December 2014: *There was record participation in the 10th Total Tax Contribution survey with 103 companies providing data.*

2014 Total Tax Contribution survey for the 100 Group

Rebalancing the tax regime

www.pwc.co.uk/100group

About the 100 Group

The 100 Group represents the views of the finance directors of the 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 over 7% of the UK workforce, and in 2014 paid, or generated, taxes equivalent to 14% 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 157 countries with more than 195,000 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.co.uk.

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Foreword

Welcome to the tenth PwC Total Tax Contribution (TTC) survey of the 100 Group. There has been considerable change in the tax landscape over the last ten years, with increased public interest in how much corporation tax is paid by large companies and the introduction of country-by-country reporting legislation.

In the last year, the pace of change around tax transparency has increased. More companies are making voluntary tax disclosures and 2014 saw the first mandatory country-by-country public disclosures. As companies consider the different requirements of the various country-by-country regimes, it has never been more important to understand the contribution that large companies make to the public finances.

The PwC TTC Framework is simple and well understood and the TTC survey provides robust data on UK tax payments made by 100 Group members, helping to support a constructive discussion with Government on the shape and competitiveness of the UK tax system. It is crucial that the tax system in the UK is internationally competitive as business investment, capital, innovation and skilled people are more attracted by countries where tax systems are stable and competitive.

Over the ten years of the survey, we have seen a rebalancing of the tax regime. The TTC of the 100 Group is at a record high in 2014, despite the fall in statutory rate of corporation tax from 30% to 23% over the period of the survey. Other business taxes, such as business rates, VAT and employment taxes have increased and it is essential to raise public awareness of this changing profile of taxes, to increase understanding of the range of taxes paid by corporates.

This changing profile means that the public finances have become less dependent on corporation tax. There has been a consistent trend away from a tax based on profits towards taxes based on people, production and property.

Back in 2005, 66 companies participated in the TTC survey; in 2014, 103 companies provided data. The record participation demonstrates the continued high level of interest in and backing for the TTC survey by the largest UK companies.

The results from the TTC surveys will continue to demonstrate the contribution that business makes to the economy, and inform dialogue between the 100 Group and Government. We thank the participant companies for their continued support for the survey and encourage business leaders to engage around the tax agenda.

Andrew Packman

Andrew Bonfield

Speech from David Gauke, Financial Secretary to the Treasury, at the launch of the report on 26 November 2014

I am delighted to be joining you here today for the launch of PwC's 2014 Total Tax Contribution Report. As I said in my video message, I think this report is a very useful reminder of the important economic role played by the businesses here today. Along with the PwC Paying Taxes survey published last week, it provides invaluable evidence for us to draw on in shaping tax policy.

Tax has always been crucial to how our businesses and our economies run. And tax is something people have an opinion on – and they're not afraid to express it! Especially when it is about the eternally fascinating subject of how much other people and organisations pay.

So, in a time when tax is arguably a higher-profile issue than ever before, it's important that the policy debate is as informed as possible. For example, some people see corporation tax as a tax on large faceless corporations – abstract and slightly malign entities. And it's very easy to tap into a certain narrative about "big bad multinationals". That would be to forget one vital thing. The cost of corporation tax is borne by a combination of shareholders, employees and the customer. Higher corporation tax tends to lead to a combination of higher prices, lower wages and lower shareholder returns.

Everybody is affected in some way. It's for this reason there is a broad consensus that CT is one of the most distortive and growth damaging taxes. As the OECD have said: "Corporate income taxes are the most harmful for growth as they discourage the activities of firms that are most important for growth: investment in capital and productivity improvements." So it is no surprise that in the past couple of decades we have seen countries across the world cut their corporation tax rates.

Globally, the long-term trend is clear:

- the Paying Taxes survey shows a decrease in the global average total tax rate from 53% in 2004 to 42% in 2013
- no G7 country has increased Corporation Tax since 1997
- closer to home, the last time the UK increased the rate of corporation tax was back in the 1960s

The Paying Taxes survey suggests that globally, cuts in profit taxes have plateaued slightly since 2010.

This is unsurprising given the fiscal challenges most governments have faced since the financial crisis. But on competitiveness, while other countries may have paused, the UK has progressed. Since 2010 we have delivered record reductions in corporation tax. The rate has been cut from 28% to 21%. Next year it will be 20%, the lowest rate ever in the UK, the joint lowest rate in the G20. We did this to support and accelerate the recovery – as part of a broad programme of measures designed to get the growth and investment this country needs. It's been a central part of the government's long term economic plan. And that plan is undoubtedly working. The UK is forecast to be the fastest growing major advanced economy this year.

The latest figures we have show business investment increasing 11% in the space of 12 months. And employment is at record levels. If you compare the UK to other countries which have not shown our appetite for structural reform or our focus on improving competitiveness, I think you can see some clear economic lessons. Over 2014 and 2015, the UK is forecast by the IMF to grow over four times as fast as France – and twice as fast as even Germany! In France, unemployment has remained at just over 10% since late 2012 and has crept upwards earlier this year – in contrast to the UK, where it is down to around 6%. The government recognises that we're operating in a highly globalised economy, where businesses, capital and labour are extremely mobile. And in such an environment, tax competition is inevitable.

Countries will compete with each other to attract investment. And talented individuals will quite rightly shop around for the best environment in which to live and work. So we have taken great strides to make the UK more competitive and better equipped for the global race. And we are seeing the results.

But we know that any competition needs to be fair. The UK government wants an international system with fair rules that ensures all companies pay their share – a system where it isn't possible for a company to play one country off against another so it pays barely any corporation tax at all. Delivering this requires action at an international level. The Paying Taxes study reports that nearly two thirds of CEOs around the world say the international tax system is in urgent need of reform. We agree. That's why we've taken a lead role so far on the international stage through the Base Erosion and Profit Shifting – or BEPS – project. This project marks a huge opportunity to reform the international tax rules so they are fit for the 21st Century. And – most importantly of all – it gives us a chance to create international rules the public can have confidence in. So I am pleased with the way BEPS is progressing – it's an important step towards a fairer and fitter international tax system.

Going back to the surveys, there are two final points I would like to make. First, we know the burden borne by business goes beyond corporation tax, and differs from sector to sector. The Tax Contribution report illustrates this very well, and it is something we are alive to as a government.

But we are committed to listening to businesses, hearing what works, what doesn't, and having a conversation about how we can become even more competitive.

At Autumn Statement last year, businesses told us their biggest concern was business rates. We listened, and we launched a £1 billion Business Rates package with particular help for the retail sector. At Budget this year, meanwhile, businesses told us their greatest concern was energy prices. Again, we listened, and launched a £7 billion package of measures to reduce energy costs for households and businesses, which included specific support for energy intensive industries. We are a listening government – and where necessary we will act. The second point I would like to make is this: we still have a long way to go.

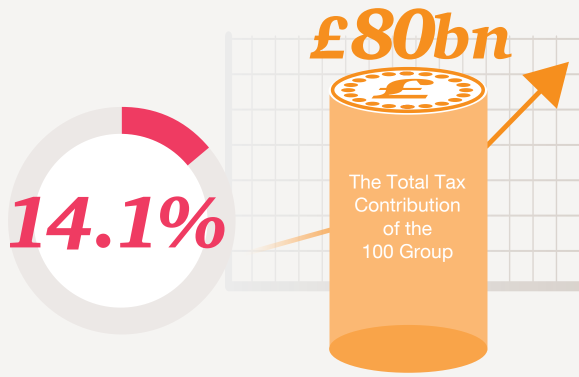
The report shows how your tax contributions roughly mirror the trajectory of the economy. So although we are making good progress, we should not forget that the economy has only just recovered to pre-crisis levels. The fiscal position remains challenging. We have seen weaknesses in some of our major sectors – the report mentions, for instance, how tax receipts from the oil and gas sector, which are always volatile, have fallen rapidly in the past two years. So over the coming years the government will need to continue to focus relentlessly on tackling the deficit and driving economic growth. Your businesses, the jobs and investment you provide, the sales and activity you generate, and the taxes you pay, will have a major role to play in securing this growth. For our part, we will continue to make sure that you have as competitive an environment as possible in which to succeed.

Thank you.

Key findings

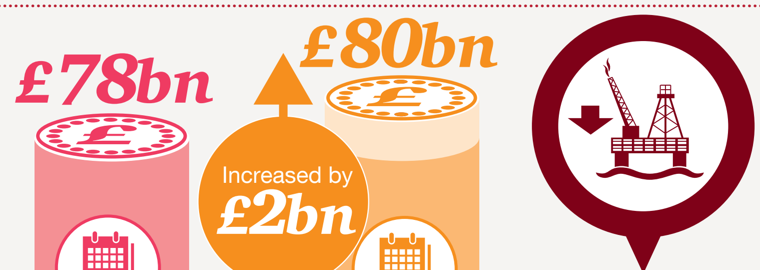
Total Tax Contribution in 2014

We estimate the TTC of the entire 100 Group membership to be £80 billion, a record high since the survey began in 2005. This is 14.1% of total government receipts. The tax payments made by these companies have returned to pre-financial crisis and pre-recession levels.



Trend in TTC from 2013 to 2014

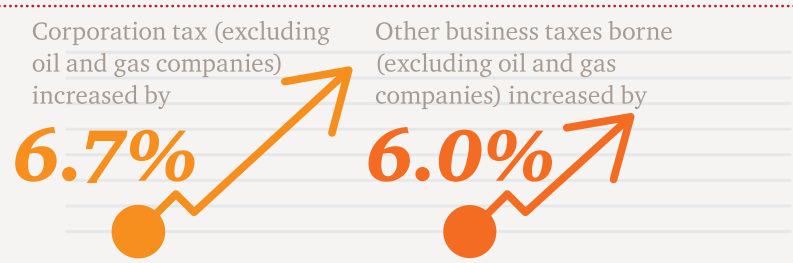
The Total Tax Contribution has increased by £2 billion (2.1%) compared to the 2013 survey results. Taxes borne increased by 0.1%, driven by increases in bank levy, irrecoverable VAT, employers NI and business rates which offset falls in corporation tax and petroleum revenue tax. Taxes collected increased by 2.9% driven by increases in PAYE and net VAT.



This includes the impact of the lower statutory corporation tax rate and falling profit tax receipts from the North Sea.

Corporation tax

There is a fall in corporation tax between 2013 and 2014 which is driven by the reduction in receipts from the oil and gas sector. Excluding oil and gas companies corporation tax increased by 6.7% and other business taxes borne increased by 6.0%.



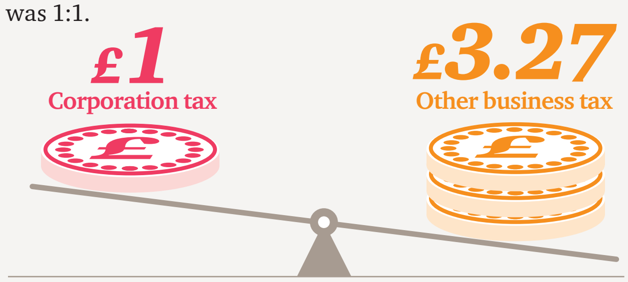
Wider economic contribution

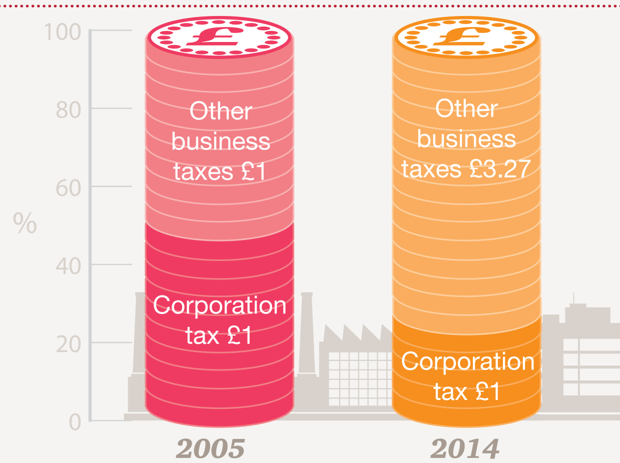
The 100 Group members' contribution extends beyond taxes. We estimate the 100 Group employed 2.2 million people in the survey period, accounting for 7.1% of the total UK workforce, paying an average wage of £31,929 and average employment taxes of £11,214. Compared to 2013, the number of employees increased by 1.2% and wages by 4.3%. The participant companies spent a total of £29 billion on capital investment and invested £8 billion in Research and Development for the 2014 survey period.

* *Aggregated for companies who submitted data.*

Changing profile of taxes borne

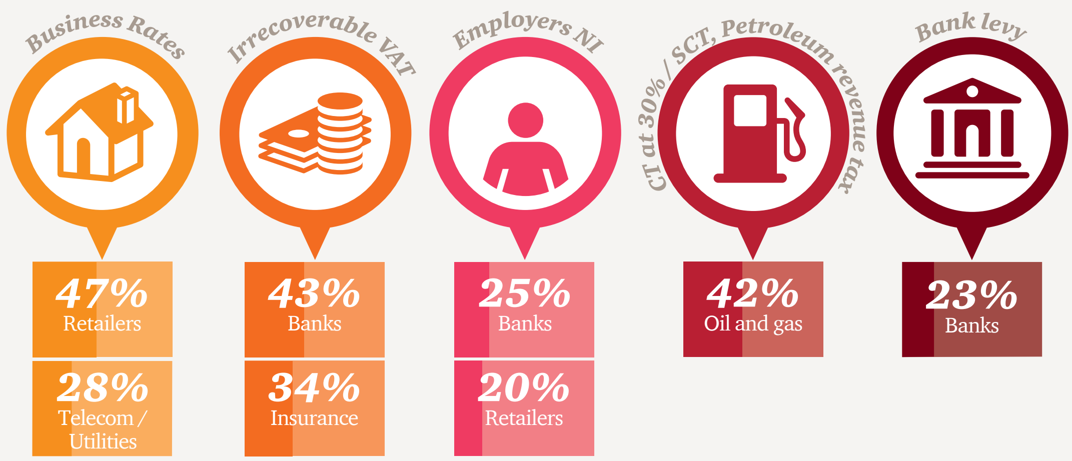
The profile of taxes borne continues to move from corporation tax to other business taxes. For every £1 of corporation tax, there is another £3.27 in business taxes. In 2005, this ratio was 1:1.





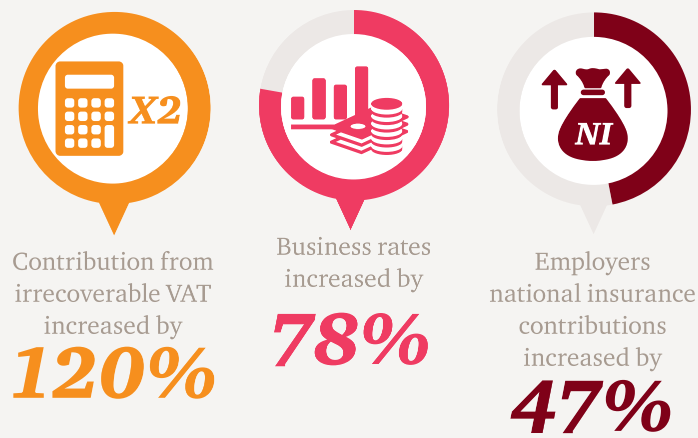
Rebalancing the tax regime – the impact of different taxes

Different business taxes make up a significant element of taxes borne for the largest sectors in the 100 group. The bars show the percentage each tax makes up of taxes borne.



Trends from 2005 to 2014

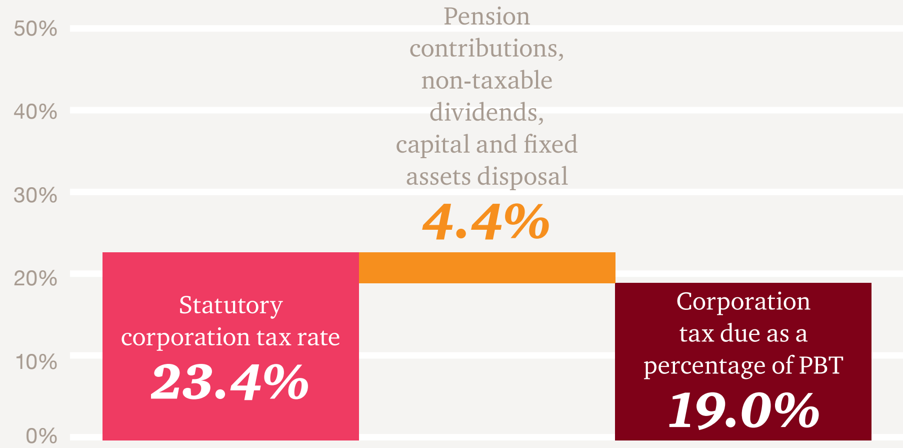
Looking at the trends in individual taxes between 2005 and 2014, irrecoverable VAT has more than doubled largely driven by an increase in rate of VAT to 20% in 2011 together with changes in the EU VAT system in 2010, and business trends and legislative/ case law changes in the FS sector which resulted in increased input VAT. Business rates went up by 78% mainly driven by increasing multipliers, rateable property values and growth in the retail sector between 2005 and 2014. Employers NIC increased by 47% as a result of increased rates in 2011 and increasing employee numbers and wages.



Accounting profit and taxable profit

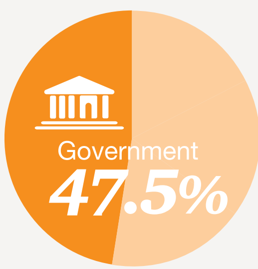
We also asked the participants to provide information on the major adjustments between accounting profit and taxable profit. 77 companies provided data.

Additions to UK Profit Before Tax included depreciation, impairments and non deductible expenses. Deductions from UK PBT included capital allowances, capital and fixed asset disposals, non taxable dividends and pension contributions. The net adjustment was a reduction of 4.4%.



Value Distributed

Compared to value distributed to employees, for financing, and profit retained within the business, Government is still the largest beneficiary of the value distributed by the 100 Group participants at 47.5%.



Participation in the tenth survey

Participation in this year's TTC survey was a record, with 103 companies providing data.

The Total Tax Contribution (TTC) survey is designed to collect robust data on all taxes that companies pay. TTC data is quantitative data on actual taxes paid and helps to inform the debate about the UK fiscal landscape, demonstrating how fiscal policy impacts the contribution made by large business to the UK public finances.

As voluntary disclosure of meaningful information about tax increases in the UK[1], more companies are considering whether public disclosure could better inform the debate and explain the impact that they have in the economies where they operate. Looking at 2013 year ends, 24 companies in the FTSE100 disclosed details of their TTC.

The 2014 survey is based on data collected from the 100 Group members for their accounting periods ending in the 12 months to 31 March 2014. 59% of participants have a December year end, 21% have a March year end and the remaining companies have other year ends spread throughout the survey period.

The TTC surveys have always been well supported by the 100 Group members since the survey started in 2005 (figure 2). In the first year of the survey, 66 participants provided data. In 2014, 103 companies provided data, many reporting that they found the results useful for both internal and external communication. A full list of all companies invited to participate in 2014 Total Tax Contribution survey is included in Appendix 1[2].

The TTC surveys for the 100 Group use the PwC TTC methodology, which looks at taxes borne and taxes collected. Taxes borne by a company are those that represent a cost to the company and which are reflected in its financial results e.g. corporation tax, employers NIC and business rates etc.

Taxes collected are those which are generated by a company's operations, but do not impact on its results, e.g. income tax deducted under PAYE and net VAT etc. The company generates the commercial activity giving rise to the taxes and then collects and administers them on behalf of HMRC. We have identified 25 business taxes in the UK under the TTC methodology in 2014.

The survey collects data from 100 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 undertakings as to the accuracy of the survey results. Data was extrapolated to provide an estimate of the TTC of the membership of the 100 Group as a whole. All ten TTC surveys with the 100 Group use the same methodology which enables the results to be compared.

This report focuses on the contribution made in taxes borne, taxes collected, the wider economic contribution, and includes the views of the companies on the current and future UK tax regime. It looks at the trends over the last 12 months and the last decade, highlighting the changing tax profile and how the changing economic environment and legislation have impacted the trends. The data collected by the survey is not available elsewhere and therefore provides a valuable resource for business, Government and other stakeholders.

[1] *Tax Transparency 2014: Responding to the Tax Transparency debate.*

[2] *This includes all companies that have contributed data in TTC surveys conducted for the 100 Group and have been members.*

Figure 1: 103 companies provided data for the 2014 survey

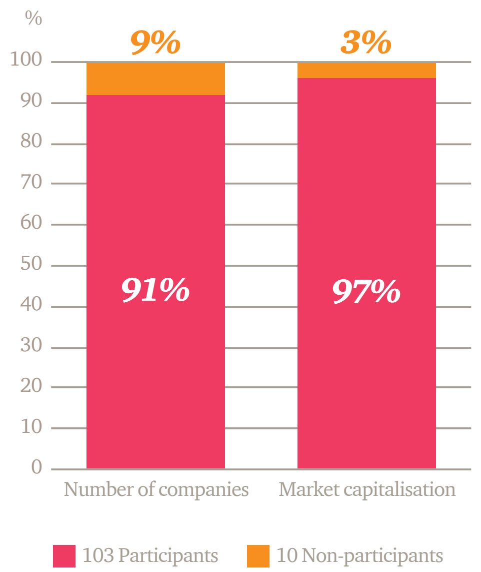
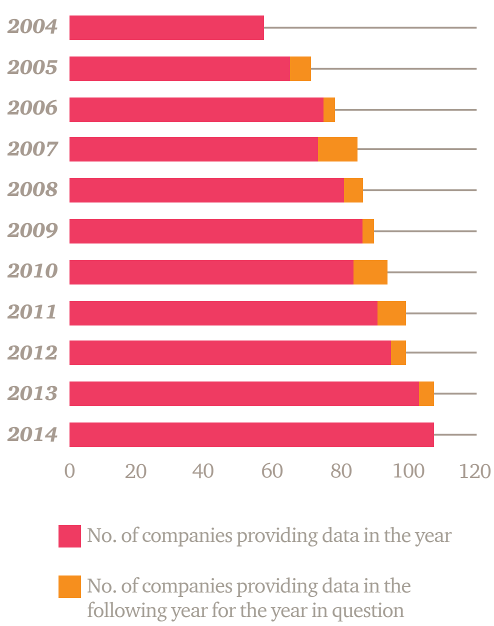
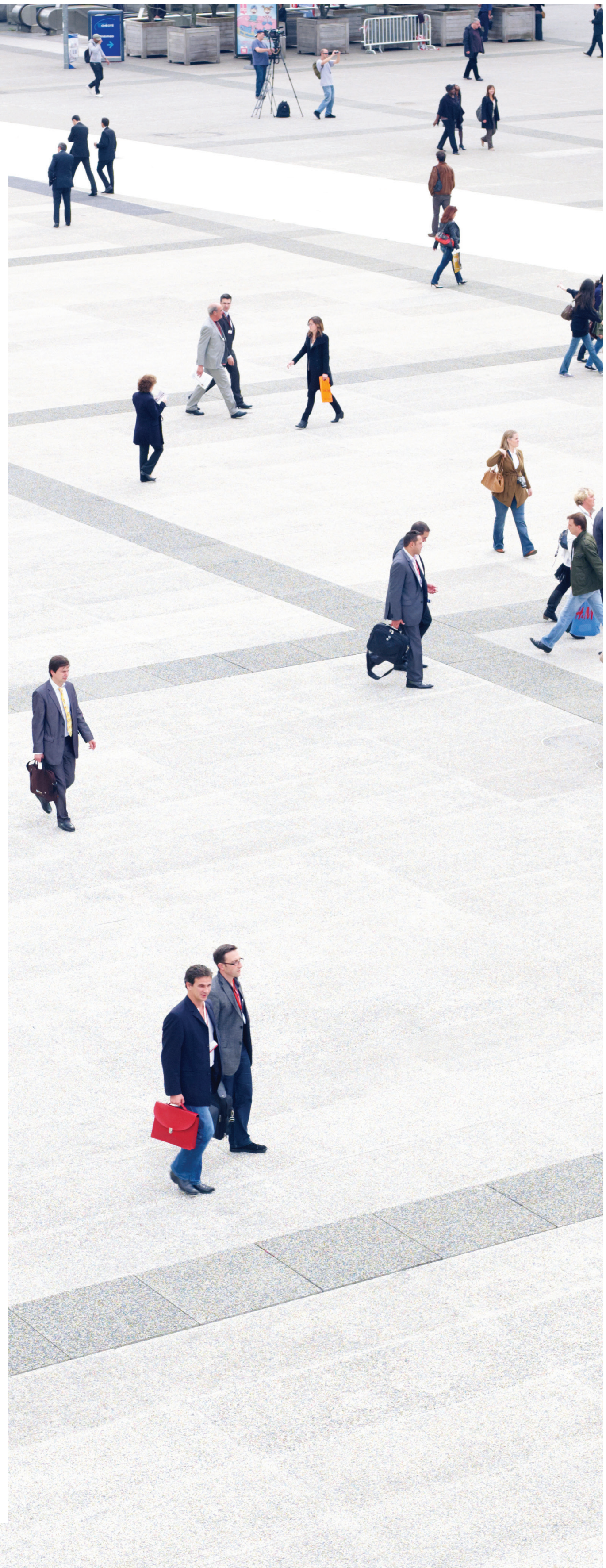


Figure 2: The number of participants in each year of survey





Total Tax Contribution of the 100 Group in 2014

The 100 Group members make a significant contribution to the UK public finances. We estimate the 2014 Total Tax Contribution for the 100 Group to be £80 billion for the entire membership.

Survey participants provided data on taxes paid totaling £76.4bn. After extrapolation to all members, the TTC is estimated to be £80bn which represents 14.1% of Government receipts for the year ended 31 March 2014 (figure 3). This is a similar level compared to the 2013 survey, reflecting the continuing importance of these companies to UK Government receipts (figure 4).

We estimate taxes borne of £23.5 billion and taxes collected of more than double that amount, £56.4bn.

Within taxes borne, we estimate corporation tax of £5.5bn, 13.7% of Government corporation tax receipts and employment taxes of £25.4bn, 9.8% of Government receipts of employment taxes.

Other business taxes paid, in addition to corporation tax, account for 93% of the TTC for the 2014 survey but there is often little visibility over other business taxes borne and collected.

Under the PwC Total Tax Contribution methodology we have identified 25 UK business taxes. Of these, there are 21 business taxes borne (including corporation tax) and 13 business taxes collected.

Employment tax is the largest tax borne at 28.2% of the total, and corporation tax is the second largest tax borne at 23.4% (figure 5). For every £1 of corporation tax, £3.27 is paid in other business taxes borne. In 2013, this ratio was £1 of corporation tax to £2.86 of other business taxes borne.

Employment taxes are the largest taxes collected (PAYE 24.8% and employees NIC 6.9%) followed by fuel duties 26.7% (figure 6). For every £1 of corporation tax, there is £10.25 of taxes collected.

Figure 3: Total Tax Contribution of the 100 Group 2014

	Survey participants (£m)	Extrapolated to the 100 Group (£m)[1]	Percentage of Government receipts[2]
Corporation Tax	5,317	5,507[3]	
Other Taxes borne	17,392	18,000	
Taxes borne	22,709	23,507	4.1%
Taxes collected	53,715	56,449	10.0%
Total tax contribution	**76,424**	**79,956**	**14.1%**

1 Extrapolation has been carried out on a conservative basis using data on corporation tax from published accounts where available or data on revenues, and applying ratios from companies in the same industry sector.

2 The Office for Budget Responsibility (OBR) – Economic and fiscal outlook alongside Budget 2014. Table 2.8 Current receipts (on a cash basis)

3 Extrapolated corporation tax payments (£5,507m are 13.7% of Government receipts of corporation tax).

Figure 4: Total Tax Contribution of the 100 Group 2013 and 2014

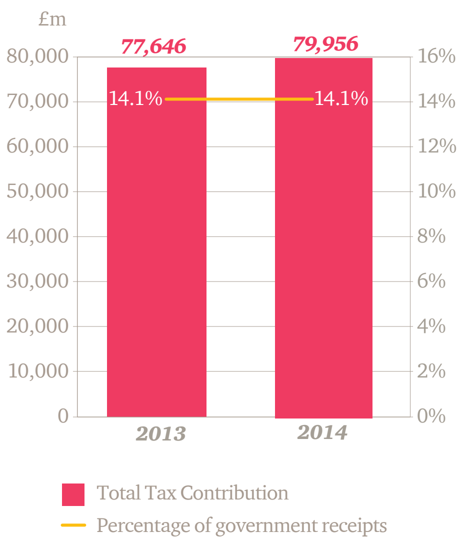


Figure 5: Taxes borne by percentage 2014

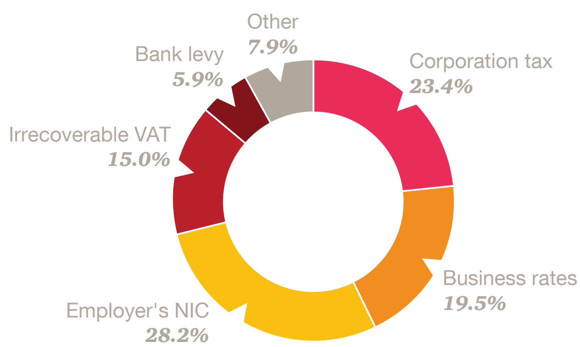
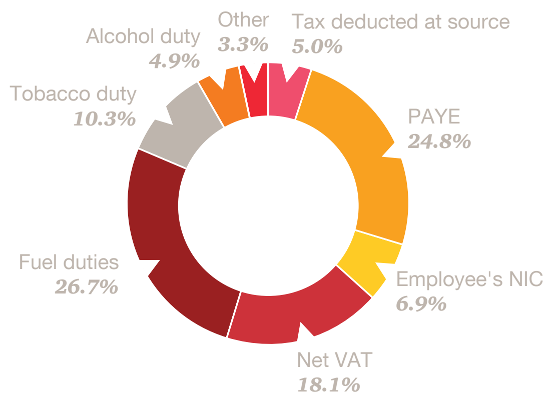


Figure 6: Taxes collected by percentage 2014



The changing profile of tax

We estimate the 2014 Total Tax Contribution of the 100 Group to be £80 billion, a record high since the survey began in 2005. The TTC has returned to pre-financial crisis levels. The contribution of the 100 Group members as a whole is £79.6 billion in the 2014 survey which is an increase of over £1 billion compared to £78.5 billion in 2007 before the recession.

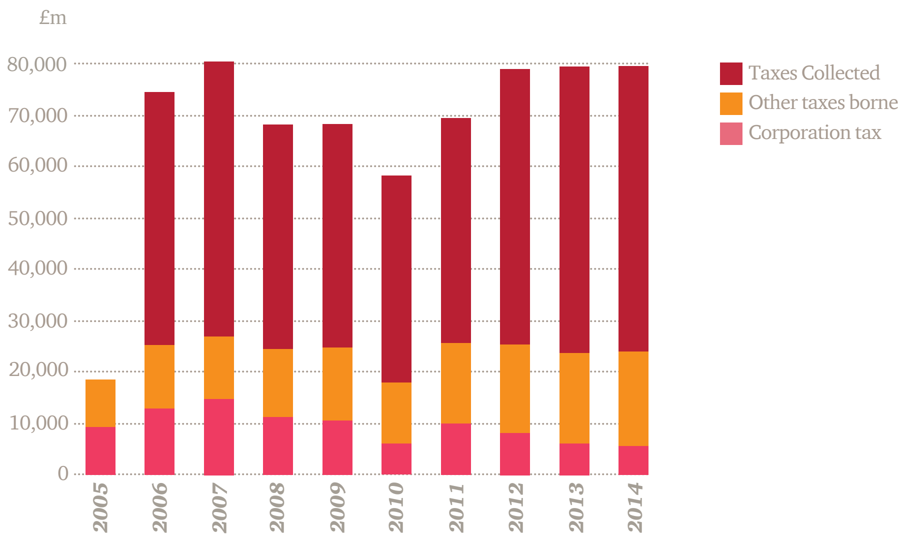
Other taxes borne in the 2014 survey are at the highest level since the survey began, at £18 billion (extrapolated). This is over £6.1 billion higher than the pre-financial crisis level of £11.8bn in 2007 and almost double the amount paid in the first survey back in 2005. Taxes collected are also since the survey began at a record high, at £56.4 billion. This is over £4.2 billion higher than before the financial crisis (figure 7).

Over the 10 years of the survey, a major finding is the change in profile of taxes borne (figure 8). The contribution made to total taxes borne by taxes other than corporation tax is far greater in 2014 when compared with 2005. This changing profile for the 100 Group suggests that the public finances have become less dependent on corporation tax. There has been a consistent trend away from a tax based on profits to taxes based on people, production and property.

Corporation tax is now no longer the largest tax borne by the 100 Group members. Employers NI became the largest tax borne for the first time in 2013, and it remained the largest cost for the participating companies in 2014. Business rates and irrecoverable VAT have also become a larger proportion of taxes borne compared to previous survey periods.

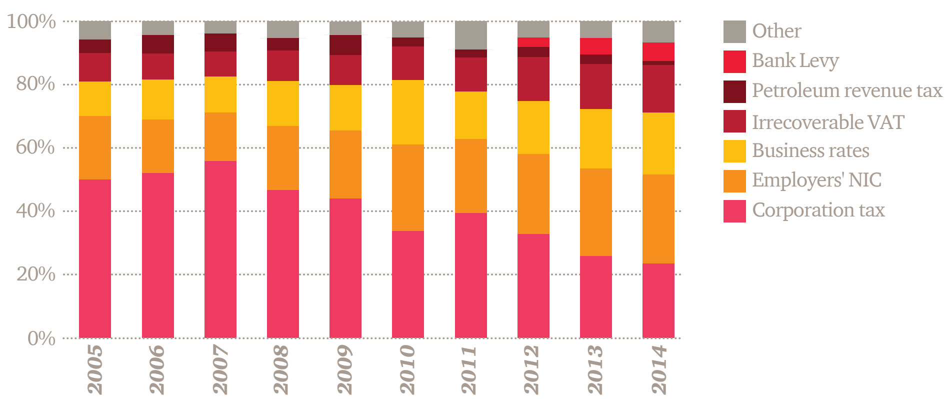
The profile of taxes collected (figure 9) has remained more stable since 2006 (the first year that data on taxes collected was requested). The contribution from PAYE has increased while excise duties has decreased.

Figure 7: Total Tax Contribution for the 100 Group 2005 to 2014



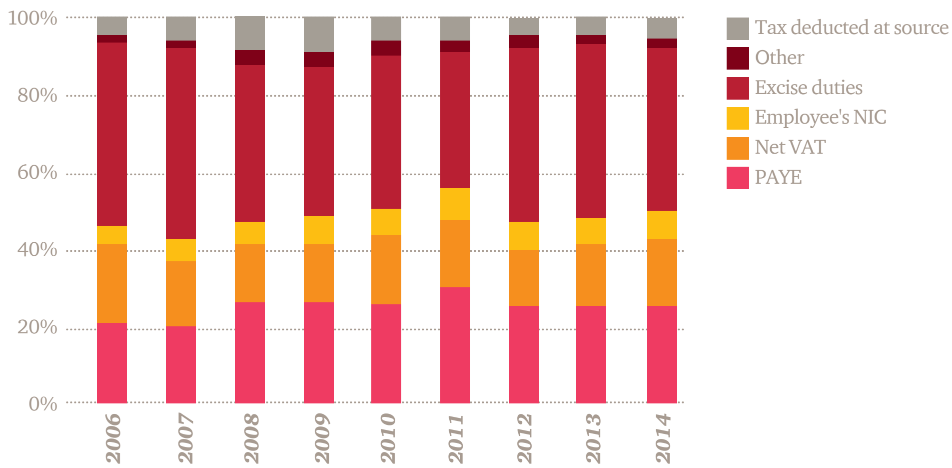
The chart is based on extrapolated data from each survey. No data on taxes collected in 2005.

Figure 8: Profile of taxes borne 2005 to 2014



The chart is based on data from survey participants in each survey.

Figure 9: Profile of taxes collected 2006 to 2014



The chart is based on data from survey participants in each survey. No data on taxes collected in 2005.

Over ten years, the TTC survey has collected an extensive bank of data on tax payments by the 100 Group members. Forty three companies have provided data in all the surveys we have undertaken. This enables us to look at the trends in their results on a like for like basis.

As the debate around how much tax the largest companies pay continues, it's important to raise awareness of the other business taxes that they pay, and figure 10 shows how the amounts of business taxes paid have changed over time. While the amounts paid of other business taxes borne have increased corporation tax paid has fallen. The impact of the recession on corporation tax is evident in 2010, together with falling corporation tax rates between 2010 and 2014. In addition, reduced corporation tax payments from the financial services sector due to brought forward losses and from the oil and gas sector due to lower oil prices, production levels, and high capital investment, contributed to this trend from 2010 to 2014. As expected, other business taxes borne which are not so dependent on profit are less volatile, particularly around the recession, being a more stable source of revenue for the Government. Other taxes borne have increased by 73% over the 10 year period showing the shift in emphasis from corporation tax. Changing rates of tax as a result of successive government policies have contributed to these trends.

Looking at the trends in individual taxes between 2005 and 2014, irrecoverable VAT has more than doubled as shown in figure 11. This is largely driven by an increase in the rate of VAT to 20% in 2011 together with changes in the EU VAT system in 2010, and business trends and legislative/case law changes in the Financial Services sector which resulted in increased input VAT. Irrecoverable VAT arises because input VAT is not deductible for those companies which make exempt supplies, for example those in the financial sector. Business rates increased by 78%, driven by increasing multipliers, rateable values and growth in the retail sector. Employers national insurance contributions increased by 47%, a result of increased rates in 2011 and increasing employee numbers and wages.

The average Total Tax Rate (TTR) for 100 Group companies taking part in the 2014 survey is 41.4% as shown in figure 12.[3] The TTR is a measure of the cost of taxes borne in relation to profitability. It is calculated for total taxes borne (corporation tax plus all other taxes borne) as a percentage of profit before total taxes borne. The TTR rose to a peak in 2009 when profits fell at the height of the recession and then fell back as the economy and profitability recovered.

In 2014 there was an upturn in the economy with the result that the TTR fell for 100 Group members. This is because, while profits increase, other business taxes (which are not linked to profit) do not go up in line with that increasing profitability and thus they become a relatively smaller percentage of the total. There is also a time lag between increasing profits and Corporation tax paid on those profits, which contributes to the fall in TTR.

[3] *Mean average. The median was 37.0%. The range of results in 2014 was 0.7% to 399.6%.*

Figure 10: 2005 to 2014 trends in taxes borne – Corporation tax, other taxes borne, total taxes borne

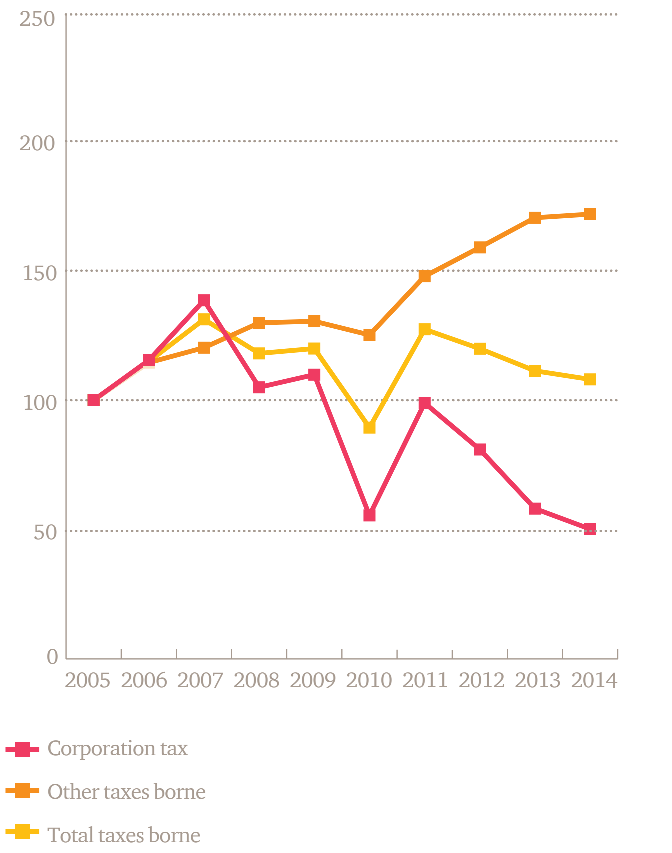


Figure 11: 2005 to 2014 trends in taxes borne – irrecoverable VAT, business rate, employers' NIC

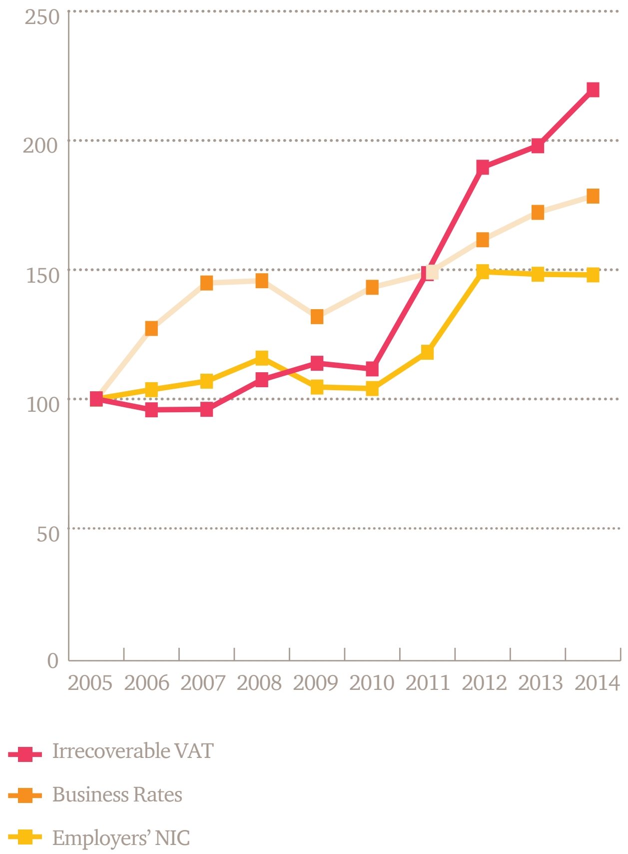
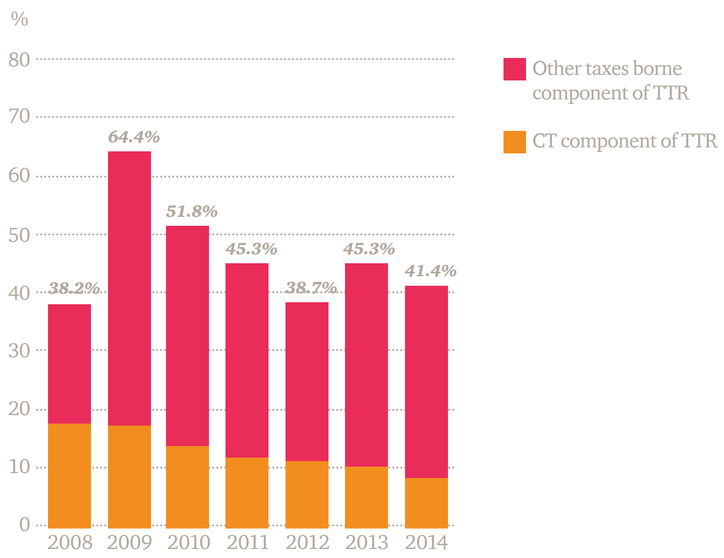


Figure 12: Total Tax Rate 2008 – 2014



Trend in Total Tax Contribution between 2013 and 2014

Taxes borne and collected by companies in the 100 Group increased by 2.1% compared to 2013.

Ninety-eight companies provided data for both 2013 and 2014 surveys and we are able to analyse the trends on a like for like basis for these 98 companies. The overall increase in the TTC of 2.1% is made up of an increase of 2.0% in taxes collected and 0.1% in taxes borne (figure 13). Despite the reduction in the statutory rate of UK corporation tax from 24% to 23% (a fall of 4.2%), the TTC has increased.

The increase in taxes borne is driven by increases in other business taxes for example: Bank Levy 0.9%, Employers NIC 0.7%, Irrecoverable VAT 1.0% which are offset by decreases in Petroleum Revenue Tax and corporation tax as shown in figure 14.

The fall in corporation tax and Petroleum Revenue Tax is driven by the oil and gas sector, reflecting a combination of lower oil prices, high operating costs and high capital investment in the 2014 survey. Please refer to the corporation tax section of this report for more details. This has had a negative impact on the overall taxes borne for the 100 Group.

If the oil and gas companies are excluded, corporation tax increased by 6.7%, despite the drop in the statutory corporation tax rate (from 24% to 23%), and other business taxes increased by 6.0% (figure 15). Again, further details are given in the corporation tax section.

Taxes collected increased by 2.9%, mainly driven by income tax deducted under PAYE, Employee NICs and VAT (figure 16). Net VAT increased as a result of increased turnover, substantial one off payments and business restructuring. Tax deducted at source increased as a result of increased PAYE on annuities paid by life insurers. Employees NIC and income tax deducted under PAYE also went up as a result of increases in employment and wages. The increase in income tax deducted at source under PAYE was despite the increase in the lower threshold (above which income tax applies) and the reduction in the top rate of income tax from 50% to 45%.

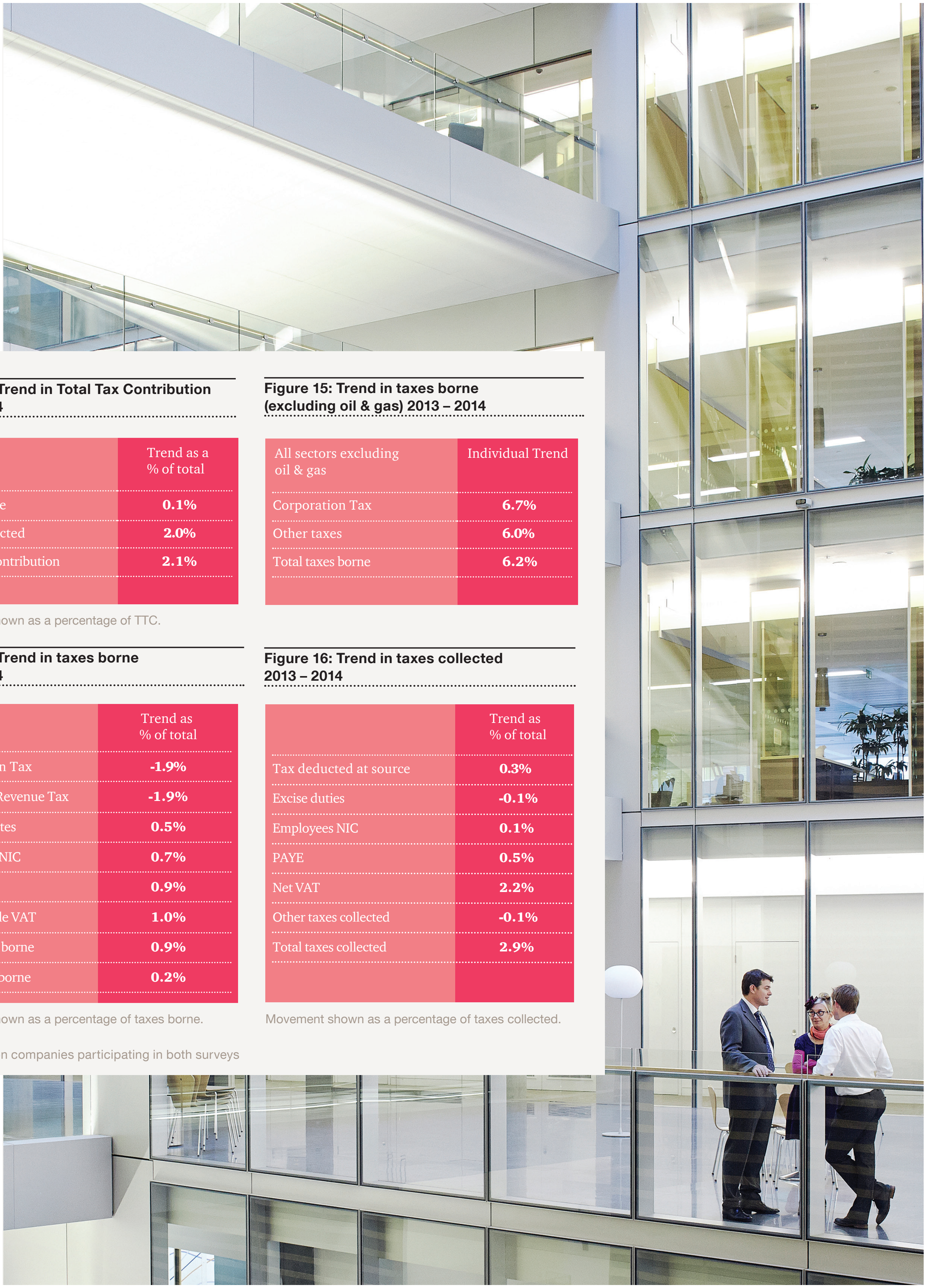


Figure 13: Trend in Total Tax Contribution 2013 – 2014

	Trend as a % of total
Taxes borne	0.1%
Taxes collected	2.0%
Taxes tax contribution	2.1%

Movement shown as a percentage of TTC.

Figure 15: Trend in taxes borne (excluding oil & gas) 2013 – 2014

All sectors excluding oil & gas	Individual Trend
Corporation Tax	6.7%
Other taxes	6.0%
Total taxes borne	6.2%

Figure 14: Trend in taxes borne 2013 – 2014

	Trend as % of total
Corporation Tax	-1.9%
Petroleum Revenue Tax	-1.9%
Business Rates	0.5%
Employers' NIC	0.7%
Bank Levy	0.9%
Irrecoverable VAT	1.0%
Other taxes borne	0.9%
Total taxes borne	0.2%

Movement shown as a percentage of taxes borne.

Figure 16: Trend in taxes collected 2013 – 2014

	Trend as % of total
Tax deducted at source	0.3%
Excise duties	-0.1%
Employees NIC	0.1%
PAYE	0.5%
Net VAT	2.2%
Other taxes collected	-0.1%
Total taxes collected	2.9%

Movement shown as a percentage of taxes collected.

Data based on companies participating in both surveys

The wider economic contribution – employment

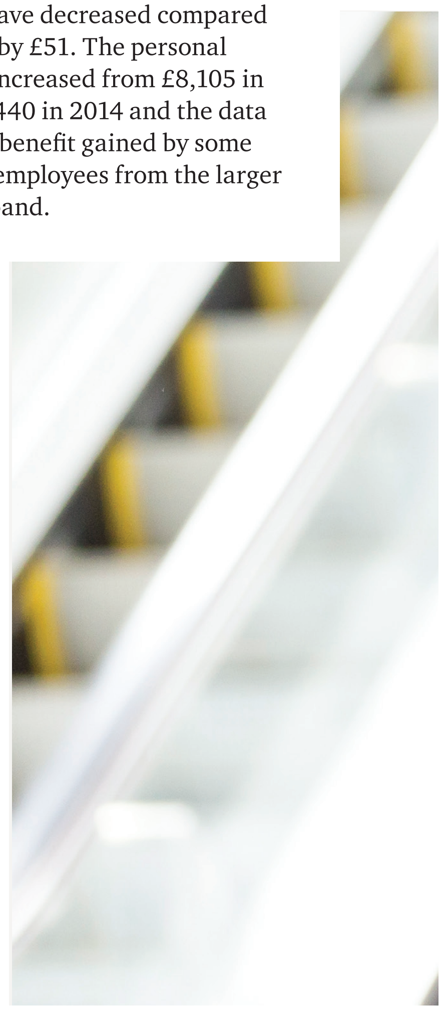
In addition to the significant contribution made to the public finances through their Total Tax Contribution, the 100 Group companies also contribute to the UK economy in a wider context. The TTC survey collects additional data to measure aspects of the wider economic contribution.

The 100 Group companies are major employers. The survey participants employed 2.0m people and extrapolating this to the membership, we estimate total employment of 2.2 million people or 7.1% of the total UK workforce (figure 17). The average wage per employee is £31,929 (compared to the average national wage of £27,000[4]) with average employment taxes of £11,214 paid to the public finances in respect of each employee. The average salary and employment tax per employee are calculated by taking the totals for the survey population and dividing by the total number of employees. The 100 Group employs highly skilled, well paid workers and the average salary exceeds the national average, emphasising the contribution that the 100 Group makes through employment. There has been an increase in number of employees of 1.2% and wages of 4.3%.

The 100 Group membership paid a total of £25.4 billion in employment taxes borne and collected, which accounts for 9.8% of total Government receipts from employment taxes. Employment taxes are the largest element of total taxes borne and taxes collected. Employers NIC is the largest tax borne for participants, and income tax deducted under PAYE and employees' NIC are the largest taxes collected.

The survey results show that the participating companies paid a total of £23.5 billion in employment taxes, including £6.5 billion in employment taxes borne and £17.0 billion in employment taxes collected (figure 18).

Looking on a like for like basis, the number of employees, employment taxes and wages have all increased. However, employment taxes per employee have decreased compared to last year by £51. The personal allowance increased from £8,105 in 2013 to £9,440 in 2014 and the data reflects the benefit gained by some 100 Group employees from the larger lower rate band.



[4] *http://www.ons.gov.uk/ons/dcp171778_335027.pdf*

Figure 17: Employment tax figures for the 100 Group 2014

	Survey participants	Extrapolated to the entire 100 Group membership	Percentage of Government figure
Number of UK Employees	**2.0m**	**2.2m**	**7.1%**[1]
Total employment taxes	**£23,554m**	**£25,419m**	**9.8%**[2]

1 Office for National Statistics (ONS) – EMP02 Public and Private Sector employment. Release date 13 August 2014.

2 The Office for Budget Responsibility (OBR) – Economic and fiscal outlook alongside Budget 2014. Table 2.8 Current receipts (on a cash basis).

Figure 18: Employment tax figures for the survey participants 2014

Employment taxes borne	**£**
Employer NIC	6,397,704,074
PAYE agreements (PSAs) (tax on benefits)	133,440,226
Total employment taxes borne	**6,531,144,300**
Employment taxes collected	
Employee NIC	3,722,462,742
PAYE	13,300,184,396
Total employment taxes collected	**17,022,647,138**
Total employment taxes borne and collected	**23,553,791,438**

The wider economic contribution – capital investment, research & development and value distributed

Business investment is an important contribution the 100 Group companies make to the UK economy. In the 2014 survey, capital investment and research and development have increased compared to the 2013 survey.

The survey asked participants to provide details of their investment in fixed assets and 86% of companies provided data.

The participants invested a total of £28.7 billion in tangible fixed assets in the period to 31 March 2014, accounting for over 23% of UK expenditure on business capital investment (figure 19). Compared to last year, this represents an increase of 1.5%. Economic growth requires investment in fixed assets, such as plant and machinery that will contribute to increased productivity.

The participants also incurred a total of £8.0 billion on research and development expenditure, an increase of 62.1% compared to 2013. This reflects, in part, the introduction of the patent box regime. Companies centralised intellectual property ownership in the year into the UK, giving rise to this increase. The intention of the patent box regime is to encourage companies to locate high-value jobs associated with the development and manufacture of patents in the UK as part of the growth agenda.

The TTC can be put into the context of value distributed by companies. Value is distributed to the Government in taxes, to employees in wages, in financing, and is retained in the business for distribution to shareholders and for reinvestment. With the information gathered through the survey we are were able to put the TTC in the context of value distributed by companies for the companies providing this data.

The survey results show that Government is still the largest beneficiary of the value distributed by the 100 Group participants, at 47.5%. Wages paid to employees are the second largest share of the value distributed pie. Profits after tax (available for reinvestment in the company or distribution to shareholders as dividends) account for 13.4% of the total (figure 21).

Figure 19: Investment made by 100 Group companies in fixed assets 2014

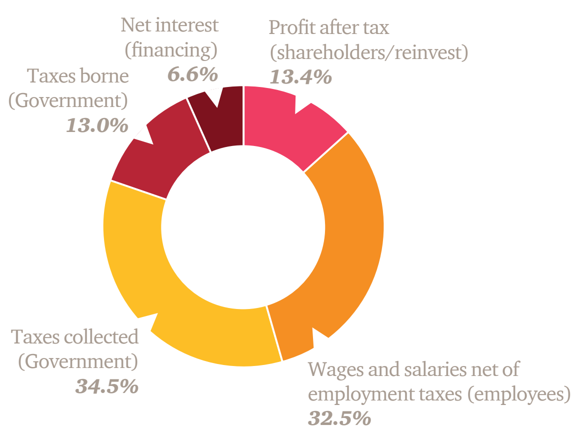
	Percentage of participants providing data	Total £m	Percentage of the total UK amount	Increase from 2013 to 2014 on a like for like basis
UK fixed assets additions	*86%*	*28,675*	*23.2%*[1]	*1.5%*

1 http://www.ons.gov.uk/ons/publications/re-reference-tbles.hl?edition=tcm%3A77-331158

Figure 20: Investment made by 100 Group companies in research and development 2014

	Percentage of participants providing data	Total £m
R&D expenses	*56%*	*7,976*

Figure 21: Value distributed by the 100 Group participants 2014



Rebalancing the tax regime – the growing significance of other business taxes

The 100 Group is a cross-industry sector organisation and participants in the 2014 Total Tax Contribution survey represent a wide range of industry sectors. Six industries have made a major contribution to the survey results since 2006.

Figure 22 shows the trend for the 20 companies in the largest sectors in the 100 Group that took part in all surveys (note, there are different numbers of companies in each sector and the total contribution varies between the years).

The contribution from the oil & gas sector has fallen from a high in 2006 (47% of the total) to 34% in 2014. The contribution from other sectors has increased, for the banks and insurers, from 29% to 34%; for telecoms and utilities from 13% to 16%; for the retailers from 10% to 17%. As the tax regime changes and other business taxes form a larger element of the TTC, different sectors are affected to different extents.

The survey highlights seven significant other business taxes (excluding mainstream corporation tax) which impact the six largest sectors in the 100 Group.

Figure 23 shows the impact of employers' NIC, the supplementary charge (SCT) to corporation tax, where it has remained at 30% (for the upstream oil and gas companies), petroleum revenue tax (PRT), business and cumulo rates, irrecoverable VAT and bank levy. Other taxes, including mainstream corporation tax, are included in the 'other taxes' category. For the retail and telecom/utilities sectors, business rates make up respectively 47% and 28% of their taxes borne. For banks and insurers, irrecoverable VAT makes up 43% and 34% of their taxes borne. For the oil and gas sector, 42% of the taxes borne relate to profit taxes (including – SCT, corporation tax at 30% – PRT). Looking at the banks alone, over 91% of taxes borne are taxes other than corporation tax.

Employers National Insurance Contributions are part of the cost of employment and are paid for each employee at a rate of 13.8% of salary above a certain threshold.

Supplementary charge to corporation tax (SCT) is paid by oil & gas companies at a rate of 32% on taxable profits arising from UK exploration and production activities.

Petroleum revenue tax (PRT) is paid by oil & gas companies at a rate of 50% on profits calculated in accordance with specific provisions for fields that received development consent before 16 March 1993.

Corporation tax at 30% is paid by oil & gas companies on ring-fence profits from oil & gas exploration and production

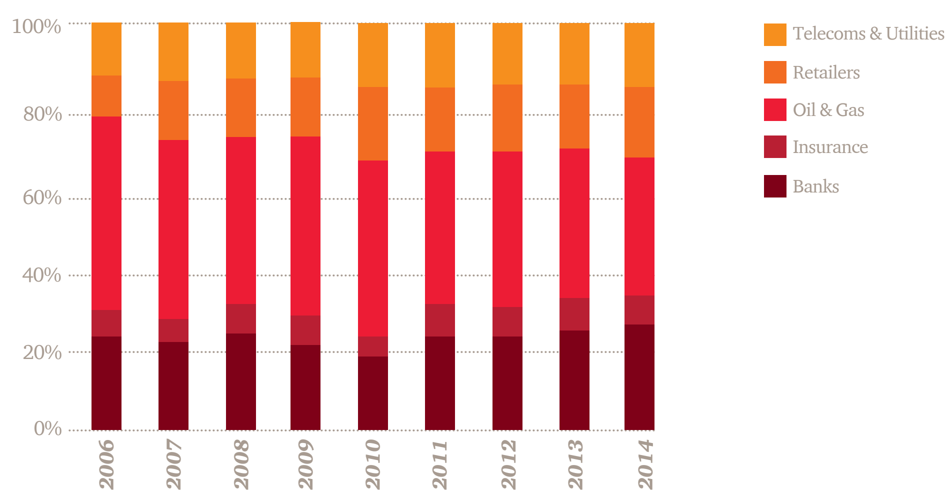
Business and cumulo rates. Business rates are paid on ownership of property based on the rateable value of the property and a specific multiplier. Cumulo rates are business rates paid on network assets (eg. pipelines).

Irrecoverable VAT. This is input VAT which is a cost to a business when sales are exempt, as is the case for many transactions in the financial services sector.

Bank levy. Introduced in 2011, the basis of the bank levy is a bank's equity and liabilites. The charge (from January 2014) is 0.0156% on short term and 0.078% on long term chargeable equity or liabilities.

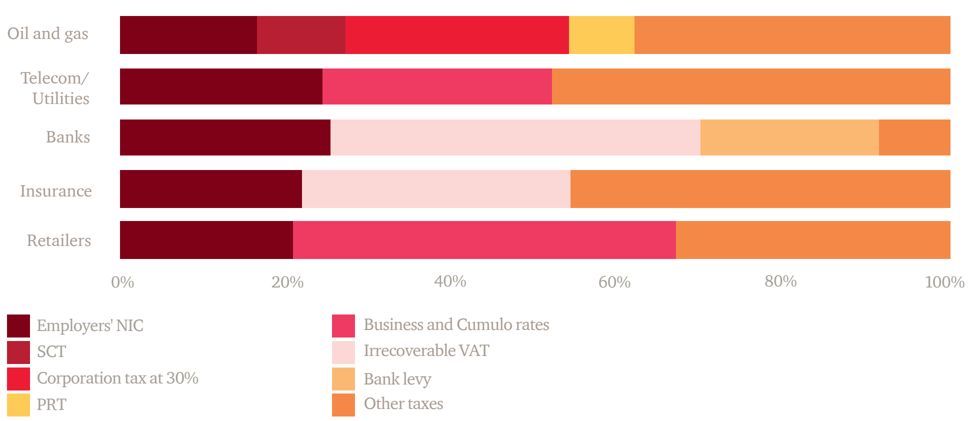
It is important to raise public awareness of this changing profile, to increase understanding of the range of business taxes paid by corporates. Companies need to tell the whole tax story, highlighting the significant contribution made beyond corporation tax.

Figure 22: Total Tax Contribution 2006 – 2014 by sector



Data based on companies taking part in all surveys.

Figure 23: Sector taxes borne 2014



Corporation tax

In 2014, we estimate that the 100 Group members paid corporation tax totalling £5.5 billion, representing 13.7% of total government receipts from corporation tax. Corporation tax represents 23.4% of total taxes borne in the 2014 survey (figure 24). For every £1 of the corporation tax, the 100 Group companies paid another £3.27 in other tax borne, and £10.1 in taxes collected.

Corporation tax has decreased by 7.4% for the 100 Group companies taking part in both the 2013 and 2014 surveys. This decrease is largely driven by the reduction in the tax payments made by the oil and gas sector in the 2014 survey period.

During the 2014 survey period, the oil and gas companies experienced high operating costs, lower oil prices as well as higher capital investment and these factors reduced the corporation tax paid. Profit before tax for participants from this sector fell by 31.3% and corporation tax fell by 37.3%. Government data also reflects this reduction in corporation tax receipts from the North Sea (figure 25), showing a 19% fall.

Excluding oil & gas companies, profits for the other 100 group participants rose by 17.0% between 2013 and 2014, a sign of the improving economy. Corporation tax payments in the same period rose by 6.7%.

The increase in corporation tax paid is lower than the increase in profits for two reasons. Firstly, the drop in rate of corporation from 24% to 23% (4.2%) but also in view of the quarterly installment regime for the collection of corporation tax. Under the quarterly installment payment regime in any year, large companies must make two payments of corporation tax relating to prior year profits and two relating to current year profits. In times of increasing profitability, the year on year increase in corporation tax payments will therefore lag behind profits.

The survey datas shows that there is an increase between payments one and two (relating to 2013) and three and four (relating to 2014) of 8.2%.

To provide further insight into the relationship between profits and corporation tax, we asked companies to provide a reconciliation of accounting profits and taxable profits. There is no requirement for companies to prepare this analysis on a UK consolidated basis, but 77 companies provided this data for the survey. The results provide some insight into the key factors affecting the difference between accounting profits and taxable profits. Under UK law, many adjustments are made – additions or deductions to the accounting profit to compute the taxable profits. The intention was to understand the main factors affecting the difference between the statutory rate of tax on profit before tax and the corporation tax rate due on taxable profits.

For the 77 companies providing data on the reconciliation of accounting profits to taxable profits, corporation tax due was 19% of their profit before tax.

The key adjustments for the 2014 survey increasing taxable profits were depreciation net of capital allowances, impairments and non deductible expenses. These were more than offset by deductions including pension contributions, non-taxable dividends, and profits on the sale of investments or of fixed assets. The adjustments reflect the application of UK law to companies' commercial results. These adjustments are disclosed in companies' corporation tax returns and are subject to audit by HMRC.

[5] *Office for National Statistics (ONS) – EMP02 Public and Private Sector employment. Released date 13 August 2014.*

[6] *HMRC National Statistics, Corporation Tax, Table T11.1*

Figure 24: Total Tax Contribution by percentage 2014

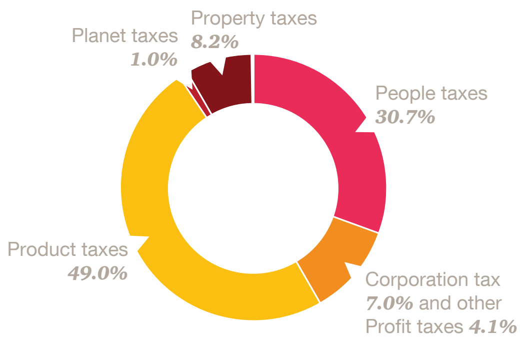
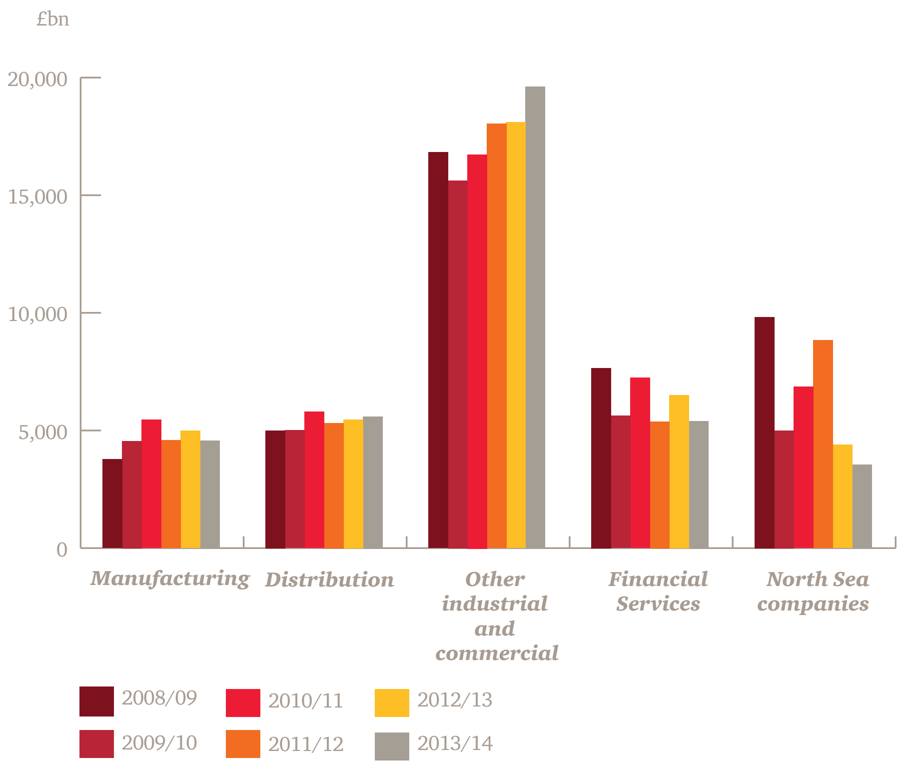


Figure 25: 2014 Government receipts from corporation tax – by sector



How companies use their TTC data

Each participant in the 100 Group receives an individual company report on their Total Tax Contribution which details all of the taxes borne, taxes collected and the wider economic contribution they made in the survey period. The report provides detail of the participants' tax profile, puts their data in the context of their economic footprint and provides high level benchmarking.

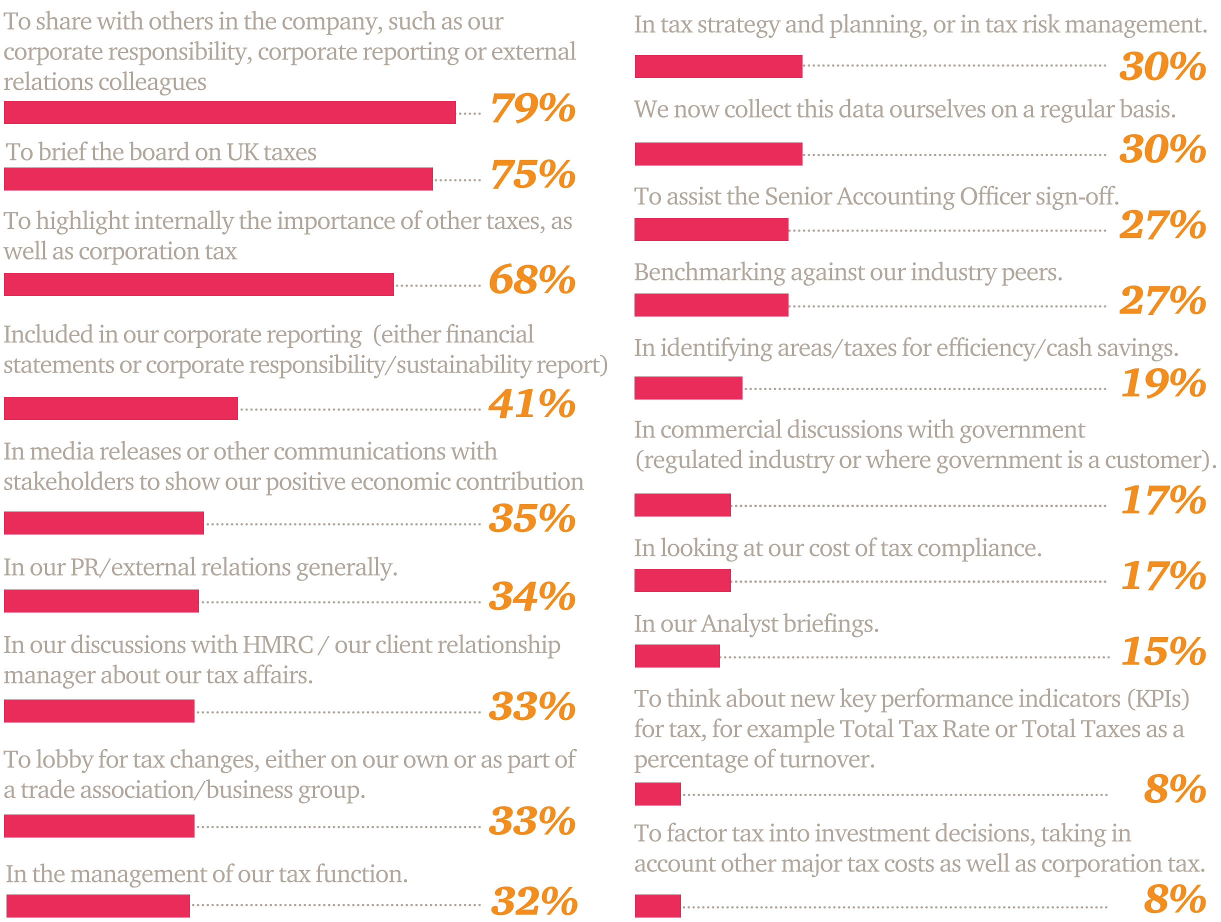
The survey asked participants how they use their TTC data. In the 2014 survey participants responded as shown in figure 26.

- 79% of companies use their TTC data to share with others in the company, such as their corporate responsibility, corporate reporting or external relations colleagues.
- 75% of companies use it to brief the board on UK taxes. This is an increase of 50% compared to the 2011 survey.

Use of TTC data falls into three broad categories, for internal communications, for external communications and for internal management. While the most popular use of TTC was for internal communication, both in 2011 and 2014, use of TTC data in external communication has increased since 2011 which is perhaps not surprising given the current environment.

Compared to 2011, companies using the data in their corporate reporting, either by including it in their financial statements or corporate responsibility or sustainability report has more than doubled. Similarly, compared to 2011, companies also doubled their use of the data in PR/external relations – and in media releases or other communications with stakeholders.

Figure 26: How companies use their TTC data



Business perceptions

Participating companies of the 100 Group were asked to give their view on current Government fiscal policy as part of the 2014 survey. They were asked what would be their priority in simplifying the tax system to create an efficient and fair tax system.

Figure 27 summaries the key responses. Over 80% of respondents agreed that greater tax transparency from multi national companies (MNCs) is needed to help inform the debate over the contribution of big business in taxes. Of the 80% who agreed that there is a need for greater tax transparency 64% agreed that the cost of preparing reports detailing profits and tax by country is a key concern for them. Only 47% of the companies who agreed on the need for greater tax transparency, think that reporting profits and tax paid publicly by country will provide meaningful information to inform the debate.

One third of the participants think that the OECD's Base Erosion and Profit Shifting initiative will lead to changes in the international tax system creating a more predictable environment for business. Compared to last year, 50% fewer participating companies agree with this statement.

Participating companies were also asked as part of the 2014 survey to give their view on current Government fiscal policy regarding the reduction in the rate of corporation tax to 20%, controlled foreign company reform and the research & development reforms including patent box. 42% of the companies think that their business investment will grow over the next two years as a result of the research and development reforms (including the patent box). 38% of the participants think the reduction in the rate of corporation tax will have a positive impact on their business investment. Only 23% of the participants think that the controlled foreign company reform will have an impact on their business investment in the next two years.

We also asked the companies about the corporation tax debate and if they have taken any specific measures to rebuild trust with the general public. 41% of the companies that responded to our survey said that they had taken such measures. 69% of the survey companies said that they have published more information around tax affairs in their annual accounts or corporate social responsibility reports.

We asked companies what would be their priority in order to simplify the UK tax system to create an efficient and fair tax system. The following were the most common responses.

- Reduce complexity, such as aligning NIC with income tax and simplifying VAT
- Consolidate tax legislation with a view to avoiding ambiguity and contradictions
- Global harmonisation: an internationally competitive tax system with more done to ensure it'll bring sustainable revenues
- Better collaboration between business and HMRC
- Depreciation rather than capital allowances
- Increase in tax authority resources

Figure 27: Business perceptions

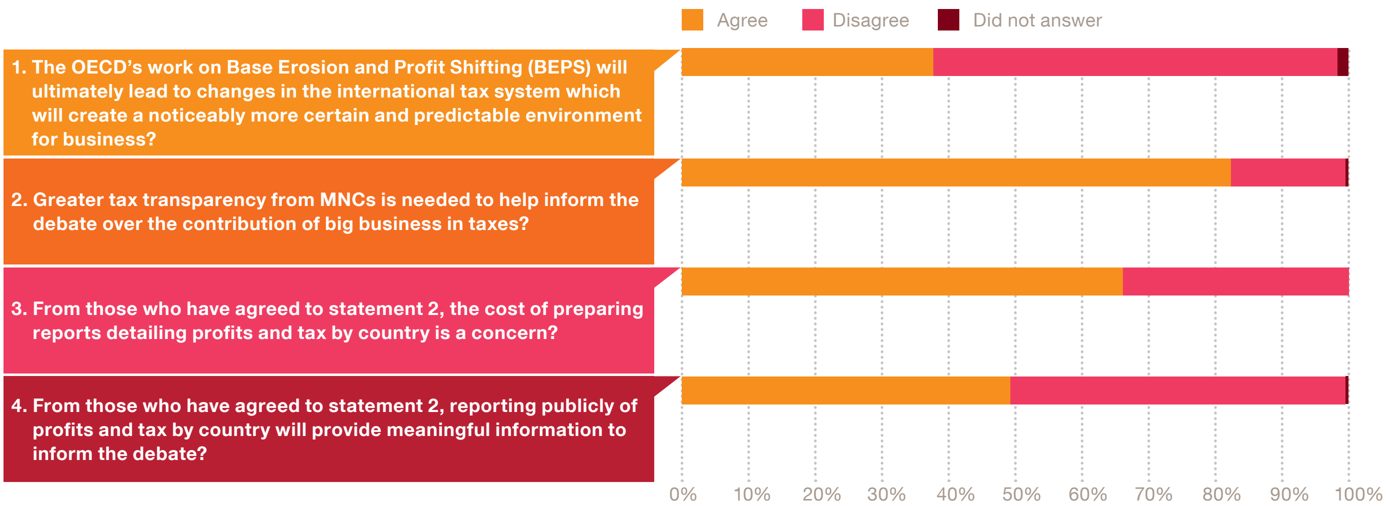


Figure 28: Taxes borne by percentage 2014

We asked what would be your priority in simplifying the tax system to create an efficient and fair tax system. Most recurring suggestions were:

Appendices

Appendix 1
List of companies invited to participate in the 2014 survey

1	Admiral Group Plc
2	Aggreko Plc
3	Alliance Boots
4	Alliance Trust Plc
5	Amec Plc
6	Anglo American
7	Antofagasta plc
8	ARM Ltd
9	Associated British Foods Plc
10	AstraZeneca Plc
11	Aviva Plc
12	Babcock International Group Plc
13	BAE Systems Plc
14	Balfour Beatty Plc
15	Barclays Bank Plc
16	BG Group Plc
17	BP Plc
18	British Airways Plc
19	British American Tobacco Plc
20	British Broadcasting Corporation
21	British Sky Broadcasting Group Plc
22	BT Group Plc
23	Bunzl Plc
24	BUPA
25	Burberry UK
26	Cable & Wireless Communications Plc
27	Cairn Energy Plc
28	Capita Plc
29	Centrica Plc
30	Cobham Plc
31	Compass Group Plc
32	Daily Mail and General Trust Plc
33	Diageo Plc
34	Experian Plc
35	ExxonMobil
36	FGP Topco Limited (Heathrow Group)
37	Friends Life
38	G4S Plc
39	Greenergy Fuels Holdings Limited
40	GKN Plc
41	GlaxoSmithKline Plc
42	Hammerson Plc
43	Hays Specialist Recruitment Ltd
44	Home Retail Group Plc
45	HSBC Holdings
46	ICAP Plc
47	IMI plc
48	Imperial Tobacco Group Plc
49	Inmarsat Group Plc
50	Intercontinental Hotels Group Plc
51	Intertek Group Plc
52	Intu Properties Plc
53	ITV Plc
54	J Sainsbury's Plc
55	John Lewis Partnership
56	Johnson Matthey Plc
57	John Wood Group Plc
58	Kingfisher Plc
59	Ladbrokes Plc
60	Land Securities Group Plc
61	Legal & General Group
62	Lloyds Banking Group Plc
63	Lloyd's of London
64	Lonmin Plc
65	Marks and Spencer Plc
66	Meggitt Plc
67	Mitchells & Butlers Plc
68	National Grid Plc
69	Nationwide Building Society
70	Next Group Plc
71	Novartis International AG
72	Old Mutual Plc
73	Pearson Plc
74	Pennon Group Plc
75	Petrofac
76	Prudential Plc
77	Reckitt Benckiser Group Plc
78	Reed Elsevier Group Plc
79	Rexam Plc
80	Rio Tinto Plc
81	Rolls-Royce Holdings Plc
82	Royal Bank of Scotland
83	Royal Dutch Shell Plc
84	Royal Mail Plc
85	RSA Insurance Group Plc
86	SABMiller Plc
87	Schroders Plc
88	Segro Plc
89	Serco Group Plc
90	Severn Trent Water Ltd
91	Smith & Nephew Plc
92	Smiths Group Plc
93	Shire Plc
94	SSE Plc
95	Standard Chartered Plc
96	Standard Life Plc
97	Tata Steel Europe Limited
98	Tate & Lyle Plc
99	Tesco Plc
100	The British Land Company
101	The Sage Group Plc
102	The Weir Group Plc
103	The Wellcome Trust
104	Tomkins Plc
105	Tullow Oil Plc
106	Unilever Plc
107	United Utilities Group Plc
108	Vodafone Group Plc
109	Whitbread Plc
110	Wm Morrison Supermarkets Plc
111	Wolseley Limited
112	WPP Plc
113	3i Group Plc

Appendix 2
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 and cumulo 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	
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 excide duty	x	
Environmental taxes (planet taxes)		
Landfill tax	x	x
Congestion charge	x	
Climate change levy	x	x
Aggregates levy	x	
EU Emissions Trading Scheme ('EU ETS')	x	x
Carbon Reduction Commitment Energy Efficiency Scheme ('CRC')	x	

Appendix 3
Taxes borne and collected by participants of the 2014 100 Group survey

Taxes borne	£s 2014
Taxes on profits (profit taxes)	
Corporation tax	5,316,626,154
Petroleum revenue tax	293,101,209
Betting and gaming duty	136,068,709
Taxes on property (property taxes)	
Business rates	4,434,416,151
Stamp duty land tax	177,467,207
Stamp duty and stamp duty reserve tax	127,393,704
Bank levy	1,345,887,165
Taxes on employment (people taxes)	
PAYE agreements (tax on benefits)	133,440,226
Employer's national insurance contributions	6,397,704,074
Taxes on consumption (product taxes)	
Irrecoverable VAT	3,414,237,258
Insurance premium tax	40,851,600
Customs duties	369,420,977
Air passenger duty	36,519,880
Vehicle excise duty	62,107,841
Environmental taxes (planet taxes)	
Landfill tax	60,761,335
Aggregates levy	47,636,166
EU ETS	36,229,264
Carbon Reduction Commitment	122,805,192
Climate change levy	152,761,050
Congestion charge	3,538,761
Total	**22,708,973,920**

Taxes collected	£s 2014
Taxes on profits (profit taxes)	
Tax deducted at source	2,710,372,775
Taxes on property (property taxes)	
Stamp duty reserve tax	158,128,839
Taxes on employment (people taxes)	
PAYE	13,300,184,396
Employer's national insurance contributions	3,722,462,742
Taxes on consumption (product taxes)	
Net VAT	9,730,754,935
Insurance premium tax	707,914,492
Fuel duties	14,326,973,728
Tobacco duty	5,512,619,683
Alcohol duty	2,630,202,573
Air passenger duty	600,966,338
Environmental taxes (planet taxes)	
Landfill tax	186,078,399
Climate change levy	128,353,681
Total	53,715,012,580

Appendix 4
Key contacts

To find out more, please contact:

Andrew Packman
E: andrew.packman@uk.pwc.com
T: +44 (0) 1895 522 104

Neville Howlett
E: neville.p.howlett@uk.pwc.com
T: +44 (0) 20 7212 7964

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

Hong Wang
E: hong.h.wang@uk.pwc.com
T: +44 (0) 20 7212 5096

Thanks are due to the following people who helped during the preparation of this report:

Duygu Turkoglu
Fernanda G Millon
Guilherme M Pereira

Business rates
Simon Tivey

Employment taxes
Jonathan P Berger

Irrecoverable VAT
Stephen Morse

Environmental taxes
John M Brewis

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