

Total Tax Contribution Surveying The Hundred Group

*The results of the
2012 survey for
The Hundred Group:
a changing tax system*

January 2013



About The Hundred Group of finance directors

The Hundred Group represents the views of the finance directors of FTSE 100, several large UK private companies and some UK operations of multinational groups. Our member companies represent the vast majority of the market capitalisation of the FTSE 100, collectively employing 7% of the UK workforce, and in 2012 paid, or generated, taxes equivalent to 14.2% of total UK Government receipts. Our overall aim is to promote the competitiveness of the UK for UK businesses, particularly in the areas of tax, reporting, pensions, regulation, capital markets and corporate governance.

About PwC

PwC firms help organisations and individuals create the value they're looking for. We're a network of firms in 158 countries with close to 169,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

Foreword

We have commented in previous reports on how public interest in tax and how much is paid by companies has been increasing. Over the last twelve months the focus and attention paid by Parliament, the public and the media has reached unprecedented levels. The volatile economic environment continues to make decisions around tax policy difficult, with UK Government under increasing pressure to provide a tax regime which is both competitive and able to encourage economic growth, while at the same time raising sufficient funds to help reduce large public sector deficits.

In the UK the Government has stated that its fiscal objective is to make the UK the most competitive tax system in the G20, giving a clear message that “Britain is open for business”¹ and significant progress has been made with the introduction of the revised controlled foreign company rules and the patent box, as well as the announcement of a well trailed programme for reducing the rate of corporation tax. In recent months it has been encouraging to see that there have been reports of a number of companies making the decision to return to the UK as a consequence. Although the current debate on corporate tax payments is understandable, the commentary is at times ill-informed and there is a real concern that the resulting negative messages are undermining these positive developments.

A consistent message that has come from the results of this survey over the eight years that it has been carried out, is that corporation tax is only part of the picture when considering how much the members of The Hundred Group contribute to the economy. In 2012, for every £1 in corporation tax, another £2 was paid in other business taxes borne, while in 2005 the equivalent figure for those other taxes was £1. Over that period, the total taxes borne have increased by 19%. This shift in the tax burden reflects the policy of successive UK Governments. The wider contribution made needs to

be remembered and properly taken into account when assessing the impact of past policies and considering what new policies may be required to meet future objectives.

This year’s report reflects how changes to the tax system have affected the contributions made by large UK businesses and continues our analysis of these trends. This year’s survey covers a period in which the economic indicators continue to be mixed and in which economic growth has been lower than hoped for. The results reflect this difficult economic environment.

Transparency around both tax policy and the tax payments made by companies continues to be high on the agenda of both internal and external stakeholders. The Government continues to engage with businesses on all significant changes to the UK tax system, whether by consultation, or by inviting comments on draft Finance Bill legislation in advance of the Budget to ensure that the tax system is workable, meets stated policy aims and has as few unintended consequences as possible. The results of the PwC Total Tax Contribution play an important part in informing the dialogue with Government.

We thank the participant companies for continuing to support the survey and continuing to engage on these issues, by making their tax contribution as a group more transparent. This is the eighth survey and it will continue in 2013 so that the data can be developed further, focussing in particular on the wider economic contribution made by members of The Hundred Group.

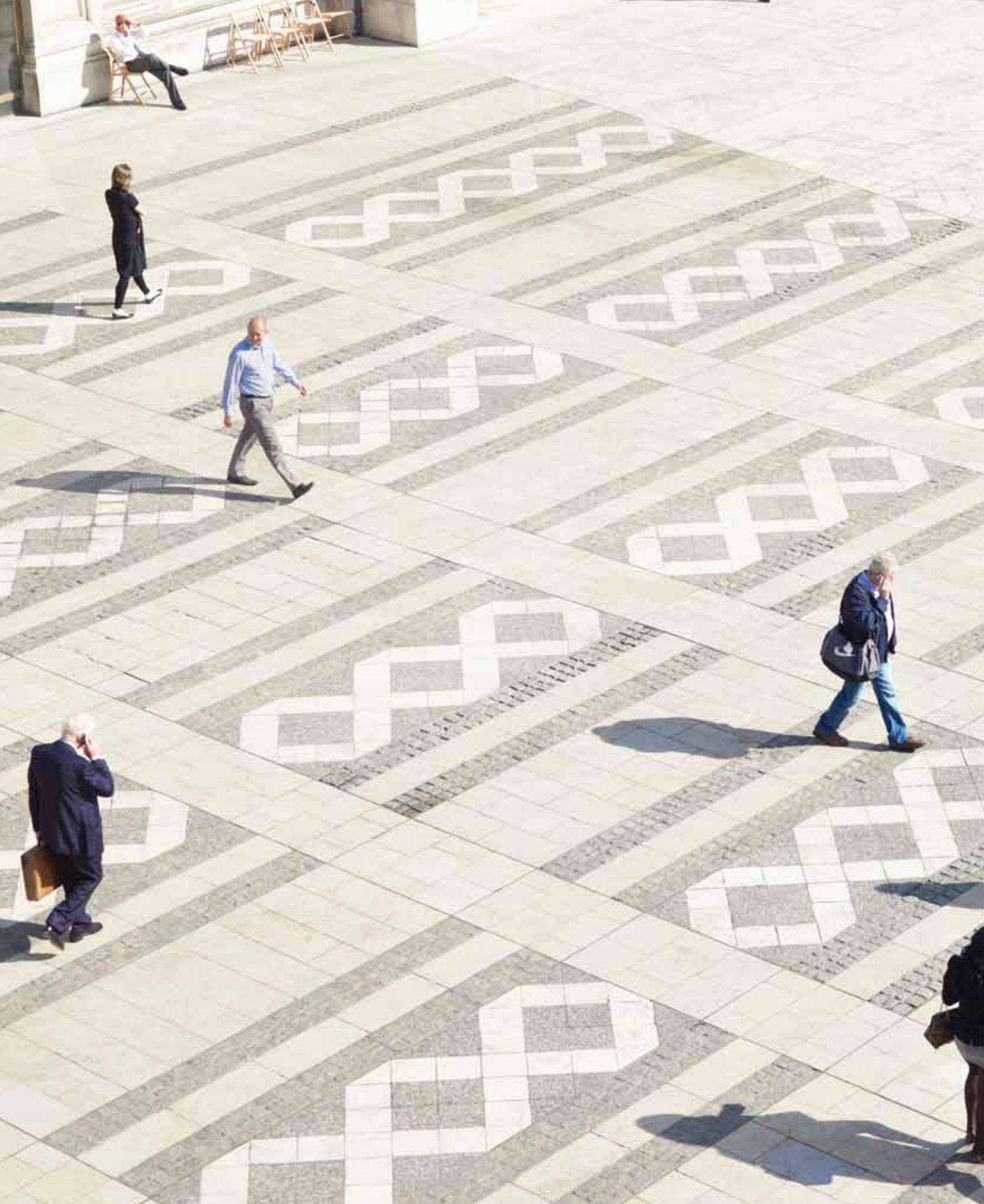
Andrew Bonfield

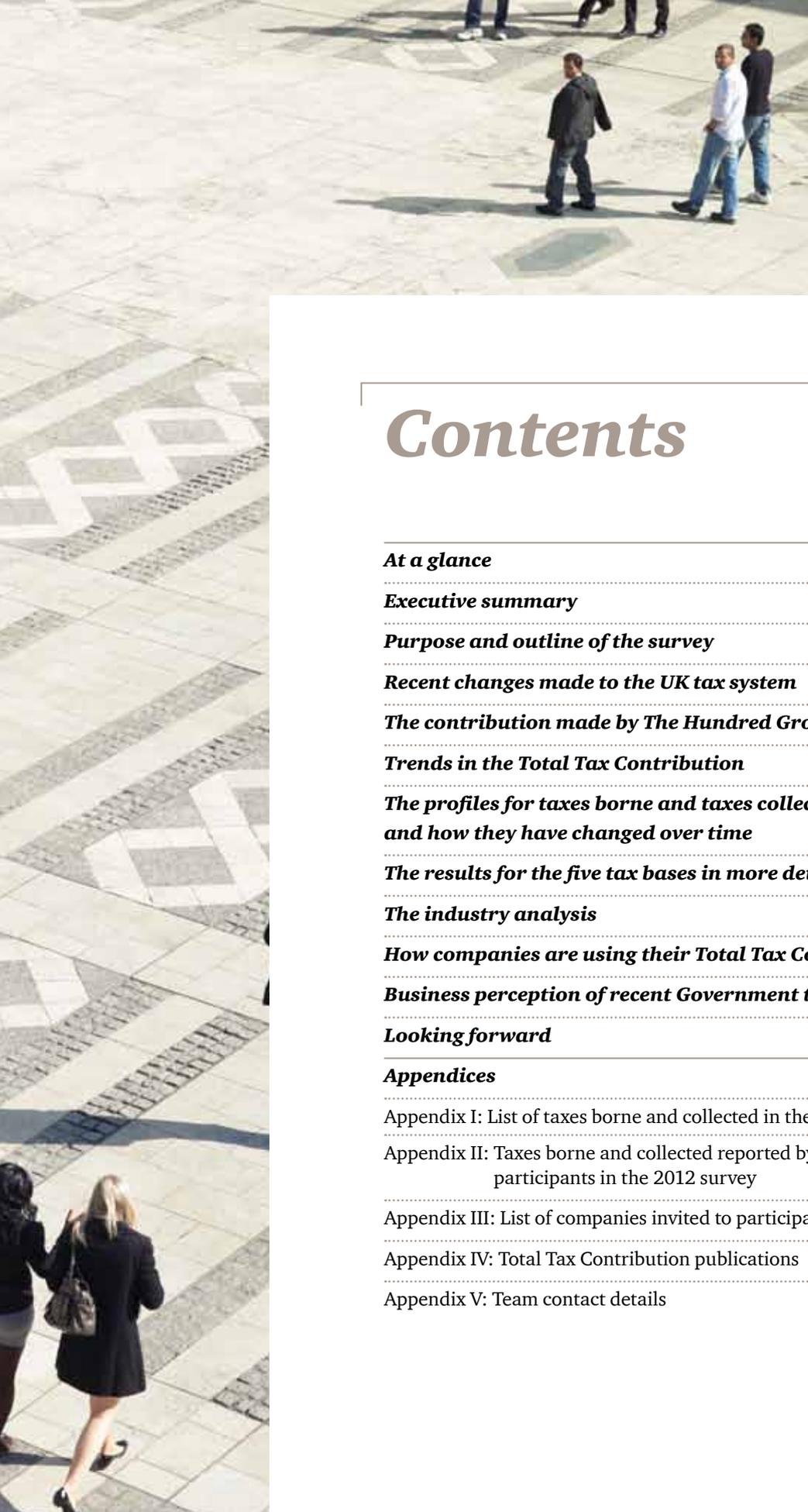
Chairman, The Hundred Group Tax Committee

Andrew Packman

Partner, Total Tax Contribution, PwC

¹ See George Osborne MP, Chancellor of the Exchequer, Autumn Statement 2012, 5 December 2012





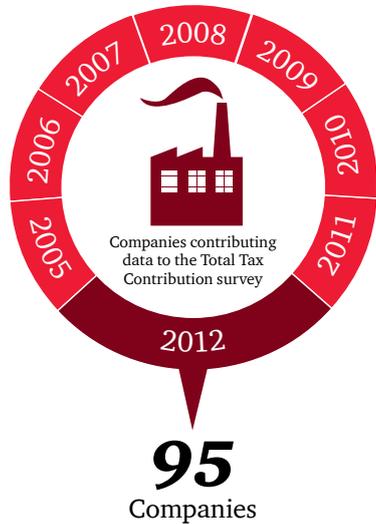
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At a glance

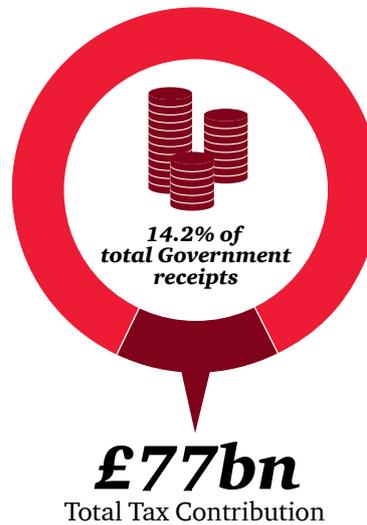
The 2012 survey findings

95 companies contributed data to the Total Tax Contribution survey



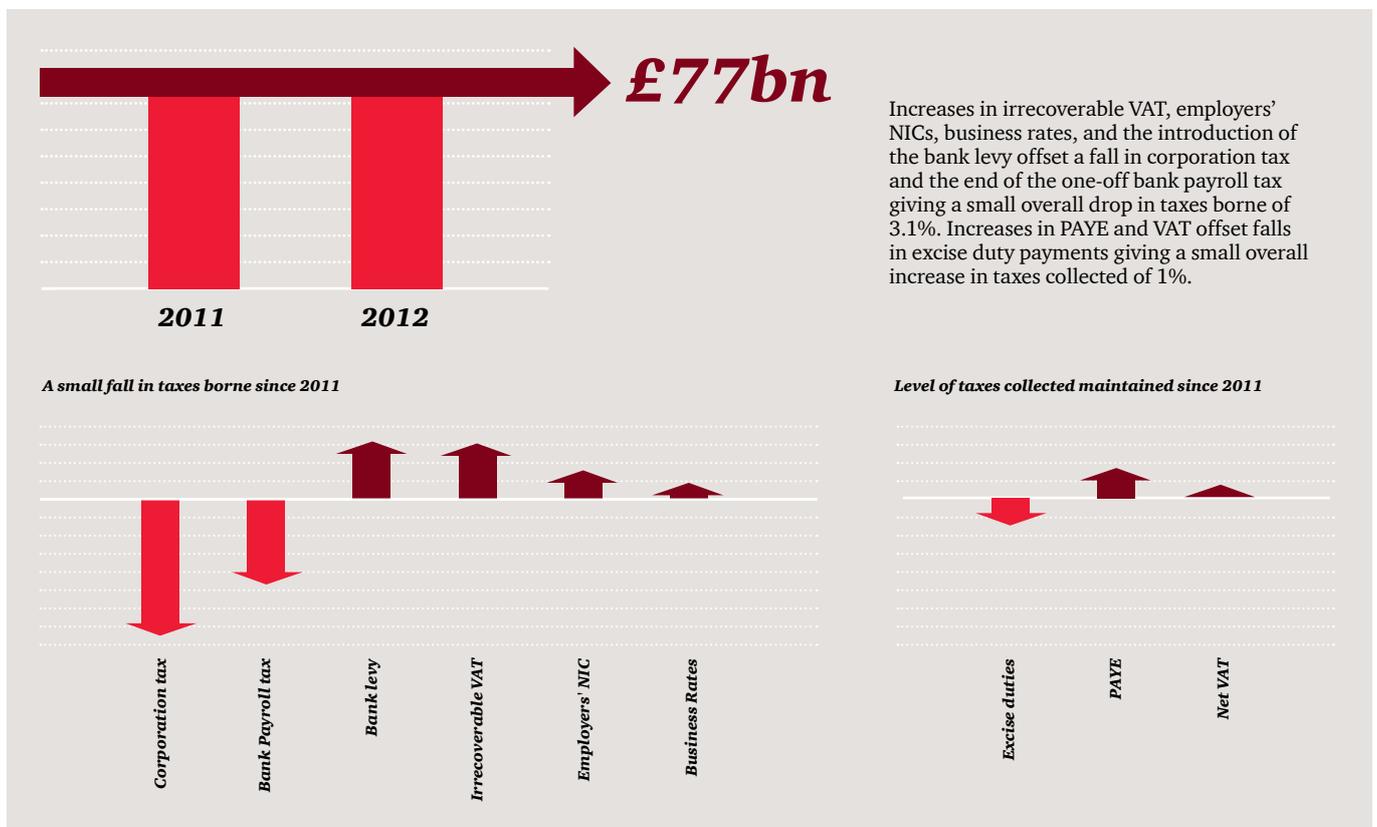
The 2012 survey has attracted the largest number of participants in the eight years of the study, demonstrating the value seen by companies in preparing this information.

The Hundred Group continues to make a substantial contribution to the UK public finances



The figures show that the estimated Total Tax Contribution (taxes borne and taxes collected) in the 2012 survey is £77bn or 14.2% of total Government receipts, reflecting the importance of these companies to the UK economy.

Despite the continuing recession and falling corporation tax rates, the Total Tax Contribution remains at a similar level to last year



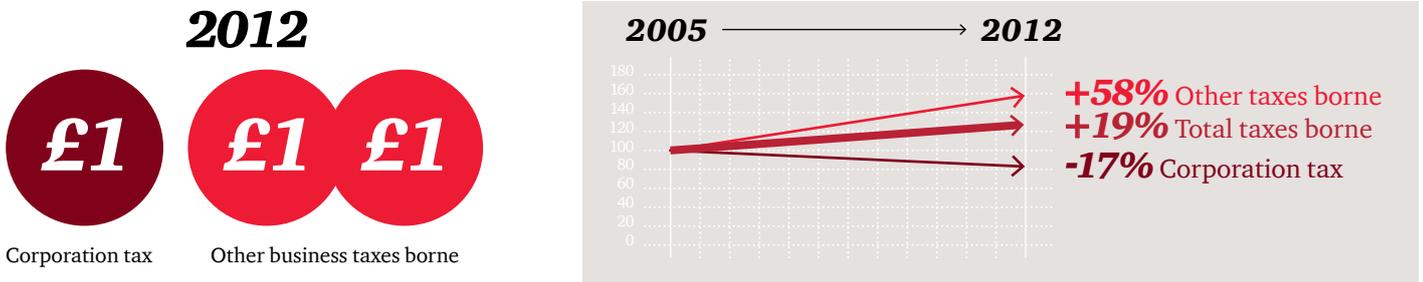
Increases in irrecoverable VAT, employers' NICs, business rates, and the introduction of the bank levy offset a fall in corporation tax and the end of the one-off bank payroll tax giving a small overall drop in taxes borne of 3.1%. Increases in PAYE and VAT offset falls in excise duty payments giving a small overall increase in taxes collected of 1%.

Member companies believe there is a need for simplicity and certainty in the UK tax system

But the number of taxes has increased. Corporation tax is now one of 24 taxes that are levied on UK business.

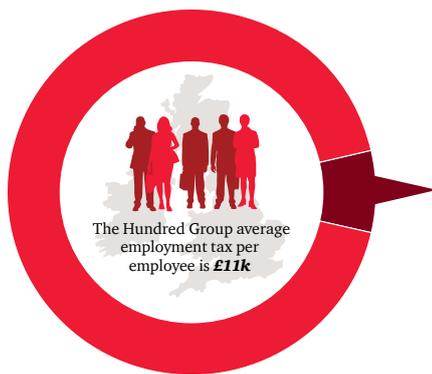


The shape of the tax system for taxes borne has changed dramatically over the eight years of the survey



Reflecting the change in the economic environment and falls in the rate of tax, corporation tax payments have fallen by 17% compared to 2005 (for companies participating in both surveys), other taxes borne have increased by 58%. Taking corporation tax and other taxes borne together the increase is 19%. In 2012, for every £1 of corporation tax, The Hundred Group participants paid another £2 in other business taxes borne.

There is a wider contribution beyond tax including employment and investment



The Hundred Group is an important source of well paid jobs in the UK. It provides employment to 2m people, 7% of the UK workforce, and pays on average £11k in employment taxes for each employee.

2m people
7% of the UK workforce



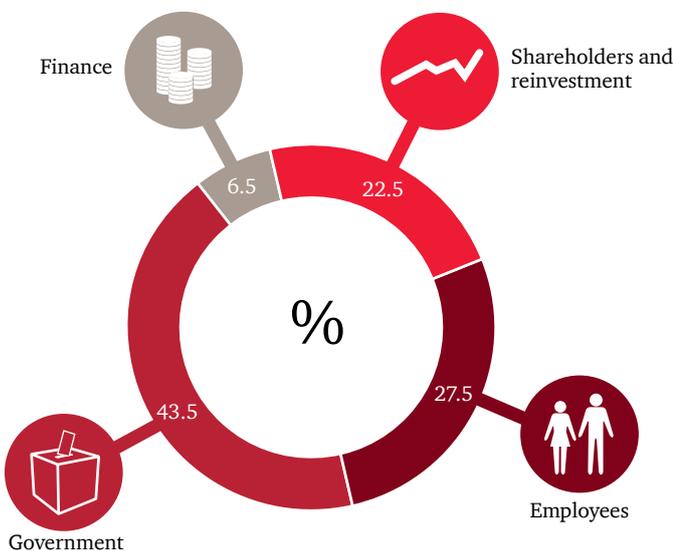
£19bn
15.8% of UK expenditure on capital investment



£2.5bn
14.4% of UK research and development

Government continues to be the biggest beneficiary of value distributed by The Hundred Group

43.5% of value distributed by the companies that participated in the survey was paid to Government in taxes borne and collected; 27.5% to employees and 22.5% retained for shareholders and reinvestment.



Five sectors continue to make a major contribution



Executive summary

Now in its eighth year, it is impressive that the number of companies that participate in the Total Tax Contribution survey has continued to increase. Once again the survey has been well supported with 95 companies providing data for the survey. This underlines the value that companies see in ensuring that this data is available to inform the debate around tax policy, particularly in the face of the increased media and Parliamentary scrutiny of companies' tax affairs that we have seen in recent months.

The 2012 survey looks at payments made in accounting periods ending in the year to 31 March 2012. Since the first Total Tax Contribution survey was undertaken in 2005, a significant body of data has been collected which shows how the tax payments made by companies have varied over time, and how they have been affected by the global and domestic economic environment, as well as by the various changes made by successive Governments to fiscal policy. The surveys carried out in 2009 and 2010 covered a period of global economic crisis. The 2011 survey covered a period of changing fiscal policy following the 2010 General Election and the hopes for economic recovery. The 2012 survey reflects a period of further domestic fiscal change against a backdrop of continuing economic uncertainty despite some signs of recovery.

A sustained contribution to the economy

The Hundred Group continues to make a significant contribution to the UK economy not only in terms of Total Tax Contribution but also more widely. The estimated Total Tax Contribution of the whole membership of the Hundred Group is estimated to be £77bn or 14.2% of total Government receipts, which underlines the importance of these companies to the UK public finances.

This Total Tax Contribution paid to Government represents 43.5% of the value distributed by Hundred Group companies while a further 27.5% is paid to employees as wages and salaries.

An environment to encourage growth

In the Autumn Statement on 5 December 2012 the Chancellor of the Exchequer reinforced the Government's focus on reducing the deficit, restoring stability, rebalancing the economy and equipping the UK to compete in the global economy, in particular with China, India and Brazil. This demonstrates a keen interest in creating an environment which enables business to flourish and grow. There have been a number of legislative changes over the past two years designed to encourage foreign direct investment in the UK, with further cuts in the rate of corporation tax and

additional investment allowances in the pipeline for Budget 2013. These measures will build on the measures already implemented, with the hope of helping to boost economic activity in the UK and consequently future tax receipts.

How policy changes have affected the tax landscape and impacted the results

In the last year, comparing those companies that contributed data to both the 2011 and 2012 surveys, the estimated overall Total Tax Contribution of The Hundred Group (taxes borne and taxes collected) has changed little, with a small fall from £77.2bn to £77.1bn (based on extrapolated numbers). This stable position is however made up of a fall in taxes borne of 3.1% and an increase in taxes collected of 1.0%.

The small fall in taxes borne has been driven by a number of factors. There was a fall in the rate of corporation tax from 28% to 26% for 2011/2012, together with a reduction in the payments made in the period relating to prior years. Also the end of the one-off bank payroll tax impacts the trend, but this has been in part offset by the increases in irrecoverable VAT (due to the increase in the VAT rate from 17.5% to 20%), increases in employer national insurance contributions (again due to increases in the rates), and the introduction of the new bank levy. The small increase in taxes collected is largely driven by increases in PAYE and net VAT, offset by a fall in the level of fuel excise duty payments.

The shape of the tax system has changed significantly over the eight years of the survey reflecting changes made to the legislation which have been implemented by successive Governments. In 2012, for every £1 in corporation tax, another £2 is paid in other business taxes borne. When this study started in 2005, there was £1 of other business taxes to each £1 of corporation tax. Corporation tax payments have been volatile over the period covered, falling by 17% between 2005 and 2012; by contrast the other taxes borne have increased by 58% over the same period. Taking corporation tax and other taxes borne together, the increase in total taxes borne has been 19%. Taxes collected have been a more stable and predictable source of revenue. They have increased by 9%.

The industry focus

The Hundred Group is a cross-industry organisation with members representing a wide range of industries. As in previous years, the results of the survey indicate that a significant proportion of the tax payments are made by a small number of industry sectors. The oil and gas sector is still the largest contributor, and has been since 2006. The banking and insurance sector continues to be the second largest contributor. Sector specific taxes such as petroleum revenue tax, and the supplementary charge to corporation tax partly explain this for the oil and gas sector, while the bank levy and the significant levels of irrecoverable VAT are key elements for the banks. For the 2012 survey the oil and gas sector taken together with the financial services sector (banks and insurance) account for almost 53% of the Total Tax Contribution and, when added to the other two main industry sectors (retail and telecoms and broadcasting) account for 71.9% of the Total Tax Contribution.

The wider contribution

This year, in addition to the data collected on employment, the survey has been extended to look at some additional aspects of the wider contribution made by member companies. The results show how businesses are vital to support the UK economic recovery by creating jobs, investing in capital items, and initiating research and development.

The Hundred Group companies are a source of well paid jobs in the UK, employing 7% of the total UK workforce, approximately 2 million people, which is a small fall of 0.8% on the total for the previous year. The average salary paid per employee by The Hundred group companies is £30k which compares to the average national UK wage of £27k. On average, employment taxes of £11k are paid to the Government for each employee. It has been a consistent message over the eight years of the survey that these large businesses are an important source of well paid jobs in the UK, and this has continued throughout the turbulent economic period that we have experienced most recently.

Members of The Hundred Group provide new jobs each year, whether graduate positions, apprenticeships or experienced hires. In addition, the companies also invest in training and development, which is essential to ensure a skilled workforce.

Half of the participants in the survey provided data on investment. They reported capital investment of £19bn or 15.8% of the UK total and expenditure on research and development of 14.4% of the UK total at £2.5bn.

Additional perceptions around legislation and fiscal policy

This year we included some additional questions on how members of the Hundred Group perceive recent changes made to the UK fiscal system. The response is an overwhelming consensus on the need for simplicity and certainty in the UK tax system. There have been a number of major changes to aspects of the tax system and, whilst these are seen by members to be delivering the Government's policy objective of supporting business and making the UK attractive to foreign direct investment, a desire was expressed for a moratorium on further changes to the tax system now that the Government's corporate tax reform programme has been delivered. It is interesting also to note that the number of taxes levied on companies in the UK has actually increased over the eight years covered by the survey. Corporation tax is now one of 24 taxes borne and collected in 2012.

Despite Government attempts to simplify the tax system (for example by establishing the Office of Tax Simplification in 2010), the perception is that new legislation continues to be lengthy and complex, and that this often masks positive policy initiatives. Responses to the survey call for a clearly articulated long term tax strategy that consistently welcomes inward investment.

The introduction of the general anti abuse rule from July 2013 is considered to be useful legislation to tackle tax avoidance, but there is a concern that such a general rule will create more uncertainty for businesses and has the potential to impact arrangements that were not intended to be captured.

Purpose and outline of the survey

This is the eighth consecutive annual Total Tax Contribution survey carried out by PwC on behalf of The Hundred Group.

Purpose

The Total Tax Contribution survey is designed to gather quantitative information from companies to inform the debate about the UK fiscal landscape. The data collected by the survey is not available elsewhere and therefore provides a valuable resource for businesses, Government and other external stakeholders, as it illustrates how fiscal policy impacts the contribution made by large businesses to the UK economy.

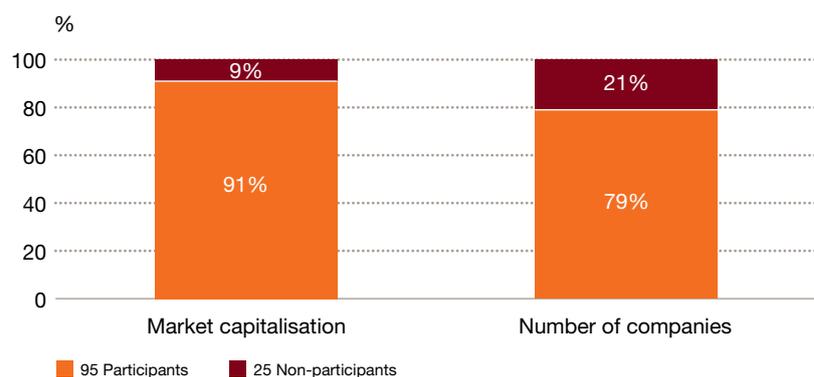
The 2012 survey also collected some qualitative data; participants' views were sought on a number of aspects of the Government's fiscal policy which have recently been introduced to get a sense of which of these they expect to achieve their stated objectives.

Participation

The Hundred Group members have supported the Total Tax Contribution survey since its inception in 2005, and this has continued in the 2012 survey.

In 2005, 66 companies participated in the survey. Since then the number has broadly increased each year, with 95 companies providing data for the 2012 survey (see figures 1 and 2)². Participating companies comprise many of the UK's largest companies representing 79% of The Hundred Group membership by number and 91% by market capitalisation. This excellent participation underlines the importance of the Total Tax Contribution survey and the value that is seen by the companies that participate, both with regard to this report on the findings for the Hundred Group as a whole, and also the individual reports that each participating company receives on their own Total Tax Contribution, enabling them to compare themselves with other participants. A full list of companies invited to participate in the survey is included in Appendix III.

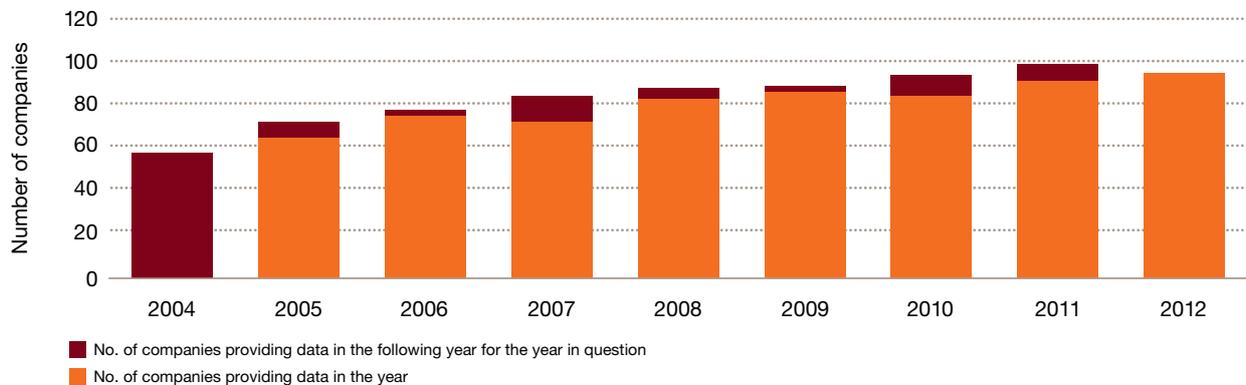
Figure 1: 95 companies provided data for the 2012 survey



The chart shows participation by number of companies and market capitalisation.

² This includes companies that have contributed data in all Total Tax Contribution studies conducted for The Hundred Group and have been members.

Figure 2: How the number of participants has increased each year



The chart shows the number of companies providing data for the years in question.

In an environment where there is continued and increasing public interest in the amount of tax that companies pay, with questions around what is the ‘right amount’ of tax that should be paid, it is even more important that there is a better understanding of all of the taxes that a company has to comply with. It is also important that robust data with regard to all of these taxes is readily available so that companies have the ability to be transparent around their tax position. Increasingly we see a number of companies adopting a more transparent approach to communicating their tax policy and payments, as part of a desire to build and maintain trust with all of their stakeholders, as tax is seen as a matter of reputation and not just as a cost.

At the launch of the 2011 Total Tax Contribution survey in February 2012 David Gauke, Exchequer Secretary to the Treasury, reinforced this message saying “Engagement and transparency will help address the myths and confusion on tax, feed a more informed debate, and result in a simpler, more efficient and less costly tax system to the benefit of everyone”³.

Total Tax Contribution methodology

The survey collects data from participating members of The Hundred Group on their tax payments, using the PwC Total Tax Contribution methodology. This looks at all of the taxes that a company pays and collects on behalf of HMRC, and includes employment taxes, VAT and other taxes, as well as corporation tax. The methodology looks at the total contribution but clearly distinguishes between taxes borne and taxes collected.

The taxes borne by a company are those taxes that represent a cost to the company and which are reflected in its results. Taxes collected are those which are generated by a company’s operations but which do not impact on the results; the company generates the commercial activity giving rise to them and then collects and administers them on behalf of HMRC.

The 2012 survey is based on data collected from The Hundred Group members for their accounting periods ending in the year to 31 March 2012. 59% of the participants have a December year end, 21% a March year end with the remaining proportion having their year ends spread throughout the survey period.

Data collected is anonymised and aggregated by PwC. PwC cannot give any undertakings as to the accuracy of the survey results as the data is not audited, validated or verified in any way. The data is extrapolated to provide an estimate of the Total Tax Contribution for the membership of The Hundred Group as a whole.

³ David Gauke MP, 28 February 2012.

“The Total Tax Contribution framework identifies five tax bases: profit taxes, people taxes, product taxes, property taxes and planet taxes⁴”

This report

The report starts by taking a look at the changes made to the UK tax regime in the period covered by the survey.

It then focuses on the contribution made by members of The Hundred Group in terms of taxes borne and taxes collected, but putting this data into the context of the wider contribution made by member companies. This includes measures which look at where value created is distributed, and additional data collected in this year’s survey on aspects including employment, capital investment, research and development, which are used to develop a wider commentary.

A considerable bank of data has been built up over the years for which the survey has been undertaken and this is used to identify trends, not only over the recent recessionary period, but also over the life of the survey. These trends are helpful to determine the main drivers of the contribution made by The Hundred Group to public finances and establish how these have changed over time and how these have been affected by the various policies implemented by Government. The report therefore takes a look at trends in taxes borne and taxes collected, trends in the Total Tax Rate, and also at how the profiles for taxes borne and taxes collected have changed over time.

The Total Tax Contribution framework identifies five tax bases (profit taxes, people taxes, product taxes, property taxes and planet taxes⁴) and these are used to analyse the results in more detail and to focus on issues relating to specific taxes, legislative changes and the changing economic environment.

The results are also analysed for some of the key industry areas in which The Hundred Group companies operate, again showing the trends for these industries and how contributions have changed over the years of the study.

A section is included which shows how companies use the data generated by the survey.

The final sections use the answers to perception based questions asked in relation to changes made to the tax regime in 2012 and the expectation of how these will impact The Hundred Group in the future and also takes a look forward to what can be expected in terms of further legislative change as well as the economic environment.

4 Planet taxes include taxes and duties levied on the supply, use or consumption of certain goods and services which are considered to be harmful to the environment. They include landfill tax, aggregates levy, climate change levy.

Recent changes made to the tax system

In recent years there have been some significant changes made to the UK tax system. These changes have been made by successive UK Governments with a view to securing an objective of making the UK an attractive location for both foreign and domestic investment, to encourage growth, and to put the public finances on a sound sustainable footing following the recent financial crisis. The changes have been made to help ensure that sufficient tax revenues are generated to reduce the public sector deficit and to meet government spending requirements. In the latest Autumn Statement the Chancellor reaffirmed this objective by stating that he is looking to 'create one of the most competitive tax systems in the world'.

The legislative changes introduced in the 2010 and 2011 budgets that are reflected in the results of the 2012 Total Tax Contribution survey which are presented in this report are as follows.

Profits taxes

The main rate of corporation tax was cut from 28% to 26% for 2011/2012. Since that reduction, the rate was cut further to 24% for 2012/2013, to 23% for 2013/2014 and recently the Chancellor has announced a further cut to 21% for 2014/2015. The impact of these later reductions will be captured in future surveys.

The supplementary charge to corporation tax levied on the upstream oil and gas sector increased from 20% to 32% with effect from 23 March 2011. This is a tax borne on profits from oil and gas production, or 'ring fence' profits, which was originally introduced in 2002 at a rate of 10% and subsequently increased to 20% in 2006.

People taxes

The one-off bank payroll tax, was an employment tax levied on certain bonuses and was in force between 9 December 2009 and 5 April 2010.

Employment taxes increased in the period covered by the survey with both employers' and employees' national insurance contributions increasing from 6 April 2011. The Class 1 rates increased by 1 percentage point for employers and employees, counteracted in part by an increase in the primary and secondary thresholds although there was a decrease in the upper earning limit.

The threshold above which the 40% rate of income tax applies was lowered from £37,400 to £35,000 while the personal allowance was increased from £6,475 to £7,475.

Property taxes

The bank levy was introduced in 2011 to ensure "that banks make a fair contribution in respect of the potential risks that they pose to the UK financial system and wider economy"⁵. This new tax, introduced from January 2011, is designed to encourage banks, building societies and certain members of banking groups to adopt less risky funding profiles and is charged as a percentage of total chargeable equity and liabilities, with a higher rate applying to short term (and therefore higher risk) equity and liabilities than to long term equity and liabilities. The first £20bn of chargeable equity and liabilities are exempt from the bank levy. Since its introduction on 1 January 2011, there have been four different sets of rates applying in the period covered by the survey.

Business rates increased in the period as a result of an increase in rateable values in 2010 and an increase in multipliers in 2011.

Product taxes

The rate of VAT for the period covered by the 2012 survey was 20%, an increase of 2.5 percentage points which applied from 4 January 2011.

⁵ HMT press release June 2010

The contribution made by The Hundred Group

The Total Tax Contribution

The members of The Hundred Group make a significant contribution to the UK economy. Participating members made a UK Total Tax Contribution of £71.4bn, which can be extrapolated to an estimated £77.1bn for The Hundred Group as a whole (see figure 3)⁶. With this contribution, members account for almost one fifth of all corporation tax payments made to Government.

Figure 3: Total Tax Contribution of the Hundred Group 2012

	Survey participants (£m)	Extrapolated to the Hundred Group (£m)	Percentage of Government receipts ⁷
Corporation tax	7,556	8,013 ⁸	
Other taxes borne	15,479	16,806	
Taxes borne	23,035	24,819	4.6%
Taxes collected	48,347	52,282	9.6%
Total Tax Contribution	71,382	77,101	14.2%

Total Tax Contribution as part of the wider economic contribution

The Hundred Group companies make an important contribution to the public finances through the Total Tax Contribution, but it is important to place this in the context of the wider economic contribution made by these companies. This year we can do this in two ways.

As in previous years we have additional data on UK profits, wages and salaries paid, and the amounts paid in net interest to finance the business which enables us to calculate a number which approximates to Gross Value Added (GVA), which is a measure of the economic value contributed by a company. In addition this year we gathered data on capital investment and research and development.

Value distributed

Figure 4 shows the calculation of the value distributed for the Hundred Group participants and how this has been distributed to the various stakeholders.

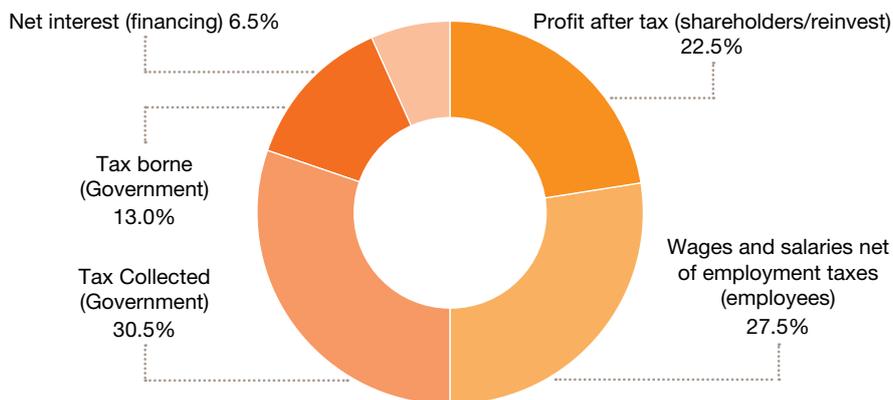
⁶ Extrapolation has been carried out on a conservative basis using data on corporation tax from published accounts, if available, or data on revenues if not available, and applying ratios from companies in the same industry sector.

⁷ Government receipts from the Office of Budget Responsibility – Economic and Fiscal Outlook December 2012.

⁸ Extrapolated corporation tax payments (£8,013m) are 19.0% of Government corporation tax receipts.



Figure 4: Value distributed by The Hundred Group participants



The chart shows the elements of value distributed for those companies in the survey.

43.5% was paid to the Government in tax payments; of this 13.0% relates to taxes borne and the remaining 30.5% to taxes collected on behalf of the Government. 27.5% is paid to employees as wages and salaries

(net of employment taxes) and 6.5% paid in net interest on financing. The remaining 22.5% was paid out to shareholders as dividends or retained for reinvestment in the company.

“The Hundred Group companies are major employers, employing 2 million employees or 7% of the total UK workforce.”

Capital investment and research and development

Growth in an economy is partly dependent on the investment that business is prepared to make in fixed assets and research and development.

Data gathered this year (see figure 5) shows that those participants that provided data on investments made in plant and machinery, in the period covered by the survey invested £18.9bn in new fixed assets, accounting for over 15% of total UK spend. This is a contribution to the fabric of the UK economy; high quality machinery increases productivity which leads to growth. They also incurred £2.5bn on research and development which was over 14% of total UK research and development expenditure. New ideas lead to the introduction of new products or services or new production methods which improve companies’ productivity which again leads to growth. These percentages are prudent and likely to be understated as participation in this part of the survey was much lower than the overall participation rate. We hope to improve this in next year’s survey.

Figure 5: Investment made by Hundred Group companies in fixed assets and on research and development

2012	Percentage of participants providing data	Total £m	Percentage of the total UK amount
UK fixed asset additions	51%	18,945	15.8% ⁹
R&D Expenses	30%	2,507	14.4% ¹⁰

Employment

The Hundred Group companies are major employers, employing two million employees or 7% of the total UK workforce. The average wage per employee is £30,149 (compared to the average national wage of £26,500) with average employment taxes of £11,419 paid in respect of each employee. Further details on employment taxes are shown in the ‘people taxes’ section on page 23.

⁹ Business investment http://www.ons.gov.uk/ons/dcp171778_279772.pdf

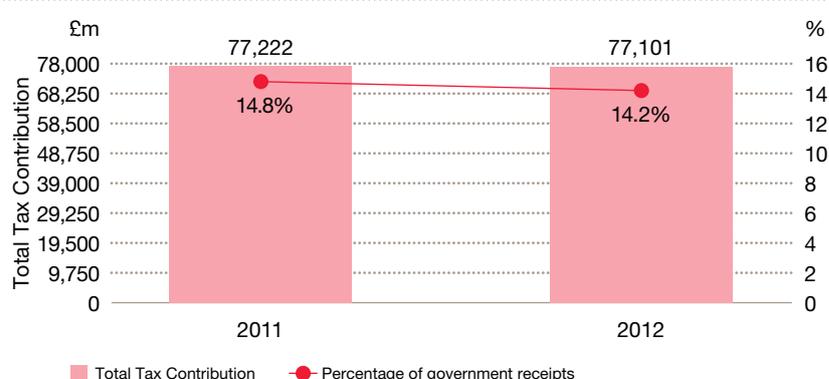
¹⁰ UK Gross Domestic Expenditure on Research and Development, 2011 http://www.ons.gov.uk/ons/dcp171778_287868.pdf

Trends in the Total Tax Contribution

Taxes borne and collected by companies in The Hundred Group remained broadly the same as for 2011 after restating the extrapolated data in 2011 for actual data from companies participating in the survey for the first time. So against the backdrop of a continuing difficult economic environment and legislative changes which have reduced corporation tax rates, the overall contribution has been maintained (see figure 6).

In order to understand the changes in the individual taxes that make up taxes borne and taxes collected between 2011 and 2012, we can compare data for the 85 companies that have submitted data for both years. Figure 7 shows that the overall trend for these companies is a small reduction of 0.4% in the Total Tax Contribution made up of a reduction of 1% in total taxes borne and an increase in taxes generated and collected of 0.6%.

Figure 6: The Total Tax Contribution of The Hundred Group for 2011 and 2012



The chart shows the trend in extrapolated Total Tax Contribution payments as an absolute number and as a percentage of Government receipts¹¹.

Figure 7: A small reduction in Total Tax Contribution

	2011-2012 individual trend	Trend as % of total
2012		
Total taxes borne	-3.1%	-1.0%
Total taxes collected	1.0%	0.6%
Total tax contribution		-0.4%

Based on companies taking part in both surveys.

¹¹ Prior years have been restated to include new members



Trends in taxes borne

The fall in taxes borne of 3.1% is driven by a reduction in corporation tax and the fact that the bank payroll tax was a one-off charge raised in 2010 (see figure 8). These decreases have however been offset by increases in employers' NIC, irrecoverable VAT and the introduction of the bank levy. The net 3.1% reduction can be analysed as follows:

Figure 8: Trends in taxes borne 2011 – 2012

	Trend as % of total
Corporation tax	-7.5%
Bank payroll tax	-4.7%
Irrecoverable VAT	3.1%
Bank levy	3.2%
Employers' NIC	1.6%
Petroleum revenue tax	0.6%
Business rates	0.9%
Other taxes borne	-0.3%
Total taxes borne	-3.1%

Trends in taxes collected

The increase in taxes collected is driven by increases in PAYE, VAT and other tax deductions made at source, offset by a fall in excise duties. The net 1.0% increase can be analysed as follows:

Figure 9: Trends in taxes collected 2011 – 2012

	Trend as % of total
Tax deducted at source	0.2%
Excise duties	-1.3%
Employees' NIC	0.0%
PAYE	1.4%
Net VAT	0.4%
Other taxes collected	0.3%
Total taxes collected	1.0%

Further details on these movements are set out by category of tax in the sections that follow.

Trends in tax payments over the longer term

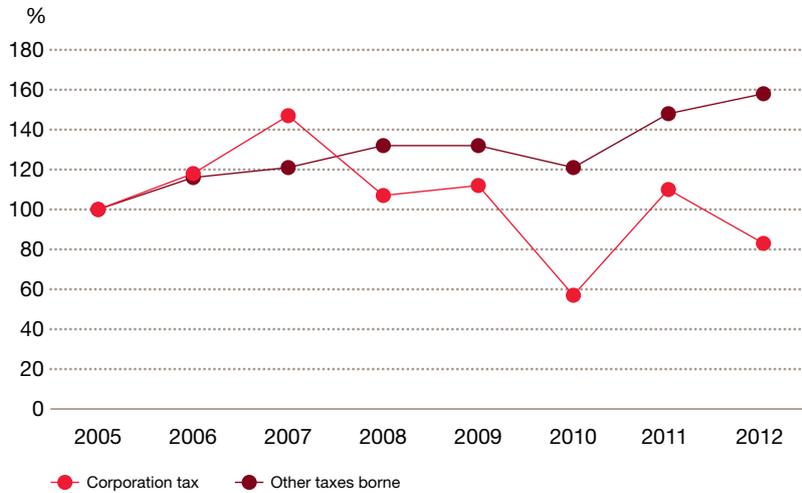
From the Total Tax Contribution surveys there is an extensive bank of data on tax payments by The Hundred Group members over the last eight years. A good number of companies have taken part in each of the surveys and we are able to look at trends in their results.

Figure 10 shows the trend in corporation tax, and other taxes borne for the 35 companies that have taken part in all eight studies.

The graph shows how volatile corporation tax has been over the period. The fall in corporation tax payments in 2010 reflects the effect of the recession. Because the survey asks for tax payments made in the year rather than in respect of the year, there is a timing mismatch and this fall relates to the fall in profits in the previous year. Corporation tax payments increased in 2011 (partly due to increased profits and partly due to a number of payments for prior years) but fell slightly in 2012 as a result of the reduction in the rate of corporation tax and a lower level of payments made for prior years. Overall between 2005 and 2012 corporation tax payments fell by 17% again reflecting the economic recession and in particular the impact on the financial services sector.

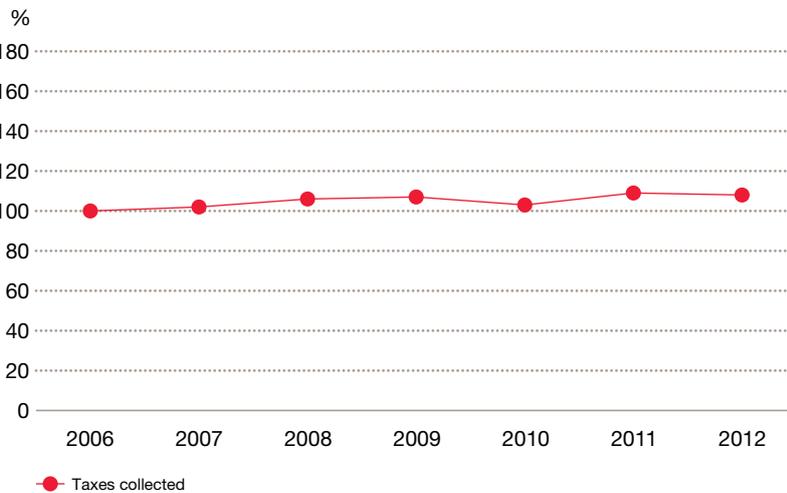
Other taxes borne have been less volatile but have increased significantly over the period since 2005. Apart from one year they have shown an increasing trend as these taxes do not vary with profits. Other taxes borne have increased between 2005 and 2012 by 58%.

Figure 10: Longer term trends in taxes borne



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

Figure 11: Longer term trends in taxes collected



The chart shows the trend for companies taking part in all seven surveys since 2006, using the 2006 survey figures as the baseline (100%), which was the first year that data on taxes collected was provided.

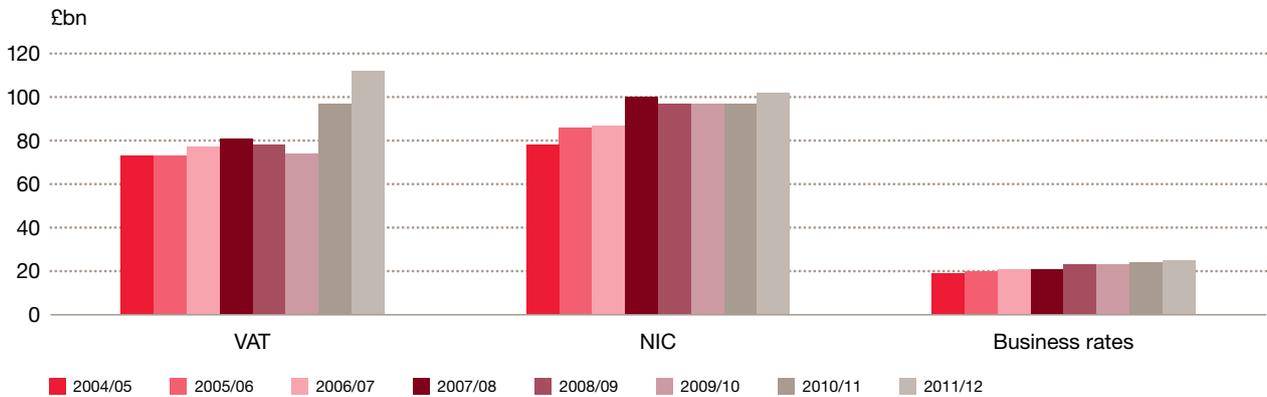
Figure 11 shows the trend in taxes collected for the 38 companies that have taken part in all seven studies since 2006 (the first year that data on taxes collected was provided).

The graph shows a far more stable trend for taxes collected with an increase of 9% between 2006 and 2012. Overall these taxes are a more predictable source of tax revenue for the Government.

It is possible to look at trends in individual taxes over the longer term for the whole economy using Government figures (see figure 12). Increases in VAT, NIC and business rates are evident.

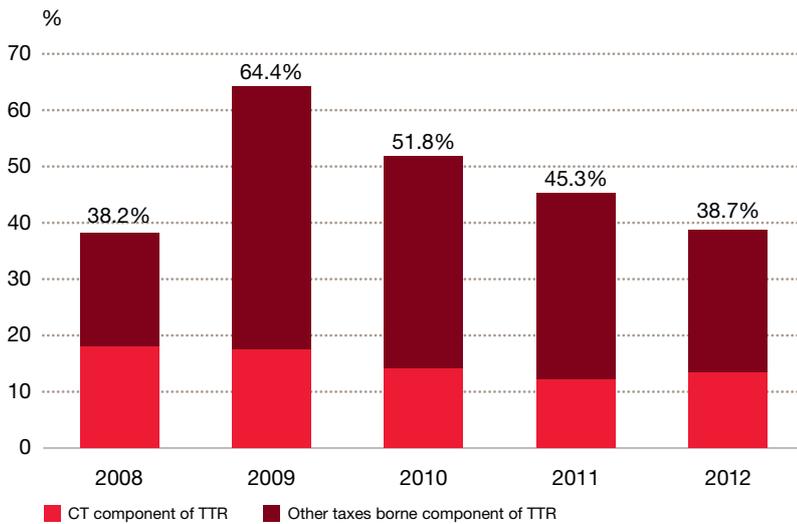
“Other taxes borne have been less volatile but have increased significantly over the period since 2005.”

Figure 12: Trends in Government receipts of individual taxes¹²



The chart shows trends in government receipts of individual taxes.

Figure 13: Trends in the Total Tax Rate



Trends in the Total Tax Rate

The Total Tax Rate is a measure of the cost of all taxes borne in relation to UK profitability. It is calculated by taking total taxes borne as a percentage of profit before total taxes borne. Taxes borne that are deductible when calculating profit before corporation tax (e.g. business rates and employers' NIC) are added back to arrive at a profit before total taxes borne.

The average Total Tax Rate for the members of The Hundred Group participating in the 2012 survey was 38.7%¹³. Figure 13 shows the mean average for participants in each survey since 2008. The Total Tax Rate peaked at 64.4%¹⁴ in 2009 reflecting reduced profits and since then has declined year on year, although the current rate is still higher than the rate in the 2008 survey of 38.2%, predating the recession. The peak in Total Tax Rate in 2009 was due to the fact that despite the significant fall in profits during the recession, some taxes are not linked to profits and therefore did not fall in line with lower profit levels. As profits have increased since 2009, the Total Tax Rate has fallen.

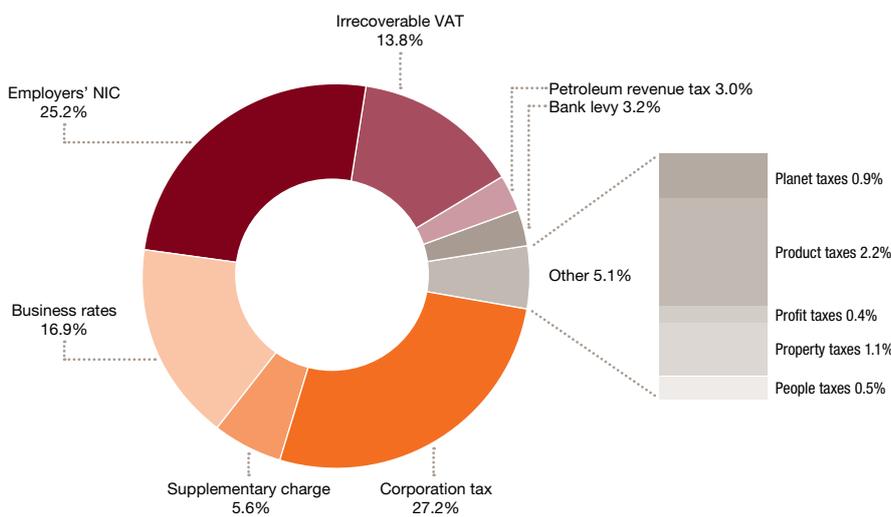
¹² Government receipts from Office of Budget Responsibility – Economic and Fiscal Outlook December 2012.

¹³ Mean average. The range of results in 2012 was 0.19% to 1,338.4% and the mean average was 55.8%. One outlying result (over 1,000%) is excluded to give a trimmed mean average 38.7%.

¹⁴ The range of results in 2009 was 0.2% to 3,861.8% and the mean average was 146.6%. Two outlying results (over 1,000%) are excluded to give a trimmed mean average of 64.4%.

The profiles for taxes borne and taxes collected and how they have changed over time

Figure 14: Taxes borne by percentage – 2012



Profit taxes	
Betting and gaming duty	0.4%
Property taxes	
Stamp duty land tax	0.6%
Stamp duty and reserve tax	0.5%
People taxes	
PAYE agreements (tax on benefits)	0.5%
Product taxes	
Insurance premium tax	0.1%
Customs duties	1.6%
Air passenger duty	0.2%
Vehicle excise duty	0.3%
Planet taxes	
Landfill tax	0.1%
Aggregates levy	0.2%
Climate change levy	0.6%
Congestion charge	0.0%

The taxes borne profile

Taxes borne are those taxes which are a cost to the business and which therefore directly affect a company's financial results. The profile for these taxes across the companies that participated in the 2012 survey is shown in figure 14.

Corporation tax is still the largest tax cost accounting for 32.8% of the total taxes borne, taking the mainstream corporation tax and the supplementary charge levied on the oil and gas companies together.

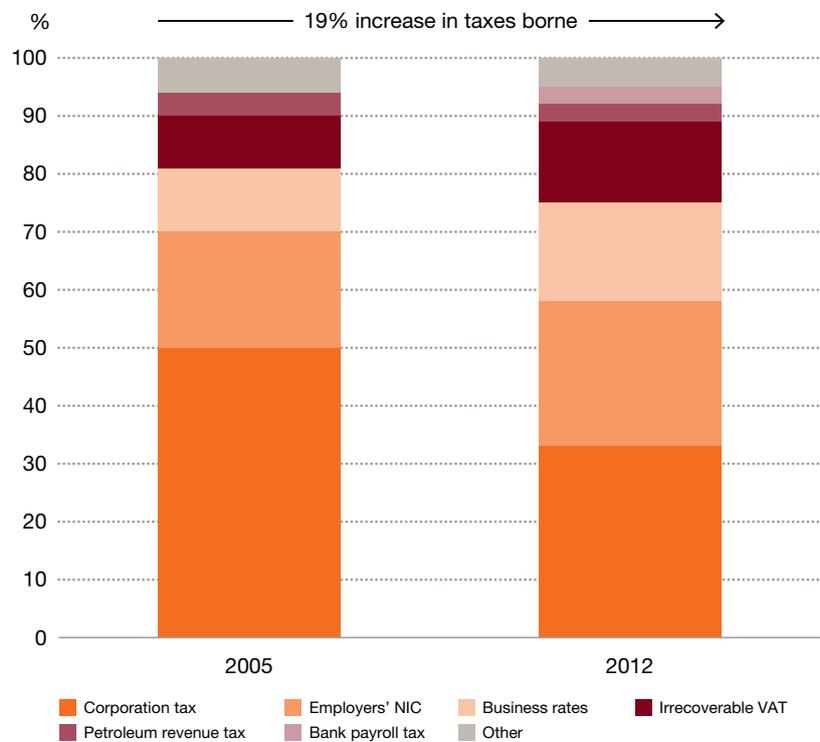
The second largest tax borne is employers' national insurance which accounts for 25.2% of total taxes borne. Business and cumulo¹⁵ rates remain the third largest contributor.

¹⁵ Cumulo rates are charged on networks.



“The proportion of corporation tax in 2012 is significantly lower than the percentage in the first Hundred Group survey, but total taxes borne have increased by 19%.”

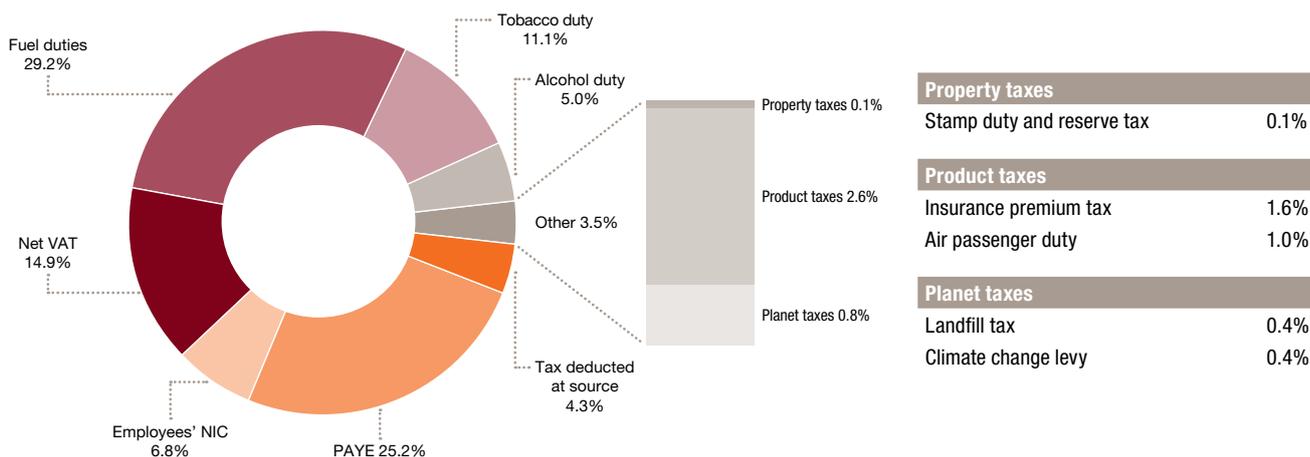
Figure 15: The taxes borne profile comparing 2005 and 2012



In figure 15 we compare the profile for 2012 with the first Hundred Group survey conducted for 2005. In the 2012 survey for every £1 of corporation tax there is £2 in other taxes borne. As can be seen in figure 15, in the first survey in 2005 there was only £1 in other taxes borne for every £1 of corporation tax. This reflects the policy of successive Governments over this period.

The proportion of corporation tax in 2012 is significantly lower than the percentage in the first Hundred Group survey, but total taxes borne have increased by 19%. Irrecoverable VAT paid by The Hundred Group participants has increased substantially from 2005 to 2012 along with increases in employers' NIC and business rates.

Figure 16: Taxes collected by percentage – 2012

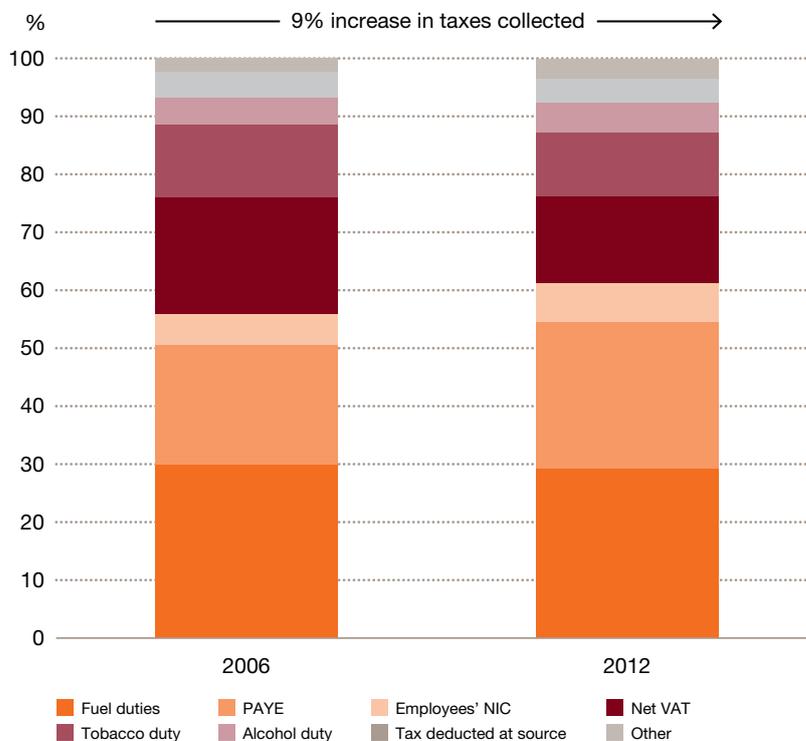


The taxes collected profile

Taxes collected are those taxes that a company collects and administers on behalf of the Government, and which are generated as a result of a company's activities. Taxes collected are not a cost to a company (other than the administration cost) and do not directly affect a company's results. The profile of these taxes across the companies that participated in the 2012 survey is shown in figure 16. Employee taxes (employees' NIC and PAYE) account for 32% of the total taxes collected by The Hundred Group. Of this, PAYE is the larger proportion at 25.2%. Fuel duties, at 29.2%, are the largest tax collected for this group of companies.

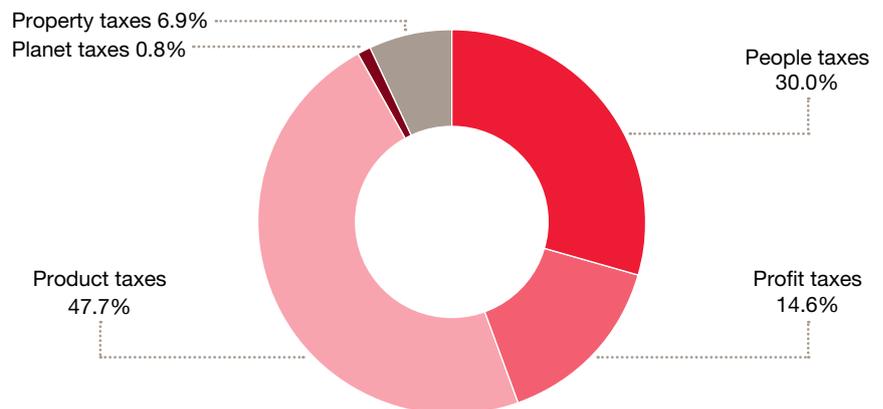
In figure 17 we compare the profile for 2012 with the first Hundred Group survey where data was provided on taxes collected which was 2006. While the 2006 profile is broadly similar to the 2012 profile, employment taxes collected comprise a larger element of the total in 2012.

Figure 17: The taxes collected profile comparing 2006 and 2012



The results for the five tax bases in more detail

Figure 18: The Total Tax Contribution of The Hundred Group in 2012 by tax base



In recent months the focus of Parliament, the media, and the public has been on the contribution made by companies in terms of corporation tax. However over the eight years of the Total Tax Contribution survey conducted for The Hundred Group, the data has consistently shown that the contribution made by member companies to the public finances is much wider. There are many more taxes to take into account and to be aware of. The PwC Total Tax Contribution framework identifies five categories of taxes as follows:

- profit taxes;
- people taxes;
- property taxes;
- product taxes; and
- planet taxes.

Each category is defined by the base which is used to determine and calculate the tax that must be paid.

Figure 18 shows the contribution by participating members of The Hundred Group for each of these categories. The ranking by size of these categories is unchanged from 2011 with product taxes being the largest category, accounting for 47.7% of the taxes paid, followed by people (or employment) taxes, profit taxes, property taxes and the smallest being the planet (or environmental) taxes. Profit taxes include corporation tax, and command the most popular attention but account for only 14.6% of the total. Corporation tax accounts for only 10.6% of the Total Tax Contribution of The Hundred Group companies.

Figure 19: Profit taxes borne and collected

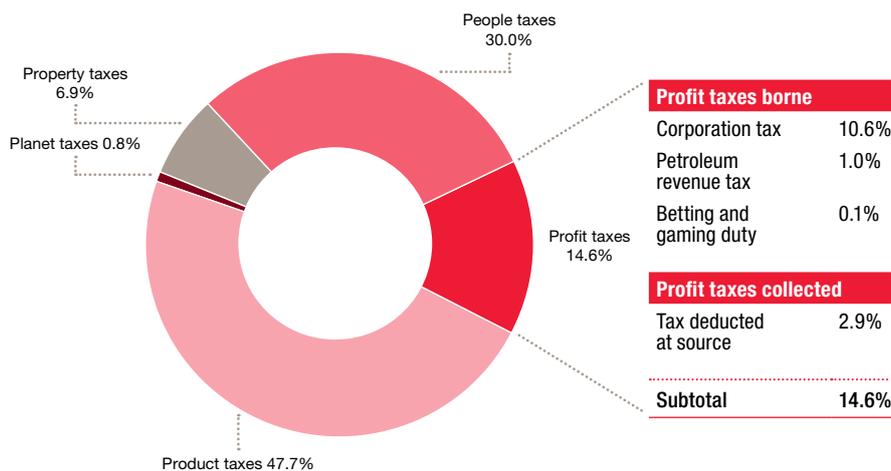
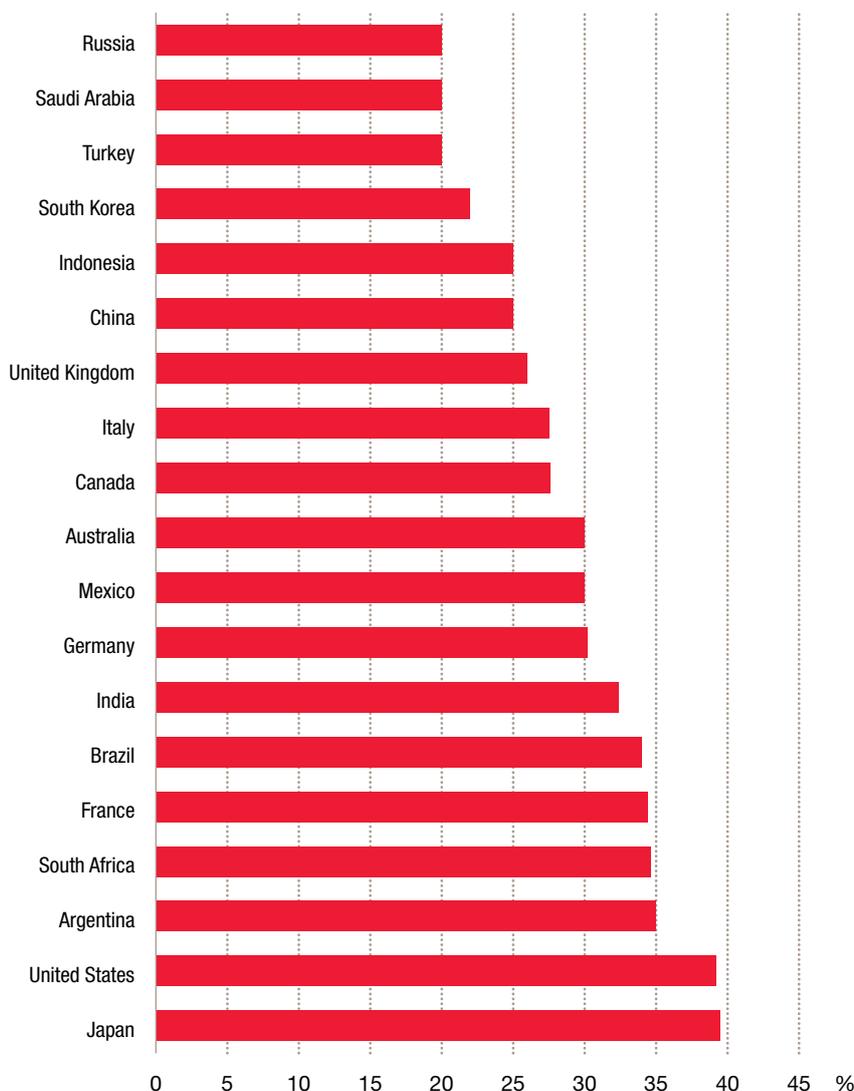


Figure 20: 2011 statutory corporate income tax rates in the G20



Profit taxes

Profits taxes represent 14.6% of the Total Tax Contribution of The Hundred Group and are levied on profits (see figure 19). They include both taxes borne (corporation tax of which the supplementary charge is part, petroleum revenue tax, and betting and gaming duty) and taxes collected (tax deducted at source including withholding tax on royalties and interest).

Corporate tax reform

When this survey first started in 2005, the UK statutory rate of corporation tax was 30% reducing to 28% in 2008/2009. The 2010 budget outlined a roadmap for corporate tax reform and stated that “the Government aims to create the most competitive corporate tax system in the G20”. As a first step, the 2010 budget proposed a reduction in the main rate of corporation tax from 28% to 24% over the course of the four financial years from April 2011. The 2012 budget proposed a further reduction to 23% from April 2013 and to 22% from April 2014 and the 2012 Autumn Statement proposed an additional reduction to 21% from April 2014.

Figure 21: Corporation tax paid by The Hundred Group

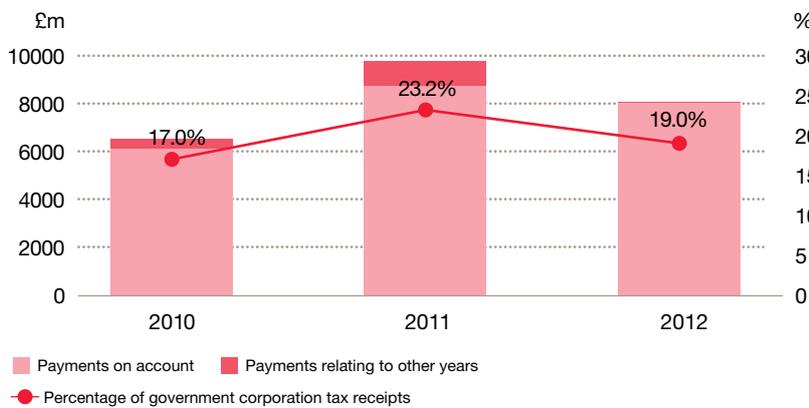


Chart shows the trend in extrapolated corporation tax as a percentage of Government corporation tax receipts.

The stated objective is to stimulate investment and growth following the economic crisis and figure 20 shows that the UK corporation tax rate was the seventh lowest in the G20 in 2011. By 2015, following the reductions outlined above (and assuming other countries remain unchanged), the UK will have the fourth lowest rate in the G20.

Trends in corporation tax

In this survey period, the UK corporation tax rate fell from 28% to 26%, 2 percentage points or 7.1%. The survey results show that corporation tax receipts have decreased from £9.8bn in 2011 to approximately £8.0bn in 2012 (see figure 21 based on data extrapolated for the whole of The Hundred Group membership) which represents 7.5% of the fall in taxes borne (see figure 8).

The decrease in corporation tax payments in 2012 when compared to 2011 is due in part to the reduction in the rate of corporation tax, but also due to a reduction in the payments made to HMRC relating to prior years. These payments are in respect of corporation tax due for earlier years, and followed the efforts made by HMRC in 2011 to agree a number of open years. Successful resolution of long outstanding tax issues secured tax revenues amounting to 11% of the corporation tax payments reported by participants in that year. Corporation tax payments have increased in 2012 compared to 2010 when payments were affected by the recession.

Corporation tax is of course linked to profitability and the underlying economic environment. To take into account the distortions created by the largest companies we have looked at the data in a different way. We are able to calculate the percentage change in corporation tax for each company and then calculate an average by company, and we also carry out a similar calculation for profits. In spite of challenging economic conditions in the 2012 survey period, profits of The Hundred Group companies on average increased by 3.0% compared to 2011. Corporation tax payments fell, on average, by 0.4%, but excluding payments relating to prior years, there was an increase, on average, of 5.8%. In future surveys, the overall contribution made in corporation tax will depend on the balance between the reduction in the corporation tax rate and the increasing investment and consequent economic activity that the reduction in corporation tax rate is intended to generate.

“At 30% of the Total Tax Contribution of The Hundred Group members, people taxes are the second largest type of tax.”

People taxes

People taxes are taxes on employment and include income tax and employee NICs collected through PAYE as well as employers' NIC. At 30% of the Total Tax Contribution of The Hundred Group members, people taxes are the second largest type of tax (see figure 22).

A significant contribution through employment

Members of The Hundred Group are large UK employers and participating companies employed 1.8 million people, extrapolated to give an estimated number of employees of two million or 7% of the total UK workforce¹⁶.

Participating companies paid a total of £21.4bn in employment taxes borne and collected, extrapolated to £23.9bn over the membership as a whole, which accounts for 9.5%¹⁷ of total Government receipts for employment taxes (see figure 23).

NIC borne and collected by members accounted for 9.9% of total Government receipts for NICs and PAYE borne and collected accounted for 9.3% of Government income tax receipts.

Figure 22: People taxes borne and collected

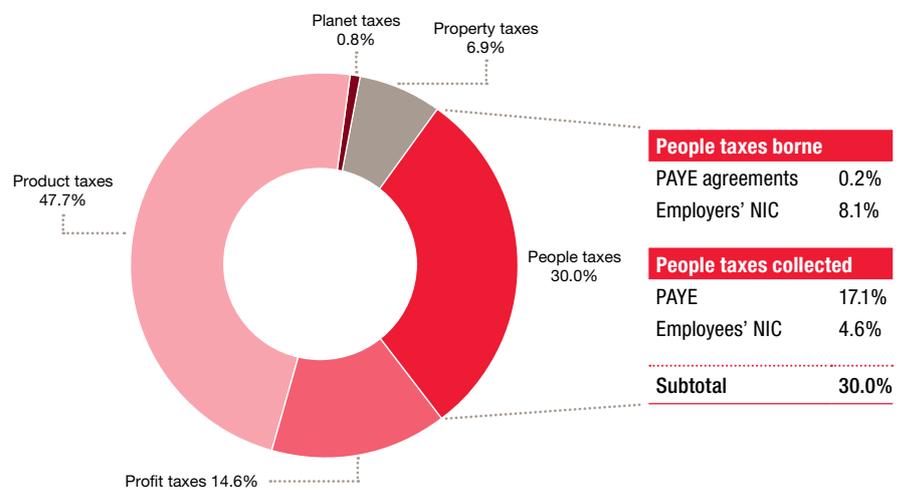


Figure 23: People taxes borne and collected by The Hundred Group – 2012

	Hundred Group participants £m	Total Hundred Group membership £bn	Total Hundred Group membership as a % of government receipts ¹⁸
PAYE borne and collected	£12,291m	£13.8bn	9.3%
NIC borne and collected	£9,104m	£10.1bn	9.9%
Total	£21,395m	£23.9bn	9.5%

	Hundred Group participants	Total Hundred Group membership	Total Hundred Group membership as a % of government receipts ¹⁹
Number of employees	1,814,540	2.0m	7.0%

¹⁶ Office for National Statistics, Labour market statistics, employment table EMP02.

¹⁷ Calculation is extrapolated employment taxes as a percentage of Government receipts for income tax under PAYE and all NIC receipts.

¹⁸ Government receipts from Office for Budget Responsibility – Economic and fiscal outlook, December 2012 - receipts for NIC and income tax.

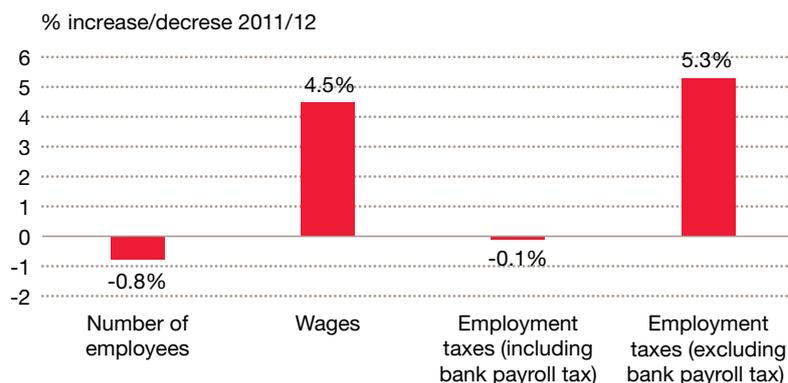
¹⁹ The Hundred Group number of employees as a percentage of the UK total work force.

Wages and taxes per employee

The Hundred Group combines a large number of companies whose employees have a salary significantly above the national average with some very large employers, such as retailers, with salaries close to the average. For that reason we provide both the average wage for each employee in the workforce of The Hundred Group as well as the average of the calculation carried out for each individual company. The average wage calculated for each employee in the survey²⁰ is £30,149 which is 14% above the national average wage for 2012 of £26,500²¹. The average wage calculated and averaged for each company in the survey is £48,881²², compared to £46,054 in 2011.

For every employee, the Government receives employment taxes and we calculate the average employment taxes per employee in two ways. The average employment taxes for each employee in the entire workforce of The Hundred Group amount to £11,419, comprising £2,970 employment taxes borne and £8,449 employment taxes collected²³. The average employment taxes per employee calculated for each company in the survey and averaged by company amount to £20,846²⁴, comprising £5,250 taxes borne and £15,596 taxes collected. This demonstrates the direct benefit to the Exchequer for each member of staff employed by these large employers.

Figure 24: Trend in employment taxes



Trends in employment

Since the 2011 survey, the number of employees has stayed broadly constant, with a small fall of approximately 0.8% which is broadly in line with Government figures for the UK as a whole. There was an increase in wages of 4.5% and employment taxes fell 0.1%. This decrease was driven by the end of the one-off bank payroll tax on 5 April 2010.

If the bank payroll tax is excluded from the 2011 figures, the trend in employment taxes shows a 5.3% increase compared to 2011 (see figure 24). There have been a number of changes to the PAYE and NIC legislation during the year. The rate of employers' NIC increased by 1 percentage point as did the rate of

employees' NIC, the main rate (applying between the primary threshold and upper earnings limit) and the upper rate (applying to income above the upper earnings limit). In addition, the NIC upper earnings limit was decreased and the threshold above which the 40% rate of income tax applies was lowered. These changes, together with an increase in wages per employee all contributed to the increase in employment taxes.

²⁰ The average wage for each employee in the workforce is calculated by taking the total wages for the survey population and dividing it by the total number of employees within that population.

²¹ Office for National Statistics – 2012 Annual Survey of Hours and Earnings.

²² For the companies in the 2012 survey, the average wage per employee calculated for each company in the survey and averaged by company was £48,881, the median average £44,506 and the range of results was £11,143 to £173,672.

²³ The average employment taxes for each employee in the entire workforce is calculated by taking the total employment taxes for the survey population and dividing it by the total number of employees within that population.

²⁴ For the companies in the 2012 survey, the average employee taxes per employee calculated for each company and then averaged by company was £20,846, the median average £17,042, and the range of results was £2,953 to £98,533.

Product taxes

Product taxes are indirect taxes on the production and consumption of goods and services. Product taxes include VAT as well as customs duties, insurance premium tax and alcohol, tobacco, fuel, air passenger and vehicle excise duties (the latter two taxes were reclassified from planet taxes in 2012 in line with Government treatment). Product taxes remain the largest type of tax for The Hundred Group, accounting for 47.7% of the Total Tax Contribution.

Irrecoverable VAT

Participating members reported a total of £10.4bn VAT paid with £3.2bn representing irrecoverable VAT borne and net VAT collected of £7.2bn. This represents 9.2% of total Government receipts from VAT, 2.8% for total irrecoverable VAT and 6.4% for net VAT. Irrecoverable VAT is a significant cost for the financial services sector, with banks paying 74.5% of the irrecoverable VAT borne by The Hundred Group companies. Overall the financial services sector paid 88% of the irrecoverable VAT (see figure 26).

The amount of irrecoverable VAT borne by The Hundred Group has increased by 28.4% compared to 2011, the output VAT increased by 21.6% and the net VAT by 1.9%. The VAT rate increased from 17.5% to 20% from 4 January 2011 which explains the increase in both output and irrecoverable VAT and the trend is similar to the increase in 2011, when the rate increased from 15% to 17.5% on 1 January 2010.

Fuel excise duties

Fuel excise duties account for 29.2% of the tax collected by survey participants which is 52.7% of total fuel excise duties collected on behalf of the Government in the period. This is a reduction on the 2011 amount and can be attributed in part to the reduction in fuel excise duty of 1p per litre from 23 March 2011.

Figure 25: Product taxes borne and collected

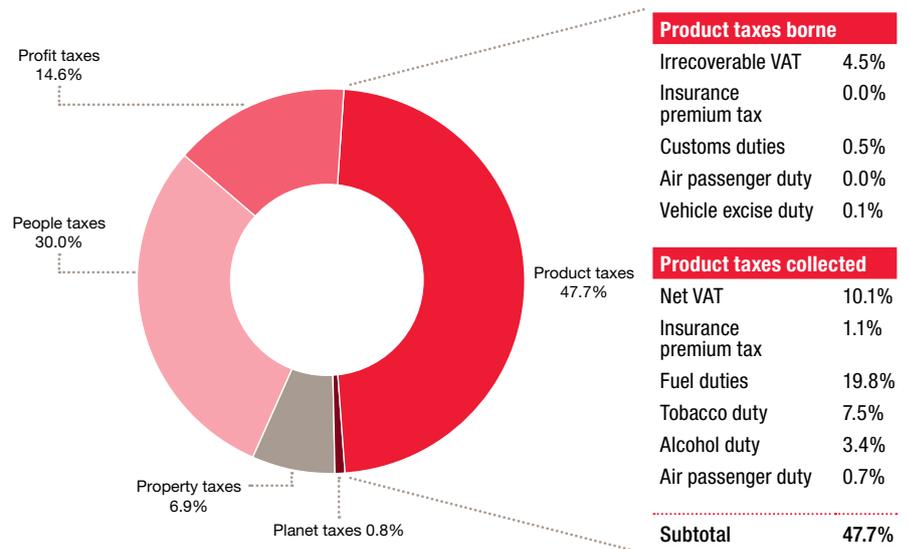
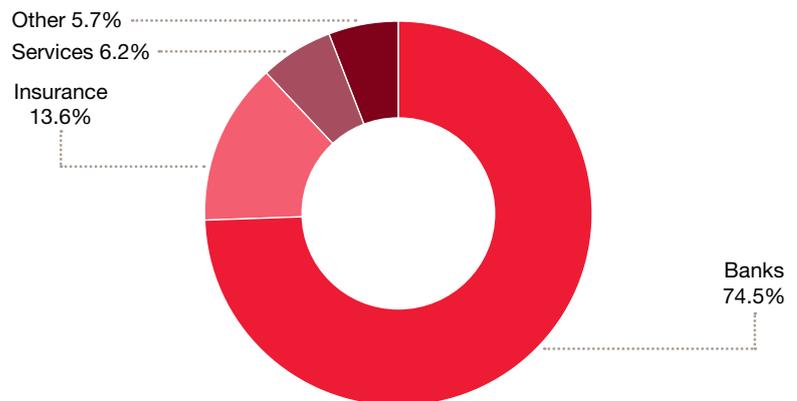
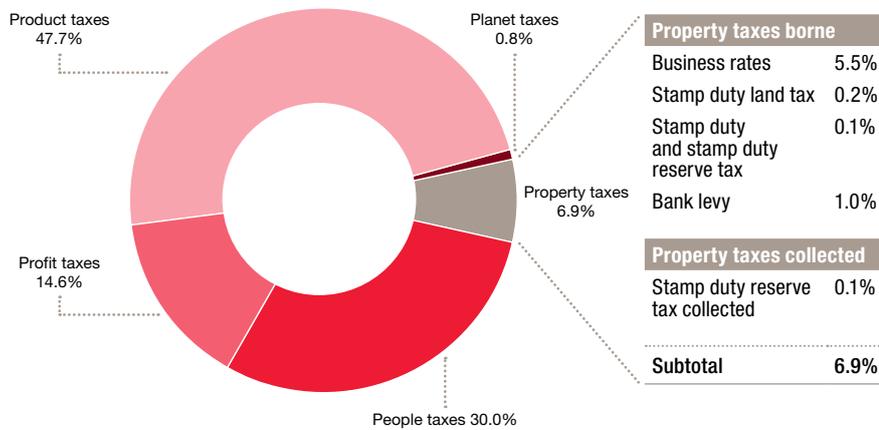


Figure 26: Irrecoverable VAT by sector



This continues the decreasing trend in fuel duty payments by The Hundred Group seen in recent years a trend which is also attributed to the greater use of fuel efficient vehicles and a consequent reduction in fuel consumption.

Figure 27: Property taxes borne and collected



Property taxes

Property taxes are taxes on the ownership, sale, transfer or occupation of property. Property taxes include business and cumulo rates, bank levy, stamp duty land tax, stamp duty and stamp duty reserve tax.

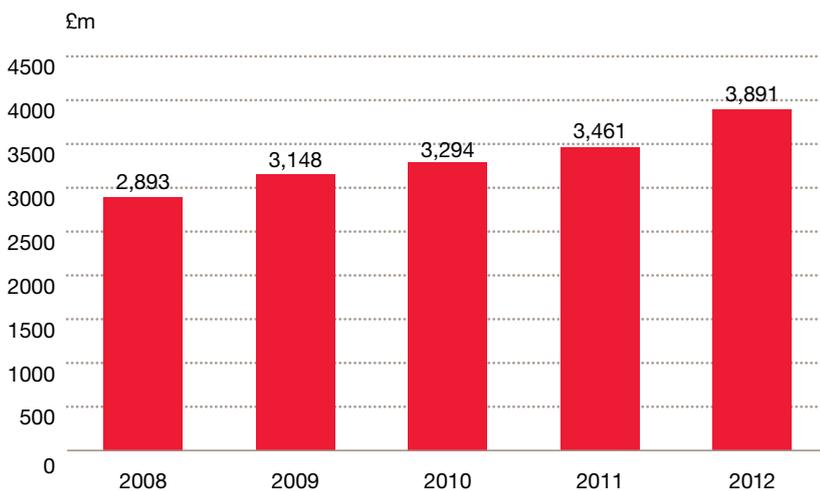
Property taxes account for 6.9% of the Total Tax Contribution of The Hundred Group, and business rates account for the largest element at 5.5%. Business rates are also the third largest category of taxes borne accounting for 16.9% of the total.

Business rates

£3.9bn was paid in the survey period in business rates, a 6.3% increase on 2011, which was due to the increase in the business rates multiplier in the year. Business rates from this group of companies have increased by £1bn in the last five years.

Business rates paid by The Hundred Group account for 15.3% of total Government business rates receipts and the majority is paid by the retail sector, which paid 43% of the business rates borne by The Hundred Group. Utility companies and banks were the next largest contributors, with a more modest contribution of 13% and 10% respectively. Other industry sectors each contribute less than 5% of the total.

Figure 28: The increase in business rates paid by survey participants in last five years



25 Prime Minister David Cameron, speech to Department of Energy and Climate Change 14 May 2010.



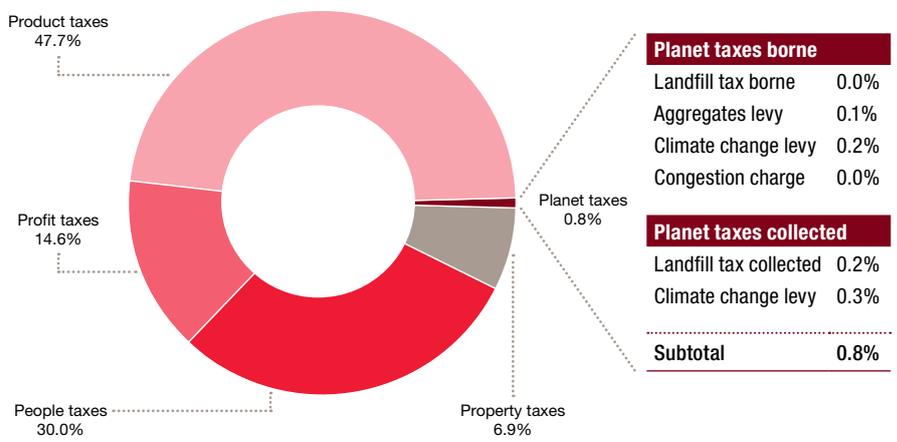
Planet taxes

Planet, or environmental, taxes have been introduced by successive Governments to promote behavioural change and to help with the Government’s objective of becoming “the greenest Government ever”²⁵. They include taxes and duties levied on the supply, use or consumption of certain goods and services which are considered to be harmful to the environment.

In the survey period, 0.8% of the Total Tax Contribution (or £587m) was paid in environmental taxes (see figure 29). Air passenger duty and vehicle excise duty, which previously were planet taxes have been reclassified by government during the year and are now treated as product taxes.

There have been some rate changes in the survey period. Although there was no increase in the aggregates flat rate of £2 per tonne, the climate change levy increased for all categories of energy products and the standard rate of landfill tax increased from £48 to £54 per tonne from 1 April 2011.

Figure 29: Planet taxes borne and collected



Planet taxes make the smallest contribution of all of the five tax bases. Although tackling climate change and promoting more environmentally friendly behaviours continues to be important, the recession and the consequent need to ensure a sustainable economy have taken precedence in recent Budgets.

Industry analysis

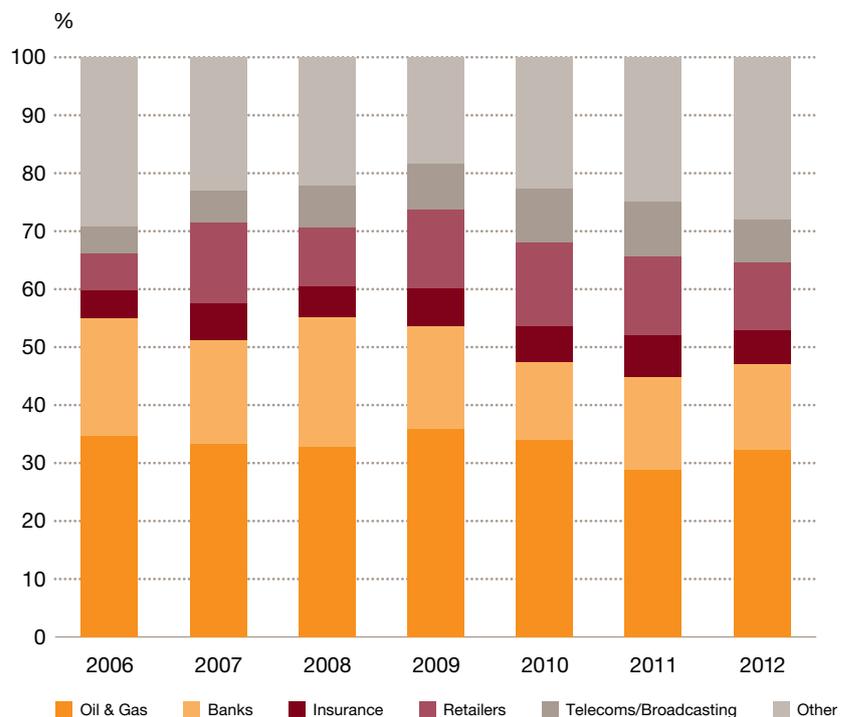
The Hundred Group represent a wide range of businesses as it is a cross-industry organisation. As in previous years, the 2012 results show that certain industry sectors contribute more to the public finances. Oil and gas and the banking sectors continue to make a significant contribution. Retail makes the third largest contribution, while the telecoms and broadcasting and insurance sectors also make significant contributions.

These five main sectors account for 38.3% of the membership of The Hundred Group by number and contribute 71.9% of the Total Tax Contribution.

Figure 30 shows how the proportion of the Total Tax Contribution from the five main industry sectors has changed over time. The contribution from the oil and gas sector has increased since 2011, whilst the contribution from the other four sectors has decreased in comparison.

The oil and gas sector continues to be the main contributor in the 2012 survey period, paying 32.2% of all taxes reported by participants²⁶. This is consistent with Government figures for corporation tax receipts by industry sector. Oil and gas, together with financial services (banks and insurance companies) together contributed 10.3% of total Government corporation tax receipts.

Figure 30: How the Total Tax Contribution by sector has changed over time 2006 – 2012



The chart shows the percentage contribution to the survey results by sector for the years 2006 to 2012.

²⁶ It is important to note that there are different numbers of participants in each sector and that the number of participants in a sector may also vary year by year.

Oil and gas

The proportion of the Total Tax Contribution from the oil and gas sector has increased to over 32.2% since 2011, driven by the increasing price of oil, and the increase in the supplementary charge from 20% to 32% for the whole of the survey period.

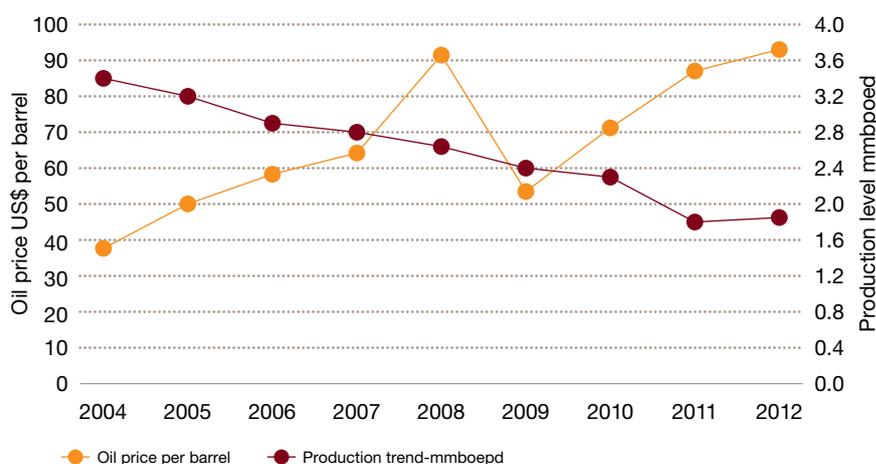
The price of oil increased sharply in 2010 and 2011 and remains high in the latest period. The production profile for the upstream oil and gas sector has seen a downward trend in recent years (although a small increase in 2012) as part of the long term decline related to maturing fields on the UK continental shelf; the sector has contracted by 38.5% between the peak of the economic crisis and 2012²⁷.

Banks

Banks are the second largest contributors, contributing 14.8% of the Total Tax Contribution reported by participants in the 2012 survey. The contribution from the banks is slightly less than that for the 2011 survey (15.8%) due, in part, to the end of the one-off bank payroll tax but countered by the increase in the rate of VAT and NICs.

The first payments of the bank levy were paid in the year to 31 March 2012. The payments were due in quarterly instalments and, owing to the timing of the introduction of the scheme, only three quarterly payments are included in the Government figures for the 2011/12 tax year. For the data submitted by the banks in this survey, only two payments are likely to have been made in the period covered by their 2011 accounts so that the amount of bank levy included in the survey does not represent a full year of payments.

Figure 31: Oil price and production trends



Source: 2012 Oil & Gas UK activity survey

The chart shows trends in oil prices per barrel and production level.

Since the start of the financial crisis the financial sector overall has contracted by 12.5% in real terms due to the economic situation and post-crisis deleveraging²⁸.

Retailers

Retailers have made the third largest contribution to the Total Tax Contribution at 11.6% of the total for participating members, and account for 15.6% of the corporation tax.

Participating companies from the retail sector have seen an increase of 1.4% in employee numbers since 2011, the only sector apart from oil and gas to see an increase, which has affected both taxes borne and taxes collected in terms of PAYE and NICs.

Retailers have also been affected by the increase in the business rate multiplier.

Insurance

The insurance industry accounted for 5.9% of The Hundred Group Total Tax Contribution and has been a steady contributor at approximately this level over the eight years of the survey.

The insurance industry has been affected by the financial crisis with a reduced level of transaction activity leading to lower corporation tax and stamp duty payments. The industry has also been affected by the volatility of the stock market which has affected the price of shares underlying life assurance transactions.

Telecoms and broadcasting

Telecoms and broadcasting contributed 7.4% to The Hundred Group Total Tax Contribution. This is a decrease compared with 2011 but higher than 2006 when payments from this group were 4.7% of the total. This sector has also been affected by the rate rises for the cumulo rates, which are levied on networks.

²⁷ Autumn Statement 2012, para 1.12, 5 December 2012.

²⁸ Autumn Statement 2012, para 1.12, 5 December 2012.

How companies are using their Total Tax Contribution data



Each member of The Hundred Group participating in the survey receives an individual report on their Total Tax Contribution which details all of the taxes borne and collected and the wider contribution made. These reports benchmark payments against other participating companies by size of payment, as well as showing the individual taxes borne and collected profiles.

The survey asked participants how this information is used and figure 32 summarises the answers to this question for the 2012 survey.

The most popular use of companies' Total Tax Contribution data continues to be for internal communications, with 64% of the companies using it to share information internally amongst departments responsible for corporate responsibility, corporate reporting or those responsible for external relations. 59% of companies use it to brief the board on UK taxes, an increase of approximately 8% on the 2011 survey. The number of companies using their Total Tax Contribution information to highlight the importance internally of taxes other than corporation tax has stayed broadly the same as in 2011 at 56%.

Companies also use the data in their relations with Government and HMRC, with 35% of companies using the data in discussions with HMRC, compared to 32% in 2011. 26% of companies use the data to lobby against tax changes on their own account, or as part of a trade association or business group.

The number of companies reporting use of their Total Tax Contribution information in relation to their tax strategy or risk management is 37% and 27% use it to assist the Senior Accounting Officer sign-off, an increase of 1% since the 2011 survey.

The number of companies using the data in their wider public relations and external relations activities has increased by 10% since 2011. In addition, the use of the data for corporate reporting purposes has increased by 5 percentage points to 23%. These two categories show the biggest increase on 2011, and continue a trend identified in the 2011 survey. This is perhaps unsurprising as pressure groups, the media and civil society organisations have served to keep tax in the public eye with calls for increased transparency and disclosure.

Figure 32: How companies are using their Total Tax Contribution data

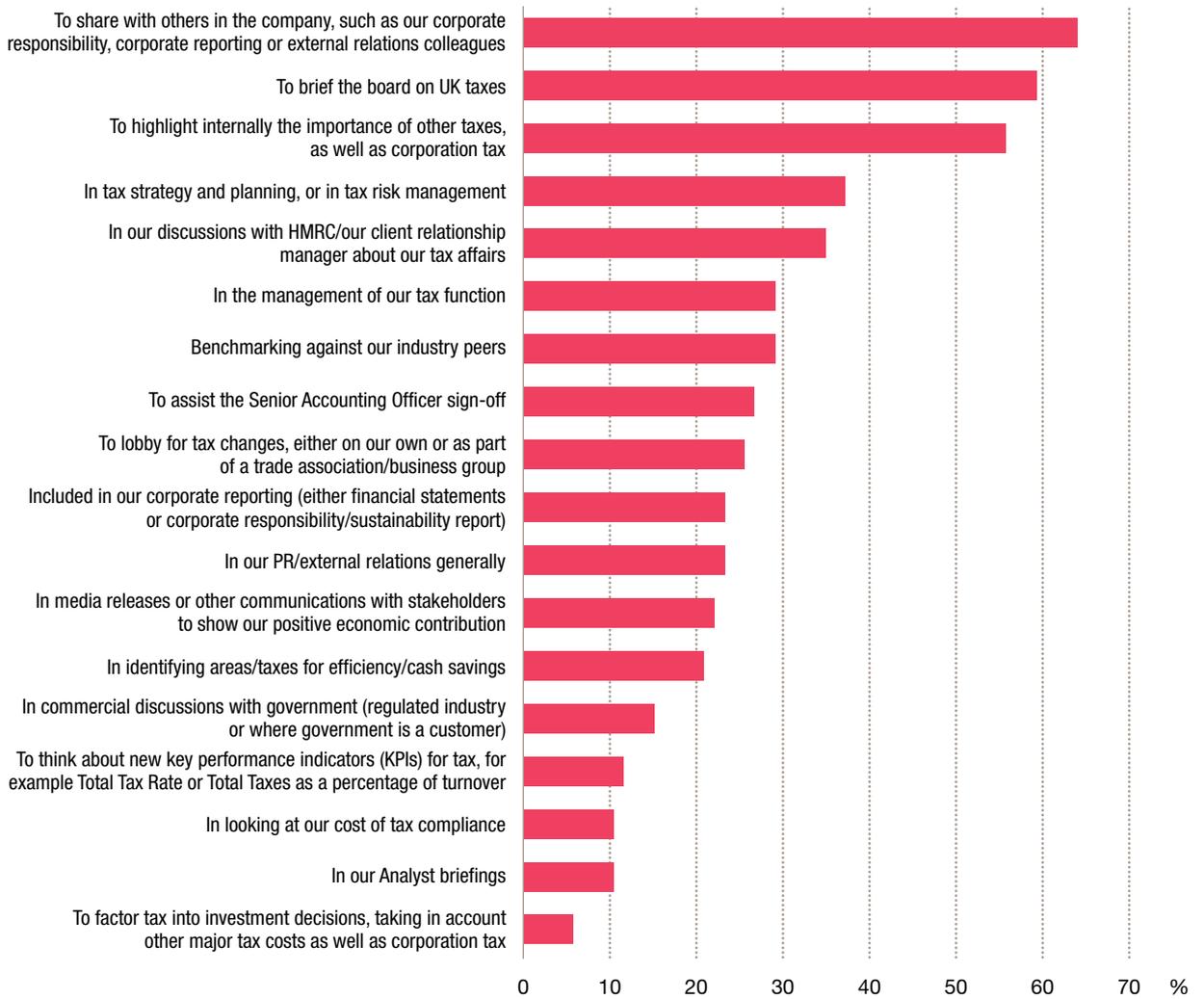


Chart shows the percentage of companies using their data as described.

Business perceptions of recent Government tax policy

For the first time participating members of The Hundred Group were asked to give their view on current Government fiscal policy as part of the 2012 survey. The survey questionnaire posed six questions focussed on current and proposed changes to the UK tax system. The results are set out in figure 33.

The strongest agreement from members of The Hundred Group, from over 90% of those who responded, was that the reform of the controlled foreign companies' regime would encourage businesses to use the UK as the location for their head office or other activities. The Government aims for the UK to have "the most competitive tax system in the G20"²⁹ and Finance Act 2012 introduced the revised controlled foreign companies' regime and the patent box (which will be effective for accounting periods beginning on or after 1 January 2013 and income arising on or after 1 April 2013 respectively). 88% of respondents considered that the patent box regime would improve the competitiveness of the UK.

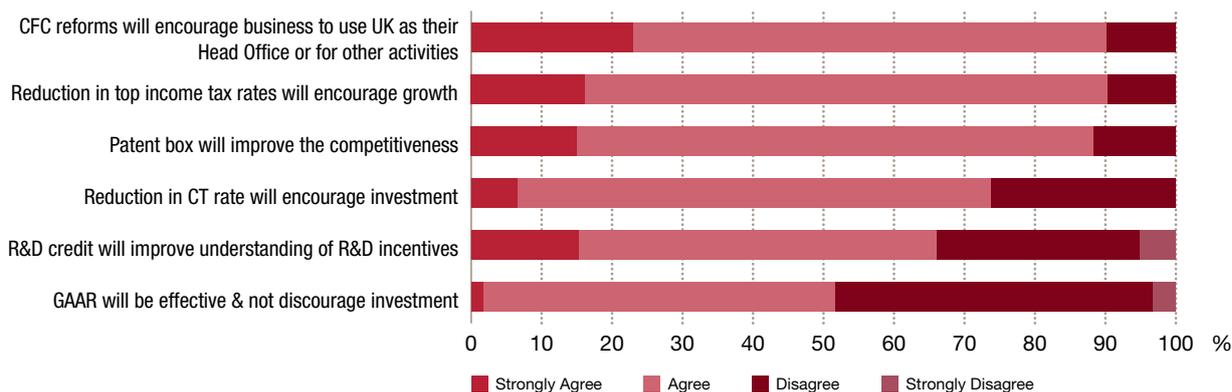
In 2010 the 50% additional rate of income tax was introduced, which will reduce to 45% from April 2013. Over 90% considered that the planned 5% reduction would not only improve competitiveness but also encourage both growth and entrepreneurship.

The rate of corporation tax has reduced in the survey period to 26%, with an accelerated reduction to 24% from 1 April 2012 and further cuts planned to give a 21% main rate by April 2014. 74% of respondents considered that the reduction in the corporation tax rate would encourage investment.

The Government intends to introduce an 'above the line' research and development (R&D) tax credit from 1 April 2013, designed to support investment in R&D by large companies in the UK by ensuring that the tax impact of R&D investment can more easily be considered in the decision making process. Approximately 65% of participants considered that this measure will achieve its aim of improving understanding of R&D incentives.

29 See, for example David Gauke MP, Exchequer Secretary to the Treasury, speech "UK tax reform, a model for the US". 11 October 2012

Figure 33: Perception of current government policy initiatives



Following a period of consultation, the Government is to introduce a general anti abuse rule (“GAAR”) from late July 2013 to counteract ‘abusive tax avoidance schemes’³⁰. Only 50% of participants believe that this measure will be effective in achieving its aim of tackling abusive tax avoidance whilst maintaining the UK’s attractiveness as a location for business investment. This is perhaps not surprising as at the time the survey was carried out, the full details of the GAAR were not known, and concern was expressed that such a general rule will create more uncertainty for business and has the potential to impact arrangements that were not intended to be captured.

Participants were also given the opportunity to put forward suggestions for future tax policy and a number of interesting suggestions were made including a moratorium on changes to the tax system for twelve months to introduce a period of stability, and calling for greater simplicity in the UK tax system, especially where positive policy initiatives translate into long and complex legislation.

³⁰ “A general anti-abuse rule – consultation document” HMRC 12 June 2012.



Looking forward

Following the global financial crisis, while there have been some signs of economic recovery there has not been a consistent picture painted by the various economic indicators. There are still significant challenges ahead with a continuing Eurozone crisis, economic activity in the US still being sluggish and slowing in China, and ongoing civil unrest in the Middle East and North Africa.

Recovery in the UK has not been as fast or as consistent as initially forecast and there is continued pressure on Government to implement measures to increase the competitiveness of the tax system and encourage inward investment, while at the same time continuing to raise revenue to assist with the need to reduce the large public sector deficit. Alongside these issues Government spending cuts, a loss of public trust in business and concerns over whether companies are paying the 'right amount of tax' have intensified the calls for greater transparency both for Government and business.

Against this backdrop, the data collected through this survey will continue to be important to facilitate an assessment of how policy measures impact the largest businesses in the UK and in turn the public finances. Assessing the various measures looked at in this report will be part of this.

In next year's survey we can expect to see the impact of the fall in the corporation tax rate to 24%, the higher bank levy, and the implementation of the new CFC regime.

In later surveys the impact of the patent box, new R&D reliefs, the GAAR, and the fall in the top rate of personal income tax will be captured along with the most recent announcements by Government on further reductions in the main rate of corporation tax.

Appendix I

List of taxes borne and collected in the UK

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

Appendix II

Taxes borne and collected by participants on the 2012 survey

Taxes borne	£s 2012	% of tax receipts
Taxes on profits (profit taxes)		
Corporation tax	7,555,976,979	17.9%
Petroleum revenue tax	712,241,122	35.6%
Betting and gaming duty	84,236,149	5.3%
Taxes on property (property taxes)		
Business rates	3,891,497,445	15.3%
Stamp duty land tax	142,283,517	2.3%
Stamp duty and stamp duty reserve tax	109,199,973	3.9%
Bank levy	725,688,921	45.4%
Taxes on employment (people taxes)		
PAYE agreements (tax on benefits)	113,074,233	0.1%
Employers' national insurance contributions	5,793,961,807	5.7%
Taxes on consumption (product taxes)		
Irrecoverable VAT	3,173,959,113	2.8%
Insurance premium tax	34,239,311	1.2%
Customs duties	379,717,796	13.1%
Air passenger duty	35,107,559	1.4%
Vehicle excise duty	65,888,742	1.1%
Environmental taxes (planet taxes)		
Landfill tax	32,485,503	3.0%
Aggregates levy	52,417,936	17.5%
Climate change levy	129,643,906	18.5%
Congestion charge	3,667,834	-
Total	23,035,287,846	4.2%
Taxes collected		
Taxes on profits (profit taxes)		
Tax deducted at source	2,058,828,797	4.9%
Taxes on property (property taxes)		
Stamp duty reserve tax	63,477,752	2.3%
Taxes on employment (people taxes)		
PAYE	12,177,514,686	8.2%
Employees' national insurance contributions	3,309,927,167	3.3%
Taxes on consumption (product taxes)		
Net VAT	7,208,887,388	6.4%
Insurance premium tax	762,551,015	26.3%
Fuel duties	14,135,701,882	52.7%
Tobacco duty	5,381,976,485	56.1%
Alcohol duty	2,408,472,533	23.8%
Air passenger duty	471,000,000	18.1%
Environmental taxes (planet taxes)		
Landfill tax	167,140,741	15.2%
Climate change levy	201,180,710	28.7%
Total	48,346,659,156	8.9%

Appendix III

List of companies invited to participate in the 2012 survey

3i Group Plc	HSBC Bank Plc	Sage Group Plc (The)
Admiral Group Plc	ICAP Plc	Schroders Plc
Aggreko Plc	IMI Plc	Scottish & Southern Energy Plc
Alliance Boots	Imperial Tobacco Group Plc	SEGRO Plc
Alliance Trust Plc	Inmarsat Group Plc	Serco Plc
Amec Plc	Intercontinental Hotels Group Plc	Severn Trent Plc
Anglo American Plc	International Power Plc	Shire Plc
Antofagasta Plc	Intertek Group Plc	Smith & Nephew Plc
ARM Holdings Plc	Invensys Plc	Smiths Group Plc
Associated British Foods Plc	ITV Plc	Standard Chartered Bank
AstraZeneca Plc	J Sainsbury Plc	Standard Life
Aviva Plc	John Lewis Partnership	Tata Steel Limited
BAA Airports Limited	Johnson Matthey	Tate & Lyle Plc
BAE Systems	Kingfisher Plc	Tesco Plc
Balfour Beatty Plc	Ladbrokes Plc	The Capita Group Plc
Barclays Plc	Land Securities Group Plc	The Weir Group Plc
BG Group Plc	Legal and General Group Plc	The Wellcome Trust
BP Plc	Lloyd's of London	Thomas Cook Group Plc
British Airways Plc	Lloyds Banking Group Plc	Tomkins Plc
British American Tobacco Plc	Logica Plc	TUI Travel Plc
British Broadcasting Corporation	London Stock Exchange Plc	Tullow Oil Plc
British Land Company Plc (The)	Lonmin Plc	Unilever Plc
British Sky Broadcasting Plc	Man Group Plc	United Utilities Plc
BT Group Plc	Marks & Spencer Plc	Vodafone Group Plc
Bunzl Plc	Mitchells & Butler Plc	Whitbread Group Plc
BUPA	National Grid Plc	Wm Morrison Supermarkets Plc
Burberry Group Plc	Nationwide Building Society	Wolseley Plc
Cable & Wireless Communications Plc	Next Group Plc	WPP Group Plc
Cable & Wireless Worldwide	Novartis International AG	
Cairn Energy Plc	Old Mutual Plc	
Capital Shopping Centres Group Plc	Pearson Plc	
Centrica Plc	Pennon Group Plc	
Cobham Plc	Petrofac Limited	
Compass Group Plc	Prudential Plc	
Daily Mail and General Trust Plc	Reckitt Benckiser Plc	
Diageo Plc	Reed Elsevier Plc	
Experian	Rentokil Plc	
ExxonMobil International Limited	Resolution Operations LLP	
Friends Life Plc	Rexam Plc	
G4S	Rio Tinto Plc	
GKN Plc	Rolls-Royce Plc	
GlaxoSmithKline Plc	Royal Bank of Scotland Group Plc (The)	
Greenery International Ltd	Royal Dutch Shell Plc	
Hammerson Plc	Royal Mail Group Limited	
Hays Plc	RSA Insurance Group Plc	
Home Retail Group Plc	SABMiller Plc	

Appendix IV

Total Tax Contribution publications



Tax transparency: Communicating the tax companies pay
Published December 2012



Paying taxes 2013: The global picture
Published jointly with the World Bank
November 2012



Corporate income tax – a global analysis:
Understanding regional comparisons
Published October 2012



The unsung heroes of business:
Entrepreneurs and their total tax contribution
Published November 2012



The Total Tax Contribution of UK
Financial Services- fifth edition
Published December 2012



Tax transparency and country-by-country
reporting: An overview and comparison of
the tax transparency
Published August 2012

Appendix V

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