

Total Tax Contribution

Understanding the economic contribution that large companies make to UK public finances

*PwC 2010 survey for
The Hundred Group*

March 2011



The Hundred Group
of Finance Directors



Foreword

Every year PwC carries out a Total Tax Contribution survey on behalf of The Hundred Group of Finance Directors. The survey assesses the total UK taxes borne and collected by Hundred Group member companies and it is compiled from members' data – making it an authoritative report of the Total Tax Contribution made by the UK's largest public companies.

We are pleased to present the sixth edition of this survey which looks at the tax payments made by members for their accounts year which ended in the 2009/2010 tax year. It spans a particularly difficult period, which follows the financial crisis and a time when the UK economy was in recession. Falling commodity prices and lower profitability affected members' corporation tax payments but the survey results show that Hundred Group member companies continued to provide substantial employment in the UK and continued to bear and collect substantial amounts of both corporation tax and other UK taxes. The survey results show that Hundred Group companies employ over 6% of the UK workforce and contribute nearly an eighth (11.9%) of total government tax receipts from all taxes.

Over the last three years the world has experienced an extraordinary financial and economic upheaval and as the UK seeks to re-establish strong economic growth, it is vital that the UK Government and business work together to continue to create investment and employment opportunities. To that end, it is crucial that the tax system in the UK is both predictable and internationally competitive. In an increasingly global economy, business investment, capital, innovation and skilled people will quickly flow to the countries where tax systems encourage and offer the prospect of economic growth. Both PwC and The Hundred Group remain committed to working with the UK Government to ensure that doing business in the UK continues to be an attractive proposition for companies.

The results from the annual Total Tax Contribution surveys will continue to be important in informing the dialogue between The Hundred Group and Government. We thank the member companies for their continued participation in the survey and it is our intention to repeat it again in 2011.



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Vice Chairman, The Hundred Group



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Contents

Executive summary	3
Purpose and outline of the survey	6
Total Tax Contribution of The Hundred Group	8
Industry analysis	10
The Total Tax Rate	15
Corporation tax	16
Employment taxes	18
Value added tax	20
Business rates	21
Fuel excise duties	23
Trends in tax payments	24
Trends for The Hundred Group companies taking part in all Total Tax Contribution surveys	26
Looking forward	29
Who has responsibility for each of the taxes?	30
How companies use their Total Tax Contribution	32

Appendices

I List of UK taxes borne and collected by companies	35
II Taxes borne and collected as reported by The Hundred Group participants in the 2010 survey	36
III List of companies invited to participate in the survey	38
IV PwC Total Tax Contribution publications	39
V PwC team contact details	41

Executive summary

This is the sixth year the Total Tax Contribution (TTC) survey has been carried out by PwC for The Hundred Group. These surveys have always been well supported and this year is no exception. Eighty four companies (a record 80% of the membership) took part in the survey, providing data on all their UK taxes paid and collected.

This year's survey looks at payments in these companies' accounts periods ended in the year to 31 March 2010. Through the surveys an extensive bank of data has been built up showing how UK tax payments by these companies have changed over time, affected by changes in tax rates and regulations and by the economic cycle. The last two surveys, in 2009 and 2010, have covered a particularly difficult period in the economy, with the financial crisis unwinding, interest rates and global commodity prices tumbling, and the UK economy falling into recession and only slowly returning to growth. These events are reflected in the results.

To repair the public finances in the wake of the downturn, the Government has to consider raising taxes as well as making spending cuts, but it will need to remain cautious in how it does this to ensure the recovery is not stifled and the tax system supports business investment and economic growth. In PwC's recent survey of CEOs around the world,

they identify the recession, the size of the public deficit and a rising tax burden as among the potential threats to growth in their businesses about which they are most concerned. Nearly two-thirds (63%) of the UK CEOs interviewed in the survey thought that their company's TTC will rise because of the Government's response to rising public debt.

Hundred Group companies make a major contribution to the UK economy. The companies taking part in the survey reported UK revenues of £514bn, employed 1.8m UK employees and had a TTC of £53.5bn.

The Hundred Group also makes a significant contribution to UK tax receipts. From the figures provided, the estimated TTC for the entire membership is £56.8bn, which is 11.9% of government receipts from all taxes for the whole of the UK. The figures have fallen from last year's survey (£66.6bn and 13.1% of all government tax receipts). Payments of corporation tax were lower for many members because of a reduction in profits. Oil and gas companies' corporation tax and petroleum revenue tax payments fell as the oil price fell and North Sea production levels declined. In addition, due to very low interest rates, the tax deducted at source by banks from payments of interest to their customers also fell.

“...the estimated TTC for the entire membership is £56.8bn, which is 11.9% of government receipts from all taxes for the whole of the UK.”

As in previous years, four industry sectors made a major tax contribution. Together, the participating banks, insurance companies, oil and gas companies and retailers paid 66% of taxes borne and 69% of taxes collected, but represented only 31% of the number of companies taking part. The banks and the oil and gas companies have been the largest corporation taxpayers in previous surveys. However, payments by the banks have fallen heavily in the last two surveys and this year they were overtaken by the retailers. Payments by oil and gas companies also fell in 2010, but they remain the largest payers of corporation tax.

The average Total Tax Rate (TTR) for Hundred Group companies in the 2010 survey was 51.8%. The TTR measures the cost of all the different taxes borne against profitability. As profits fell for members in the recession, their TTRs increased. The average TTR has fallen back from the high point in the 2009 survey but is still larger than in all previous years.

Corporation tax payments by the entire membership of The Hundred Group have fallen since the last survey to an estimated £5.9bn and 16.7% of total government corporation tax receipts (2009 – 23.5%).

Corporation tax payments fell by 41.8% for companies between 2009 and 2010 who took part in both surveys. This is due to lower profits and commercial losses since the start of the recession. Half of the 2010 participants reported a tax loss available to offset their corporation tax bills.

Corporation tax is still the largest tax borne by survey participants, but in 2010 it's just 33.7% of total taxes borne, the lowest percentage since these surveys began in 2005. In 2010, for every £1 of corporation tax paid, there is another £1.97 paid in other taxes borne and £6.79 in taxes collected.

The Hundred Group companies in the 2010 survey employed 6.1% of the entire UK workforce and generated total employment taxes of £16.7bn. The jobs that The Hundred Group companies create, and the employment taxes that are paid in respect of those jobs, are an important part of their contribution to the economy. Despite the downturn, their employee numbers have fallen only 1.1% in the last year, with job losses in the financial services sector being offset by increases in other sectors.

Hundred Group companies employ skilled, well-paid workers. On average, employment taxes per employee of £19,392 were paid into the public finances in 2010. This is a measure of the taxes directly generated through jobs created by these large employers.

Companies in the survey reported total value added tax (VAT) payments of £8.5bn, representing 12.1% of total government receipts from the tax (irrecoverable VAT borne £1.7bn, net VAT collected £6.8bn). The cost of irrecoverable VAT fell temporarily this year, reflecting the temporary rate cut from 17.5% to 15.0% between 1 December 2008 and 31 December 2009.

Business rates totalling £3.3bn were paid in the 2010 survey. Business rates are linked to the ownership and value of land and have been far less affected by the recession. Payments increased since the 2009 survey compared to a fall in other taxes borne.

Total taxes borne have fallen 25.1% in the 2010 survey over last year. This is driven by falls in corporation tax, petroleum revenue tax and irrecoverable VAT. Taxes collected were more stable, with a 1.9% fall. Lower amounts of tax deducted from interest, due to lower interest rates, were offset by higher excise duties collected.

Many Hundred Group companies have taken part in all six TTC surveys and therefore the trend in tax payments can be seen. Corporation tax payments have been the most volatile with the amounts in the 2007 survey rising to 41% above and now falling to 39% lower than the levels in the first survey. Other taxes borne have risen more steadily with the amounts paid in 2010 being 15% above the first survey. Taxes collected have been more stable with 2010 payments just 0.4% above 2006 (the first survey which included taxes collected).

Looking forward to the next survey and beyond, payments of some taxes borne by Hundred Group members can be expected to increase, but the position regarding others is less clear. Payments will be affected not only by changes in tax legislation, but also by economic factors, including growth, oil prices and interest rates.

A number of legislative changes will increase the amounts reported in the 2011 survey, including the bank payroll tax, the new 50% top rate of income tax and the rise in the VAT rate – first back to 17.5% and then up to 20%. The position regarding corporation tax is less clear. The coalition Government has announced reductions in the statutory rate of

corporation tax, but this will be offset by reductions in tax reliefs and may not impact the amounts paid. Corporation tax payments by Hundred Group members can be expected to rise in the future as companies return to profit and tax losses are utilised.

Hundred Group members pay and collect 23 different UK taxes. Many of these fall outside the responsibility of their central tax department. Employment taxes are the largest taxes that they pay, but only 16% reported that they are the responsibility of their tax department.

After six years of these surveys, TTC is a well understood and accepted approach for measuring how much tax companies pay. Hundred Group companies that take part use their own TTC data in many different ways. Over half the companies use it in internal communications to highlight the importance of other taxes as well as corporation tax and to brief their Board. Over a third use it in discussions with HM Revenue & Customs (HMRC). Around an eighth use it in media releases or external relations to show their positive economic contribution, or include it in their corporate reporting.

Purpose and outline of the survey

This is the sixth consecutive annual TTC survey that PwC has carried out on behalf of The Hundred Group.

The purpose of these surveys is to provide information to assist the debate about the shape and competitiveness of the business tax system. The results show how the UK tax system impacts large business and what these companies contribute to the public finances. The survey results have been discussed with Government and other interested parties and are published for a wider audience.

The TTC surveys have always been very well supported by The Hundred Group membership since they started in 2005, and the 2010 survey was no exception. Eighty four companies took part in the 2010 survey and, as Figure 1 shows, this represents a record 80% by number and 91%

by market capitalisation. (For the 2009 survey, the figures were 86 participants representing 78% by number of those invited and 90% by market capitalisation.)

The 2010 survey collected data for The Hundred Group members' tax payments in their accounts year ended in the year to 31 March 2010. For the majority of participants (52%) this was their December 2009 year end. From the six TTC surveys, there is an extensive bank of data which shows how the tax payments of large UK businesses have changed over time and been impacted by both the economic cycle and by legislative change. Figure 2 shows the amount of data held for each year. The last two surveys (the majority of members' year ends December 2008 and 2009) covered a particularly turbulent period in the economy, with the financial

crisis unwinding, interest rates and global commodity prices tumbling, the economy falling into recession in 2008 and a return to growth in the last quarter of 2009. These events are reflected in the results.

To repair the public finances in the wake of the downturn, Government has to consider raising taxes, but should remain cautious in how it does so to ensure the recovery is not stifled and that the tax system supports business investment and economic growth. Every year, PwC carries out another piece of research, interviewing CEOs around the world for its Global CEO Survey. In 2010, CEOs identified the economic recession, the size of the public deficit and a rising tax burden as among the potential threats to growth in their business that they are most concerned about¹. Nearly two-thirds (63%) of the UK CEOs interviewed thought that their company's TTC will rise because of governments' responses to the debt crisis².

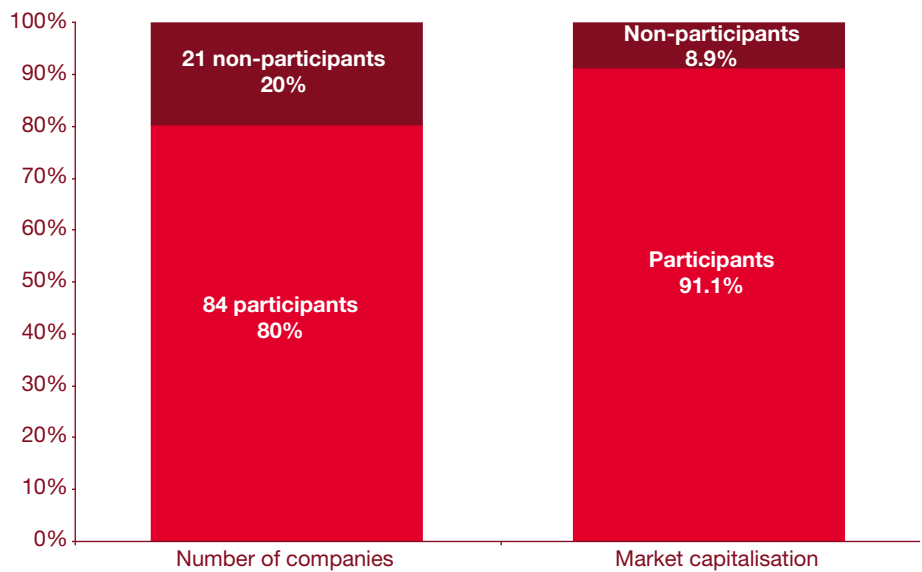
The TTC surveys for The Hundred Group use the PwC TTC methodology, which looks at all the different taxes that companies pay and administer, including employment taxes, VAT and other taxes, as well as corporation tax. TTC includes both taxes borne by Hundred Group companies (those taxes that are a cost to the companies and affect their results) and taxes they collect (where they administer taxes on behalf of the Government).

1 *Growth reimagined – prospects in emerging markets drive CEO confidence – PwC's 14th Annual Global CEO Survey*. January 2011. Over 1,200 CEOs around the world took part in the 2010 survey. The top five potential threats to business growth they were most concerned about were (1) recession/the economy 72%; (2) public debt/deficit 61%; (3) over regulation 60%; (4) availability of key skills 56%; and (5) increasing tax burden 55%.

2 In the UK, 38% agreed and 25% agreed strongly with the statement: "My company's total tax contribution will rise because of governments' responses to rising public debt"; 17% disagreed and 2% disagreed strongly.

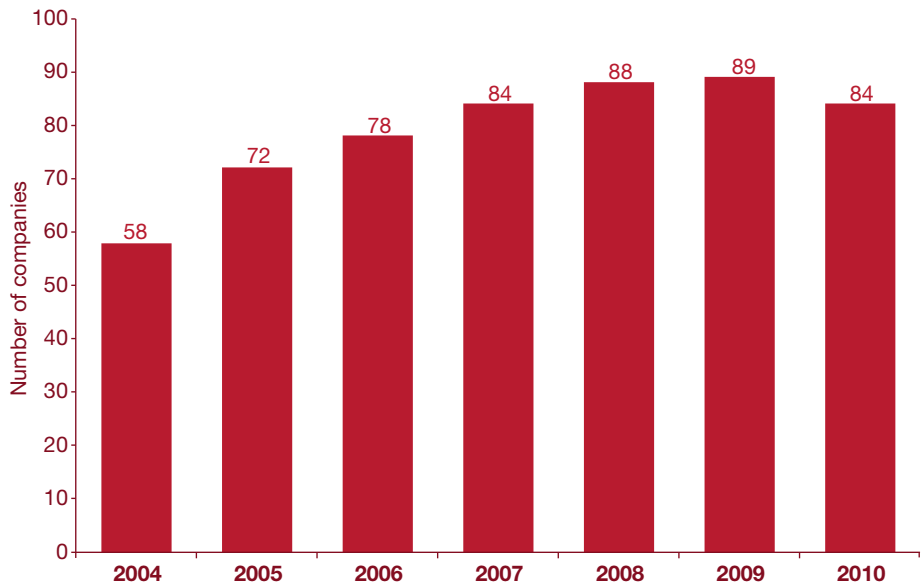
Figure 1: Eighty four Hundred Group members provided data for the 2010 survey

A record percentage of members took part in 2010.



The surveys collect data from Hundred Group companies on all of their UK tax payments. PwC has anonymised and aggregated this data to produce the survey results. PwC has not verified, validated or audited the data and cannot give any undertaking as to the accuracy of the survey results. Data was also extrapolated to provide an estimate of the TTC of the membership of The Hundred Group as a whole. All of the six TTC surveys with The Hundred Group use the same methodology which enables the results to be compared.

Figure 2: The number of companies providing data for the six TTC surveys



The first survey in 2005 also requested data for the previous year. Also, three companies in the 2010 survey provided data for 2009, to add to the data that was collected previously.

Total Tax Contribution of The Hundred Group

Hundred Group members make a major contribution to the UK economy. Collectively, participants reported UK revenues of £514bn, employed 1.8m UK employees and made a UK TTC of £53.5bn.

The Hundred Group makes a significant contribution to UK tax revenues. Extrapolating from the data provided, it's estimated that the TTC for the entire membership is £56.8bn, or 11.9% of total government tax receipts^{3,4}. Figure 3 shows the data reported and the extrapolated figures. A breakdown of the data reported by tax is in Appendix 2.

Despite the economic downturn, The Hundred Group maintained the size of its tax contribution between the 2008 and 2009 surveys (2008 – £66.5bn, or 12.9% of government tax receipts; 2009 – £66.6 bn, or 13.1%)⁵.

However, as shown in Figure 4, the figures have fallen in 2010. This is largely due to: lower corporation tax payments by many members of The Hundred Group, reflecting lower profitability; lower payments of petroleum revenue tax by oil and gas companies operating in the North Sea, reflecting lower oil prices and falling production levels; and lower amounts of tax deducted from payments of interest to customers by the banks due to very low interest rates in 2009.

The survey also collected data on other aspects of the economic footprint of participants. Using these figures to look at how value generated by these companies was distributed suggests that 42.2% was paid to Government in taxes borne and collected, with 30.2% going to employees as wages and salaries net of employee taxes and 2.5% in net interest on financing (Figure 5). The remaining 25.1% represents profit after tax available for dividends to shareholders or to reinvest in the business.

Figure 3: Total Tax Contribution of The Hundred Group 2010

£m	Survey participants	Extrapolated to the Hundred Group	Percentage of government receipts
Corporation tax	5,481	5,878	16.4%*
Other taxes borne	10,787	11,618	
Taxes borne	16,268	17,496	3.7%
Taxes collected	37,218	39,286	8.2%
Total Tax Contribution	53,486	56,782	11.9%

* Percentage of corporation tax receipts.

3 Government receipts from Office for Budget Responsibility – Economic and fiscal outlook. November 2010 (Table 4.6 – Current receipts) and Fiscal Supplementary Tables (Table 1.1 – Current receipts table on June Budget format). Receipts for all taxes for 2009/2010 including income tax, capital gains tax, inheritance tax, council tax, etc.

4 Extrapolation has been carried out on a conservative basis using data on corporation tax from published accounts, if available, or data on revenues if not available, and applying ratios from companies in the same industry sector.

5 See *Total Tax Contribution PricewaterhouseCoopers LLP 2009 survey for The Hundred Group*, http://pwc.co.uk/pdf/TTC_survey_2009.pdf

Figure 4: Total Tax Contribution of The Hundred Group – 2008 to 2010

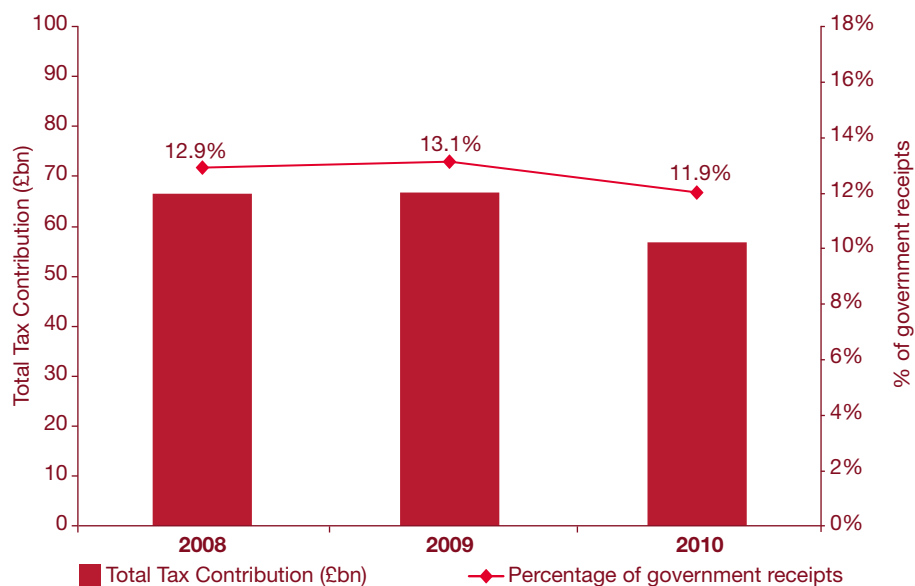
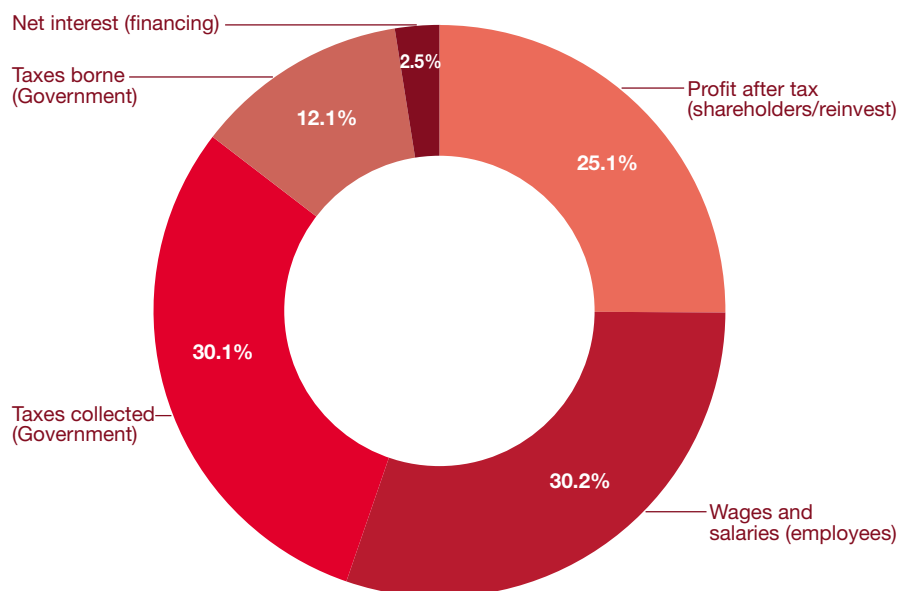


Figure 5: Taxes borne and collected as a percentage of value distributed – 2010

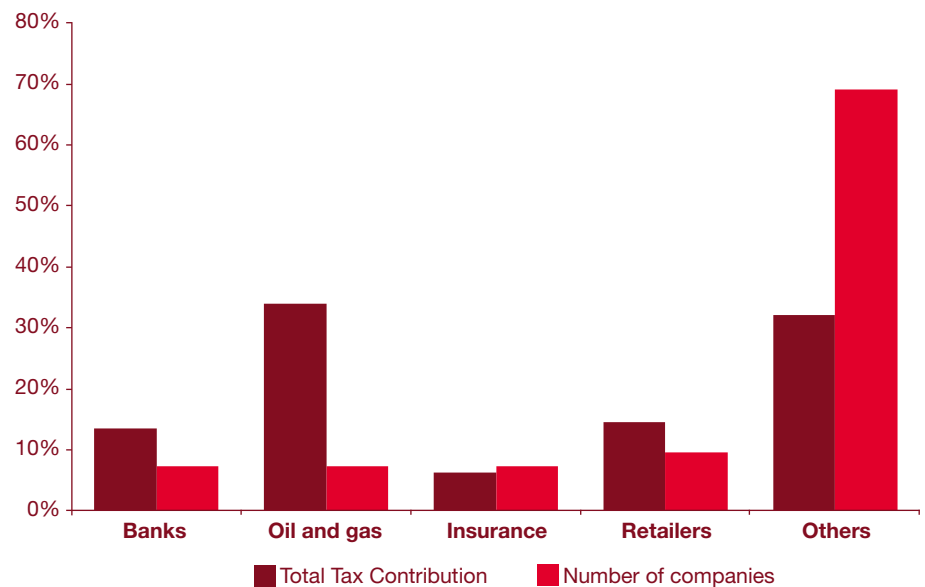


Industry analysis

The Hundred Group is a cross-industry sector organisation and participants in the survey represent a wide range of industry sectors. However, as in previous years, the 2010 results again highlight that tax revenues are heavily dependent on a small number of industry sectors. Figure 6 shows that four industries made a major contribution to the results. In 2010,

oil and gas companies, banks, retailers and insurance companies were together less than a third (31%) of the companies taking part, but made around two-thirds of the tax payments (66% of taxes borne and 69% of taxes collected). Figures 7, 8 and 9 show how these four sectors have contributed to the survey amounts.

Figure 6: Four sectors made a major contribution to the results



The chart shows those sectors who made a major contribution to the results in the survey and the number of companies in each of these sectors.

Figure 7: Contributions to survey results 2005 to 2010 by sector – corporation tax

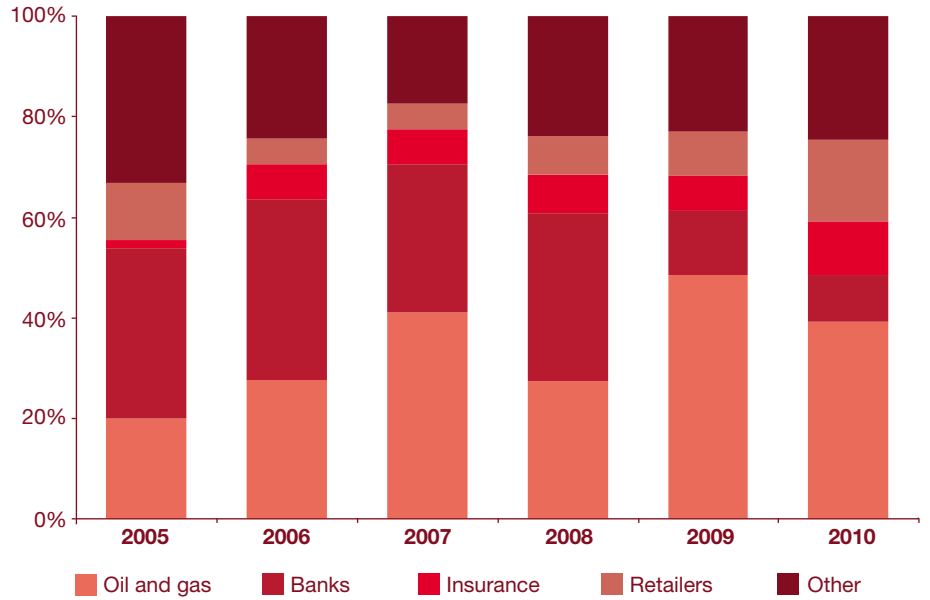
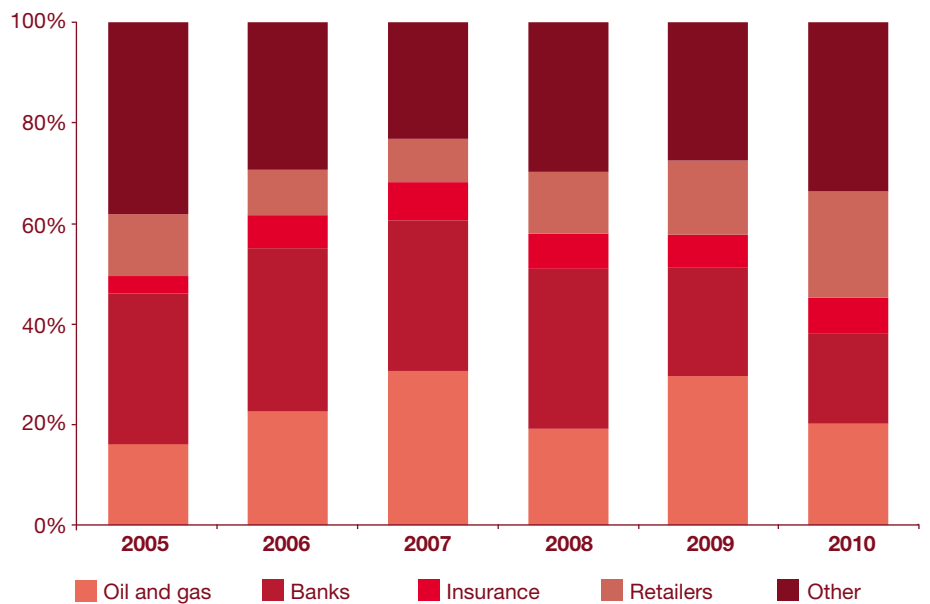


Figure 8: Contribution to survey results 2005 to 2010 by sector – total taxes borne



The oil and gas companies were the largest contributors to corporation tax and to total taxes borne in the 2009 survey, driven by high oil prices and increased profitability. The percentage of corporation tax (including the supplementary charge) paid by the oil and gas companies increased from 27% in 2008 to 48% in 2009; and total taxes borne from 19% to 30%. However, with a fall in oil prices, a downward trend in production (Figure 10) and lower profits, payments of corporation tax and petroleum revenue tax have now fallen. In 2010, oil and gas companies were still the largest payers of corporation tax in the survey, but paid a lower percentage of the total – 39% and just 20% of total taxes borne. The results for taxes collected have remained more stable. The oil and gas companies have been the largest collectors of taxes in all of the six TTC surveys. In 2010, the oil and gas companies paid 40% of taxes collected, compared to 39% in both 2008 and 2009.

Figure 9: Contribution to survey results 2006 to 2010 by sector – taxes collected

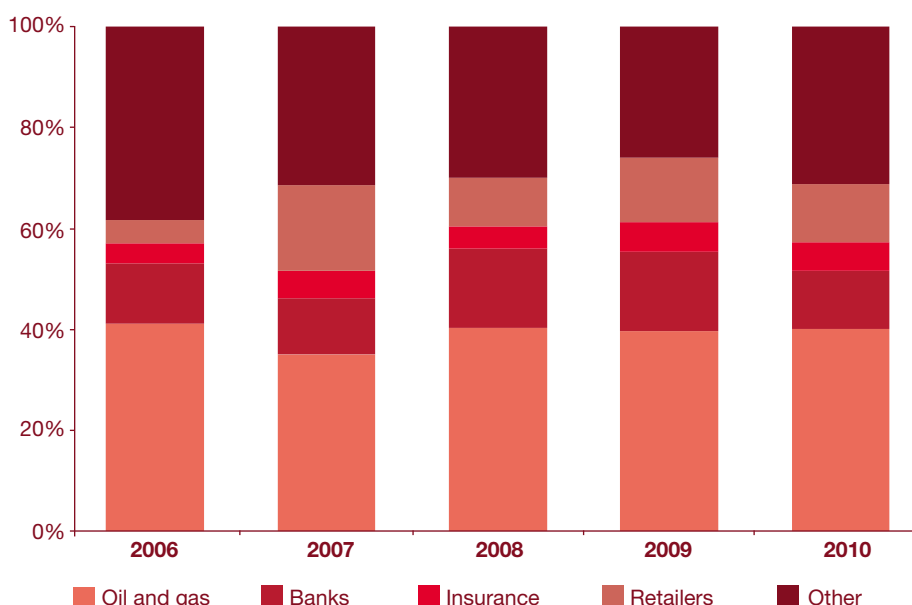
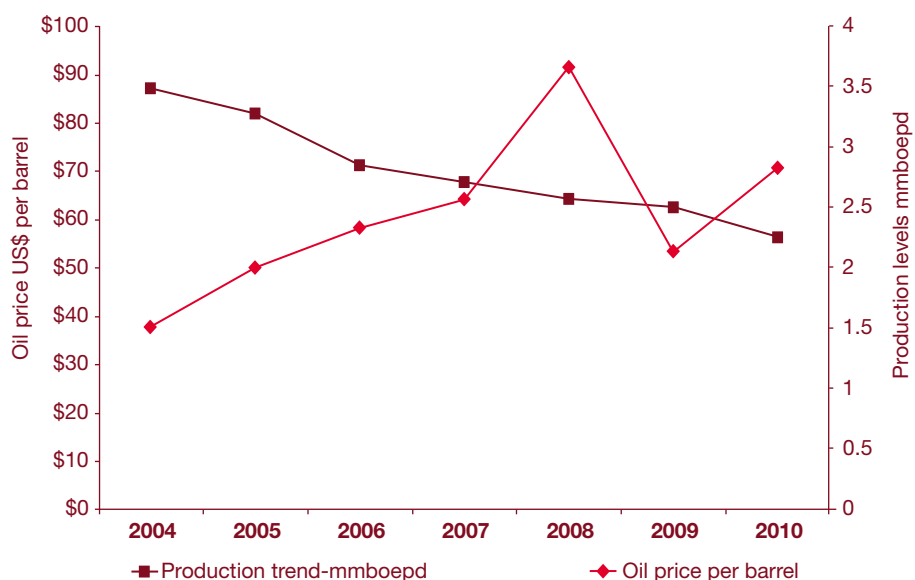


Figure 10: Annual average oil prices and production levels



The chart shows average US\$ per barrel and North Sea production levels in millions of barrels of oil equivalent per day (mnbopd).

Source: http://www.inflationdata.com/inflation/Inflation_Rate/Historical_Oil_Prices_Table.asp and Oil & Gas UK 2010 Economic Report

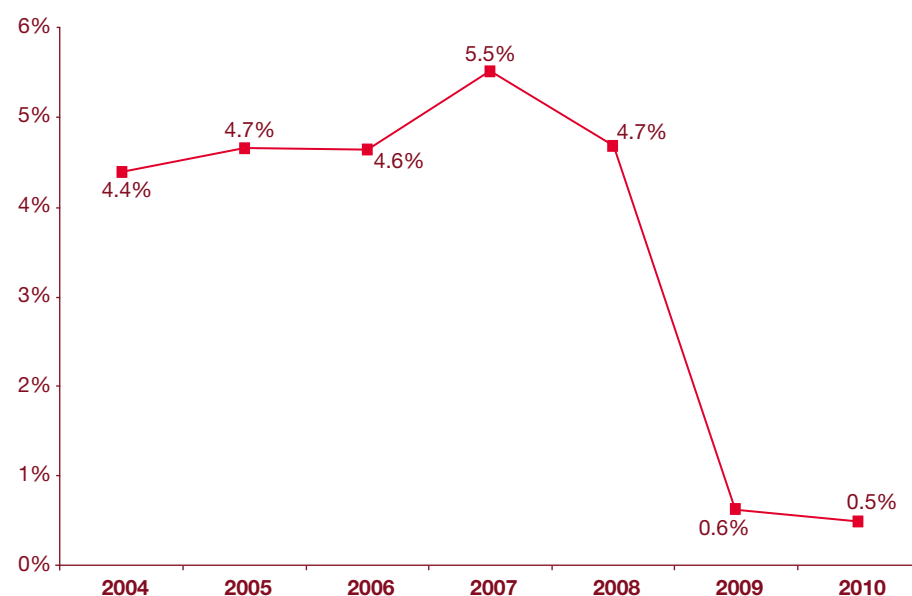
The banks have been the largest payers of corporation tax and of total taxes borne in three of the previous surveys (2005, 2006 and 2008)⁶. However, their corporation tax payments have fallen away steeply in 2009 and 2010, due to the impact of the financial crisis on their profitability. The banks paid just 9% of the survey corporation tax in 2010 and 13% in 2009 compared to 34% in 2008. Their total taxes borne as a percentage of the survey results have fallen from 32% in 2008 to 21% in 2009 and to 18% in 2010. With a steep fall in interest rates and therefore in tax deducted at source by the banks

from interest payments to customers (Figure 11), their taxes collected have also fallen in 2010 to 12% of the survey total.

Insurance companies paid a higher percentage of the survey totals for corporation tax in 2010 than in any previous year. Their corporation tax payments also fell as a result of lower profitability, but less steeply than for the banks and oil and gas companies. Insurance companies paid 11% of corporation tax in 2010 compared to 7% in 2009. Their total taxes borne were 7% of the total in both 2009 and 2010.

The retailers overtook the banks as the second largest payers of corporation tax in the 2010 survey. They were the only one of these sectors that saw an increase in both corporation tax and their total taxes borne in the 2010 survey. The seasonally adjusted value of retail sales in March 2010 rose by 4.4% compared with March 2009⁷. In 2010, the retailers paid 16% of the corporation tax, compared to 9% in 2009 and 21% of total taxes borne compared to 15%.

Figure 11: Annual average interest rates



The chart shows the annual average of official Bank of England rate on a calendar year.

Source: <http://www.bankofengland.co.uk>

⁶ The oil and gas companies were the largest payers of corporation tax in the 2007 survey, partly due to the transitional effect of the change in their payment on account rules, resulting in more than a year's corporation tax payments being made in the year.

⁷ Office of National Statistics. The Statistical Bulletin. Retail Sales. March 2010.

“The Hundred Group companies in the 2010 survey employed **6.1%** of the entire UK workforce and generated total employment taxes of **£16.7bn.**”

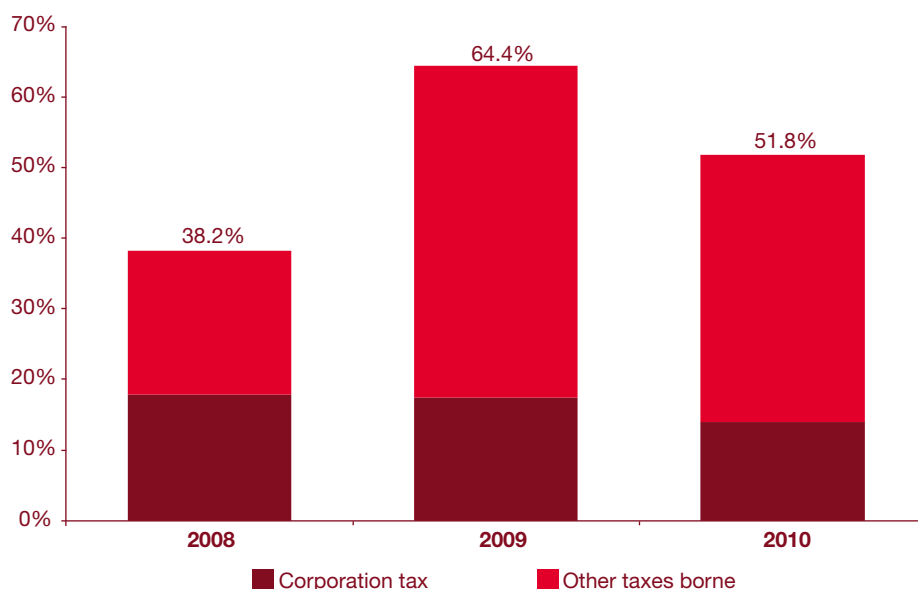
The Total Tax Rate

The average Total Tax Rate (TTR) for Hundred Group companies taking part in the 2010 survey was 51.8%⁸. The TTR is a measure of the cost of all taxes borne in relation to profitability. The calculation is total taxes borne (corporation tax plus all other taxes borne) as a percentage of profit before total taxes borne. Taxes borne (such as business rates and employer's national insurance contributions (NICs)) that are deductible in calculating the profit before corporation tax are added back to arrive at a profit before total taxes borne.

An impact of the downturn for Hundred Group members is that their tax cost, as measured against profits, has increased. This is because, unlike corporation tax, payments of other taxes borne do not fall with declining profitability and thus become relatively more expensive. Figure 12 shows the average TTR in each of the last three surveys.

For Hundred Group members, profits fell 49% on average between the 2008 and 2009 surveys, and the average TTR increased from 38.2% to 64.4%⁹. Profits have recovered to some extent in the 2010 survey and, as a result, the average TTR has fallen back from the high point in 2009, but is still considerably above the rate for 2008 and for all previous surveys.

Figure 12: Total Tax Rates for survey participants – 2008, 2009 and 2010



⁸ Mean average. The range of results in 2010 was 0.7% to 296.7%.

⁹ The range of results in 2009 was 0.2% to 3861.6% and the mean average was 146.6%. Two outlying results (over 1,000%) are excluded to give a trimmed mean average of 64.4%.

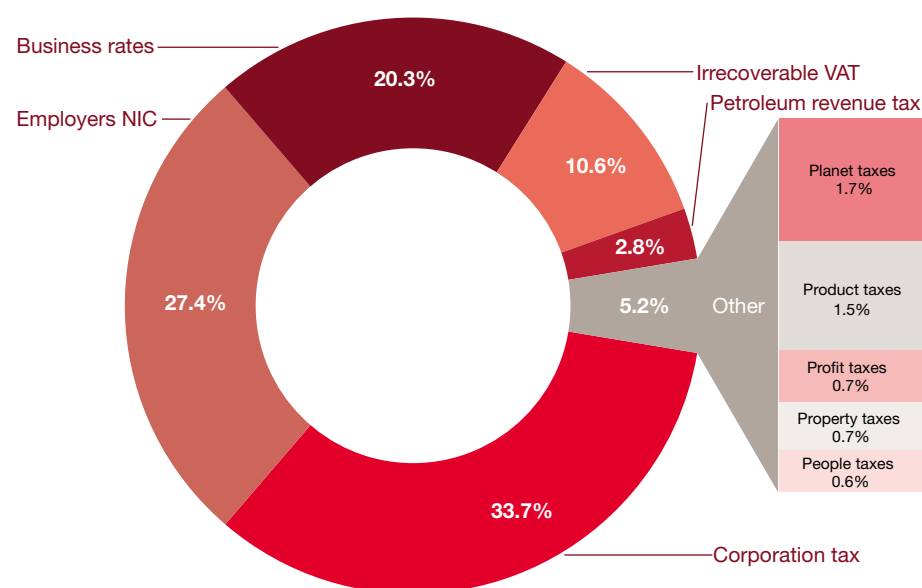
Corporation tax

Hundred Group companies taking part in the 2010 survey paid corporation tax totalling £5.48bn. This figure has been extrapolated to estimate the total corporation tax paid by the entire Hundred Group membership as £5.9bn, or 16.4% of total government receipts from corporation tax (Figure 3). This has fallen from an estimated 23.5% in the 2009 survey.

Figure 13 shows that corporation tax is 33.7% of total taxes borne in the 2010 survey. Corporation tax is still the largest tax cost, but at 33.7% it is a lower percentage of taxes borne than in any previous survey (2008 – 46.8%; 2009 – 44.0%). For every £1 of corporation tax paid in 2010, Hundred Group companies paid another £1.97 in other taxes borne and collected £6.79 in taxes collected.

Corporation tax payments are linked to corporate profitability and have been heavily affected by the financial crisis and the economic recession. Government receipts from corporation tax are shown in Figure 14 and have fallen from their peak of £46bn in the 2007/2008 tax year to £36bn in 2009/2010 which is 7.5% of total government tax receipts. For survey participants, profits have fallen on average by 49% in 2008/09 before recovering by 14.2% in 2009/10. Because the survey asks for tax payments made in the year, rather than in respect of the year, there is a timing mismatch. The fall in corporation tax in this year's survey relates mainly to the fall in the profits seen in the previous year. The trends are shown in Figure 15.

Figure 13: Taxes borne 2010 – by percentage

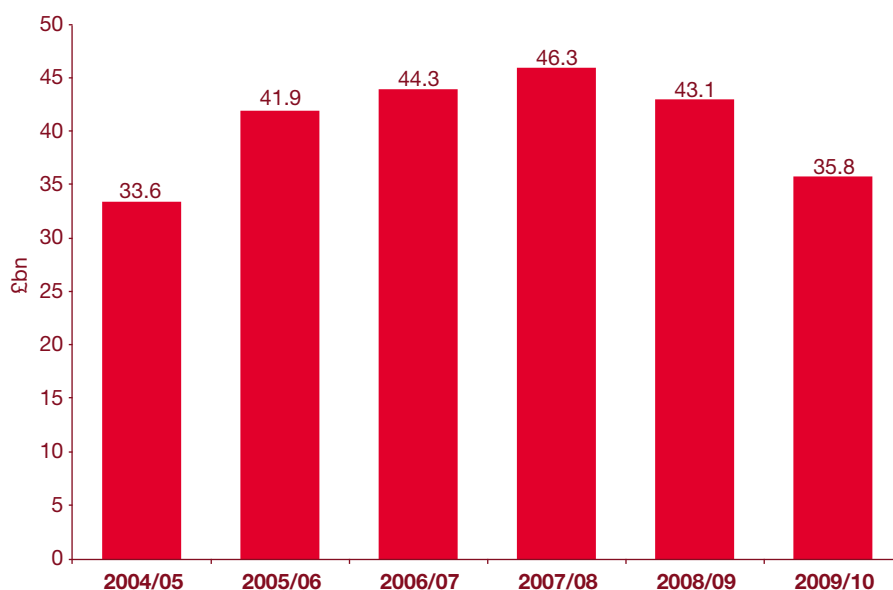


Profit taxes	
Betting and gaming duties	0.7%
Property taxes	
Stamp duty land tax	0.6%
Stamp duty	0.1%
Stamp duty reserve tax	0.0%
People taxes	
PSAs (tax on benefits)	0.6%
Product taxes	
Insurance premium tax	0.2%
Customs duty	1.3%
Planet taxes	
Vehicle excise duty	0.4%
Landfill tax	0.4%
Aggregates levy	0.3%
Climate change levy	0.4%
Air passenger duty	0.1%
Congestion charge	0.1%

35% of participants had a commercial loss in the 2009 survey and 23% in 2010. As a result, many have corporation tax losses that can offset their tax bills. Half of the companies taking part in the 2010 survey (49.0%) reported unutilised tax losses at the end of the year¹⁰.

More than a third (37%) of the 2010 participants did not pay any corporation tax in the year, compared to a third (33%) in 2009 and a fifth (21%) in 2008. The total corporation tax paid by survey participants of £5.48bn is net of total refunds received of £1.5bn.

Figure 14: Government receipts from corporation tax – 2005 to 2010



Source: Government receipts from Office for Budget Responsibility – Economic and fiscal outlook. November 2010 (Table 4.6 – Current receipts) for 2009/10. Government receipts on Budgets each year for 2004/05 to 2008/09.

Figure 15: Trends in corporation tax 2008 – 2010



¹⁰ This question was not asked in the previous surveys.

Employment taxes

The Hundred Group member companies are large UK employers. The companies taking part in the 2010 survey employed 1.77m workers, or 6.1% of the entire UK workforce¹¹.

Providing employment is an important part of how Hundred Group members contribute to the UK economy. Employee numbers fell 1.1% in the last year with job losses in some financial services companies being offset by increases in the retail and other sectors. In the same period, the size of the UK workforce fell by 1.7%^{12 13}.

Employment taxes are also an important part of the TTC of The Hundred Group. The 2010 survey participants paid total employment taxes of £16.7bn, including both the employer's share of NICs and income tax and NIC collected from employees under Pay As You Earn (PAYE) (Figure 16). NICs borne and collected by the survey participants were 7.3% of total government NIC receipts, and income tax collected from employees under PAYE was 6.9% of total government income tax receipts¹⁴. Total employment taxes have fallen 1.5% since the last survey.

Figure 16: Employment taxes borne and collected 2010

	£000
Employment taxes borne	
Employer NIC	4,461,073
PAYE agreements (PSAs) (tax on benefits)	95,589
Total	4,556,662
Employment taxes collected	
Employee NIC	2,511,872
PAYE	9,595,101
Total	12,106,973
Total employment taxes borne and collected	16,663,635

11 Office for National Statistics. UK employment at December 2009: 28.86m.

12 Office for National Statistics. UK employment at December 2008: 29.35m – a 1.7% reduction over the year.

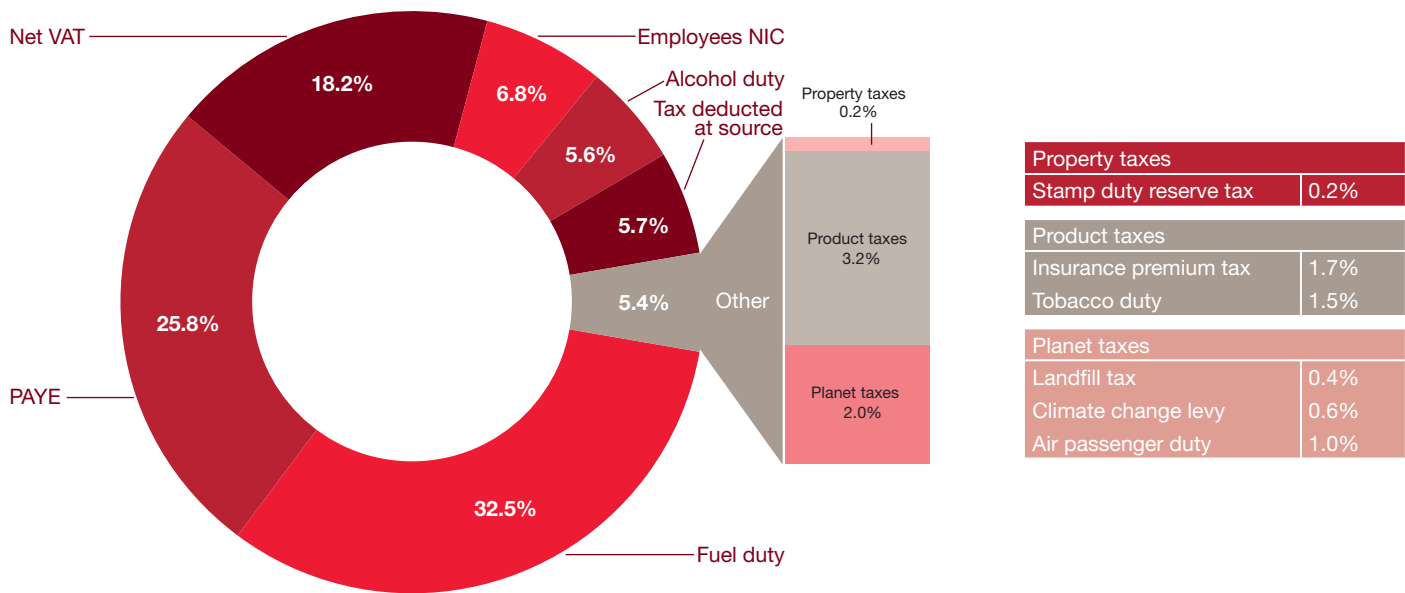
13 A fall in employee numbers for the bank and insurance companies accounted for a drop of 1.6% of the survey total, but this was offset by an increase in employee numbers for the retailers in the survey which accounted for an increase of 0.5% in the survey totals.

14 *Government receipts from Office for Budget Responsibility – Economic and fiscal outlook*. November 2010 (Table 4.6 – Current receipts). Receipts for NIC and income tax.

The Hundred Group employs skilled, well-paid workers. Hundred Group companies taking part in 2010 paid an average amount of £19,392 per employee into the public finances in employment taxes borne and collected¹⁵. Employment taxes per employee are an indicator of the direct benefit to the Exchequer for each job created or maintained by these large employers. The average salary paid by The Hundred Group companies in 2010 was £46,550, which compares to a UK average national wage in the same period of £25,900¹⁶ ¹⁷.

At 27.4% of total taxes borne, employer’s NIC is the second highest tax cost for participants, following corporation tax at 33.7%. Figure 17 shows an analysis of taxes collected. At 32.6%, employee taxes are the largest taxes collected (income tax under PAYE – 25.8%, employee’s NIC – 6.8%) followed by fuel excise duty at 32.5%. Taken together, employment taxes are the largest amounts of taxes paid by participants in the survey (Figure 32). However, they are usually outside the responsibility of the tax department. Only 16% reported that the tax department has responsibility for employment taxes.

Figure 17: Taxes collected 2010 – by percentage



15 For the companies in the 2010 survey, the average employee taxes per employee was £19,392, the median average £14,003, and the range of results £2,744 to £123,123.

16 For companies in the 2010 survey, the average salary was £46,550, the median average £39,993, and the range of results £6,774 to £242,319.

17 Office for National Statistics. 2010 annual survey of hours and earnings.

Value added tax

Figure 18 shows the survey results regarding VAT. Survey participants reported a total figure for irrecoverable VAT borne of £1.73bn. Irrecoverable VAT is a cost particularly for the financial services sector companies in the survey¹⁸. The cost of irrecoverable VAT was temporarily reduced in the 2010 survey following the temporary cut in the VAT rate from 17.5% to 15.0% from 1 December 2008 (a 14.3% reduction).

Figure 18: Value added tax borne and collected 2010

	£m
Irrecoverable VAT borne	1,727
Net VAT collected	6,751
Total VAT borne and collected	8,478

Hundred Group companies in the survey reported total output VAT of £49.9bn and net VAT collected and paid over to HMRC of £6.8bn. Output tax has also fallen since the last survey (11.7%), but net VAT increased slightly (0.7%).

Taken together, irrecoverable VAT borne and net VAT collected total £8.5bn and represents 12.1% of total government receipts from VAT. VAT is the third largest tax for Hundred Group companies, after employment taxes and excise duties (Figure 31). For the majority (67%) of companies in the survey, VAT is within the responsibility of their tax department.

Following litigation in the *Fleming/Conde Nast* tax legal case, taxpayers were able to make claims for refunds of VAT overpaid in years prior to 1997. Claims had to be made by 31 March 2009. In the 2010 survey, 18 Hundred Group members reported that they had received a Fleming refund^{19 20}. Further refunds will be reflected in the next survey.

¹⁸ Irrecoverable VAT is 10.6% of total taxes borne for Hundred Group companies in the 2010 survey. The third edition of our TTC study of UK financial services covers the same period and shows irrecoverable VAT as 23.9% of taxes borne for these companies. See *The Total Tax Contribution of UK Financial Services, Third Edition, Report prepared for The City of London Corporation by PwC* published December 2010. http://217.154.230.218/NR/rdonlyres/68F49A7E-8255-415B-99A8-1A8273D568D9/0/TotalTax3_FinalForWeb.pdf

¹⁹ Their refunds totalled £51.8m (£29.1m refunds plus £22.7m interest).

²⁰ Participants were also asked to provide details of any other payments to and from Government (other than taxes). Seventeen participants reported fees, rents, regulatory and other payments totalling £109.9m. Neither this figure nor the Fleming refunds are reflected in the figures of taxes borne and included in these survey results.

Business rates

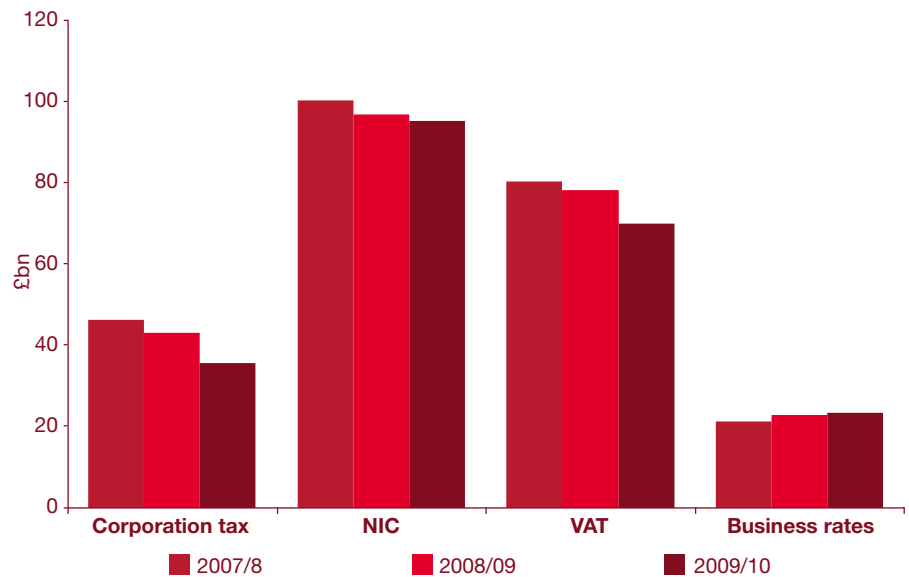
Hundred Group companies taking part in the study paid business rates totalling £3.3bn, which amounted to 14.1% of total business rate receipts.

Business rates are 20.3% of total taxes borne by these companies and the third largest tax cost after corporation tax (33.7%) and employer's NIC (27.4%) (Figure 13). They are the only large tax paid by business that is not administered by HMRC²¹. These are also not normally managed by the companies' tax departments. Only 9.0% of participants reported that their tax department has the main responsibility for business rates.

Business rates are linked to the ownership and value of property and have been far less affected by the recession than many of the other taxes paid by UK businesses. Figure 19 shows that government receipts for corporation tax, NIC and VAT have all fallen since the 2007/2008 tax year (corporation tax by 22.7%, NIC by 4.9% and VAT by 13.0%). Government receipts from business rates grew 9.3% in the same period.

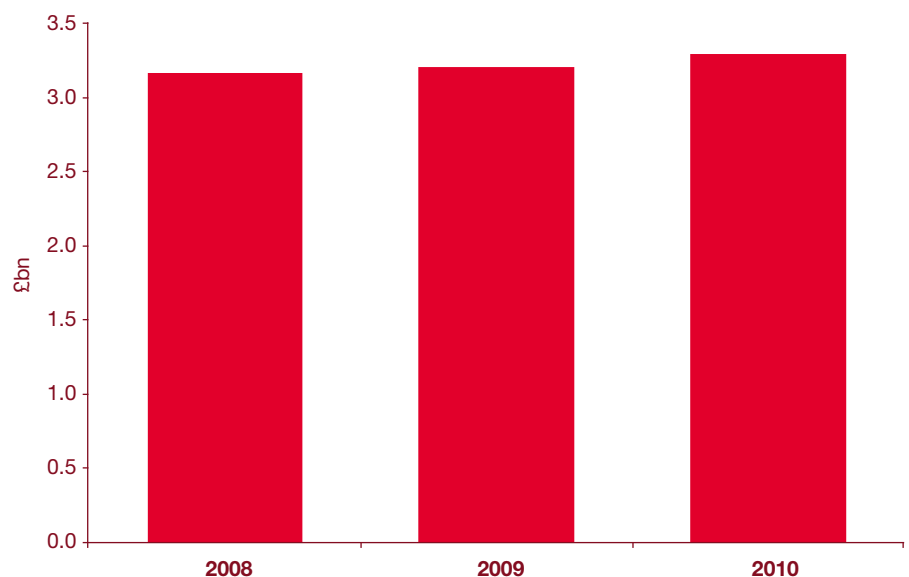
Business rates payments by survey participants have also increased (Figure 20). They increased by 4% in the same two year period. Business rates increased in the last year compared to a fall in other taxes borne (Figure 22).

Figure 19: Government tax receipts 2008 to 2010



Source: F2010 fiscal supplementary tables, Budget and Pre-Budget Report 2009.
<http://budgetresponsibility.independent.gov.uk/publications.html>

Figure 20: Business rates payments by the Hundred Group – 2008 to 2010



The chart shows business rates reported by participants in each survey.

21 See Appendix 1. There are 24 different UK taxes that are paid by business. Apart from business rates, the other taxes not administered by HMRC are vehicle excise duty and congestion charge, but these are smaller in amount.

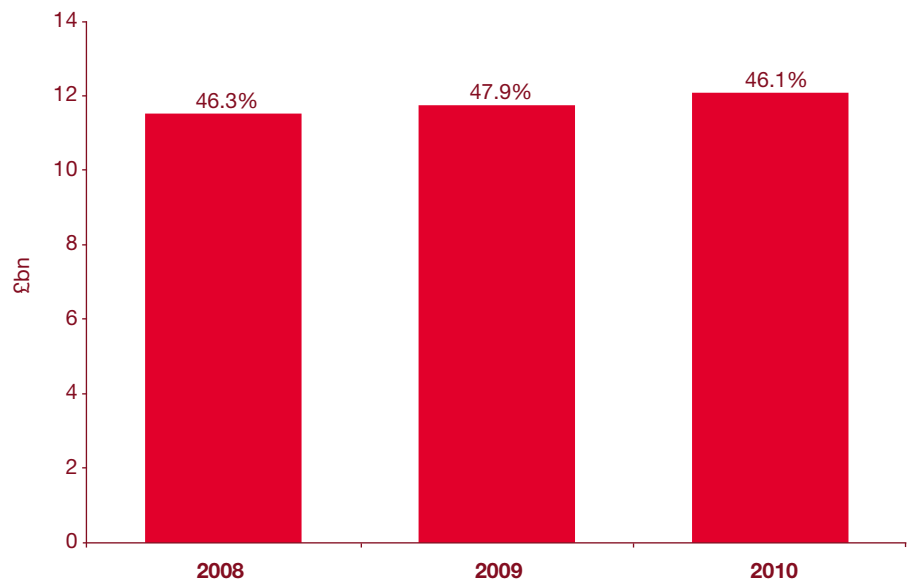
“Businesses rates are **20.3%** of total taxes borne by these companies and the third largest tax cost after corporation tax (33.7%) and employer’s NIC (27.4%).”

Fuel excise duties

Hundred Group companies taking part in the study collected nearly £12.1bn in fuel excise duties, which is nearly half of the total fuel excise duties collected by Government.

Fuel excise duty receipts have increased since 2007/08 in line with increases in the rates of duty and this is reflected in the survey results (Figure 21).

Figure 21: Fuel excise duties collected by The Hundred Group – 2008 to 2010



The chart shows fuel excise duties reported by participants in each survey and the percentage this represents of total government receipts for this tax.

Trends in tax payments

As has already been mentioned, payments of some taxes in the 2010 survey have fallen compared to the survey a year ago.

Figure 22 shows the trend in taxes borne. Taxes borne fell 25.1% between 2009 and 2010, compared to an increase of 2.2% the year before. The main taxes contributing to this fall were corporation tax, petroleum revenue tax and irrecoverable VAT (Figure 23).

Corporation tax payments fell by 41.8% compared to the previous year. Figure 24 sets out the year by

year trend since the surveys began. Payments increased year by year until the 2007 survey (members' accounts year ending in the year to 31 March 2007), but have fallen since then. As reported in previous survey results, this overall result has sometimes concealed a different picture by industry sector. For example, corporation tax payments rose for oil and gas companies last year (the 2009 survey) due to the high oil price. In 2010, payments fell across all sectors, apart from the retailers.

Figure 23: Trend in taxes borne 2009/2010 – by tax

Tax	Trend as % of total
Corporation tax	-19.1%
Petroleum revenue tax	-4.4%
Employer's NIC	-0.4%
Business rates	+0.6%
Irrecoverable VAT	-1.6%
Other taxes borne	-0.2%
Total taxes borne	-25.1%

The trend in taxes collected has continued to be relatively flat, with payments of tax collected proving to be less volatile than some taxes borne. However, taxes collected fell 1.9% between 2009 and 2010, compared to an increase of 1% the year before (Figure 25). Less tax deducted at source is the main reason for the fall and this has been offset by higher excise duties collected (Figure 26). Less tax deducted at source is largely due to lower interest rates (Figure 11) and therefore less tax deducted at source from payments of interest to customers by the banks.

Figure 22: Trend in taxes borne 2004 to 2010

Taxes borne fell by 25.1% between 2009 and 2010.

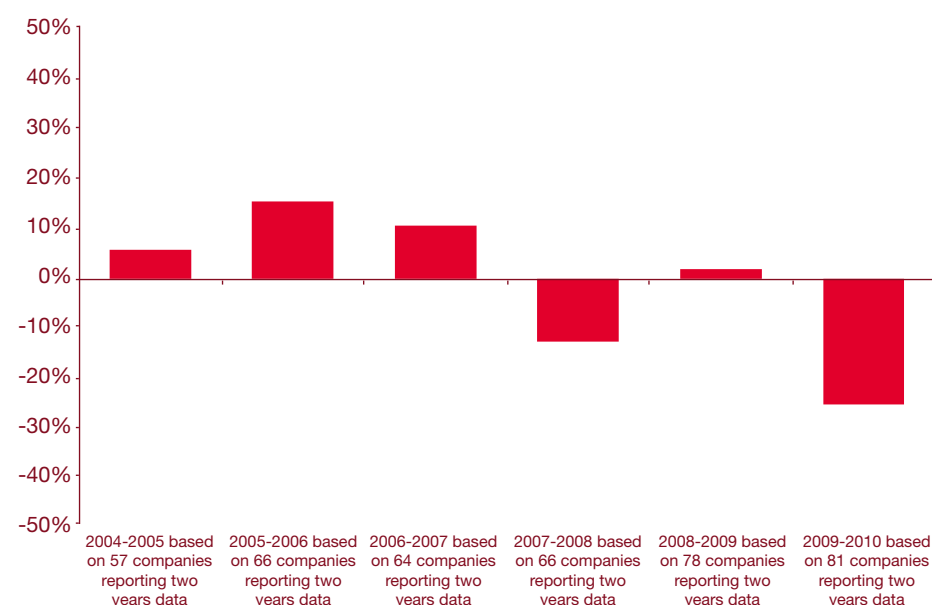


Figure 24: Trend in corporation tax 2004 to 2010

Corporation tax fell by 41.8% between 2009 and 2010.

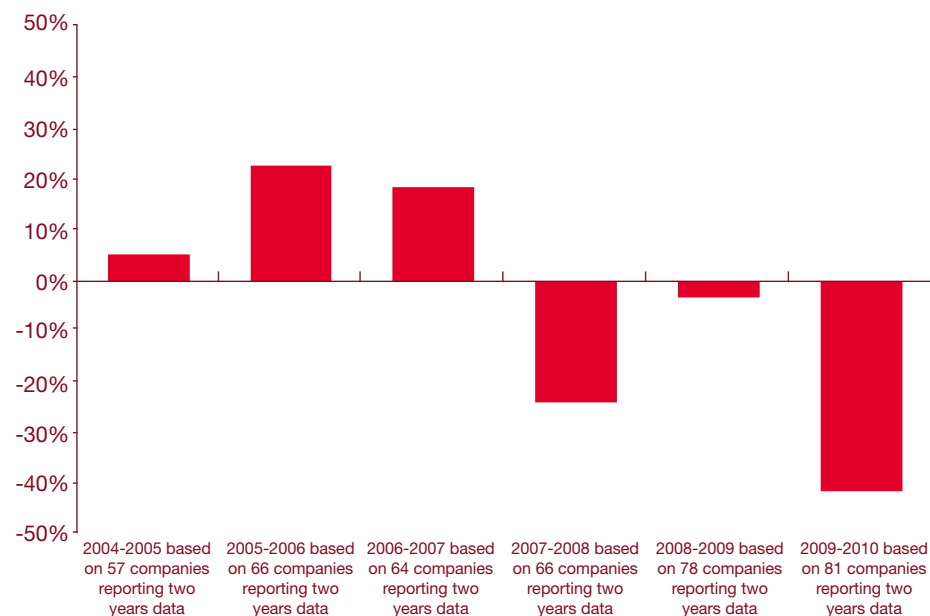


Figure 25: Trends in taxes collected 2006 to 2010

Taxes collected fell by 1.9% between 2009 and 2010.

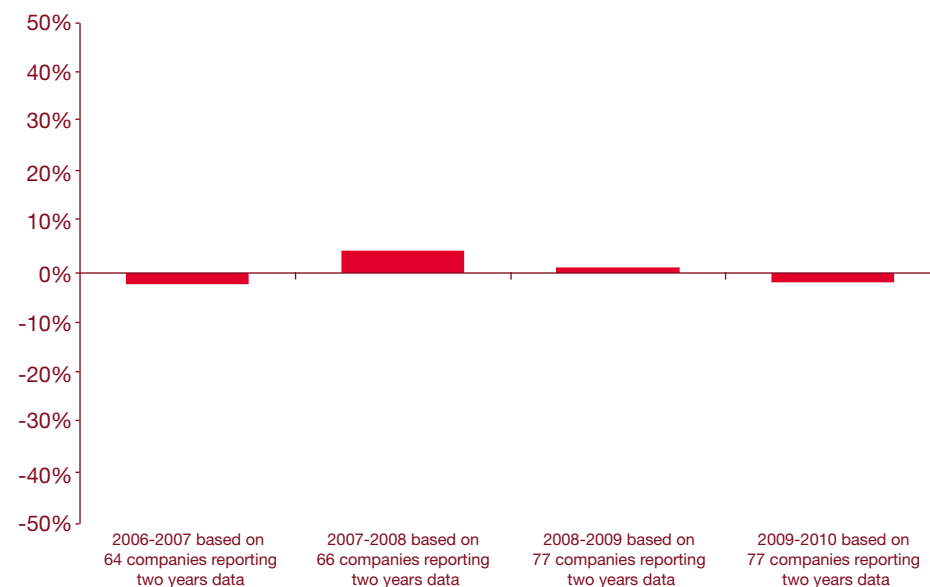


Figure 26: Trend in taxes collected 2009/2010 – by tax

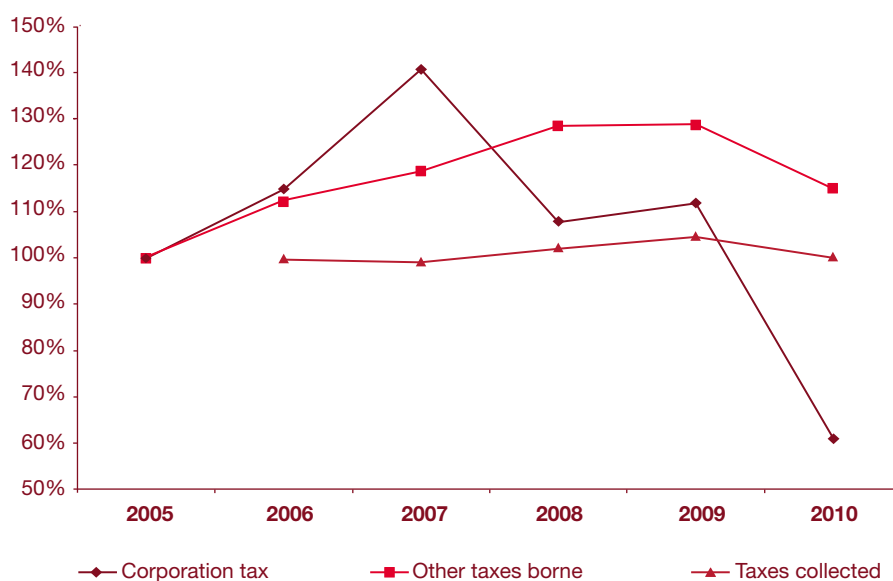
Tax	Trend as % of total
Tax deducted at source	-3.2%
Excise duties	1.4%
Other taxes collected	-0.1%
Total taxes collected	-1.9%

Trends for The Hundred Group companies taking part in all Total Tax Contribution surveys

From the TTC surveys there is an extensive bank of data on tax payments by Hundred Group members over the last few years. Many companies have taken part in each of the surveys and this section of the report looks at trends in their results²².

Figure 27 shows how tax payments have changed over the years covered by the surveys, taking the 2005 survey as the base for corporation tax and other taxes borne, and the 2006 survey as the base for taxes collected (data on taxes collected was not requested in the 2005 survey).

Figure 27: Trends for The Hundred Group companies taking part in all the surveys – tax payments



The chart shows the trend for companies taking part in all the six surveys, using the 2005 or 2006 survey figures as appropriate as the baseline (100%).

²² Forty three companies have provided data on their taxes borne in each of the six surveys. The first survey in 2005 did not request data on taxes collected, but all subsequent surveys have all done so. Forty four companies have provided data on their taxes collected in each of these.

Figure 27 shows that corporation tax payments have varied considerably over the last six years. Payments peaked in the 2007 survey with a 41% increase over the base year in the 2005 survey. Payments have subsequently fallen, with the lowest amounts in the 2010 survey at 39% less than 2005. Other taxes borne show a more consistent rising trend until the 2009 survey, with payments in that year 29% above the base year. Other taxes borne have fallen for the first time in the 2010 survey and are now 15% above 2005. Taxes collected have been fairly flat with payments in 2010 only 0.4% above the base year.

Employing workers and generating employment taxes is an important part of the contribution of The Hundred Group and Figure 28 looks at employee numbers and employment taxes. Employee numbers have remained fairly constant with a 4% increase in 2010 compared to the base (2005). Employment taxes borne and collected have increased by 10%.

Finally, Figure 29 shows the average picture for The Hundred Group companies taking part in all the surveys using the TTC measures.

The cost of all taxes borne, as measured by the average TTR, shows a rising trend and in 2010 stands at 44% above the 2005 level with a peak above this in the 2009 survey. The average amount of employment taxes borne and collected per employee has increased in each survey and in 2010 is 40% higher than the base year (in this case 2006).

Figure 28: Trends for The Hundred Group companies taking part in all the surveys – employment and employment taxes

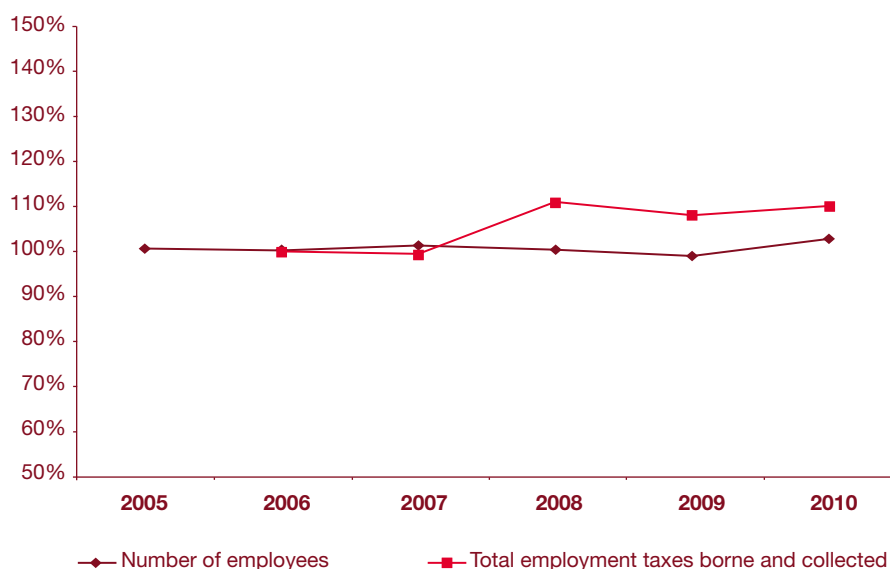
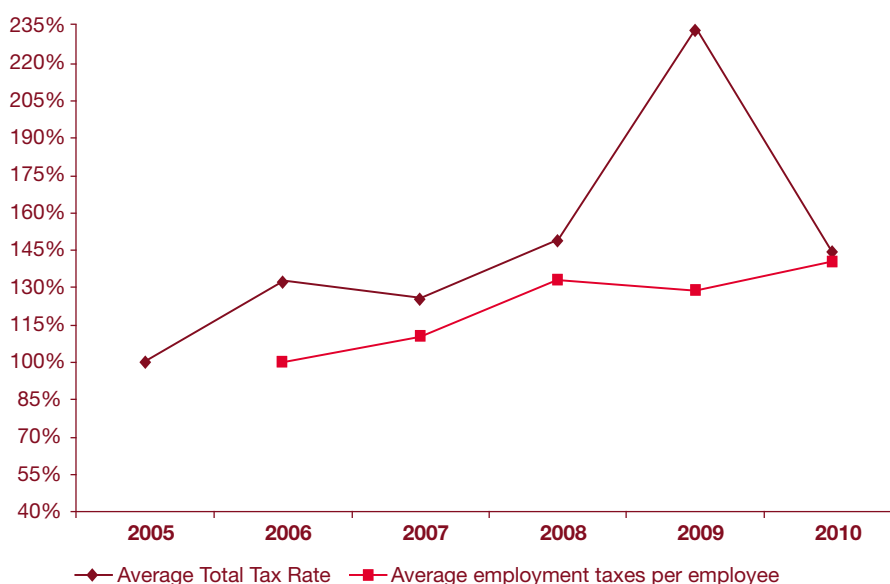


Figure 29: Trends for The Hundred Group companies taking part in all the surveys – Total Tax Contribution performance indicators



“Looking forward, corporation tax payments can be expected to rise in the survey results as the private sector returns to profitability...”

Looking forward

It is the intention to repeat the TTC survey in 2011, measuring Hundred Group members' tax payments in accounts year ended in the year to 31 March 2011. Changes are expected in tax payments. Some taxes will rise as they are affected by both changes in tax legislation and by economic factors including growth, oil prices and interest rates.

The temporary cut in the VAT rate from 17.5% to 15.0% applied for 13 months from 1 December 2008, with the rate returning to 17.5% on 1 January 2010 and increasing again to 20.0% on 4 January 2011. A 5% increase in the rate represents a 33.3% increase in the VAT charged. The figures for irrecoverable VAT and net VAT can therefore be expected to increase in the 2011 survey.

The new 50% top rate of income tax applies from 6 April 2010 and will be reflected in the 2011 survey results in higher amounts of income tax deducted under PAYE for any employees earning more than £150,000.

New taxes levied on the banks will also be included in future survey results. The bank payroll tax was levied on 2009 bonuses, but will be included in the 2011 survey period. The amounts are significant at £3.5bn²³. A new bank levy applies for the accounts period ended after January 2011 and will therefore be reflected in the 2012 results rather than the 2011 survey²⁴.

There are also changes in the legislation on corporation tax but these do not apply to the 2011 survey period. The coalition Government has announced a phased reduction in the statutory rate of corporation tax from 28% to 24% over four years, starting with a 1% reduction from 1 April 2011. This will be offset by reduced rates of tax allowances on plant and machinery from 1 April 2012. In addition to tax rates and reliefs, corporation tax receipts are linked to corporate profitability and, as a result of the recession, many companies have corporation tax losses that are available to offset their corporation tax bills. Looking forward, corporation

tax payments can be expected to rise in the survey results as the private sector returns to profitability and tax losses are utilised.

In addition to growth, there are further economic factors including commodity prices and interest rates that will have an impact on the amounts of tax paid, as well as the legislative changes introduced.

For oil and gas companies, future oil and gas prices along with the production levels from the North Sea oil and gas fields will impact amounts of corporation tax and petroleum revenue tax paid by these companies; and for the banks, changes in interest rates will directly affect the amounts of tax deducted from interest paid to customers.

²³ Government receipts from the Office for Budget Responsibility – Economic and fiscal outlook, November 2010.

²⁴ Government forecasts are that it will raise £1.9bn in 2011-12 (£2.5bn in 2012-13 and £2.6bn in 2013-14).

Who has responsibility for each of the taxes?

An important message from the work on TTC is that companies pay many other taxes in addition to corporation tax. Appendix 1 shows a list of UK taxes that are borne or collected by companies. In the tax year 2009/2010, corporation tax was just 7.5% of total government tax receipts and 10% of the TTC of survey participants.

As well as requesting data on the amounts of all the different taxes paid, the survey questionnaire also asks who has responsibility for each of the taxes paid²⁵. Participants are asked to indicate if this is (1) the in-house central tax department; (2) the shadow tax department (anyone else in the company outside the tax department); or (3) external

advisers providing tax compliance services. The results show that while the central tax department plays the key role in some taxes, the shadow tax department is very often responsible for many others. For many Hundred Group companies, some of the larger amounts of taxes paid are not within the responsibility of their tax department.

Figure 30 shows responses to the question about who has responsibility for each tax. Figure 31 shows the total amounts of tax payments reported in the survey (taxes borne and taxes collected together), split by type of tax. Employment taxes (borne and collected) are the largest tax paid by Hundred Group companies,

²⁵ The questionnaire asks “Who has primary responsibility (accountability or ownership) for each of the taxes?”

accounting for nearly a third (31%) of the survey totals. 16% of the participants said employment taxes were the responsibility of their central tax department, 70% said it was the shadow tax department, 3% said external advisers and 11% did not answer the question.

Excise duties collected are also very large amounts (28% of the survey totals). 67% of the participants collecting excise duties said the tax department, only 17% the shadow tax department and 16% did not answer the question.

VAT paid (irrecoverable VAT and net VAT together) is 16% of the survey totals. However, the amounts of VAT under management are, of course, much larger. Survey participants reported figures for output VAT as 5.9 times higher than the VAT paid. 67% of participants said VAT is the responsibility of the tax department, 24% the shadow tax department and 9% did not answer the question.

Corporation tax paid is 10% of the survey totals. All participants said that corporation tax is the responsibility of the central tax department.

Figure 30: Who has responsibility for each tax?

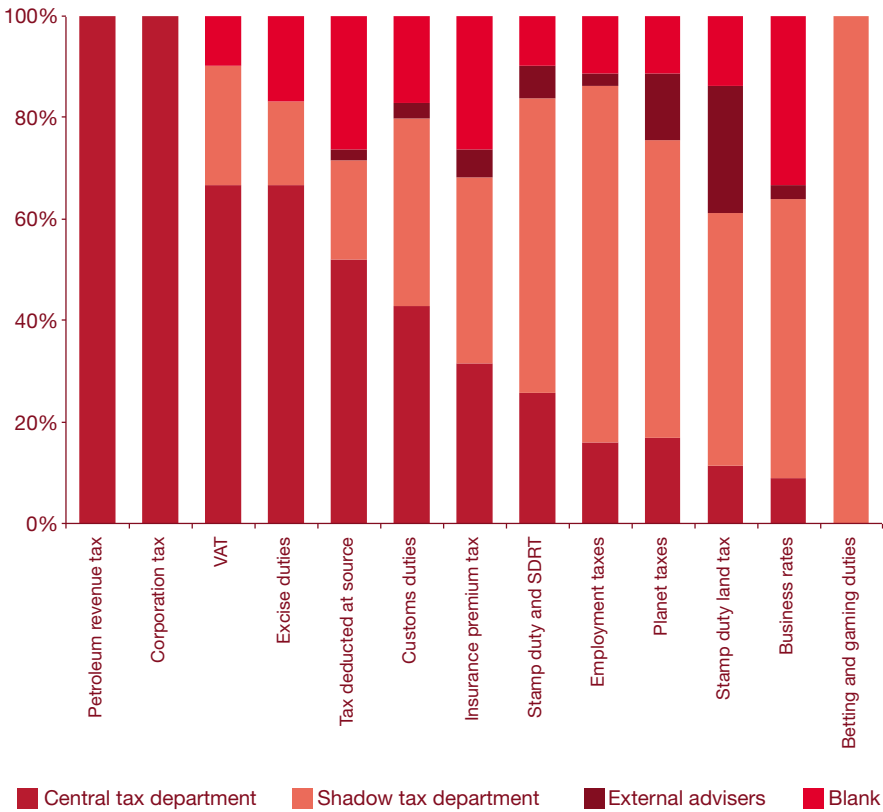
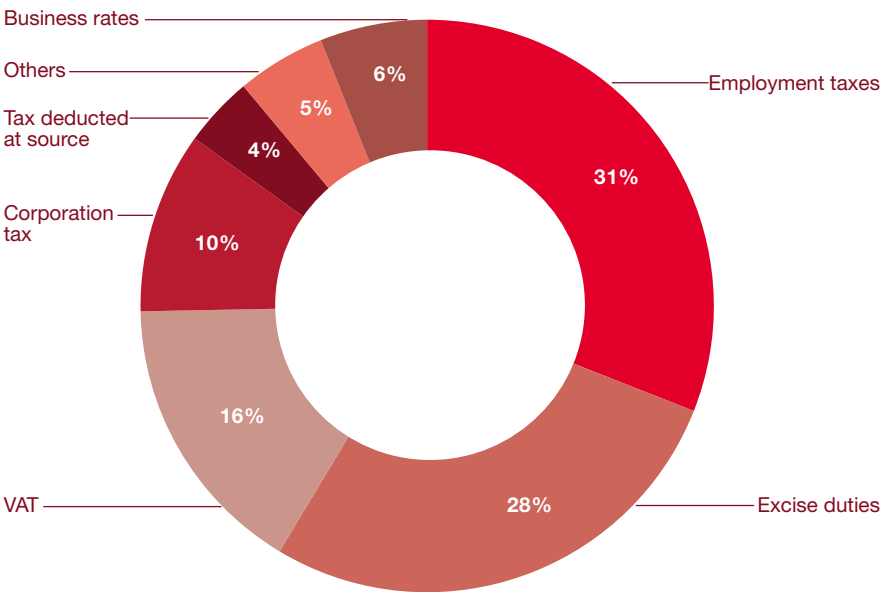


Figure 31: Total Tax Contribution 2010



How companies use their Total Tax Contribution

After six years of these surveys, TTC is a well understood and accepted approach for companies to measure all the different taxes they pay.

The Hundred Group members who participate in the surveys receive an individual report on their own TTC and they use this information about their own tax affairs in many different ways. Figure 32 summarises how they use their TTC data.

The most popular use of companies' TTC data is in internal communications. 54% of the companies use it internally to highlight the importance of other taxes, as well as corporation tax, and 46% to brief the Board on UK taxes.

Hundred Group companies also use TTC in managing their taxes. 34% use it in tax strategy and planning or in tax risk management; 28% in

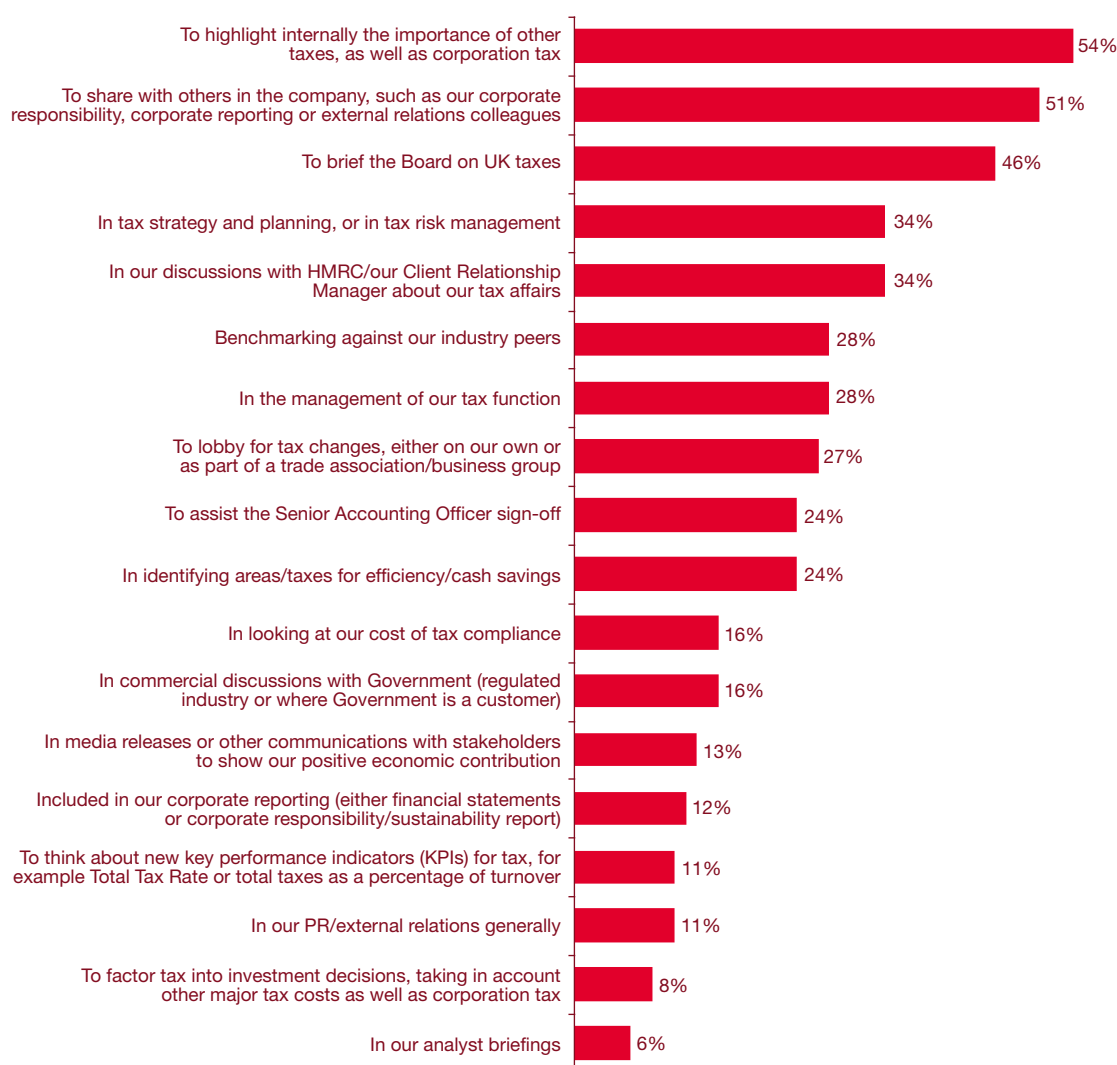
benchmarking against industry peers; 28% in the management of their tax function; and 24% to assist the Senior Accounting Officer sign-off process.

TTC is also used in government relations. 34% of the companies use TTC data in discussions with HMRC and their Client Relationship Manager. 27% use it to lobby Government for tax changes, either on their own or as part of a trade association or business group.

TTC is also used in wider external relations. 13% of the companies use it in media releases or stakeholder communications to show their positive economic contribution and 12% include it in their corporate reporting (either financial statements or corporate responsibility/sustainability report).

“The Hundred Group members who participate in the surveys receive an individual report on their own TTC...”

Figure 32: How companies use their TTC data



This chart shows the percentage of companies using their data as described.

Appendices

Appendix I

List of UK taxes borne and collected by companies

UK taxes	Tax borne	Tax collected
Taxes on profits (profit taxes)		
Corporation tax	✓	
Tax deducted at source		✓
Petroleum revenue tax	✓	
Betting and gaming duty	✓	
Taxes on property (property taxes)		
Business rates	✓	
Stamp duty land tax	✓	
Stamp duty	✓	
Stamp duty reserve tax	✓	✓
Bank levy ¹	✓	
Taxes on employment (people taxes)		
Income tax under PAYE		✓
PAYE agreements (tax on benefits)	✓	
Employees' national insurance contributions		✓
Employers' national insurance contributions	✓	
Bank payroll tax ²	✓	
Taxes on consumption (product taxes)		
Net VAT		✓
Irrecoverable VAT	✓	
Customs duties	✓	
Fuel duty		✓
Alcohol duty		✓
Tobacco duty		✓
Insurance premium tax	✓	✓
Environmental taxes (planet taxes)		
Vehicle excise duty	✓	
Landfill tax	✓	✓
Air passenger duty	✓	✓
Congestion charge	✓	
Climate change levy	✓	✓
Aggregates levy	✓	

1 Bank levy applies for accounts ended on or after 1 January 2011. The first payments will be made in the 2012 survey period.

2 Bank payroll tax was included in Finance Act 2010. This is a one-off tax payable by the company and applies to bonuses awarded by banks from 9 December 2009 to 5 April 2010. The tax was paid in August 2010 (next survey period).

Appendix II

Taxes borne and collected reported by The Hundred Group participants in the 2010 survey

Taxes borne	£s 2010	% of tax receipts*
Taxes on profits (profit taxes)		
Corporation tax	5,481,100,436	15.3%
Petroleum revenue tax	463,371,055	51.5%
Betting and gaming duty	118,265,407	7.9%
Taxes on property (property taxes)		
Business rates	3,294,470,675	14.1%
Stamp duty land tax	90,487,597	1.8%
Stamp duty and stamp duty reserve tax	19,541,168	0.7%
Taxes on employment (people taxes)		
PAYE agreements (tax on benefits)	95,588,791	0.1%
Employers' national insurance contributions	4,461,072,906	4.7%
Taxes on consumption (product taxes)		
Irrecoverable VAT	1,727,367,367	2.5%
Insurance premium tax	37,816,286	1.6%
Customs duties	213,013,305	7.9%
Environmental taxes (planet taxes)		
Vehicle excise duty	67,016,562	1.2%
Landfill tax	61,153,635	6.8%
Aggregates levy	55,374,825	18.5%
Climate change levy	57,047,214	8.1%
Air passenger duty	22,206,928	1.2%
Congestion charge	2,916,794	-
Total	16,267,810,947	3.4%

* Fiscal supplementary tables published in November 2010 by Office for Budget Responsibility.
<http://budgetresponsibility.independent.gov.uk/publications.html>

Taxes collected	£s 2010	% of tax receipts
Taxes on profits (profit taxes)		
Tax deducted at source	2,130,112,838	6.0%
Taxes on property (property taxes)		
Stamp duty reserve tax	87,585,715	3.0%
Taxes on employment (people taxes)		
PAYE	9,595,101,229	6.9%
Employees' national insurance contributions	2,511,871,899	2.6%
Taxes on consumption (product taxes)		
Net VAT	6,750,982,170	9.6%
Insurance premium tax	613,185,117	26.7%
Fuel duty	12,091,130,957	46.1%
Tobacco duty	570,000,000	6.5%
Alcohol duty	2,096,622,850	23.3%
Environmental taxes (planet taxes)		
Landfill tax	146,520,000	16.3%
Climate change levy	227,277,214	32.5%
Air passenger duty	397,747,291	20.9%
Total	37,218,137,279	7.8%

Appendix III

List of companies invited to participate in the survey

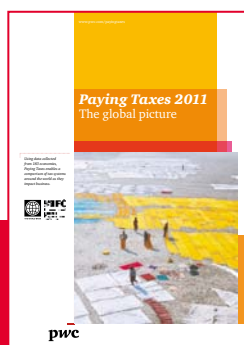
3i Group plc	GKN plc	Reckitt Benckiser Group plc
Alliance Boots	GlaxoSmithKline plc	Reed Elsevier plc
Alliance Trust plc	Hammerson plc	Rentokil plc
Amec plc	Hays plc	Rexam plc
Anglo American plc	Home Retail Group plc	Rio Tinto plc
Antofagasta plc	HSBC Holdings plc	Rolls-Royce plc
Associated British Foods plc	ICAP plc	The Royal Bank of Scotland Group plc
AstraZeneca plc	Imperial Tobacco Group plc	Royal Dutch Shell plc
Aviva plc	Intercontinental Hotels Group plc	RSA Insurance Group plc
BAE Systems plc	International Power plc	SABMiller plc
Balfour Beatty plc	ITV plc	The Sage Group plc
Barclays Bank plc	J Sainsbury plc	Schroders plc
BG Group plc	John Lewis Partnership	Scottish & Southern Energy plc
BP plc	Johnson Matthey plc	SEGRO plc
British Airways plc	Kingfisher plc	Serco Group plc
British American Tobacco plc	Ladbroke's plc	Severn Trent plc
British Broadcasting Corporation	Land Securities Group plc	Shire Pharmaceuticals Group Ltd
The British Land Company plc	Legal & General Group plc	Smith & Nephew plc
British Sky Broadcasting Group plc	Liberty International plc	Smiths Group plc
BT Group plc	Lloyd's Of London	Standard Chartered Bank
Bunzl plc	Lloyds Banking Group plc	Standard Life
Cable and Wireless Communications plc	Logica plc	Tate & Lyle plc
Cadbury plc	London Stock Exchange plc	Tesco plc
Cairn Energy plc	Lonmin plc	Thomas Cook Group plc
The Capita Group plc	Man Group plc	Tomkins plc
Centrica plc	Marks and Spencer plc	TUI Travel plc
Cobham plc	Mitchells & Butler plc	Unilever plc
Compass Group plc	National Grid plc	United Utilities plc
Corus Group plc	Nationwide Building Society	VEGA Group plc
Daily Mail and General Trust plc	Next Group plc	Vodafone Group plc
Diageo plc	Novartis International AG	The Wellcome Trust
Experian	Old Mutual plc	Whitbread Group plc
ExxonMobil International Limited	Pearson plc	Wm Morrison Supermarkets plc
Friends Provident plc	Pennington Group plc	Wolseley plc
G4S plc	Prudential plc	WPP Group plc

Appendix IV

PwC Total Tax Contribution publications

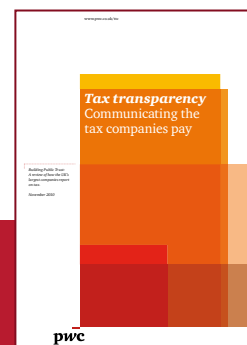
Paying Taxes 2011: The Global Picture

Published jointly with the World Bank
November 2010



Tax transparency: Communicating the tax companies pay

Published November 2010



Total Tax Contribution: A study of the economic contribution mining companies make to public finances

Published June 2010



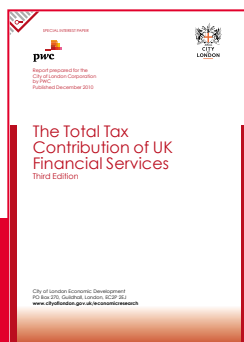
The impact of VAT compliance on business

Published September 2010



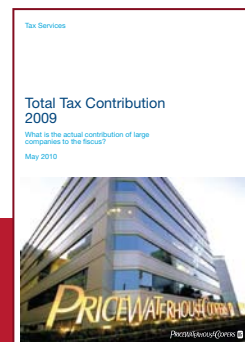
The Total Tax Contribution of UK financial services

Published December 2010



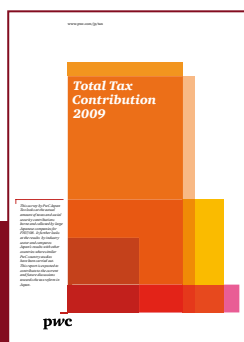
Total Tax Contribution South Africa

Published May 2010



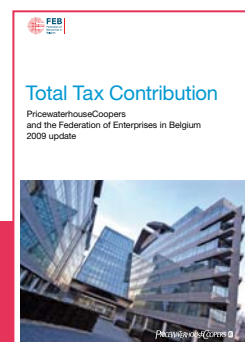
Total Tax Contribution 2009 Japan

Published December 2010



Total Tax Contribution 2009 Belgium

Published March 2010



Appendix V

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