 2,300,000 | 6.6% |
| | Vehicle excise duty | 30,418 | 5,100,000 | 0.6% |
| | Insurance premium tax | 19,789 | 2,300,000 | 0.9% |
| Environmental taxes | Environmental taxes | 143,423 | 2,800,000 | 5.1% |
| | Other receipts** | | 120,190,000 | |
| | TOTAL | 22,844,385 | 485,900,000 | 4.7% |

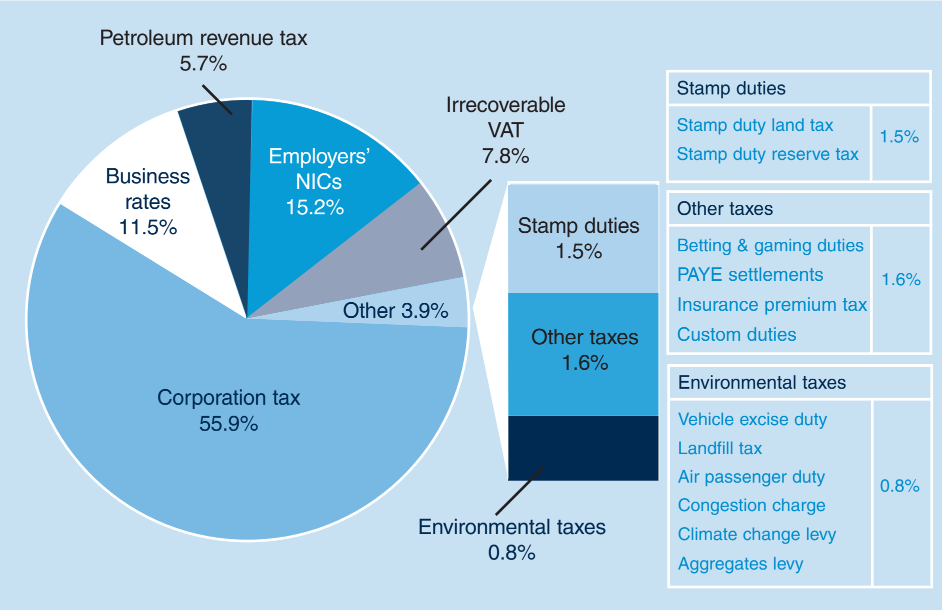
* From October 2007 Pre-Budget Report published by HM Treasury.

** Includes capital gains tax, inheritance tax, excise duties and council tax, employee national insurance contributions, other taxes and royalties.

*** Split of NIC into employers and employees NIC from OECD revenue statistics 2005

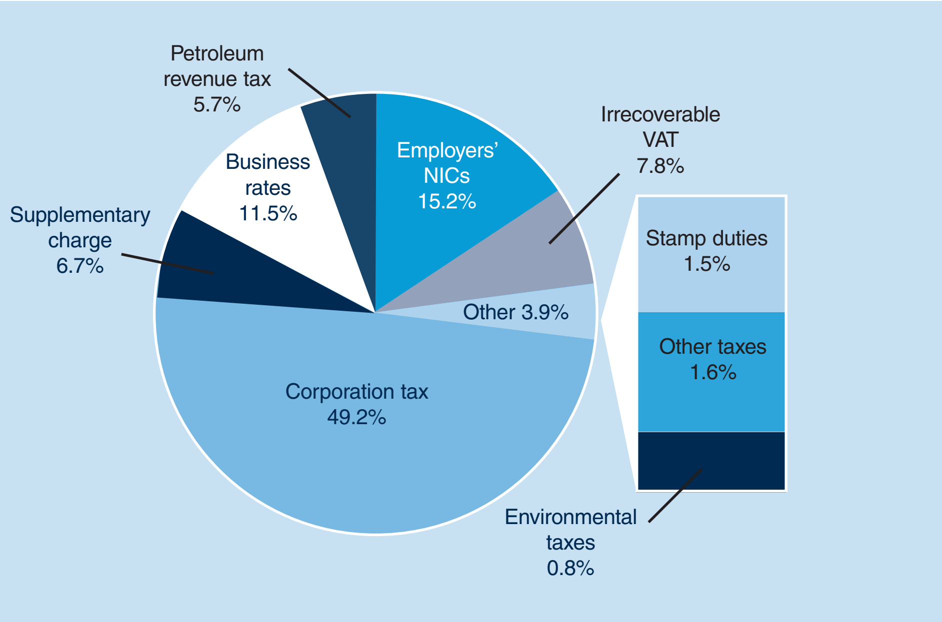
Survey participants paid £12.8bn in corporation tax representing 28.8% of total Government corporation tax receipts. The comparable figure for the 2006 survey was 25.8%. Section 9 looks at the increase in corporation tax payments compared to 2006 for the companies providing data for both years. Section 7 looks at the importance of oil and gas participants to the survey results for corporation tax.

**Figure 6.1 - Taxes borne by survey participants in 2007 by percentage**




As shown by figure 6.1, corporation tax represents 56% of the taxes borne by survey participants. This compares to 52% in the 2006 survey. For every £1 of corporation tax paid therefore, survey participants paid another £0.79 in other taxes borne. Corporation tax payments of £12.8bn included £1.5bn relating to the supplementary charge paid on the North Sea profits of oil and gas companies. Excluding the supplementary charge from the calculation means the figure for other taxes borne becomes £0.90 for every £1 of corporation tax – in line with 2005 (also £1) and 2006 (£0.92).

**Figure 6.2 – Taxes borne by survey participants in 2007 by percentage showing the supplementary charge separately**



21% of the survey participants did not pay corporation tax in the year due to accounting losses before tax, tax reliefs, or refunds of corporation tax for previous years. The figure for 2006 was also 21% and it is interesting to note how this compares with the percentage for large companies generally in the report from the National Audit Office issued in July 2007[4]. This showed a higher percentage of 31.4% of the large corporates dealt with by the Large Business Service paid no corporation tax in the financial year 2005/06 (broadly equivalent to the period covered by the 2006 Hundred Group survey). The participants who did not pay corporation tax still paid other business taxes since the base for most of these other taxes is not profitability. Employers' NICs are driven by the wages and salaries bill, business rates by the property portfolio, and so on.

As in previous years, the most significant other business taxes borne are employers' NICs, business rates, irrecoverable VAT and petroleum revenue tax. Environmental taxes together represent 0.8% of the total taxes borne.

## Taxes collected

Taxes collected by Hundred Group members participating in the 2007 survey totalled £41.8bn representing 8.6% of total Government tax receipts (i.e. including income tax, capital gains tax, inheritance tax, council tax etc.). Table 6.2 shows the breakdown of the taxes collected reported and how each tax compares to Government receipts.

**Table 6.2 - Taxes collected 2007 - by amount**

| £'000 | | 2007 taxes collected | 2006/07 Government receipts* | % of tax receipt |
|---|---|---|---|---|
| Direct taxes | Tax deducted at source | 2,379,868 | 44,300,000 | 5.4% |
| | Stamp duty reserve tax | 21,343 | 13,400,000 | 0.2% |
| Employment taxes | Employee NIC*** | 2,463,093 | 37,190,000 | 6.6% |
| | PAYE | 8,361,088 | 143,400,000 | 5.8% |
| Indirect taxes | Net VAT | 6,961,560 | 77,400,000 | 9.0% |
| | Excise duties | 20,627,648 | 39,700,000 | 52.0% |
| | Insurance premium tax | 660,626 | 2,300,000 | 28.7% |
| Environmental taxes | Environmental taxes | 329,191 | 2,500,000 | 13.2% |
| | Other** | | 125,710,000 | - |
| | TOTAL | 41,804,417 | 485,900,000 | 8.6% |

* From October 2007 Pre-Budget Report published by HM Treasury.

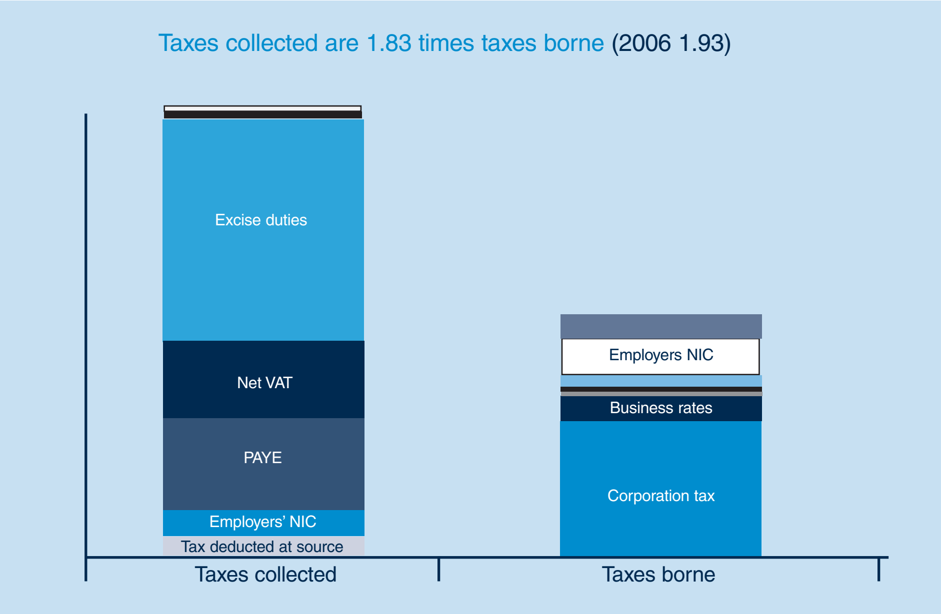
** Includes capital gains tax, inheritance tax, excise duties and council tax, employer national insurance contributions, other taxes and royalties.

*** Split of NIC into employers and employees NIC from OECD revenue statistics 2005

Taxes collected by survey participants were almost twice the size of taxes borne (1.83 times). The results show that for every £1 of corporation tax paid by Hundred Group members, they collect another £3.27 in taxes collected. If the supplementary charge to corporation tax paid by oil and gas companies is excluded then the ratio becomes £3.72 in other taxes for every £1 of corporation tax paid, close to the result for last year (£3.70). (No data was collected for 2005).

[4] *HM Revenue & Customs, Management of large business Corporation Tax*, National Audit Office, 25 July 2007

**Figure 6.3 - Taxes collected to taxes borne for survey participants in 2007**




The largest taxes collected were excise duties. The participants collecting fuel, tobacco, or alcohol excise duties collected a total of £20.6bn. For participants collecting excise duties, taxes collected are typically almost 12 times their taxes borne. For the producers of these goods this rises to 21 times.

Survey participants in the insurance industry sector collected a total of nearly £0.7bn in insurance premium tax.

Employee taxes deducted under PAYE (income tax £8.4bn, employees' NIC £2.5bn) were also significant taxes collected, reflecting the role of Hundred Group members as large UK employers. Participants in the 2007 survey employed 1.4 million employees in the UK or 5.2% of the work force[5].

[5] Office of National Statistics as at 31 March 2007.

## Total Tax Contribution

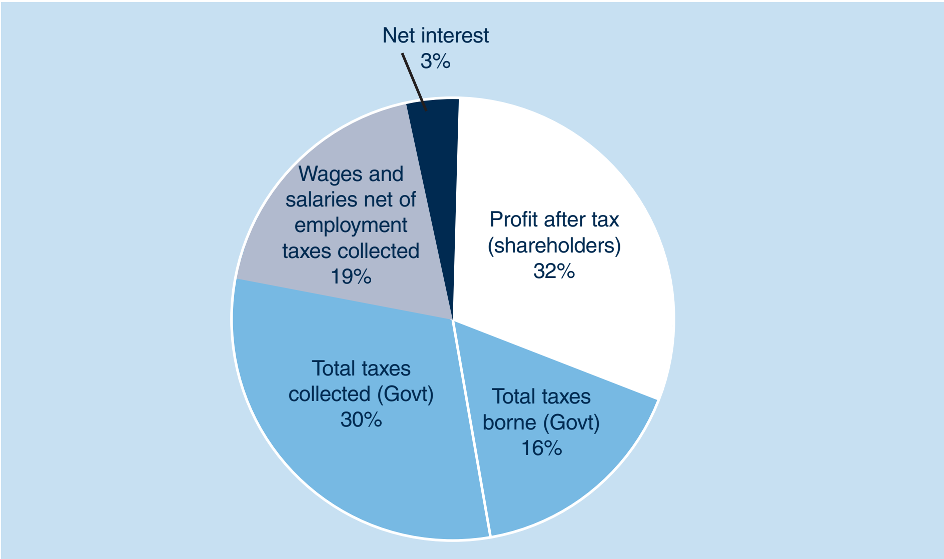
Hundred Group members make a significant contribution to UK tax revenues. Members participating in the survey paid taxes borne of £22.8bn and taxes collected of £41.8bn, a Total Tax Contribution of £64.6bn which represents 13.3% of total Government tax receipts.

**Table 6.3 - Survey results 2007 – by amount**

| | | £m |
|---|---|---|
| **Taxes borne** | Corporation tax | 12,765 |
| | Other business taxes | 10,079 |
| | | **22,844** |
| **Taxes collected** | | **41,804** |

We have also looked at representing the Total Tax Contribution in a different way (Figure 6.4). Participants in the survey provided certain supplementary data, including UK turnover, UK profit before tax, net interest incurred in the UK, and the UK wages and salaries bill. Using this data in a value added approach shows that wages and salaries (net of employment taxes) paid to employees represents 19% of value added, net interest paid to debt holders 3% and profit after tax available for shareholders 32%. Taxes borne and collected paid to Government represented 46% of value added. This might be compared to the percentage of total Government tax receipts to GDP which was 37.4%[6].

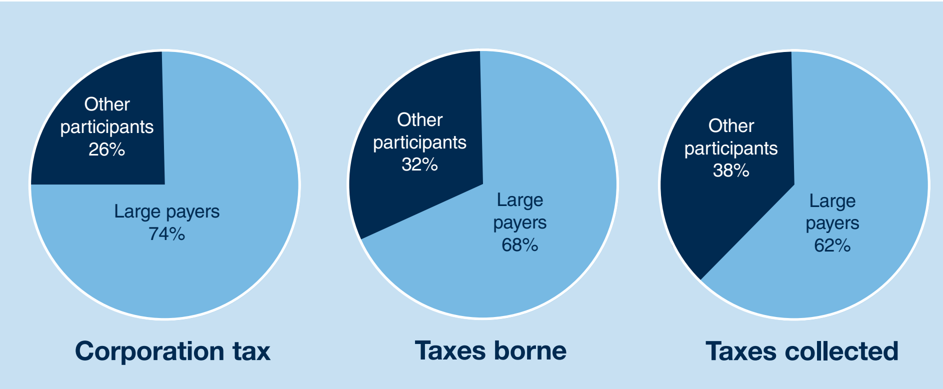
**Figure 6.4 - Taxes borne and collected as a percentage of value added**




[6] OECD revenue statistics 2006.

In the 2007 survey, 13 participants paid taxes borne of £0.5bn or more (this compares to 15 participants in the 2006 survey). These largest payers represent 68% of total tax borne by the participants in the survey, 74% of the corporation tax borne and 62% of the taxes collected.

**Figure 6.5 Contribution of large payers to the survey results**



# 7 Industry analysis

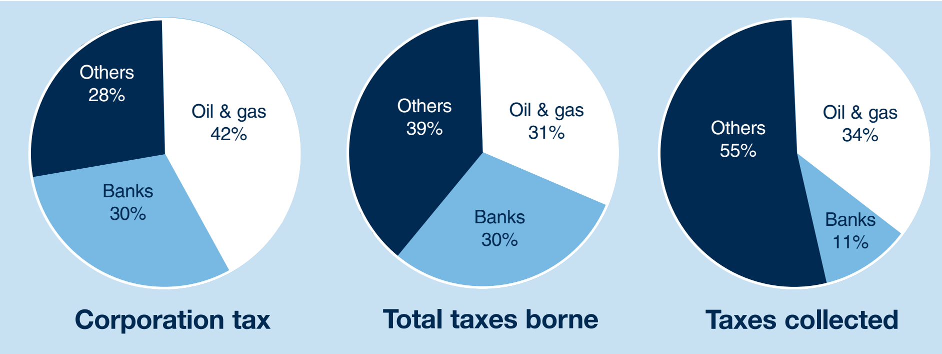
> "This survey acts as a wake-up call for British industry, highlighting the scale of contribution to the economy, and only now do we begin to see the full impact of the oil and gas sector to the Exchequer. PwC's Total Tax Contribution Framework offers a good way of collecting and communicating the facts in a way that stakeholders can readily understand.
>
> *Mike Tholen*
>
> *Economics and commercial director, Oil and Gas UK*

The Hundred Group is a cross industry sector group of companies and the results therefore show a cross industry sector picture.

It is important to note that the picture will vary by industry sector. The survey collected information on the 22 UK taxes borne or collected by companies. Some of these taxes are industry sector specific, for example, petroleum revenue tax and supplementary charge, which are paid only by oil and gas companies operating in the North Sea. Others have a different impact in different industry sectors; for example, irrecoverable VAT is a higher percentage of taxes borne for insurance companies participating in the survey than for any other industry sector.

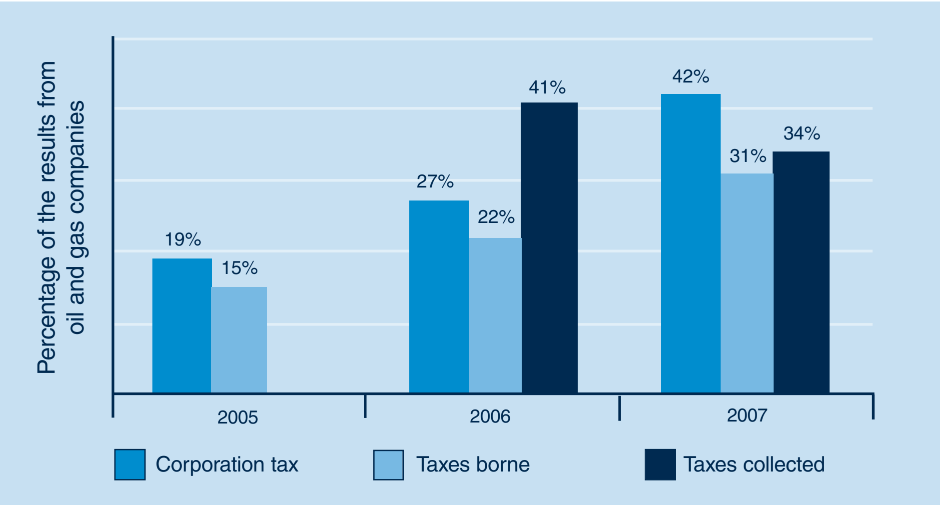
The survey results show the importance of certain industry sectors to the overall results, although it is important to note that there may be a different number of participants in each industry sector. Oil and gas companies, participating in the survey made the largest contribution, followed by banks, then retailers and insurance companies. Figure 7.1 shows the importance of oil and gas companies and banks to the survey results. Together these companies contributed 72% of the corporation tax, 61% of taxes borne and 45% of taxes collected.

**Figure 7.1 - Oil and gas and bank participants – contribution to the survey results**




The percentage of the survey results contributed by the oil and gas participants has risen over the years surveyed. Corporation tax paid by oil and gas companies has risen from 19% of the total in the first survey in 2005 to 42% in the third survey in 2007. Their taxes borne have risen from 15% to 31% over the same period. This is shown in figure 7.2.

**Figure 7.2 - Oil and gas participants - contribution to the survey results, 2005 to 2007**



# 8 Extrapolation to all Hundred Group members

This section shows the results of extrapolating the survey results to cover all of The Hundred Group members.

As in previous surveys the extrapolated results have however only been used in a limited way. The level of participation in the survey is good, so that the actual results are sufficiently robust to be representative of The Hundred Group as a whole without the need for extrapolation. The only purpose for which extrapolated results are used is to establish the percentage of total Government tax receipts accounted for by taxes borne and taxes collected by The Hundred Group as a whole. Extrapolated results are not used for any other purpose.

An extrapolation methodology has been applied in the following two areas:

1 For Hundred Group members who did not participate in the survey, to extrapolate both their taxes borne and taxes collected.

2 For Hundred Group members who did participate in the survey, to impute the amounts of any significant taxes borne or collected by them for which they did not provide data. This imputation was only carried out for survey participants who were either in the FTSE 20 as at 31 March 2007 or one of the 13 largest payers of taxes borne.

The extrapolation methodology is the same as in previous years. In both of the extrapolation areas referred to above, extrapolation was carried out on an individual company basis. For Hundred Group members who did not participate in the survey, extrapolation of both their taxes borne and taxes collected was based on the UK corporation tax paid by the company as estimated from the information in their annual report. Where it appeared from their annual reports that no corporation tax was paid, or no data was available, no extrapolation was carried out and no results included for the company. Extrapolation was therefore carried out for 27 Hundred Group members who did not participate in the survey. Extrapolation was not carried out for the remaining 19 Hundred Group members.

For those companies who did pay corporation tax, the other business taxes borne were extrapolated using the ratio of corporation tax borne to total taxes borne for survey participants in the same or similar industry sector, working from corporation tax data in the public arena. Their taxes collected were extrapolated using the ratio of taxes borne to taxes collected for the same group of survey participants. This approach was sense checked on a sample of participants to compare extrapolated to actual data and was proved to be reasonable.

The survey results show that a relatively small number of participants contribute a significant amount of the survey totals. It was therefore felt appropriate to impute the amount of certain taxes which were missing from the data provided by certain of the survey participants. As above, this extrapolation was restricted to the more significant of the taxes borne and collected as shown by the survey results. The relevant taxes and number of imputations for each are shown in the table. Imputation was carried out on a tax by tax basis for each participant using a ratio for participants in the same or a similar industry sector. The ratios are also shown in the table. Again the approach was sense checked on a sample of participants to compare imputed to actual data and was shown to be reasonable.

**Table 8.1 – Imputed amounts for missing taxes of survey participants**

| | Tax | Number of imputations carried out | Imputation ratio |
|---|---|---|---|
| **Taxes borne** | Business rates | 2 | Business rates to corporation tax borne |
| **Taxes collected** | PAYE | 1 | PAYE to the number of employees |
| | Employees' NICs | 1 | Employees' NIC to the number of employees |

The extrapolation approach used is considered to be reasonable and does not overestimate the Total Tax Contribution of The Hundred Group.

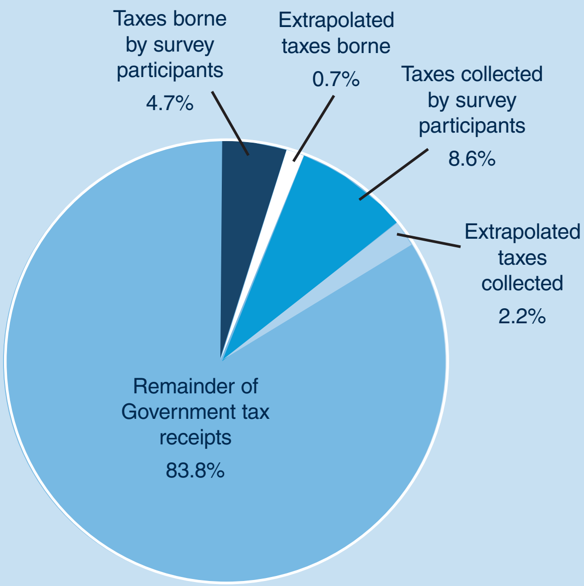
The extrapolated survey results are shown in the table below. The results suggest a total for taxes borne and collected of £78.6bn, representing 16.2% of total UK Government receipts for all taxes. For corporation tax the results suggest the Hundred Group members contribute nearly one third (32.7%) of Government corporation tax receipts.

**Table 8.2 – Extrapolated survey results**

| | Data from survey participants £m | Extrapolated to Hundred Group membership £m | Percentage of Government receipts* |
|---|---|---|---|
| **UK taxes borne** | | | |
| Corporation tax | 12,765 | 14,465 | 32.7% |
| Other taxes borne | 10,079 | 11,896 | |
| | 22,844 | 26,361 | 5.4% |
| **Taxes collected** | 41,804 | 52,214 | 10.8% |

* Based on figures from October 2007 Pre Budget Report published by HM Treasury.

**Figure 8.1 – 2007 Extrapolated survey result as a percentage of Government tax receipts**



# 9 Trends in taxes borne and collected

In the 2005 survey, Hundred Group members were asked to supply data on their taxes borne in their accounting year ended in the year to 31 March 2005 with the prior year as a comparison. In the 2006 and 2007 surveys members were asked to provide data on their taxes borne and collected in their accounting periods ended in the year to 31 March 2006 and 31 March 2007 respectively. Through the three surveys we now have data for four years on taxes borne and two years on taxes collected and are able to look at the trends in amount paid over this period of years.

**Table 9.1 - Data periods covered by the surveys**

| Data periods | |
|---|---|
| 2004 | A participant's accounting period ended in the year to 31 March 2004 and reported in the 2005 survey |
| 2005 | A participant's accounting period ended in the year to 31 March 2005 and reported in the 2005 survey |
| 2006 | A participant's accounting period ended in the year to 31 March 2006 and reported in the 2006 survey |
| 2007 | A participant's accounting period ended in the year to 31 March 2007 and reported in the 2007 survey |

As for previous years, in analysing the trend data we have been careful to measure trends on a like for like basis. This ensures that we reflect movements in the taxes themselves rather than a change in the number of companies reporting data or a change in the number of taxes that companies have reported. Therefore only those participants providing data for all relevant periods have been included in this stage of the analysis, and only those taxes for which participants have included data for all relevant periods have been included in the results.

## Taxes borne

Total taxes borne increased 10.8% between 2006 and 2007 for the participants providing data for both years. Table 9.2 shows the trend tax by tax and compares the trend with the trend in Government tax receipts. Overall there was a 6.3% increase in Government tax receipts between the years.

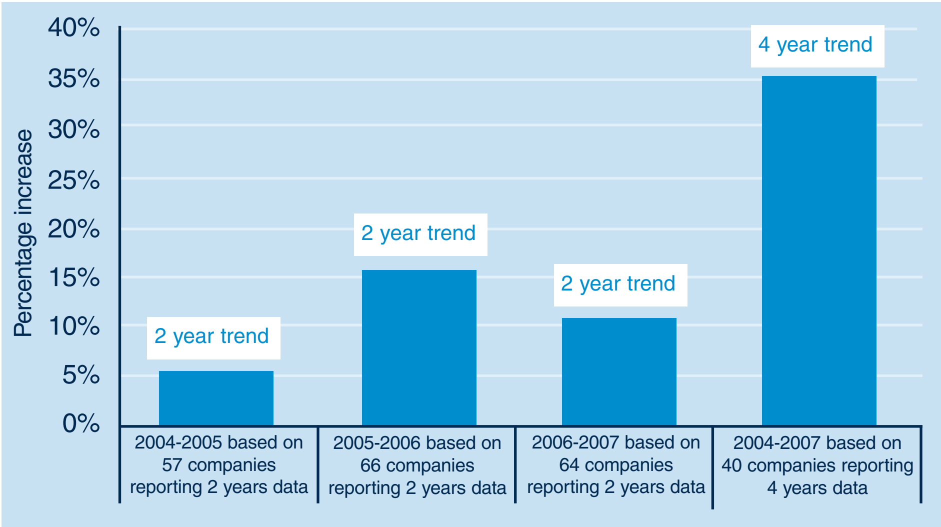
**Table 9.2 - Taxes borne 2007 and 2006**

| £'000 | | 2007 Taxes borne | 2006 Taxes borne | Trends | Trends in Govt receipts* |
|---|---|---|---|---|---|
| Direct taxes | Corporation tax | 12,486,459 | 10,561,843 | 18.2% | 5.7% |
| | Business rates | 2,376,277 | 2,280,749 | 4.2% | 5.5% |
| | Stamp duty land tax | 170,684 | 181,838 | -6.1% | 22.9% |
| | Stamp duty reserve tax | 125,639 | 162,726 | -22.8% | |
| | Petroleum revenue tax | 1,299,746 | 1,216,059 | 6.9% | 10.0% |
| | Betting and gaming duty | 65,159 | 112,533 | -42.1% | 0.0% |
| Employment taxes | PAYE settlements | 93,863 | 79,978 | 17.4% | 9.9% |
| | Employer NIC | 3,310,551 | 3,190,865 | 3.8% | 2.1% |
| Indirect taxes | Irrecoverable VAT | 1,769,943 | 1,775,209 | -0.3% | 6.2% |
| | Customs duties | 93,620 | 87,473 | 7.0% | 0.0% |
| | Vehicle excise duty | 27,532 | 26,085 | 5.5% | 2.0% |
| | Insurance premium tax | 14,797 | 15,065 | -1.8% | 0.0% |
| Environment taxes | Environmental taxes | 115,337 | 112,333 | 2.7% | 0.0% |
| | TOTAL | 21,949,607 | 19,802,756 | 10.8% | 6.3% |

*Trends are between outturn 2005/06 and receipts 2006/07 shown in the October Pre-Budget Report as published by HM Treasury.

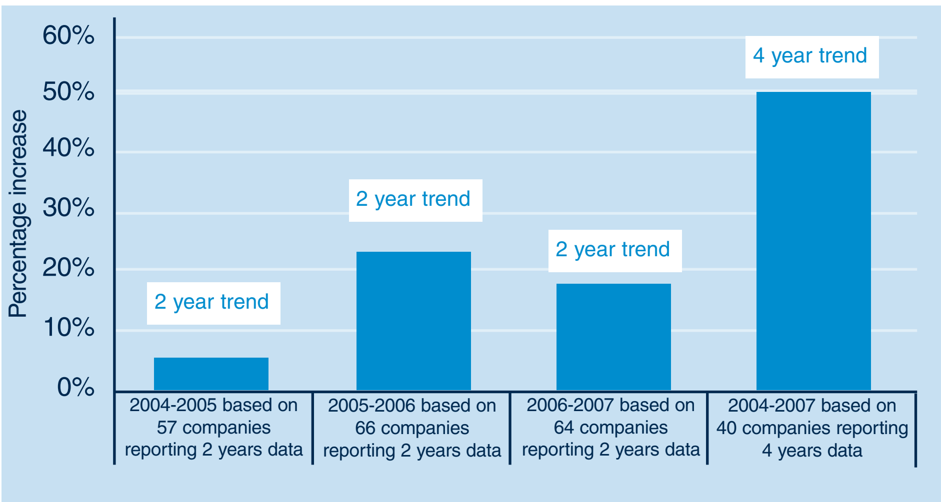
Taxes borne have increased substantially over the period covered by our Hundred Group surveys. Figure 9.1 shows that taxes borne have increased by 35.4% for the companies providing data for the four year period 2004 to 2007.

**Figure 9.1 - Trends in taxes borne 2004 to 2007**




It is important to try and put these increases into context. The 10.8% increase in total taxes borne between 2006 and 2007 could be compared to inflation for 2006 from the Consumer Prices Index at 2.75% and real GDP growth of 3% (5.75% nominal growth less 2.75% inflation). Another approach would be to compare the increase to growth in the size of the UK business operations of the participants as measured by, say, UK turnover or number of UK employees. UK turnover for participants grew 9.6% between 2006 and 2007, and UK employee numbers fell slightly, by 2.3%. Corporation tax payments rose by 18.2% from 2006 to 2007 (ahead of the trend in Government corporation tax receipts which was 5.7%) and by 50.4% from 2004 to 2007 for those companies providing data for all years. The trend in corporation tax payments can usefully be compared with the trend in UK accounting profits, since corporation tax payments are driven by profits before tax as adjusted for tax purposes. Survey participants reported a 7.8% increase in UK profit before tax between 2006 and 2007. It is important to appreciate that the data provided by participants on UK profit before tax may involve a degree of estimation or allocation. This is because there is no requirement to consolidate profit before tax at a UK country level, either for financial reporting or for tax purposes.

**Figure 9.2 - Trends in corporation tax 2004 to 2007**



A large part of the increase in corporation tax payments between 2006 and 2007 is attributable to the oil and gas companies who participated in the survey. Corporation tax payments by oil and gas companies overall increased by 78.8%. The large increase in payments by the oil and gas companies can be explained by a number of factors. The increase in the rate of the supplementary charge to corporation tax for oil and gas companies from 1 January 2006 was an important factor. Other factors were the impact in this period of the transitional period for the change in the installments payment regime for taxes paid in respect of North Sea activities and an increase in the average price for oil of 20% in 2006.

Landfill tax borne increased 49.3% between 2006 and 2007, no doubt partly because of the increase in the charge from £18 to £21 per tonne from 1 April 2006. We can expect to see a further increase in next year's results as the charge rose further to £24 per tonne from 1 April 2007.

## Taxes collected

Total taxes collected decreased by 2.5% between 2006 and 2007. Table 9.3 shows the trend tax by tax and compares this with the trend in Government receipts.

**Table 9.3 - Taxes collected 2007 and 2006**

| £'000 | | 2007 Taxes collected | 2006 Taxes collected | Trends | Trends in Govt receipts* |
|---|---|---|---|---|---|
| Direct taxes | Tax deducted at source<br>Stamp duty reserve tax | 1,899,212<br>- | 1,569,774<br>- | 21.0%<br>- | -<br>22.9% |
| Employment taxes | PAYE settlements<br>Employee NIC | 7,780,518<br>1,892,272 | 7,170,771<br>1,834,835 | 8.5%<br>3.1% | 9.9%<br>2.1% |
| Indirect taxes | VAT<br>Excise duties<br>Insurance premium tax | 5,147,718<br>12,985,080<br>604,138 | 6,262,080<br>13,640,502<br>660,713 | -17.8%<br>-4.8%<br>-8.6% | 6.2%<br>-1.3%<br>0.0% |
| Environment taxes | Environmental taxes | 328,451 | 270,291 | 21.5% | -0.1% |
| | TOTAL | 30,637,389 | 31,408,966 | -2.5% | 6.3% |

*Trends are between outturn 2005/06 and receipts 2006/07 shown in the October Pre-Budget Report as published by HM Treasury.

It is interesting to note that employee taxes deducted under PAYE (income tax, and employees' NICs) increased notwithstanding the decrease in employee numbers. Also that VAT collected (net VAT, output tax less input tax) decreased despite an overall increase in UK turnover.

Taxes collected were not included in the first survey in 2005, so no three or four year trends are yet available as they are for taxes borne.

# 10 The picture for individual participants

In the 2007 survey we have again been able to look at the impact of tax on business. In addition to data on taxes borne and collected, participants were asked to provide information to indicate the size of their UK business and to put their tax payments into context. The information and how it has been used in analysing the figures is set out table 10.1 below.

**Table 10.1 – Supplementary information requested in the survey**

| Data requested | Use in analysing participants data |
|---|---|
| UK accounting profit before corporation tax | Total Tax Rate (all taxes borne as a percentage of profit before all taxes borne) |
| UK turnover | Taxes borne and collected as a percentage of turnover |
| Number of UK employees | Employment taxes borne and collected per employee |
| UK wages and salaries | Employment taxes borne and collected as a percentage of wages and salaries |

As was emphasised last year, it is important to appreciate that this additional data provided by some participants, particularly for UK accounting profit before tax, may involve a degree of estimation or allocation. This is because there is no requirement to consolidate profit before tax at a UK country level, either for financial reporting or tax purposes. It is often the case that the figures may only have been required for the purposes of The Hundred Group Total Tax Contribution survey.

## The Total Tax Rate (TTR)

The TTR is a measure of the burden of all taxes borne on a particular business. In the calculation, the numerator is the total of all business taxes borne (total taxes borne) and the denominator is the profit before total business taxes borne (PBTTB). Table 10.2 gives a hypothetical example calculation.

**Table 10.2 – Total Tax Rate methodology**

- TTR expresses total taxes borne as a percentage of the profit before total taxes borne.
- This represents a different way of looking at the tax burden. The statutory corporation tax rate of 30% is a percentage of taxable profits. As a percentage of PBTTB (and assuming that for every £1 of corporation tax another £1 of other business taxes are paid) the corporation tax rate becomes 21% of profit before business taxes.

**An example calculation**

| | |
|---|---|
| Profit before total taxes borne | 140 |
| Other business taxes | (30) |
| Profit before tax | 110 |
| Adjustments for tax | (10) |
| Taxable profits | (100) |
| Corporation tax | 30 |
| **Total Tax Rate (60/140)** | **43%** |

The profit figure used in the calculation (PBTTB) is not the traditional figure found in the financial statements of the company, the profit before tax figure (PBT). As many of the taxes borne are deductible in calculating PBT they must be added back to generate a profit before all business taxes (PBTTB) to be the denominator in the calculation. In comparing the TTR with the statutory corporation tax rate therefore it must be remembered that the element of the TTR that represents corporation tax will always be below 30%. In the example calculation, the TTR is 43% split equally between corporation tax and other business taxes borne.

A Total Tax Rate calculation was carried out for Hundred Group participants and the results are shown in table 10.3. No calculation was carried out for ten companies which had a loss before total taxes borne as the total tax rate is not as appropriate measure in these circumstances.

The mean average TTR for companies included is 36.2% for 2007, which is lower than the figure for last year (40.5%). This is due to differences in the population in the survey rather than any reduction in the tax cost. The range for the TTR was again wide, from 1.7% to 128.9%. The companies with a rate above 100% will have a loss before corporation tax but a profit before total taxes borne. Figure 10.1 shows the distribution across the survey population. It is interesting to compare the average TTR with the rate calculated for the UK in the World Bank *Paying Taxes* study which is based on a case study for a small company. The rate here was 35.7%.

**Table 10.3 - Total Tax Rates for survey participants 2007 and 2006**

| Total Tax Rate | 2007 | | 2006 | |
|---|---|---|---|---|
| **Calculated for all participants as a group**<br>Total taxes borne as a percentage of total UK profit before taxes borne | 34.3% | | 33.0% | |
| **Calculated for all individual participant companies**<br>Mean average of TTRs for individual companies* | 36.2% | | 40.5% | |
| **Calculated for all individual participants companies**<br>Median average of TTRs for individual companies | 28.8% | | 33.9% | |
| | **Min** | **Max** | **Min** | **Max** |
| Range of TTRs for individual participant companies | 1.7% | 128.9% | 1.8% | 145.0% |

**Figure 10.1 - Total Tax Rates for survey participants 2007**


Each point represents a company. The ordering is random. 3 points above 100% have been omitted from the chart.

## Taxes borne and collected as a percentage of turnover

Taxes borne and collected as a percentage of turnover is a measure of what a company contributes to Government tax receipts. Here we have taken a simple calculation with taxes borne and collected as the numerator and UK turnover as the denominator. We have not adjusted turnover, for example, for VAT collected that is not reflected in turnover. The results are shown in table 10.4 below. The average percentage for participants in the 2007 survey was 17.9%, which is similar to last years figure (18.3%).

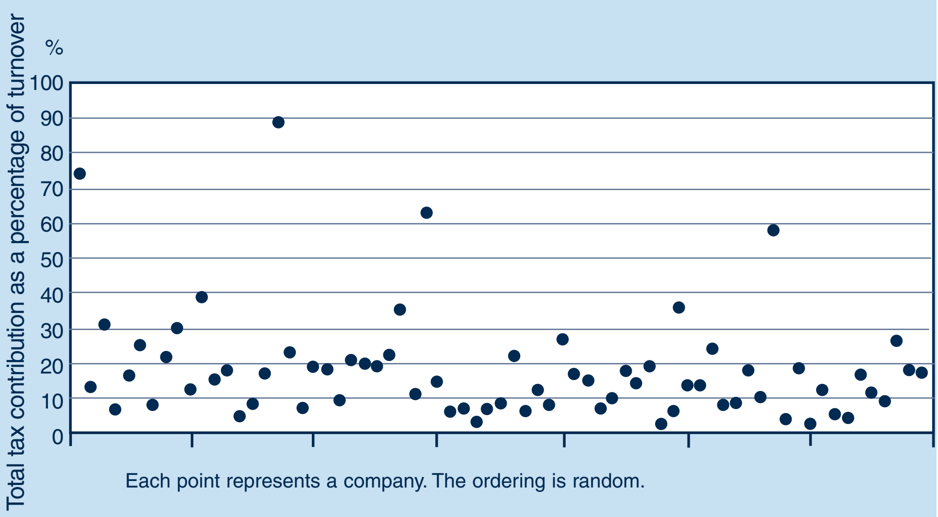
**Table 10.4 – Taxes borne and collected as a percentage of turnover for survey participants 2007 and 2006**

| Total tax contribution as a percentage of turnover | 2007 | | | | | | 2006 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | | Borne | | Collected | | Total | | Borne | | Collected | |
| **Calculated for all participants as a group** Total taxes collected as a percentage of total turnover | 16.6% | | 5.9% | | 10.7% | | 15.5% | | 5.3% | | 10.2% | |
| **Calculated for all individual participant companies** Mean average of ratio of TTC as a percentage of turnover for individual companies | 17.9% | | 7.2% | | 10.7% | | 18.3% | | 5.9% | | 12.4% | |
| **Calculated for all individual participant companies** Median average of ratio of TTC as a percentage of turnover for individual companies | 14.9% | | 5.5% | | 7.9% | | 13.5% | | 4.8% | | 7.4% | |
| Range of ratios of TTC as a percentage of turnover for individual participant companies | **Min** 3% | **Max** 89% | **Min** 1% | **Max** 50% | **Min** -2% | **Max** 86% | **Min** -4% | **Max** 105% | **Min** 1% | **Max** 27% | **Min** -4% | **Max** 103% |

Note: Negative ratios are a result of net VAT refunds.

Figure 10.2 shows the distribution across the survey population.

**Figure 10.2 - Taxes borne and collected a a percentage of turnover for survey participants 2007**



## Employment taxes borne and collected per employee

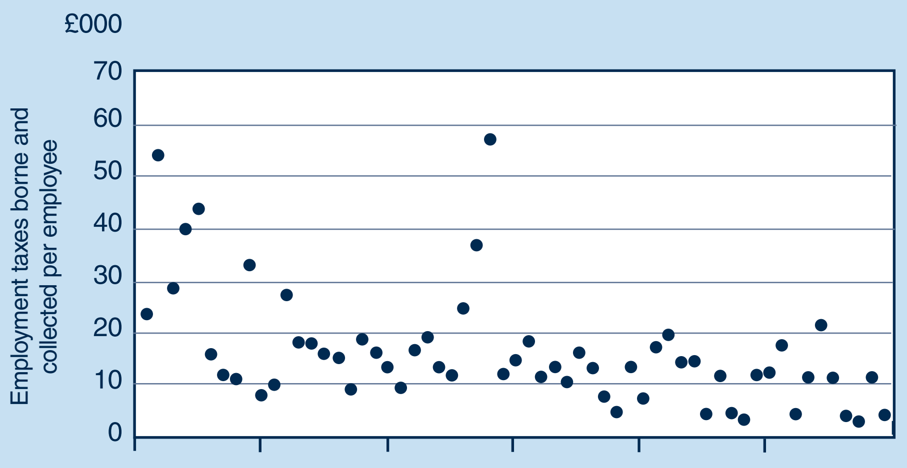
The third measure is employment taxes borne and collected per employee. Stakeholders are interested in this measure as it is useful in considering the wider economic impact of a business. In this calculation employment taxes borne and collected are the numerator and the number of employees the denominator. Employment taxes borne are taken as employers' NICs and PAYE settlement agreements. Employment taxes collected are income tax deducted at source under PAYE and employees' NICs. Table 10.5 shows the results. On average, participants paid £16,820 in employment taxes per employee which is higher than last year (£15,645). Participants in the survey employed 1.4 million employees in the UK, around 5.2% of the total UK workforce.

**Table 10.5 – Employment taxes borne and collected per employee for survey participants 2007 and 2006**

| Employment taxes per employee | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Total £ | Borne £ | Collected £ | Total £ | Borne £ | Collected £ |
| **Calculated for all participants as a group** Total employment taxes paid per UK employee | £10,108 | £2,522 | £7,586 | £9,826 | £2,521 | £7,305 |
| **Calculated for all individual participant companies** Mean average of employment taxes per employee for individual companies | £16,820 | £4,023 | £12,622 | £15,645 | £3,904 | £11,741 |
| **Calculated for all individual participant companies** Median average of employment taxes per employee for individual companies | £13,508 | £3,355 | £9,989 | £11,914 | £3,031 | £8,681 |
| Range of employment taxes per employee for individual participant companies | **Min Max £** 2,904 57,183 | **Min Max £** 956 13,041 | **Min Max £** 1,948 53,377 | **Min Max £** 3,221 93,949 | **Min Max £** 48 19,045 | **Min Max £** 2,329 74,904 |

Figure 10.3 shows the distribution of survey results across the population.

**Figure 10.3 - Employment taxes borne and collected per employee for survey participants 2007**




Each point represents a company. The ordering is random.

This year we have also been able to calculate employment taxes borne and collected as a percentage of the wages and salaries bill. On average for the participants in the survey the employment taxes borne and collected represent 38.6% of the wages and salaries paid.

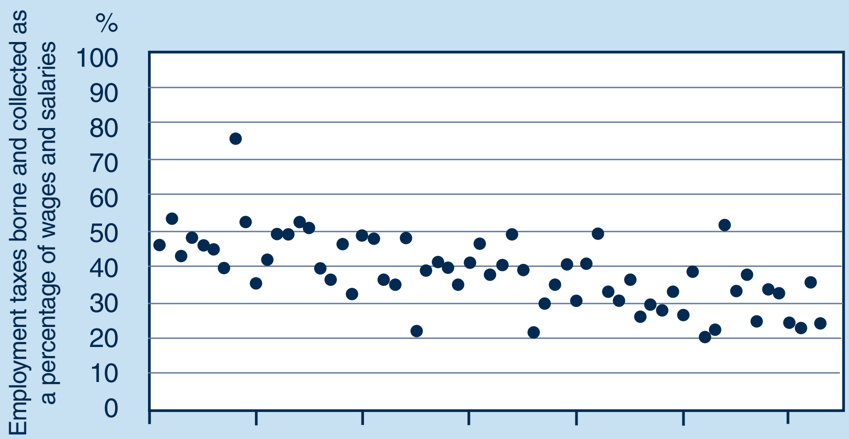
Table 10.6 shows the results.

**Table 10.6 Employment taxes borne and collected as a percentage of the wages and salaries for survey participants 2007**

| Employment taxes as a percentage of wages and salaries | 2007 | | | | | |
|---|---|---|---|---|---|---|
| | Total | | Borne | | Collected | |
| **Calculated for all participants as a group**<br>Total employment taxes as a percentage of wages and salaries | 39.1% | | 9.8% | | 29.4% | |
| **Calculated for all individual participant companies**<br>Mean average of employment taxes as a percentage of wages and salaries for individual companies | 38.6% | | 9.9% | | 28.7% | |
| **Calculated for all individual participant companies**<br>Median average of employment taxes as a percentage of wages and salaries for individual companies | 38.6% | | 9.8% | | 28.4% | |
| Range of employment taxes as a percentage of wages and salaries for individual participant companies | **Min**<br>20% | **Max**<br>76% | **Min**<br>4% | **Max**<br>18% | **Min**<br>14% | **Max**<br>58% |

Figure 10.4 shows the distribution of results across the survey population.

**Figure 10.4 - Employment taxes borne and collected as a percentage of wages and salaries for survey participants 2007**




Each point represents a company. The ordering is random.

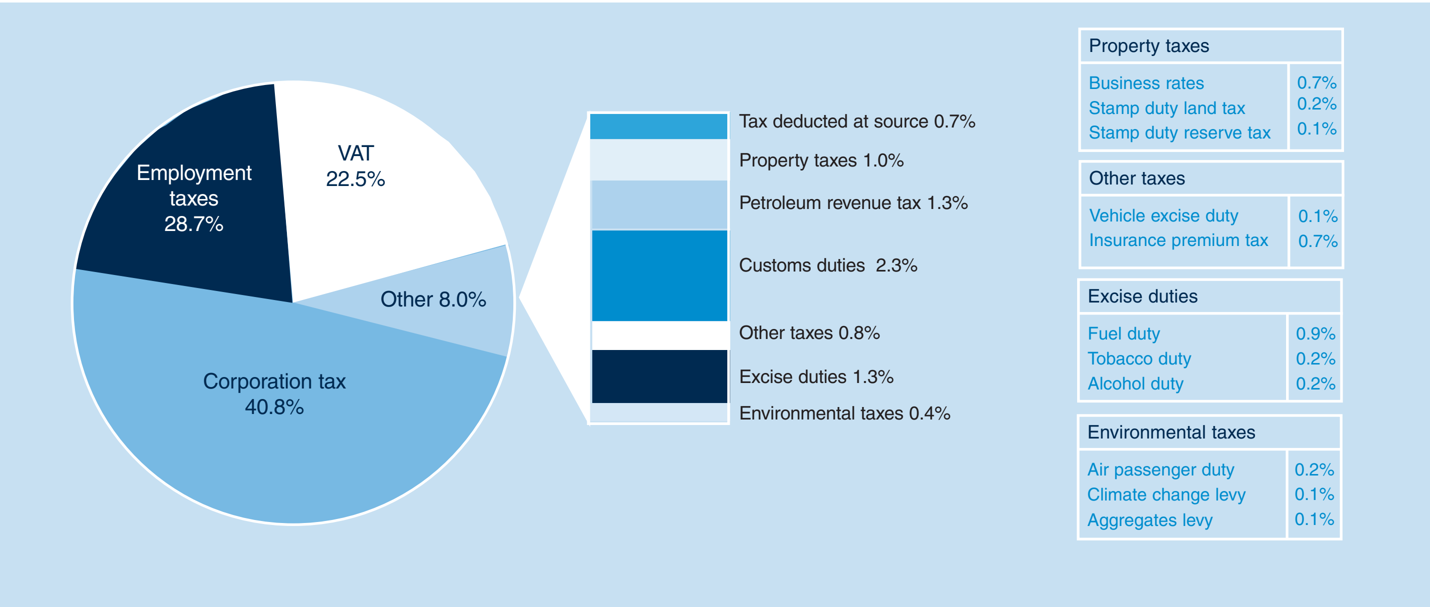
# 11 The cost of tax compliance

51 of the participants in the 2007 survey provided data on the time spent on compliance with UK taxes. Overall they reported the equivalent of 590.5 full time employees on this work; on average the equivalent of 11.8 full time employees per participant dealing solely with compliance with UK taxes. As indicated in section 5, we consider that this underestimates, rather than overestimates, the time spent.

It is interesting to compare the average time spent with the time calculated for the UK in the World Bank *Paying Taxes* study which is based on a case study for a small company. This is estimated at 105 hours per annum. While the tax burden as measured by the Total Tax Rate is within the same range as the results of The Hundred Group survey, the time spent on compliance is very different showing that the tax system as it applies to large companies is much more complex in view of the need to deal with group structures and many subsidiaries, as well as the international aspects of the tax system.

In The Hundred Group results 41% of the total time was spent on compliance activities relating to corporation tax, 29% on employment taxes (NIC and PAYE) and 23% on VAT.

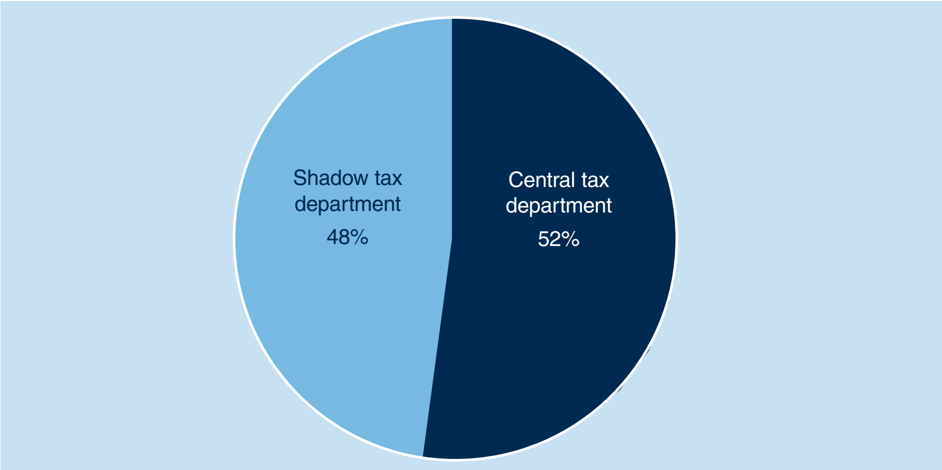
**Figure 11.1 - Time spent on compliance activities – percentage by tax**




## The central tax department

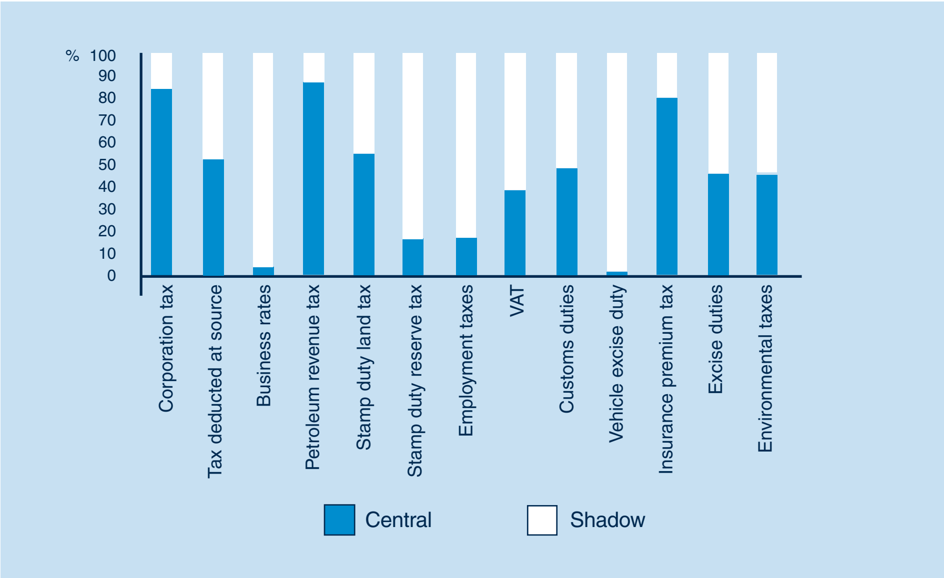
Just more than half of the time spent on tax compliance (52%) is from specialised tax resource in the participants tax departments (the central tax department). Nearly half the time is spent by resource in the shadow tax department. The shadow tax department is the term used to describe those staff outside of the central tax department who also play a role in tax compliance. This may include, for example, staff in finance, accounting, shared services, payroll, property and other functions. For every full time equivalent employee on tax compliance in the central tax department therefore, there is another elsewhere in the business.

**Figure 11.2 - Time spent on compliance activities by percentage – central tax department and shadow tax department**




The central tax department plays a key role in compliance related activities for a number of taxes. For others its role is more limited. More than 85% of the time reported for corporate tax compliance relates to the central tax department, the figure for business rates was less than 5%.

**Figure 11.3 - Percentage of the time spent by tax – central tax department and shadow tax department**




Participants were asked to provide details of how the central tax department splits it's time between various activities. The results show that on average central tax departments spend 38.9% of their time on tax compliance, 14.1% of their time on tax accounting, 18.2% on tax planning mitigation, 20.5% on tax advice to the business and 8.3% on other activities, for example, HR and management of the team.

**Table 11.1 - Split of central tax department time by percentage**

| | Total average calculated for participants overall | Mean average calculated for individual participants | Median average calculated for individual participants |
|---|---|---|---|
| **Average time spent on:** | | | |
| Tax compliance | 36.5% | 38.9% | 35.8% |
| Tax accounting | 14.0% | 14.1%* | 12.5% |
| Tax planning and mitigation | 14.4% | 18.2% | 18.2% |
| Tax advice to the business | 24.4% | 20.5% | 20.9% |
| Other activities* | 10.6% | 8.3% | 3.6% |

* Time spent on tax accounting rises to an average 20.2% for these participants who are SEC registered

## The shadow tax department

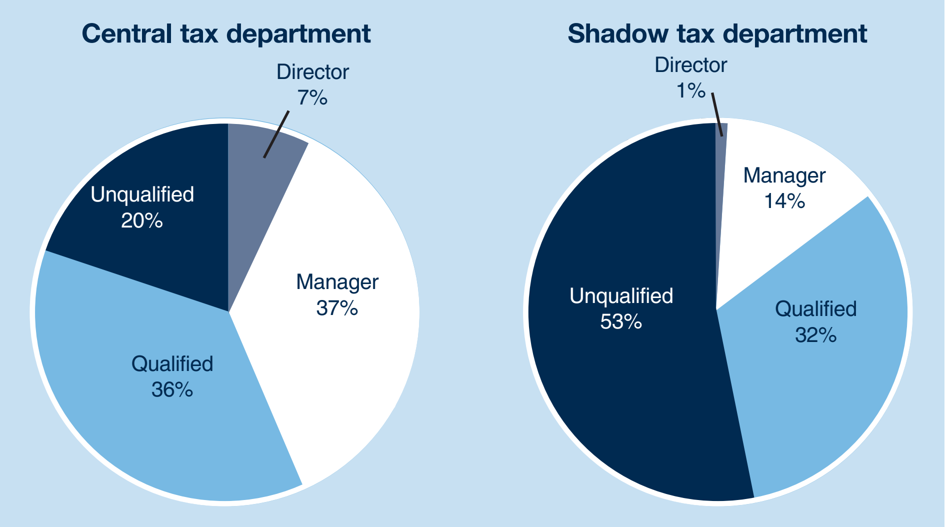
Participants found it more difficult to estimate the time spent on tax compliance activities by those in the shadow tax department. It is notable that only 37 of the 51 companies providing data gave an estimate of any time relating to the shadow tax department.

Follow up discussions were held with a sample of six participants. Supplementary questions discussed included the role of the shadow tax department in tax compliance and, where estimated compliance time was provided for the shadow tax department, how this was calculated. Some of these participants told us that whilst they recognised the role played by the shadow tax department they were unable to provide any estimate for their time. Others commented that they were less comfortable with the estimates they did give for the shadow tax department than those for the central tax department. This was because the dispersed nature of the resource made it more difficult to get data. It seems clear therefore that the results under estimate the level of time spent on tax compliance by non tax specialist resource outside the tax department, and that the actual level of resource although higher is not known.

The results show that the shadow tax department plays a key role in many taxes. 60% of the time spent complying with VAT was from the shadow tax department, 50% of customs duties and over 80% for employment taxes (NIC and PAYE).

Participants were asked to estimate the time spent on compliance activities, by grade of staff. Participants were asked to use four grades of staff – director, manager, qualified and unqualified. The results show that resource from the shadow tax department is at a more junior level than from the central tax department. 53% of the shadow tax department time was unqualified, compared to 20% from the central tax department.

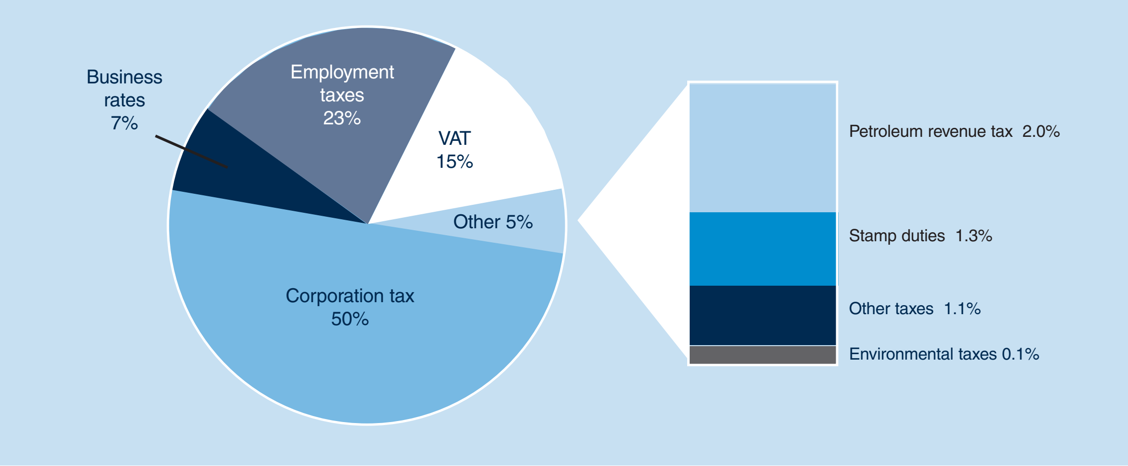
**Figure 11.4 - Time spent on compliance activities by grade of staff – central tax department and shadow tax department**




## External services providers

Participants in the survey reported a total spend of £24.3m with external service providers for UK tax compliance services. The average spend for each company reporting data was £471,000. 50% of this external spend related to corporation tax, 23% to employment taxes and 15% to VAT.

**Figure 11.5 - Spend on external providers for compliance services – percentage by tax**




| Stamp duties | |
|---|---|
| Stamp duty land tax | 0.9% |
| Stamp duty reserve tax | 0.4% |

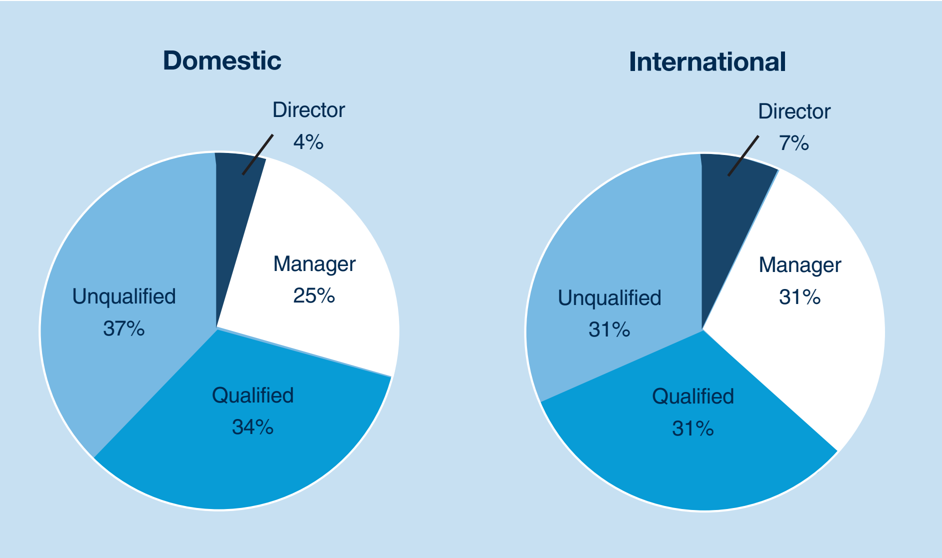
| Other taxes | |
|---|---|
| Tax deducted at source | 0.1% |
| Customs duties | 0.6% |
| Excise duties | 0.4% |

| Environmental taxes | |
|---|---|
| Climate change levy | 0.1% |

## The international aspects of the UK tax system

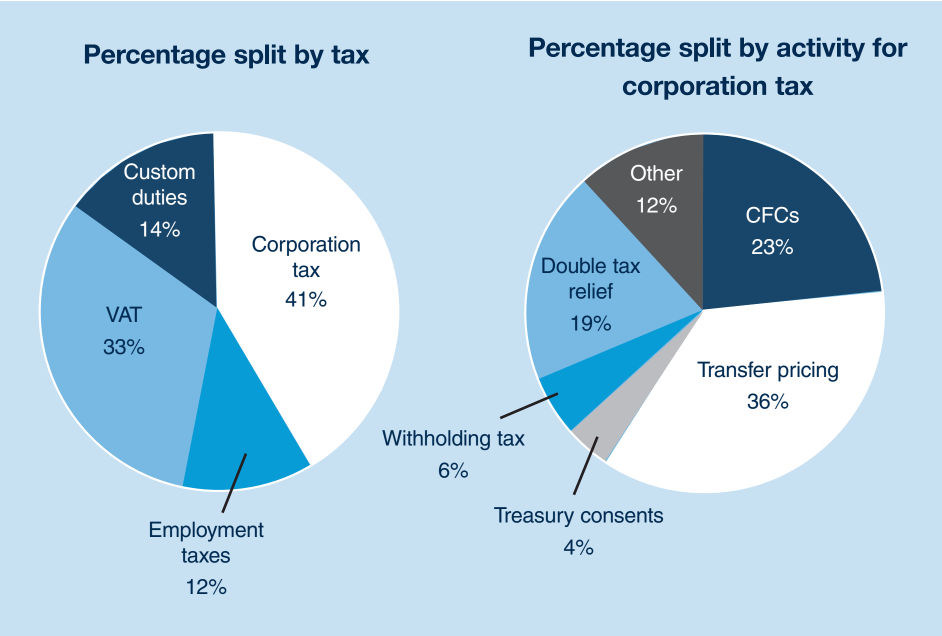
One objective of the survey was to collect data on the cost of complying with the international aspects of the UK tax system. Four UK taxes were considered to involve international aspects. These are corporation tax (controlled foreign companies, double tax relief, transfer pricing, Treasury consents), VAT (imports/exports), expatriate employment taxes and customs duties (all aspects). The results show that one third (34%) of the external spend was for compliance services relating to the international aspects of the UK tax system. In contrast, only 16% of the total time spent on compliance activities related to the international aspects. However, the international aspects absorb more senior level time (38% of the time is from director and manager level staff compared to 29% for the domestic aspects). This implies that the international aspects are more specialist and complex, requiring more expert and experienced staff and more help from external advisers.

**Figure 11.6 - Time spent on compliance activities by grade of staff – domestic and international aspects of the UK tax system**




41% of the time spent on international compliance activities related to corporation tax, 33% to VAT, 14% to customs duties and 12% to expatriate employment taxes. Of the time spent on compliance relating to the international aspects of corporation tax, 36% is spent on transfer pricing, 23% on controlled foreign companies and 19% on double tax relief.

**Figure 11.7 - Time spent on international compliance activities**

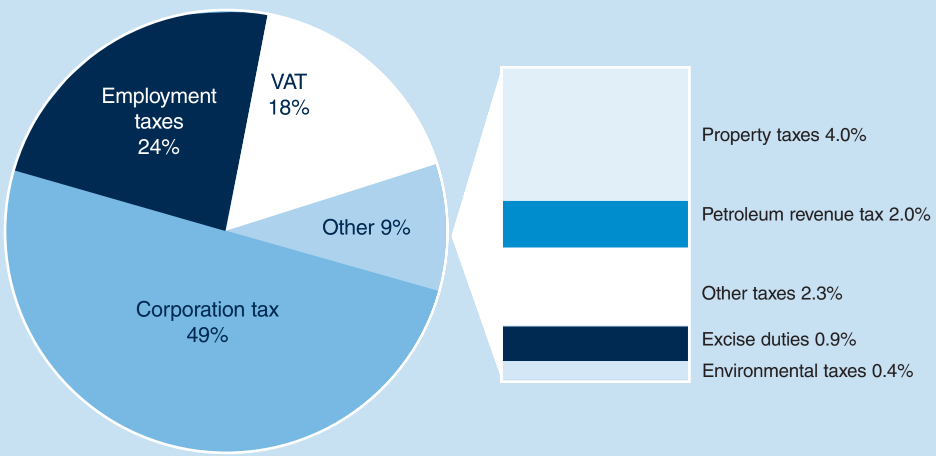


## The cost of tax compliance

The data provided by participants on time spent has been translated to a monetary cost for the purposes of estimating the cost of compliance with the UK tax system. Time has been costed using a standard salary/benefits cost by grade and adding a % for overheads. The standard cost used has been based on available salary surveys (director £150,000, manager £75,000, qualified staff £50,000, unqualified £25,000) with an addition of 35% for overheads. The results represent a standard cost therefore rather than the real cost for participants.

Based on this calculation, the total cost of UK tax compliance for the participants, including their external spend is £65.6m. 49% of the total cost relates to corporation tax, 24% to employment taxes and 18% to VAT.

**Figure 11.8 - Total cost of tax compliance – percentage by tax**




| Property taxes | |
|---|---|
| Business rates | 3.2% |
| Stamp duty land tax | 0.5% |
| Stamp duty reserve tax | 0.3% |

| Other taxes | |
|---|---|
| Tax deducted at source | 0.4% |
| Customs duties | 1.5% |
| Vehicle excise duty | 0.0% |
| Insurance premium tax | 0.4% |

| Excise duties | |
|---|---|
| Fuel duty | 0.6% |
| Tobacco duty | 0.2% |
| Alcohol duty | 0.1% |

| Environmental taxes | |
|---|---|
| Air passenger duty | 0.2% |
| Climate change levy | 0.1% |
| Aggregates levy | 0.1% |

On average the cost of tax compliance for participants represents 0.86% of their tax payments (taxes borne and collected). To put this percentage into context it is important to note that as reported above the tax payments by some participants are very large.

**Table 11.2 – Participants cost of compliance as a percentage of their tax payments**

| | | |
|---|---|---|
| Calculated for all participants as a group<br>Total compliance cost as a % total tax payments | 0.18% | |
| Calculated for all individual participant companies<br>Mean average for individual companies | 0.86% | |
| Calculated for individual participant companies<br>Median average for individual companies | 0.25% | |
| Range of values for individual participant companies | Min<br>0.01% | Max<br>13.3% |

Note: Tax payments are those for which compliance data was provided.

The cost of compliance varies by tax. The results show that overall cost of compliance for corporation tax of 0.4% of the corporation tax paid compared to 0.2% for employment taxes and for VAT. Again this percentage varies by individual participant. The average cost per participant for corporation tax is 2.2% of the corporation tax paid.

Customs duties are the most expensive tax to collect with a compliance cost overall for participants of 1.69% of the duties paid. This shows the impact of the size of tax payments on the percentage. Customs duties paid by participants are small, suggesting that sourcing maybe mainly within the EU, but the compliance cost remains.

**Table 11.3 – Cost of compliance - overall percentage costs by tax calculated for all participants as a group**

| | | % cost of tax payments |
|---|---|---|
| Direct taxes | Corporation tax | 0.40% |
| | Tax deducted at source | 0.03% |
| | Business rates | 0.28% |
| | Petroleum revenue tax | 0.08% |
| | Stamp duty land tax | 0.33% |
| | Stamp duty reserve tax | 0.26% |
| Employment taxes | Employment taxes | 0.21% |
| Indirect taxes | VAT | 0.20% |
| | Customs duties | 1.69% |
| | Excise duties | 0.01% |

Tax payments are those for which compliance data was provided.

The cost of compliance for participants for the international aspects of the UK system is £15.5m, or nearly a quarter of their total compliance cost (23.6%).

The cost of tax compliance for some taxes collected will be offset by a cash flow advantage. This will be relevant, for example, where sales are made at retail to the consumer and cash passes before the relevant sales taxes (VAT, excise, insurance premium tax, air passenger duty) have to be paid to the Government. In other cases the cash flow advantage is not clear. We are interested to hear views on whether it would be helpful to seek to quantify any advantage in a future survey.

We welcome feedback from interested parties on the usefulness of the survey results relating to compliance costs and as to how this aspect of the survey might be enhanced in future years.

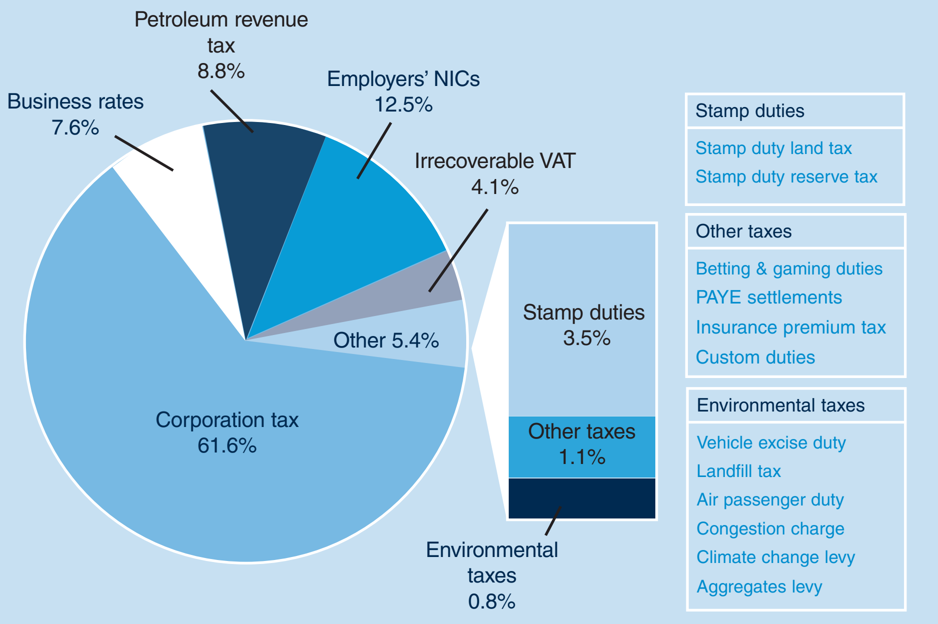
# 12 Comparison with inbound companies

Members of The Hundred Group comprise the largest UK listed companies. However, in 2007 PwC also carried a Total Tax Contribution survey of UK taxes paid by large companies listed overseas with operations in the UK (inbound companies). The survey used the same TTC methodology so that the results can be compared with the results of the 2007 survey for The Hundred Group.

29 companies participated in the inbound survey and represented a reasonable cross section, both by country of the parent, by size and by industry sector. They included some of the largest companies in their home country share indexes, for example five Fortune 100 companies, four companies in the French CAC40, three in the Swiss SMI 20, two in the Frankfurt DAX 30 and two in the Spanish IBEX35.

The survey results for inbound companies show a very similar pattern of taxes borne and collected to that for The Hundred Group. Corporation tax represented 61.6% of taxes borne overall, compared to 55.9% for The Hundred Group, and taxes collected are 1.84 times the size of taxes borne, compared to 1.83 for The Hundred Group.

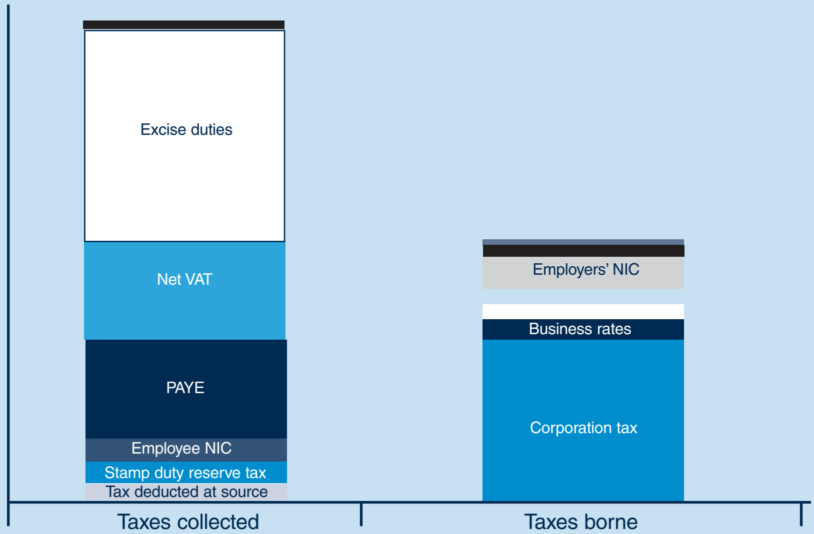
**Figure 12.1 – Taxes borne by inbound survey participants by percentage**




Source: PricewaterhouseCoopers 2007 survey for UK inbound companies

**Figure 12.2 - Taxes collected to taxes borne for inbound survey participants**

Taxes collected are 1.84 times taxes borne for inbounds, compared to 1.83 times for The Hundred Group.




Source: PricewaterhouseCoopers 2007 survey for UK inbound companies

The position for individual companies was also similar. On average the Total Tax Rates for participants in the inbound survey was 34.7% compared to 36.2% for The Hundred Group, and the range of the individual inbound participant results was within the Hundred Group range.

**Table 12.1 – Total Tax Rates – comparison Hundred Group and inbound survey participants**

| Total Tax Rate | 2007 Hundred Group survey | | 2007 inbound survey | |
|---|---|---|---|---|
| **Calculated for all individual participant companies**<br>Mean average of TTRs for individual companies* | 36.2% | | 34.7% | |
| **Calculated for all individual participants companies**<br>Median average of TTRs for individual companies | 28.8% | | 32.0% | |
| | **Min** | **Max** | **Min** | **Max** |
| Range of TTRs for individual participant companies | 1.7% | 128.9% | 9.9% | 95.4% |

On average taxes borne and collected by inbound companies were equivalent to 13.8% of turnover compared to 17.9% of turnover for Hundred Group companies. Much of this difference can be explained by excise duties collected. As mentioned in section 6, participants in The Hundred Group survey collected £20.6bn in excise duties. Excluding excise duties for both groups of companies narrows the difference. Taxes borne and collected by inbound companies are then equivalent to 12.7% of turnover on average compared to 15.2% for Hundred Group members.

**Table 12.2 - Taxes borne and collected as a percentage of turnover – comparison Hundred Group and inbound survey participants**

| Total tax contribution as a percentage of turnover | 2007 Hundred Group survey | | | 2007 inbound survey | | |
|---|---|---|---|---|---|---|
| | Total | Borne | Collected | Total | Borne | Collected |
| **Calculated for all individual participant companies** Mean average of ratio of TTC as a percentage of turnover for individual companies | 17.9% | 7.2% | 10.7% | 13.8% | 5.9% | 7.9% |
| **Calculated for all individual participant companies** Median average of ratio of TTC as a percentage of turnover individual companies | 14.9% | 5.5% | 7.9% | 13.1% | 3.5% | 5.6% |
| Range of ratios of TTC as a percentage of turnover for individual participant companies | **Min** 3% **Max** 89% | **Min** 1% **Max** 50% | **Min** -2% **Max** 86% | **Min** 1% **Max** 57% | **Min** 1% **Max** 19% | **Min** -2% **Max** 39% |

Employment taxes borne and collected per employee for inbound participants was also similar to the Hundred Group. On average inbound companies paid an amount of £16,049 per employee, compared to £16,820 for The Hundred Group.

**Table 12.3 – Employment taxes borne and collected per employee – comparison, Hundred Group and the inbound survey participants**

| Employment taxes per employee | 2007 Hundred Group survey | | | 2007 inbound survey | | |
|---|---|---|---|---|---|---|
| | Total | Borne | Collected | Total | Borne | Collected |
| **Calculated for all individual participant companies** Mean average of ratio of employment taxes per employee for individual companies | £16,820 | £4,023 | £12,622 | £16,049 | £3,634 | £12,416 |
| **Calculated for all individual participant companies** Median average of ratio of employment taxes per employee for individual companies | £13,508 | £3,355 | £9,989 | £15,046 | £3,758 | £11,689 |
| Range of employment taxes per employee for individual participant companies | **Min** £2,904 **Max** £57,183 | **Min** £956 **Max** £13,041 | **Min** £1,948 **Max** £53,377 | **Min** £7,326 **Max** £32,160 | **Min** £124 **Max** £8,914 | **Min** £5,086 **Max** £23,246 |

# 13 International comparisons

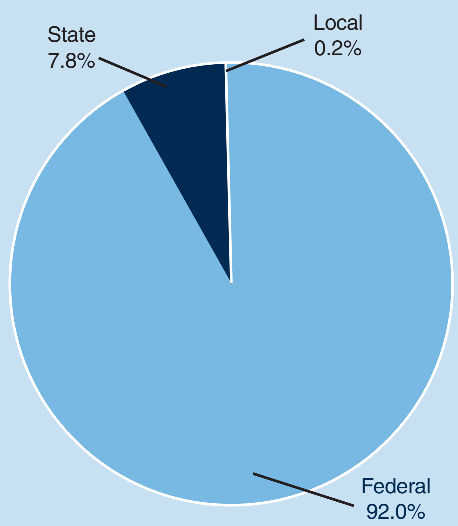
In April 2007, the Business Council of Australia (BCA) and the Corporate Tax Association (CTA) published the results of a Total Tax Contribution survey for their members, carried out by PwC in Australia. The BCA/CTA membership represents a significant proportion of large business in Australia. 92 of the total of 170 members participated in the survey. They included 52 companies listed on the ASX (Australian Stock Exchange), 12 Australian owned private companies or partnerships, and 28 foreign owned companies.

The Australian survey used the same methodology as the Total Tax Contribution survey for The Hundred Group, so that the results can be compared. The Australian survey collected data for the participants' accounting periods ending in the year to 30 September 2006. This broadly equates to the 2006 Total Tax Contribution survey for The Hundred Group (which collected data for participants accounting periods ending in the year to 31 March 2006).

The results of the BCA/CTA survey show that Australia has a complex federal, state and local tax system. The survey results show that there are 56 taxes which are borne or collected by companies in Australia, (compared to 22 in the UK). 21 of these are levied by federal government, 33 by state and territory governments and two by local government. Many of the state and territory taxes are levied by numerous states or territories translating to 182 potential taxation obligations, or "taxing points" for businesses operating Australia-wide (excluding local government obligations).

The large number of state and territory taxes raise relatively little revenue. The 21 federal government taxes raised 92% of the taxes borne and collected by participants in the BCA/CTA survey. The 33 state and territory taxes raised 7.8%, with local government taxes the remaining 0.2%. The system is complex therefore for relatively little additional tax take.

**Figure 13.1 - Taxes borne and taxes collected by level of government in Australia**

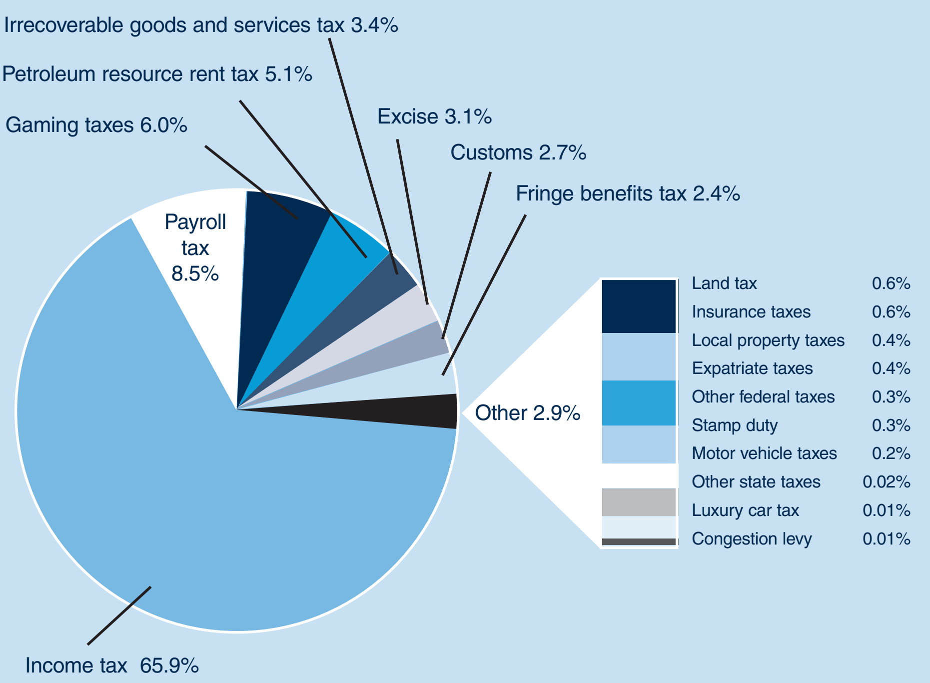



Source: 2006 survey for the Business Council of Australia and Corporate Tax Association

The taxes borne and collected by the 92 participants in the BCA/CTA survey represent 22% of total Australian Government tax receipts. This compares to 15.9% of UK Government tax receipts in the 2006 Hundred Group survey. In both countries the results show the importance of large business to government tax receipts.

Corporate income tax is a higher percentage of taxes borne for Australian participants overall (65.9%) than for The Hundred Group (52.1% in 2006). Corporate income tax is also a higher percentage of government tax receipts in Australia than in the UK. Based on Australian federal, state and territory budgets for 2005/06, corporate income tax represented 16.6% of total tax revenues. In the UK corporation tax was 9.2% of total tax revenues for 2005/06.

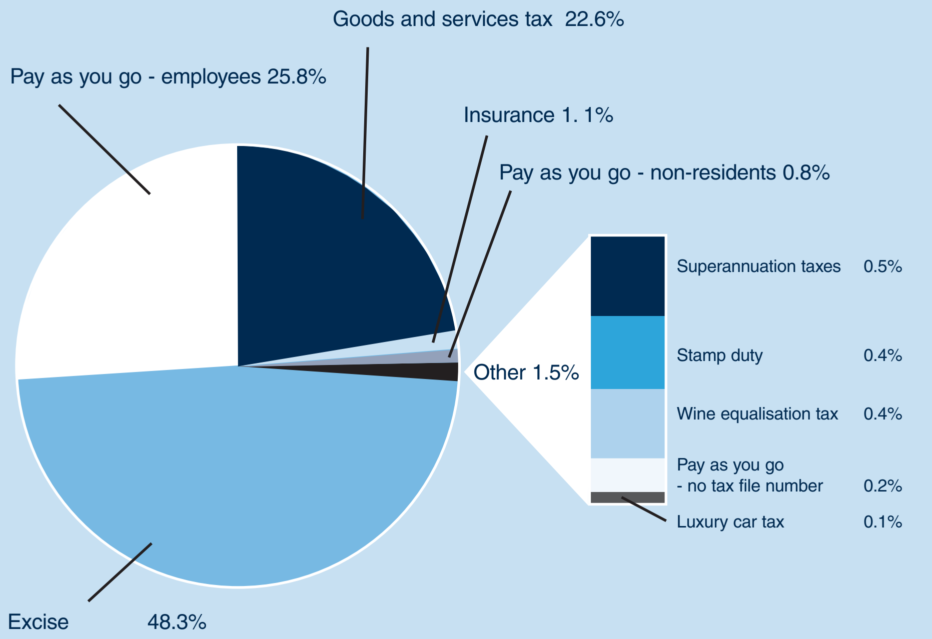
**Figure 13.2 - Taxes borne by survey participants in Australia by percentage**




Source: 2006 survey for the Business Council of Australia and Corporate Tax Association

Taxes collected were 1.35 items the size of taxes borne in the BCA/CTA survey, compared to 1.93 times in the 2006 survey for The Hundred Group. In both surveys, excise duties, employee taxes deducted through the payroll and goods and services tax (net VAT) were the largest taxes collected.

**Figure 13.3 - Taxes collected by survey participants in Australia by percentage**




Source: 2006 survey for the Business Council of Australia and Corporate Tax Association

On average the Total Tax Rate for participants in the Australian survey was a higher percentage (44.1%) than for participants in the 2006 survey for The Hundred Group (40.5%). On average however, the Australian companies paid an amount equivalent to a lower percentage of their turnover in taxes borne and collected (16%) than those in the UK (18.3%). However, as indicated in section 7, some taxes have a different impact in different industry sectors. It would be important therefore to compare these results by industry sector, before drawing conclusions on the comparative tax burden.

The BCA/CTA survey collected some high level data on the costs of compliance for Australian taxes. It should be noted that the data requested was not so detailed as that in the 2007 Hundred Group survey. On average, participants in the BCA/CTA survey reported the equivalent of 9.1 full time employees dealing with Australian tax compliance (compared to 11.8 dealing with UK tax compliance for Hundred Group members). 66% of the time was spent on compliance with corporate income tax compared to 41% in the UK.

The Australian survey is being repeated to collect data for a further year to 30 September 2007. In addition, PwC Total Tax Contribution surveys of large business are underway or planned in a number of other countries, including Belgium, Canada, Germany, Ireland, Netherlands, South Africa and the US. Further comparisons of the impact of tax on large business and the importance of large business to government tax revenues will therefore be possible later in 2008.

We welcome feedback from interested parties on the usefulness of comparing results from TTC surveys in different countries and to what aspects of the results it would be helpful to compare.

# 14 Future development and use of the survey

An important use of the Total Tax Contribution Framework is to improve transparency and inform the debate around tax policy. As for previous years, it is important that the findings of the survey are widely communicated.

The communication process this year has again involved discussions with HM Treasury, HMRC and BERR (previously the DTI) and other interested parties. There is strong interest in both the results of the surveys and in the Total Tax Contribution concept generally. The Framework generates empirical data that is not otherwise available and which is helpful to inform the tax policymaking process, and in particular the debate around the competitiveness of the UK fiscal regime. The survey results have also been shared with the Oxford University Centre for Business Taxation and we are currently undertaking a joint project with the Centre using the survey results.

The survey results have also attracted attention outside the UK. Briefings have been given to international organisations such as the Centre for Tax Policy and Administration at the OECD, the Taxation and Customs Directorate at the European Commission and the World Bank. The survey with the Business Council of Australia and the Corporate Tax Association has demonstrated that the Total Tax Contribution Framework translates easily to other countries. Briefings have also been given to government in other countries and the publication of survey results in a number of countries is expected during 2008, including Australia (second survey), Belgium, Canada, France, Germany, Ireland, Netherlands, South Africa, the US and others. This will provide a unique opportunity to compare the actual burden of total taxes and the impact of tax systems in different countries on large business.

The survey results show that certain industry sectors account for a large proportion of the results and that many of the 22 UK taxes paid by companies impact differently on different industry sectors. In 2007, PwC also carried out a TTC survey for the insurance industry, collecting data on the UK taxes borne and collected by members of the Association of British Insurers[7]. It would be useful to carry out further analysis for industry sectors in the UK and other countries.

From the outset, the Total Tax Contribution Framework and the survey methodology have evolved in discussions with business and its stakeholders. For example, the inclusion of tax compliance costs as the new feature of the survey this year is in response to strong interest from government and international organisations in having this data which is important in the debate around the burden of tax regulation and the complexity of the tax system. We also seek to analyse the data received and show the survey results in different ways that will be useful to stakeholders. An example is the use of a value added approach for the first time this year in showing the overall survey results.

Participation in our surveys in the UK and Australia has been excellent. By completing the Total Tax Contribution questionnaire, the participants now have robust data on an individual company basis that gives them the opportunity to improve their reporting of tax information. This is something which PwC firmly supports and is wholly consistent with initiatives such as the Global Reporting Initiative and the Extractive Industry Transparency Initiative, and the position of organisations such as the OECD which supports high standards of transparency and effective exchange of information on tax matters. In today's world there is a gap between accounting standards requirements and the expectation and needs of the various stakeholders. The opportunity that the Total Tax Contribution Framework offers is the generation of standardised data that can be reported on a regular basis, and which meets the needs of those interested stakeholders. We recommend that companies should use the Total Tax Contribution Framework to report on their tax contribution and in our publication Tax Transparency Framework we have set out nine possible areas to consider as set out opposite.

[7] ABI news release, 8 October 2007

## Suggested framework for communicating tax to stakeholders

1 Tax strategy and risk management should include:
   - a clear discussion of the company's tax objectives and strategy;
   - disclosure of how the company's tax strategy and function is managed and who in the organisation has responsibility for governance and oversight; and
   - clear disclosure of the material tax risks faced by the company.

2 Tax numbers and performance should include:
   - a clear explanation as to why the current tax charge is not equivalent to the statutory rate of corporate income tax;
   - a transparent reconciliation of the company's cash tax payments to the tax charge included in the income statement; and
   - disclosure of the forward looking measures for tax including forecast accounting and cash tax rate.

3 Total Tax Contribution and the wider impact of taxes should include:
   - detail as to how tax impacts the wider business strategy and results of the company;
   - disclosure of the impact of tax on shareholder value; and
   - clear communication of the economic contribution of all taxes paid by the company.

The intention is to repeat the Total Tax Contribution survey for The Hundred Group again for 2008 and to again cover taxes borne and collected and tax compliance costs. We welcome further comments and feedback in order that the 2008 survey results can be enhanced. In particular we request comments on the survey results for tax compliance costs as to what aspects of the results it would be useful to compare between countries.

Appendix I

# Hundred Group request to participate

Jon Symonds
Chairman of The Hundred Group Fiscal Committee
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London
W1K 1LN

Direct dial : 020 7304 5123
Direct fax : 020 7304 5193
E-mail : jon.symonds@astrazeneca.com

The Hundred Group
of Finance Directors

Chairman
Philip Broadley

30 April 2007

Dear Member

**Tax Contribution Survey III**

Following the success of the second 100 Group Total Taxation Contribution Survey (nearly 80% response rate), I am writing to request your continued participation in the annual collection of tax data through the PWC questionnaire attached.

This comprehensive data set is making a significant contribution to the tax competitiveness debate particularly in light of the trends that appeared in the last survey and with the improvements in quality. To date the UK Government has responded positively through changes made in the 2007 Budget but most feel there is more to come through further policy and administrative reform. Clearly the debate regarding the tax treatment of foreign profits will be an important aspect of these discussions.

This year's questionnaire covers taxes borne and collected but has been extended in scope to cover costs of compliance. This is difficult area but I would appreciate your best efforts to identify costs in relation to each material tax paid and collected so that we can set some reasonable benchmarks against which to measure the HMRC's policy objective of significant reductions in tax administration.

Once again the data collected will be forwarded in anonymised form to the Oxford University Centre for Business Tax for use by them in their research programme.

Attached is an electronic survey prepared by PWC and the Fiscal Committee.
I should be grateful if you would facilitate its completion and submission to Toula Theodosiou at PWC by end of June. Toula's details are included on the front page of the questionnaire.

I look forward to another high response rate in order for The Hundred Group to be well positioned to communicate the contribution made by large UK corporates and to support the proposals we have for policy and administrative change.

Yours sincerely

J R SYMONDS

cc: Philip Broadley – Prudential PLC
cc: Mike Devereux – Oxford University Centre for Business Taxation
cc: Susan Symons - PWC

Appendix II

# Membership of The Hundred Group

3i Group plc
Abbey National plc
Alliance & Leicester plc
Alliance Boots Plc
Anglo American PLC
ASDA Stores
Associated British Foods plc
AstraZeneca PLC
Aviva plc
BAA plc
BAE Systems
Barclays plc
Barratt Developments plc
BG Group
BHP Billiton Ltd
BP PLC
Bradford & Bingley plc
British Airways plc
British American Tobacco PLC
British Broadcasting Corporation
British Sky Broadcasting PLC
BT Group plc
Bunzl plc
Cable & Wireless plc
Cadbury Schweppes plc
Cairn-Energy plc
Centrica PLC
Compass Group PLC
Corus
Daily Mail and General Trust plc
Diageo plc
DSG International plc
EMAP plc
EMI Group plc
Experian
ExxonMobil International Limited
Friends Provident plc
Gallaher Group PLC
George Wimpey plc
GKN plc
GlaxoSmithKline plc
Hammerson plc
Hanson PLC
Hays PLC
HBOS plc
Home Retail Group plc
HSBC Holdings plc
HSBC Investment Bank plc
ICAP plc
ICI PLC
Imperial Tobacco Group PLC
Intercontinental Hotels Group PLC
International Power plc
ITV plc
J Sainsbury plc
Johnson Matthey
Kelda Group plc
Kingfisher plc
Ladbrokes plc
Land Securities Group PLC
Legal and General Group plc
Liberty International PLC
Lloyd’s
Lloyds TSB Group plc
Logica CMG
London Stock Exchange
Maisha PLC
Man Group plc
Marks & Spencer plc
MISYS plc
National Grid Transco plc
Nationwide Building Society
Next Group plc
Northern Rock plc
O2
Old Mutual plc
Pearson plc
Persimmon plc
Prudential plc
Reckitt Benckiser plc
Reed Elsevier plc
Rentokil Initial plc
Resolution Plc
Reuters Group plc
Rexam plc
Rio Tinto plc
Rolls-Royce plc
Royal & Sun Alliance Insurance Group plc
Royal Dutch Shell plc
SABMiller plc
Schroders plc
Scottish & Newcastle
Scottish & Southern Energy plc
Scottish Power plc
Severn Trent plc
Shire Pharmaceuticals Group Ltd
Slough Estates plc
Smith & Nephew plc
Smiths Group plc
Standard Chartered Bank
Standard Life
Stora Enso International Ltd
Tate & Lyle PLC
Taylor Woodrow
Tesco PLC
The British Land Company PLC
The Carphone Warehouse
The Royal Bank of Scotland Group plc
The Sage Group plc
Tomkins plc
Unilever plc
United Business Media plc
United Utilities PLC
VEGA Group Plc
Vodafone Group plc
Whitbread Group plc
Wolseley plc
WPP Group PLC
Yell Group PLC
Virgin

Appendix III

# Total Tax Contribution - PwC publications

## Total Tax Contribution Framework
What is your company's overall tax contribution?

A PricewaterhouseCoopers discussion paper

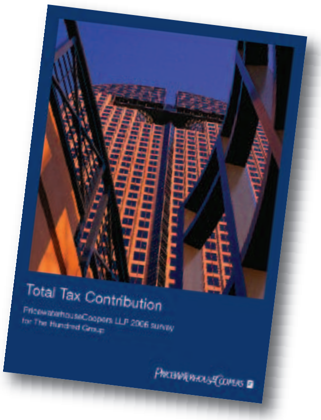
Published April 2005


## Total Tax Contribution
PricewaterhouseCoopers LLP survey for The Hundred Group

Published: March 2006


## Total Tax Contribution
PricewaterhouseCoopers LLP 2006 survey for The Hundred Group

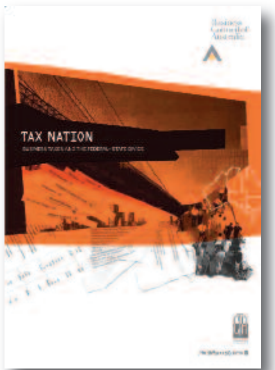
Published January 2007




## Tax Nation
Business Taxes and the Federal-State Divide

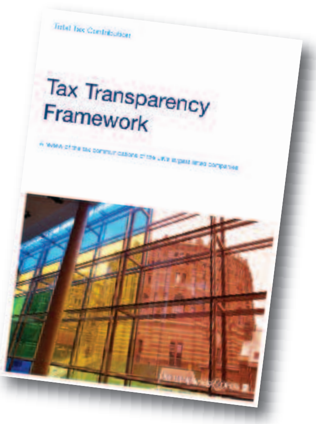
Published jointly with the Business Council of Australia

April 2007




## Tax Transparency Framework
A review of the tax communications of the UK's largest listed companies

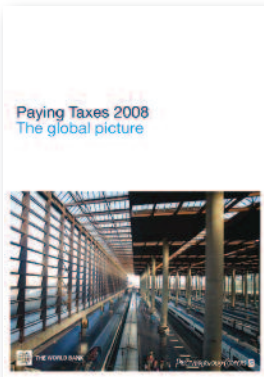
Published November 2007




## Paying Taxes
The global picture

Published jointly with the World Bank Group

November 2007



Appendix IV

# PwC team contact details

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

Susan Symons
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susan.symons@uk.pwc.com

Susan Symons, is a senior client tax partner and 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.

Neville Howlett
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neville.p.howlett@uk.pwc.com

Neville Howlett, is the external relations director for the tax practice. Before rejoining PwC in 2005 he worked within the oil and gas industry on tax and other Government-related issues for almost 16 years. Neville assists with the analysis of the TTC survey results, helping to define key messages, and ensuring effective communication with interested stakeholders, including Government.

Janet Kerr
+44 (0)20 7804 7134
janet.kerr@uk.pwc.com

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, reviewing companies tax strategies, benchmarking their tax ratios and dealing with shareholder value analysis.

Toula Theodosiou
+44 (0)20 7212 6544
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Toula Theodosiou is a tax manager and the global project driver for the Total Tax Contribution teams around the world. She has worked on some major studies including TTC surveys for the Hundred Group of Finance Directors, the Canadian Council of Chief Executives and the Business Leadership in South Africa analysing both the tax payments and compliance costs in the respective tax systems.

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