

*December 2015: There was record participation in the 11th Total Tax Contribution survey of the 100 Group with 105 companies providing data.*

# ***2015 Total Tax Contribution survey for the 100 Group***

## ***A sustained and changing tax contribution***



### ***About the 100 Group***

The 100 Group represents 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 6.9% of the UK workforce, and in 2015 paid, or generated, taxes equivalent to 13.4% 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 208,000 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](http://www.pwc.co.uk).



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# Contents

Foreword	<b>1</b>
Key findings	<b>3</b>
Participation in the eleventh survey	<b>7</b>
Total Tax Contribution of the 100 Group in 2015	<b>9</b>
The changing profile of tax	<b>11</b>
Trend in Total Tax Contribution between 2014 and 2015	<b>15</b>
The wider economic contribution – employment	<b>17</b>
The wider economic contribution – capital investment, research & development	<b>19</b>
Value distributed	<b>20</b>
The impact of other business taxes on some industries	<b>21</b>
Corporation tax	<b>23</b>
Business Rates	<b>25</b>
Irrecoverable VAT	<b>27</b>
Bank levy	<b>29</b>
Business perceptions	<b>31</b>
How companies use their TTC data	<b>23</b>
Appendix 1 – List of companies invited to participate in the 2015 survey	<b>37</b>
Appendix 2 – List of taxes borne and collected in the UK	<b>38</b>
Appendix 3 – Taxes borne and collected by participants of the 2015 100 Group survey	<b>39</b>
Appendix 4 – Key contacts	<b>41</b>



# Foreword

*Welcome to the eleventh PwC Total Tax Contribution (TTC) annual survey of the 100 Group, which this year has collected information from a record number of companies. This report analyses the data received from 105 companies on their TTC together with the information supplied on their wider economic contribution.*

The last twelve months has seen a continuation of the debate around tax transparency as part of the broader agenda on tax policy. The most recent developments have been seen in the recommendations from the OECD as part of the Base Erosion and Profit Shifting project which require the private disclosure to tax authorities of tax and related financial data. But the debate continues, particularly in the European Parliament, as regards whether these disclosures should be made public. These disclosures, and those of other country by country reporting initiatives still focus heavily on corporation tax and other profit related taxes, with the potential for the information disclosed to present an incomplete picture of all the taxes that companies pay and governments rely on.

With interest in the tax payments made by companies continuing from a range of stakeholders, the ability to demonstrate the full extent of the contribution that business makes to the economy has therefore never been more relevant. Over the last 11 years, the TTC survey has shown the wider range of contributions companies have made, using the PwC framework which is simple and well understood. Importantly, it clearly distinguishes between taxes borne by companies and taxes collected on behalf of others. The size of the contribution shows the continuing importance of the 100 Group to the UK economy, including employment, investment and

innovation. We have seen a significant increase in the number of companies disclosing their TTC data. Forty companies in the FTSE100 disclosed their TTC data publicly for their 2014 year ends

This year's report reflects how changes to the UK tax system and challenging economic conditions faced by some industries have affected the contributions made by large UK business. This survey covers a period in which the oil and gas sector faced a particularly challenging time with high operating costs, low oil prices and falling oil production, while large retailers struggled with profitability.

The report also shows how the change in the profile of the taxes levied on the 100 group companies has continued in the most recent survey. Since 2005, the profile of the taxes borne has steadily moved away from corporation tax to other business taxes. In 2005, for every £1 of corporation tax there was £1 of other taxes borne. The 2015 survey shows that there is now £4.46 of other taxes borne for every £1 of corporation tax. What is also very evident in this year's survey is that the other taxes borne which contribute to this overall position vary markedly from industry to industry. Over half of the taxes borne by retailers are accounted for by business rates, while over a third of taxes borne by financial services companies relate to irrecoverable VAT, and over a third of taxes borne by banks relate to the bank levy. The

level of these other business taxes is less well understood by stakeholders. It is therefore important to raise public awareness of these taxes, and to increase the understanding of the wider range of taxes which businesses pay and form part of the overall tax system.

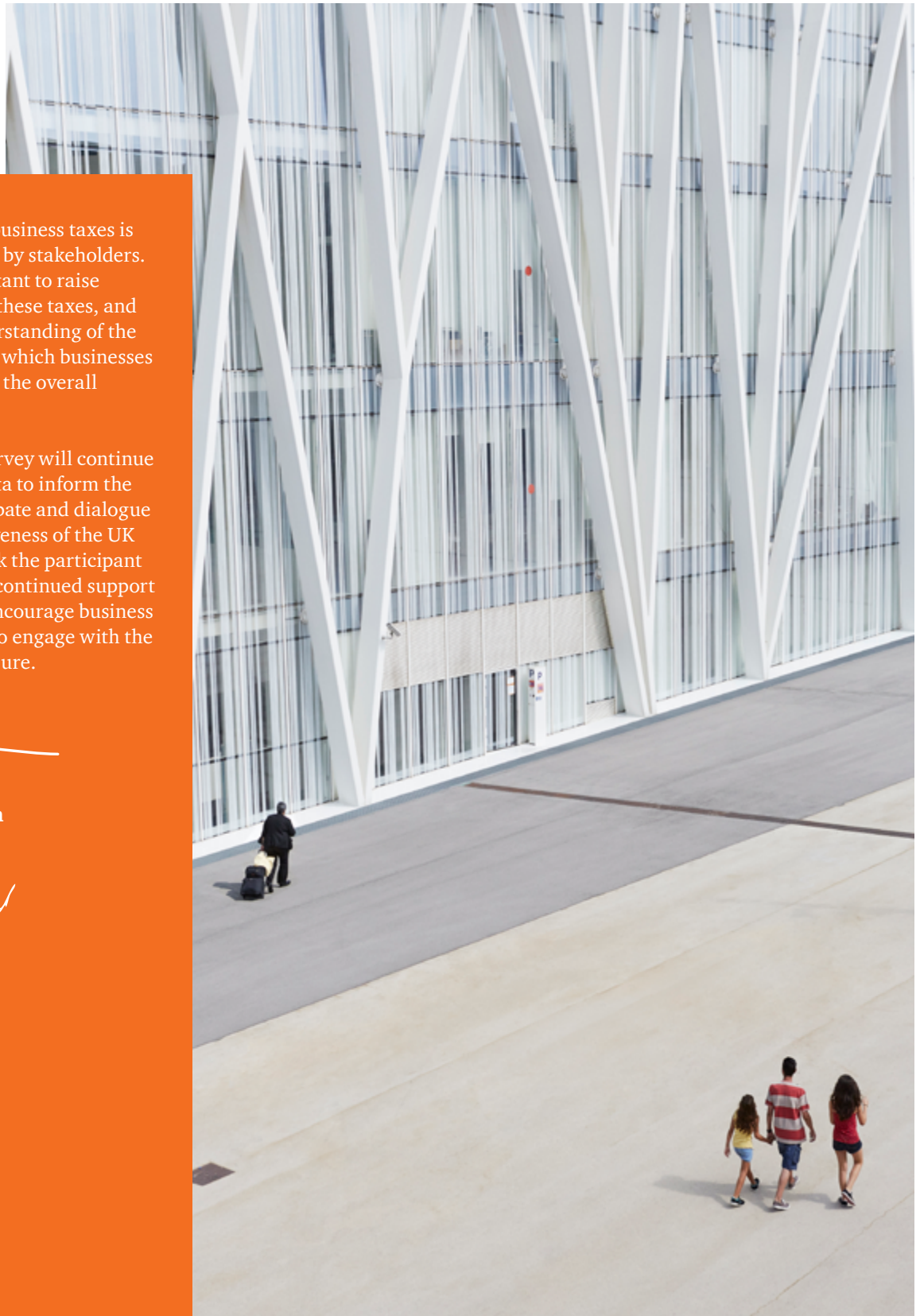
The results of the survey will continue to provide robust data to inform the tax transparency debate and dialogue about the competitiveness of the UK tax system. We thank the participant companies for their continued support for the survey and encourage business leaders to continue to engage with the tax agenda in the future.



**Andrew Packman**



**Andrew Bonfield**



# Key findings

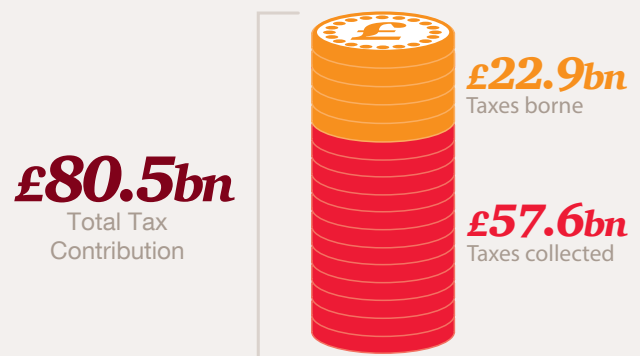
## Record participation

There was record participation in the 11th survey with 105 companies providing data, representing 98% of market capitalisation of corporate members



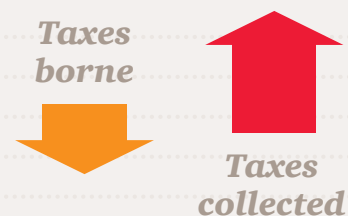
## TTC of the 100 Group in 2015

The TTC of the UK's largest businesses reached £80.5 billion in the 2015 survey, comprising £22.9 billion in taxes borne and £57.6 billion in taxes collected. This represents 13.4% of total Government receipts.



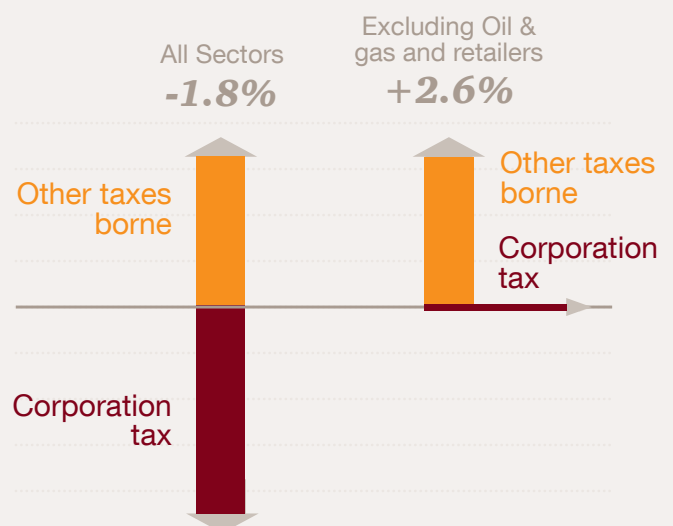
## Trend in TTC from 2014 to 2015

A sustained contribution despite lower profitability and the drop in the statutory rate of corporation tax. There was an increase in TTC of 0.2%, made up of an increase in taxes collected offset by a reduction in taxes borne.



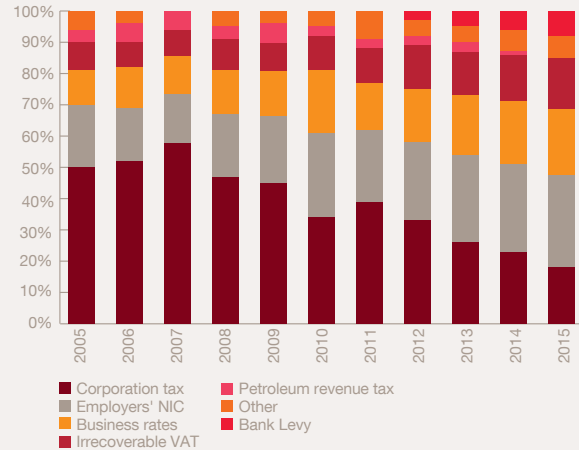
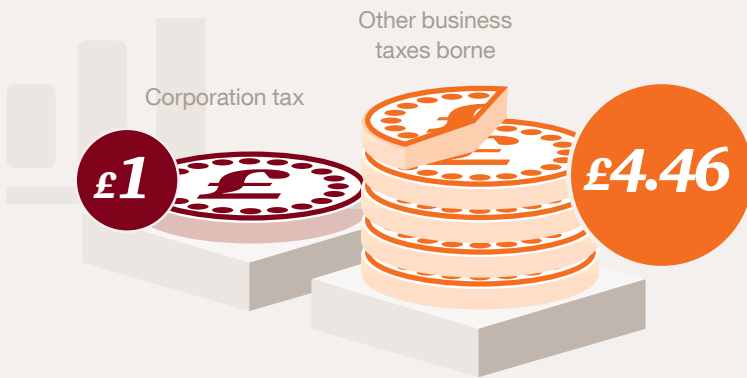
## Trend in taxes borne from 2014 to 2015

There was a decrease in taxes borne (-1.8%) driven by a combination of a reduction in the rate of corporation tax (from 23% to 21%) and lower profitability of oil and gas companies and the retail sector. For other sectors, taxes borne increased by 2.6% while corporation tax remained constant.



## The changing profile of taxes borne

Corporation tax was the third largest tax borne, after employers' NIC and business rates. For every £1 of corporation tax, there was another £4.46 in other business taxes borne. The financial crisis and Government policy have led to a change in the profile of taxes borne over the 11 years of the survey.



Note: Total taxes borne in 2015 are higher than in 2005.

## Wider economic contribution

There is a wider economic contribution beyond tax. Survey participants spent £30.3bn on capital investment and invested £8.7bn in research and development. In addition, we estimate the largest UK companies employed 2.1m people, representing 6.9% of the total UK workforce.

£30.3bn



£8.7bn

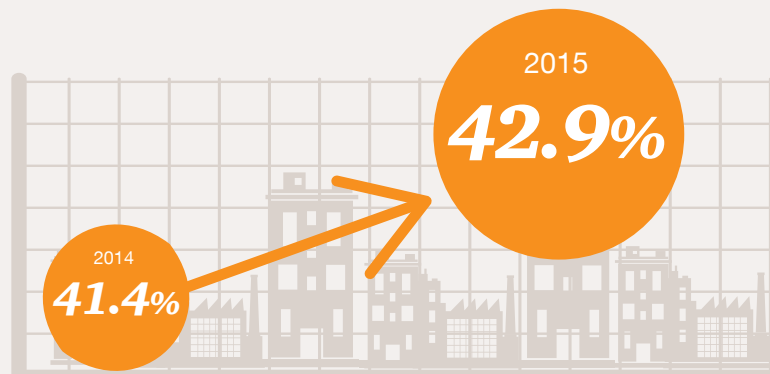


Largest UK companies employ 2.1m people

Represents 6.9% of total UK workforce

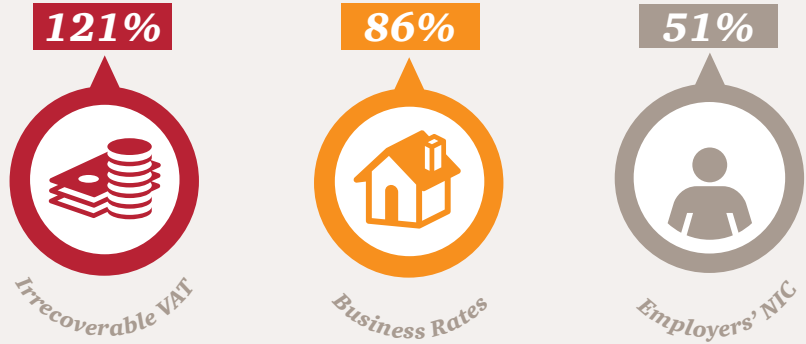
## Total Tax Rate

The Total Tax Rate is a measure of the total tax cost compared to profit before all taxes, and this has increased to 42.9% (2014: 41.4%) as a result of challenging conditions faced by oil and gas companies and some retailers in the 2015 survey period.



**Trend in other business taxes borne from 2005 to 2015**

Other business taxes have increased significantly over the longer term. Since 2005, the contribution from irrecoverable VAT increased by 121%, while business rates went up by 86% and employers' NIC increased by 51%.

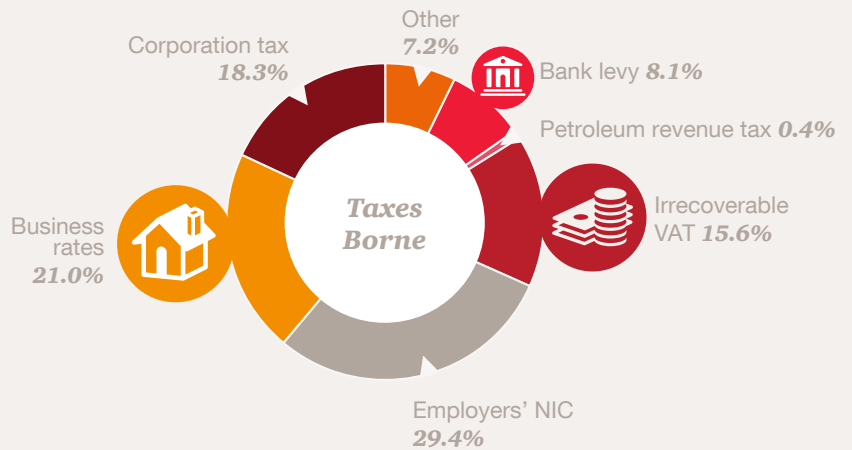
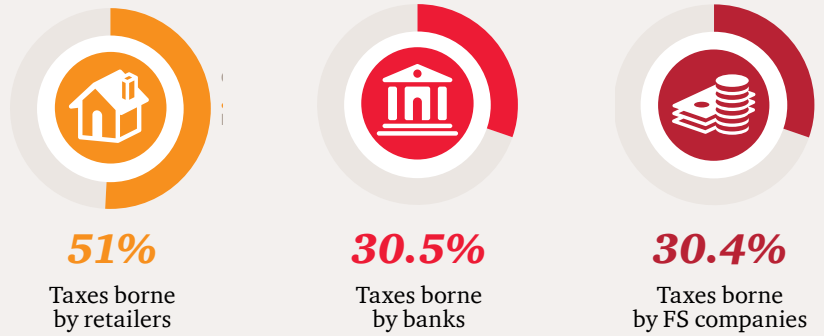


**There is now increased variation in taxes borne for different industries**

**Retailers** paid a total of £2.1bn in business rates. On average 51% of taxes borne by retailers are business rates.

**Banks** paid a total of £1.8bn in bank levy. On average, bank levy makes up 30.5% of the taxes borne by banks.

**Financial services companies** paid a total of £3bn in irrecoverable VAT. On average, irrecoverable VAT makes up 30.4% of the taxes borne by FS companies.

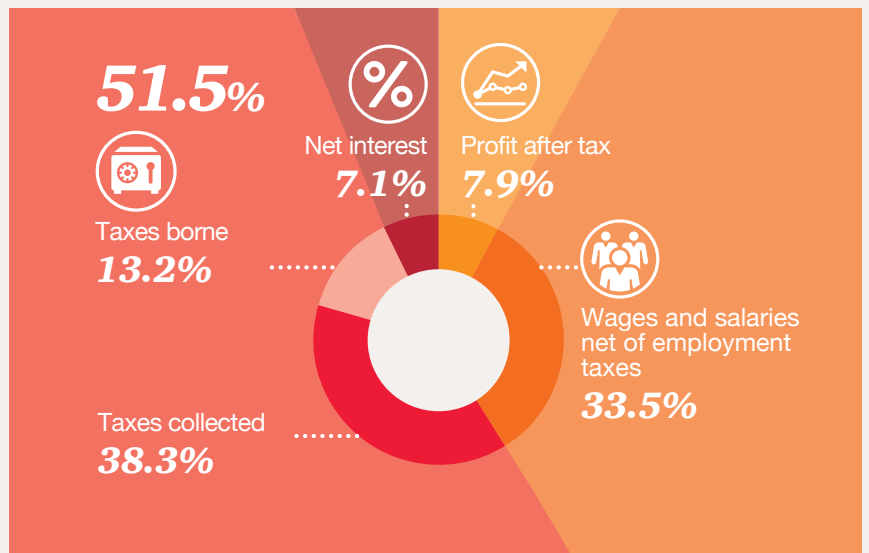


**Taxes borne by percentage – 2015**

**Value Distributed**

Government is still the largest beneficiary of the value distributed by participants (51.5%). This is closely followed by employees of the companies (33.5%). Profits available for the shareholders or for reinvestment account for 7.9% while financing takes the remaining 7.1%.

Note: Value distributed is a measure of the relative distributions to the different stakeholders, including Government, employees and shareholders etc.







# Participation in the eleventh survey

*Participation in this year's TTC survey was a record, with 105 companies providing data (figure 1).*

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 tax revenues.

The 2015 survey is based on data collected from the 100 Group members for their accounting periods ending in the 12 months to 31 March 2015. 55% of participants have a December year end, 16% 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 and figure 2 shows that interest in the results of the survey has consistently increased so that in 2015 a record 105 companies provided data. Many companies have indicated that they find the results useful for both internal and external communication. A full list of all companies invited to participate in the 2015 Total Tax Contribution survey is included in Appendix 1<sup>1</sup>.

The TTC surveys for the 100 Group use the PwC TTC methodology, which looks at taxes borne and taxes collected whilst clearly distinguishing between the two. 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,

and are not a tax liability of the company, 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 2015. Of these, there are 21 business taxes borne (including corporation tax) and 13 business taxes collected.

The survey collects data from the 100 Group members 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 in that respect. Data was extrapolated to provide an estimate of the TTC of the entire 100 Group. All eleven TTC surveys with the 100 Group use the same methodology which enables the results to be compared.

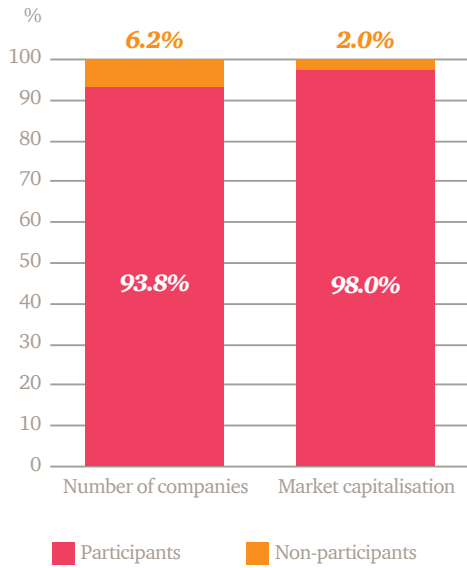
This report focuses on the contribution made in taxes borne, taxes collected, and the wider economic contribution. It looks at the trends over the last 12 months and also the last eleven years, highlighting the changing tax profile and how changing economic conditions and legislation have impacted these trends. It also takes a look at how companies are using their TTC data and at their views on the current UK tax regime and how it might change.

The intention is that the data collected by this survey provides a valuable resource for business, Government and a range of other stakeholders.

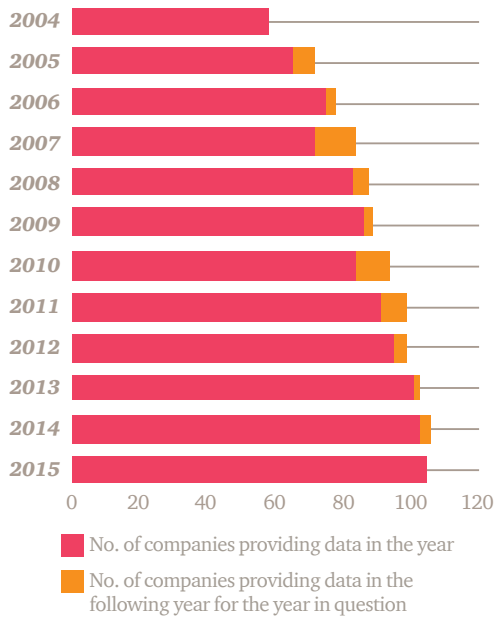
<sup>1</sup>This includes all companies that have contributed data in TTC surveys conducted for the 100 Group and are members or have been members.

<sup>2</sup><http://www.pwc.co.uk/assets/pdf/ttc-framework.pdf>

**Figure 1: 105 companies provided data for the 2015 survey**



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



# Total Tax Contribution of the 100 Group in 2015

*The 100 Group makes a significant contribution to the UK tax revenues. We estimate the 2015 Total Tax Contribution for the 100 Group to be £80.5 billion.*

Survey participants provided data on taxes paid totalling £76.5bn. After extrapolation to all members, the TTC is estimated to be £80.5bn which represents 13.4% of Government receipts for the year ended 31 March 2015 (figure 3). We estimate total taxes borne of £22.9 billion and total taxes collected of more than double that amount, at £57.6 billion in 2015. Within taxes borne, we estimate corporation tax of £4.3bn, 10.2% of Government corporation tax receipts and employment taxes of £27.0bn, 10.0% of Government receipts of employment taxes.

Other business taxes paid, in addition to corporation tax, account for 95% of the TTC for the 2015 survey but there is often little visibility over these other business taxes borne and collected.

The TTC in 2015 is £0.5bn higher than last year, however, it represents a smaller percentage of the Government receipts in 2015 compared to the 2014 survey. This is mainly due to the impact

of falling tax receipts from oil and gas companies and retailers which make up a larger proportion of the survey participants than the economy as a whole (figure 4).

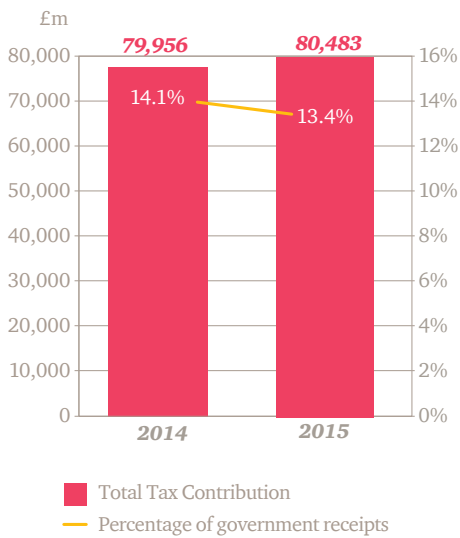
For the first time, corporation tax became the third largest tax borne, after employers' NIC and business rates. Employers' NIC is the largest tax borne at 29.4% of the total, business rates is now the second largest tax borne at 21.0% and corporation tax is the third largest tax borne at 18.3% (figure 5). For every £1 of corporation tax, £4.46 is paid in other business taxes borne. In 2014, this ratio was £1 of corporation tax to £3.27 of other business taxes borne. In 2005, this ratio was 1:1.

Employment taxes are the largest taxes collected (PAYE 24.5% and employees' NIC 6.8%) followed by fuel duties 26.6% (figure 6). For every £1 of corporation tax borne by this group of companies, there is £13.66 of taxes collected.

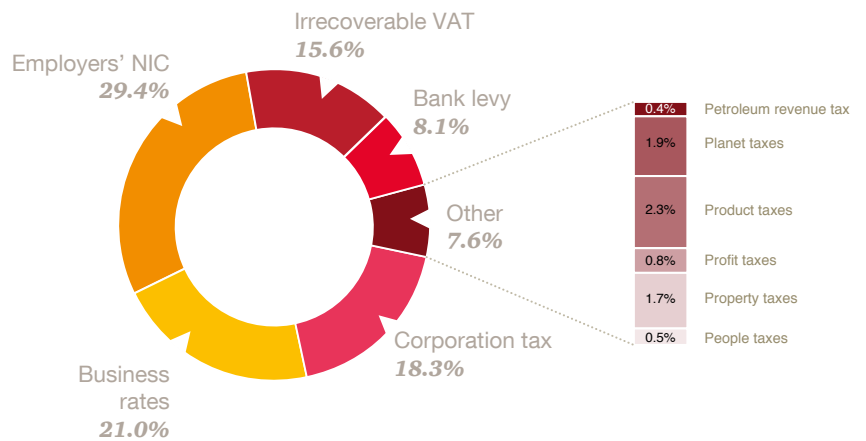
**Figure 3: Total Tax Contribution of the 100 Group 2015**

	Survey participants (£m)	Extrapolated to the 100 Group (£m) <sup>3</sup>	Percentage of Government receipts <sup>4</sup>
Corporation Tax <sup>5</sup>	4,000	4,340	
Other Taxes borne	17,847	18,595	
Taxes borne	21,847	22,935	
Taxes collected	54,635	57,548	
<b>Total tax contribution</b>	<b>76,482</b>	<b>80,483</b>	<b>13.4%</b>

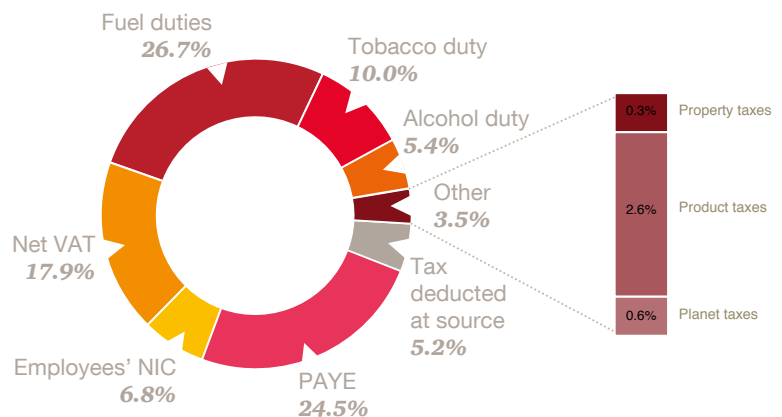
**Figure 4: Total Tax Contribution of the 100 Group 2014 and 2015**



**Figure 5: Taxes borne by percentage 2015**



**Figure 6: Taxes collected by percentage 2015**



<sup>3</sup>Extrapolation has been carried out on a conservative basis using data on UK corporation tax from published accounts where available or data on UK revenues, and applying ratios from companies in the same industry sector.

<sup>4</sup>The Office for Budget Responsibility (OBR) – Economic and fiscal outlook alongside Budget 2015. Table 4.5 Current receipts (on a cash basis).

<sup>5</sup>Extrapolated corporation tax payments are 10.2% of Government receipts of corporation tax.

# The changing profile of tax



*We estimate the 2015 Total Tax Contribution of the 100 Group to be £80.5 billion, the highest since the survey began in 2005. This is an increase of £2 billion compared to £78.6 billion in 2007 before the recession. The TTC has returned to pre-financial crisis levels.*

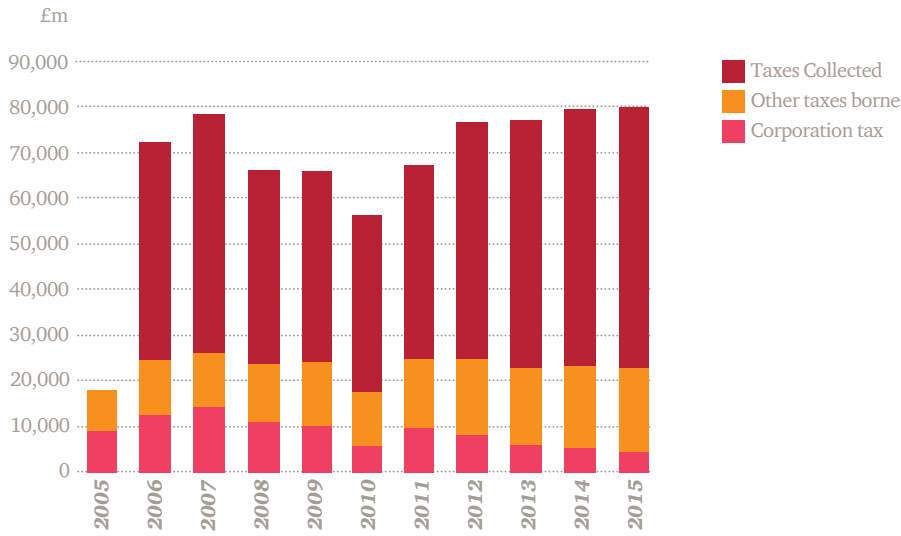
Other taxes borne in the 2015 survey are at the highest level since the survey began, at £18.6 billion (extrapolated). This is £6.7 billion higher than the pre-financial crisis level of £11.9bn in 2007 and more than double the amount paid in the first survey back in 2005. Taxes collected have also increased since the survey began to their highest level at £57.6 billion. This is £5.3 billion higher than before the financial crisis in 2007 (figure 7).

Over the 11 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 2015 when compared with 2005. This changing profile for the 100 Group suggests that tax revenues contributed by this group of companies have become materially 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.

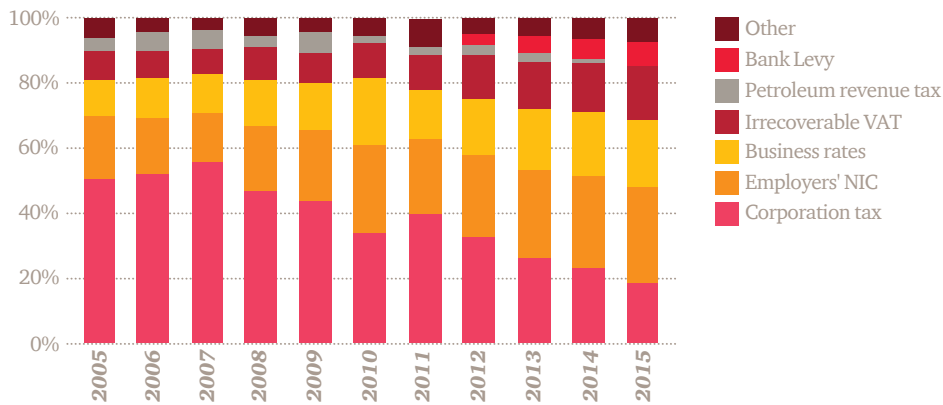
Irrecoverable VAT and bank levy have also become a larger proportion of taxes borne compared to previous survey periods.

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 have decreased.

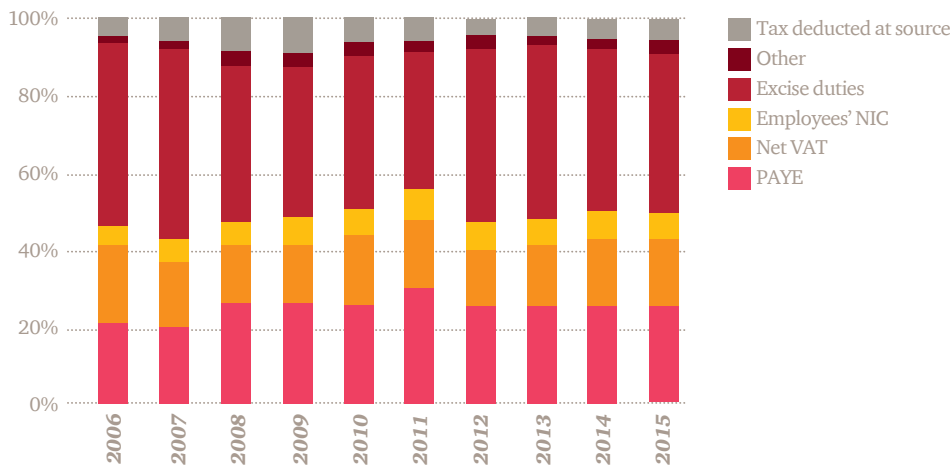
**Figure 7<sup>6</sup>: Total Tax Contribution for the 100 Group 2005 to 2015**



**Figure 8: Profile of taxes borne 2005 to 2015**



**Figure 9: Profile of taxes collected 2006 to 2015**



<sup>6</sup>The chart is based on extrapolated data from each survey. No data on taxes collected in 2005.

*Over eleven years, the TTC survey has collected an extensive bank of data on tax payments by the 100 Group members. Thirty four 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 is important to understand all of the business taxes that they pay, and figure 10 shows how the amounts of business taxes paid have changed over time. While the amounts of other business taxes borne have increased, corporation tax has fallen. The impact of the recession on corporation tax is evident in 2010, together with falling corporation tax rates between 2010 and 2015. In addition, reduced corporation tax payments from the financial services sector mainly due to brought forward losses, from the oil and gas sector due to lower oil prices and production levels, and from the retailers due to challenging economic conditions, together contributed to this trend from 2010 to 2015. Other business taxes borne which are not so dependent on profit are less volatile, and this was particularly evident around the time of the recession, and consequently provided a more stable source of revenue for the Government. Other taxes borne have increased by 78.0% over the 11 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 2015, irrecoverable VAT has more than doubled as shown in figure 11. This has largely been driven by the increase in the rate of VAT to 20% in 2011, changes in the EU VAT system in 2010 and legislative and case law changes for the Financial Services sector. In addition, a

trend for the sector to outsource more of its activities resulted in increased input VAT. Irrecoverable VAT arises because input VAT is not deductible for those companies which make exempt supplies, as is the case for the financial services sector.

Business rates increased by 86%, driven by increasing multipliers (please see business rates section for more details), rateable values and growth in the retail sector.

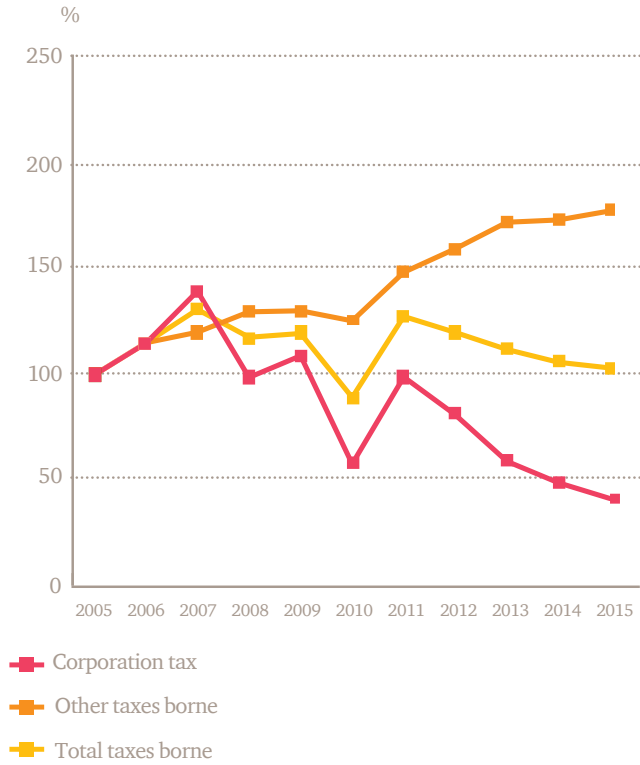
Employers' national insurance contributions increased by 51%, a result of increased rates in 2011 and increasing employee numbers and wages.

The average Total Tax Rate (TTR) for 100 Group members taking part the 2015 survey is 42.9% as shown in figure 12. 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.

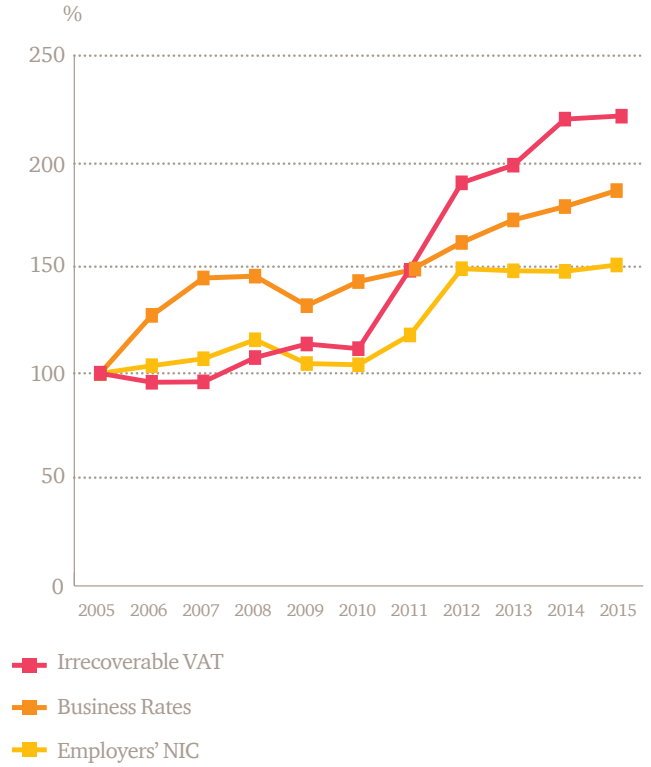
In 2015, the TTR increased as a result of the reduction in profitability for the oil & gas companies and retailers. Although taxes borne decreased in 2015, profit fell more quickly, driving the increase in the TTR.



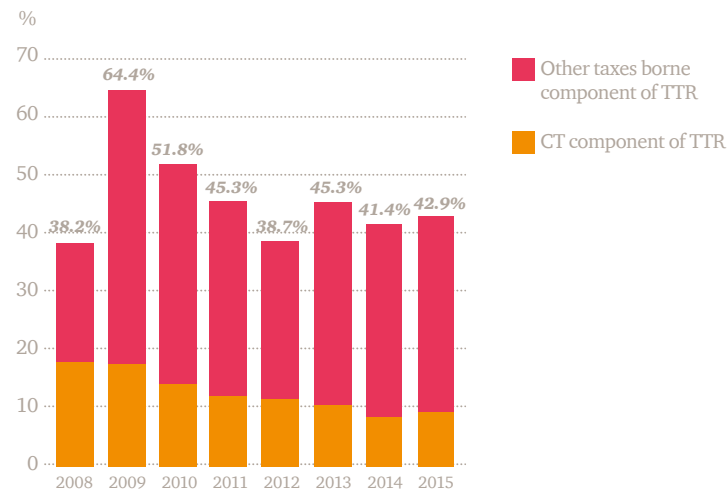
**Figure 10: 2005 to 2015 trends in taxes borne – Corporation tax, other taxes borne and total taxes borne**



**Figure 11: 2005 to 2015 trends in taxes borne – irrecoverable VAT, business rates, employers' NIC**



**Figure 12: Total Tax Rate 2008-2015**



# Trend in Total Tax Contribution between 2014 and 2015

*Taxes borne and collected by companies in the 100 Group increased compared to 2014.*

Ninety-seven companies provided data for both 2014 and 2015 surveys and we are able to analyse the trends on a like for like basis for these 97 companies. The overall increase in the TTC of 0.2% is made up of an increase of 0.7% in taxes collected and a decrease of 0.5% in taxes borne (figure 13). While there has been a reduction in the statutory rate of UK corporation tax from 23% to 21% (a fall of 8.7%), the TTC has remained broadly constant.

The decrease in taxes borne is mainly driven by lower tax receipts from corporation tax (-4.1%), which are offset by an increase of 1.9% in bank levy and other taxes as shown in figure 14.

The fall in corporation tax is mainly driven by a fall in the corporation tax rate and also a reduction in tax receipts from the oil and gas sector and the retail sectors. Please see the corporation tax section of this report for more details. The reduction in Petroleum Revenue Tax (PRT) is a result of a combination of falling profitability and older oil fields to which this tax still applies (which had development consent before 16 March 1993) reaching maturity.

The decrease in corporation tax and PRT was offset in part by an increase in bank levy due to the increased rate and in business rates.

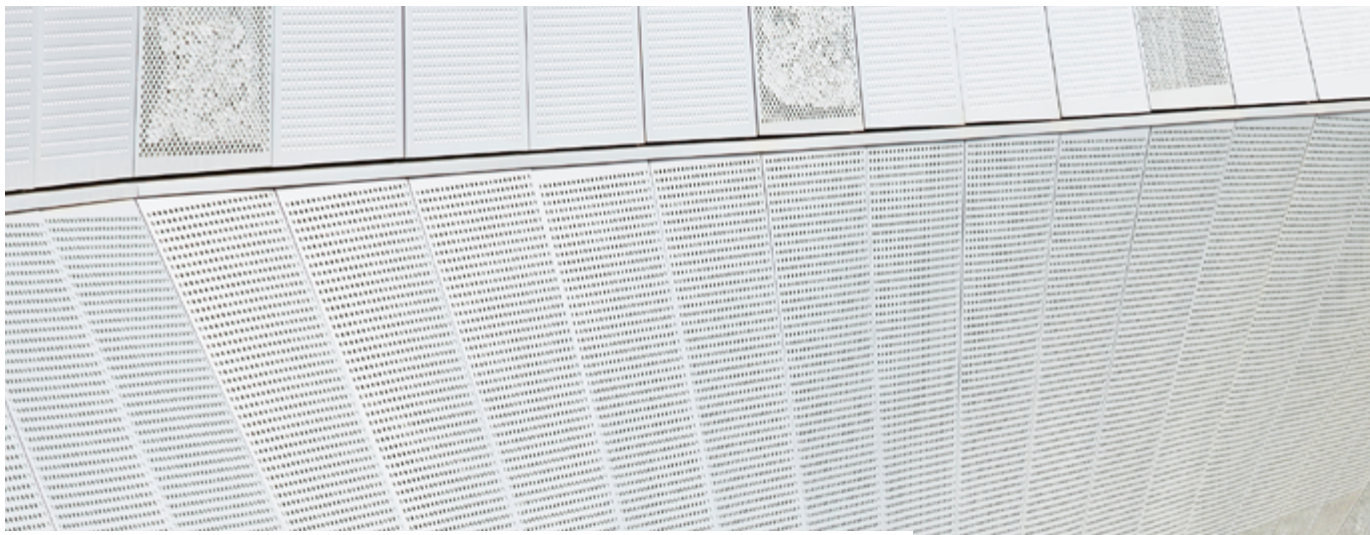
Taken together, these movements result in a small decrease of 1.8% for taxes borne as compared to the 2014 survey.

For sectors in the 100 Group other than the oil and gas and retailers, corporation tax remained constant, despite the drop in the statutory corporation tax rate, and in contrast other business taxes increased by 2.6% (figure 15). Again, further details are given in the corporation tax section.

Taxes collected increased by 1.0%, driven by increased excise duty payments from fuel duties and alcohol duties (figure 16).

<sup>7</sup>Movement shown as a percentage of Total Tax Contribution

<sup>8</sup>Movement shown as a percentage of taxes borne (figure 14) and taxes collected (figure 16)



**Figure 13: Trend in Total Tax Contribution 2014-2015**

	Trend as a % of total <sup>7</sup>
Taxes borne	-0.5%
Taxes collected	0.7%
Total tax contribution	0.2%

**Figure 15: Trend in taxes borne (excluding oil & gas and retailers) 2014-2015**

2014 - 2015	All sectors	Oil & Gas	Retailers	Other sectors
Corporation Tax	-4.1%	-2.1%	-2.0%	0.0%
Petroleum Revenue Tax	-0.9%	-0.9%	-	-
Other business taxes	3.2%	0.2%	0.4%	2.6%
Total Taxes borne	-1.8%	-2.8%	-1.6%	2.6%

**Figure 14: Trend in taxes borne 2014-2015**

	Trend as % of total <sup>8</sup>
Corporation Tax	-4.1%
Petroleum Revenue Tax	-0.9%
Business Rates	0.7%
Employers' NIC	0.3%
Bank Levy	1.9%
Irrecoverable VAT	-0.1%
Other taxes borne	0.4%
<b>Total taxes borne</b>	<b>-1.8%</b>

**Figure 16: Trend in taxes collected 2014 - 2015**

	Trend as % of total <sup>8</sup>
Tax deducted at source	0.2%
Excise duties	0.4%
Employees' NIC	0.1%
PAYE	0.2%
Net VAT	0.2%
Other taxes collected	-0.1%
<b>Total taxes collected</b>	<b>1.0%</b>



# The wider economic contribution – employment

*In addition to the significant contribution made to the tax revenues through their Total Tax Contribution, the 100 Group 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 1.9m people and extrapolating this to the 100 Group, we estimate total employment of 2.1 million people or 6.9% of the total UK workforce (figure 17). The average wage per employee is £32,642 (compared to the average national wage of £27,200<sup>9</sup>) with average employment taxes of £11,720 paid in respect of each employee. The average salary and employment taxes 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. The number of employees has remained constant while there was an increase in wages of 2.3%.

The 100 Group paid a total of £27.0 billion in employment taxes borne and collected, which accounts for 10.0% 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 £23.7 billion in employment taxes, including £6.6 billion in employment taxes borne and £17.1 billion in employment taxes collected (figure 18).

Looking on a like for like basis, the number of employees remained constant, employment taxes and wages have both increased. As a result, wages per employee and employment taxes per employee have both increased.



<sup>9</sup>Annual Survey of Hours and Earnings, 2014 Provisional Results: [http://www.ons.gov.uk/ons/dcp171778\\_385428.pdf](http://www.ons.gov.uk/ons/dcp171778_385428.pdf)

<sup>10</sup>Office for National Statistics (ONS) – EMP02 Public and Private Sector Employment. Release date 2 September 2015

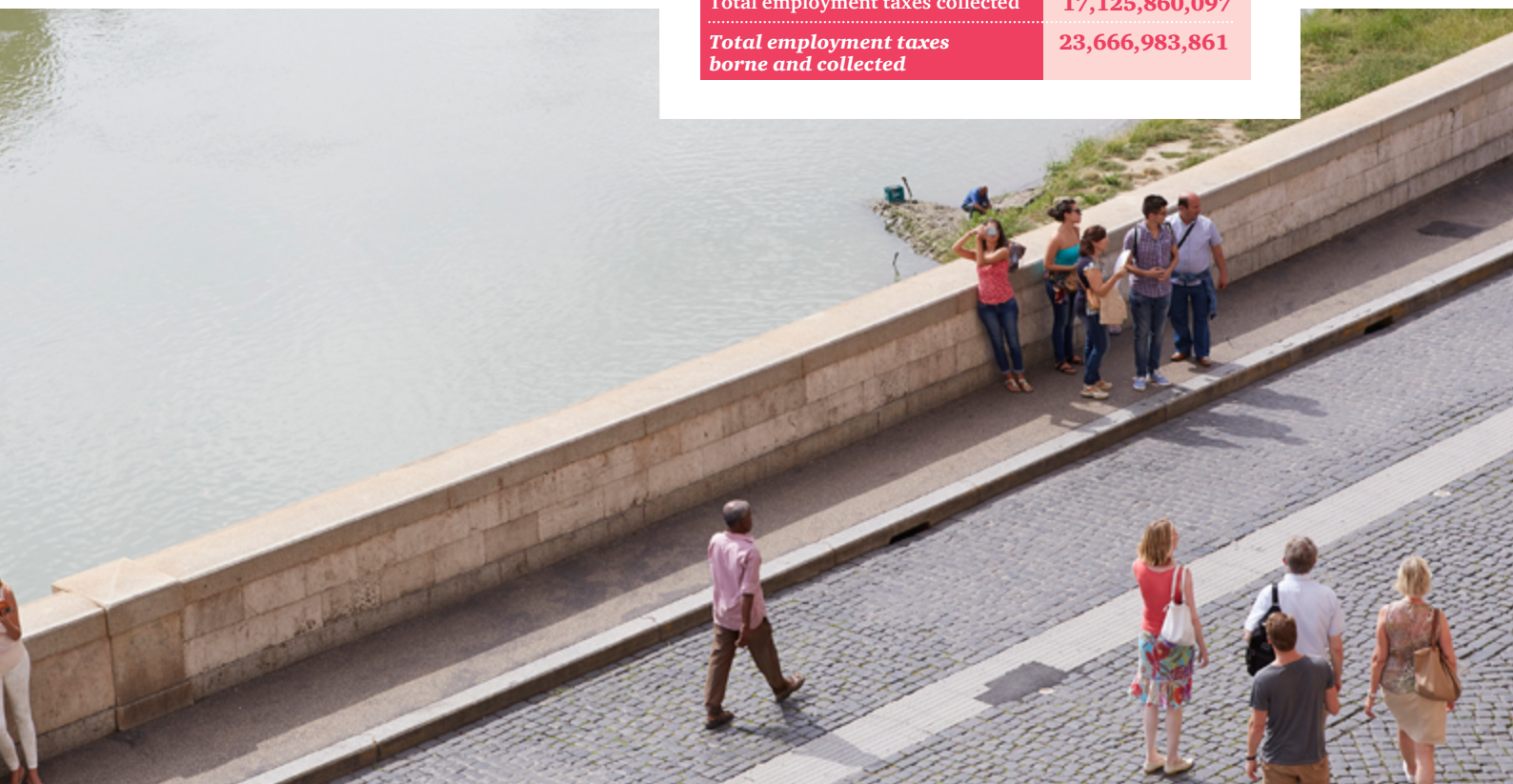
<sup>11</sup>The Office for Budget Responsibility (OBR) – Economic and fiscal outlook alongside Budget 2015. Table 4.5 Current receipts (on a cash basis)

**Figure 17: Employment tax figures for the 100 Group 2015**

	Survey participants	Extrapolated to the 100 Group	Percentage of Government figure
Number of UK Employees	<b>1.9m</b>	<b>2.1m</b>	<b>6.9%<sup>10</sup></b>
Total employment taxes	<b>£23,667m</b>	<b>£27,035m</b>	<b>10.0%<sup>11</sup></b>

**Figure 18: Employment tax figures for the survey participants 2015**

<i>Employment taxes borne</i>	£
Employers' NIC	6,421,350,381
PAYE agreements (PSAs) (tax on benefits)	119,773,383
<b>Total employment taxes borne</b>	<b>6,541,123,764</b>
<i>Employment taxes collected</i>	
Employees' NIC	3,725,946,710
PAYE	13,399,913,387
<b>Total employment taxes collected</b>	<b>17,125,860,097</b>
<b>Total employment taxes borne and collected</b>	<b>23,666,983,861</b>



# The wider economic contribution – capital investment, research & development

*Business investment is an important contribution the 100 Group companies make to the UK economy. In the 2015 survey, on a like for like basis, research and development has increased and capital investment has fallen compared to the 2014 survey.*

The survey asked participants to provide details of their investment in fixed assets and 90% of companies provided data.

The participants invested a total of £30.3 billion in tangible fixed assets in the accounting period ending 31 March 2015, accounting for over 16.8% of UK expenditure on business capital investment (figure 19). Compared to last year, this represents a decrease of 7.5%. The decrease is driven by a reduction in expenditure from the oil and gas sector and retailers.

The participants also incurred a total of £8.7 billion on research and development expenditure (figure 20), an increase of 6.6% compared to 2014.

**Figure 19: Investment made by 100 Group companies in fixed assets 2015**

2015 survey	Percentage of participants providing data	Total (£m)	Percentage of the total UK amount	Trend 2014 – 2015
UK fixed assets additions	90%	30,259	16.8% <sup>12</sup>	-7.50%

**Figure 20: Investment made by 100 Group companies in research and development 2015**

2015 survey	Percentage of participants providing data	Total (£m)	Trend 2014 – 2015
R&D expenses	55%	8,676	6.6%

<sup>12</sup><http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-378092>

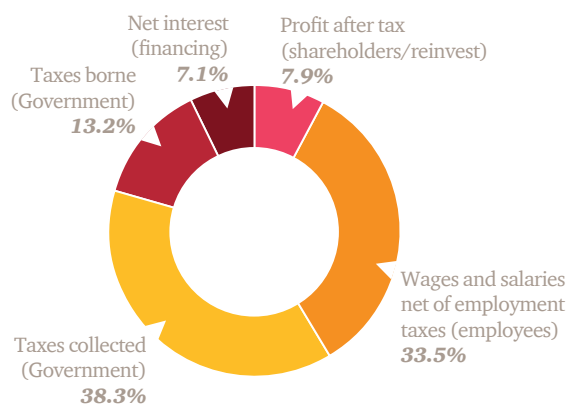
# Value distributed

*The TTC can be put into the context of value distributed<sup>13</sup> by companies.*

Value is distributed to the Government in taxes, to employees in wages, in financing, distributed to shareholders or is retained in the business for reinvestment. With the information gathered through the survey we are able to put the TTC in the context of the value distributed by those companies who provided this data.

The survey results show that Government is still the largest beneficiary of the value distributed by the 100 Group participants, at 51.5%. Wages paid to employees are the second largest share of the value distributed. Profits after tax (available for reinvestment in the company or distribution to shareholders as dividends) account for 7.9% of the total (figure 21).

**Figure 21: Value distributed by the 100 Group participants 2015**



<sup>13</sup>Value distributed is a measure of the relative distributions to the different stakeholders, including Government, employees and shareholders etc.

# The impact of other business taxes on some industries

*The 100 Group is a cross-industry sector organisation and participants in the 2015 Total Tax Contribution survey represent a wide range of industry sectors. Five industries have made a major contribution to the survey results since 2006.*

Figure 22 shows the trend in the TTC for the 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 chart shows the proportions represented by each sector).

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

Figure 23 shows the impact of corporation tax, employers' NIC, the supplementary charge (SCT) to corporation tax (on oil and gas companies), petroleum revenue tax (PRT), business and cumulo rates, irrecoverable VAT and bank levy. Other taxes are included in the 'other taxes' category. For the retail and telecom/

utilities sectors, business rates make up respectively 51% and 30% of their taxes borne. For both banks and insurers, irrecoverable VAT makes up 33% of their taxes borne. For the oil and gas sector, 30% of the taxes borne relate to profit taxes (including SCT, corporation tax at 30% and PRT). Almost 90% of the taxes borne by the banks 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. The rate of SCT fell from 32% to 20% from 1 Jan 2015.

**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) (see later chapter for further analysis).

**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 (see later chapter for further analysis).

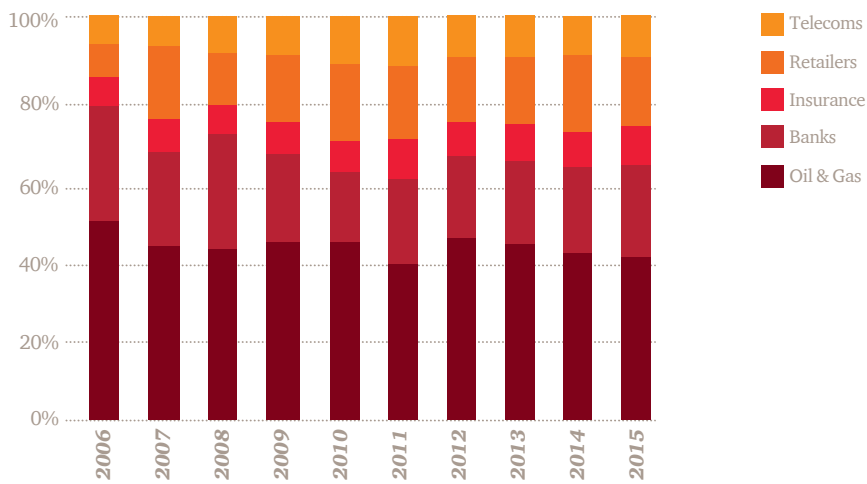
**Bank levy** was introduced in 2011, the basis of the bank levy is a bank's equity and liabilities. The charge (from January 2014) is 0.0156% on short term and 0.078% on long term chargeable equity or liabilities (see later chapter for further analysis).

It is important to recognise those sector taxes, to increase the understanding of the range of business taxes paid by corporates. Companies need to be able to explain the full extent of the tax contribution that they make, highlighting the significant contribution made beyond corporation tax.

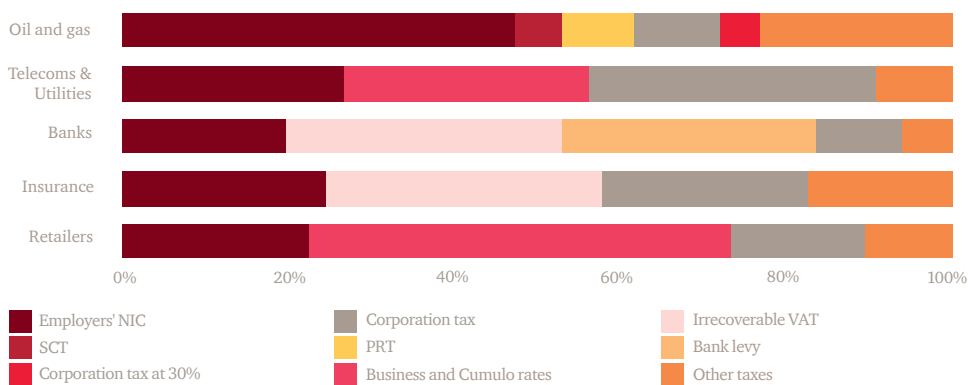




**Figure 22: Total Tax Contribution 2006-2015 by sector**



**Figure 23: Taxes borne for the key sectors**



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# Corporation tax

*In 2015, we estimate that the 100 Group members paid corporation tax totalling £4.3 billion, representing 10.2% of total government receipts from corporation tax. Corporation tax represents 18.3% of total taxes borne in the 2015 survey (figure 24). For every £1 of the corporation tax, the 100 Group companies paid another £4.46 in other tax borne, and £13.66 in taxes collected.*

Corporation tax has decreased by 17.9% for the 100 Group companies taking part in both the 2014 and 2015 surveys. This decrease is largely driven by the reduction in the statutory rate of corporation tax together with decreasing profitability for the oil and gas sector and retail sector in the 2015 survey period.

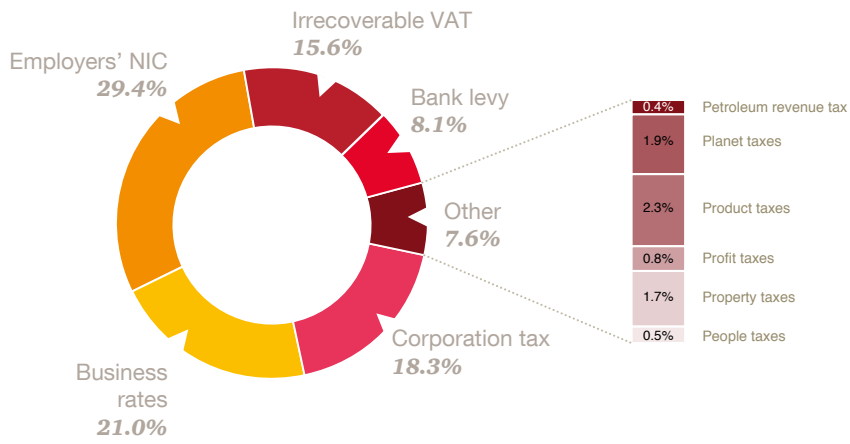
During the 2015 survey period, the oil and gas companies experienced high operating costs and lower oil prices resulting in lower profitability, while retailers faced challenging operating conditions resulting in lower profitability. These factors reduced the corporation tax paid for these sectors. Corporation tax for oil and gas companies decreased by 42.9%. Government data also reflects this reduction in corporation tax receipts from the North Sea<sup>14</sup> (figure 25), showing a 42% fall. Corporation tax for the companies in the retail sector in the survey fell by 49.3%.

For participants from other industry sectors in the 100 Group survey, profitability showed a small increase of 1.1% between 2014 and 2015 and the amount of corporation remained constant.

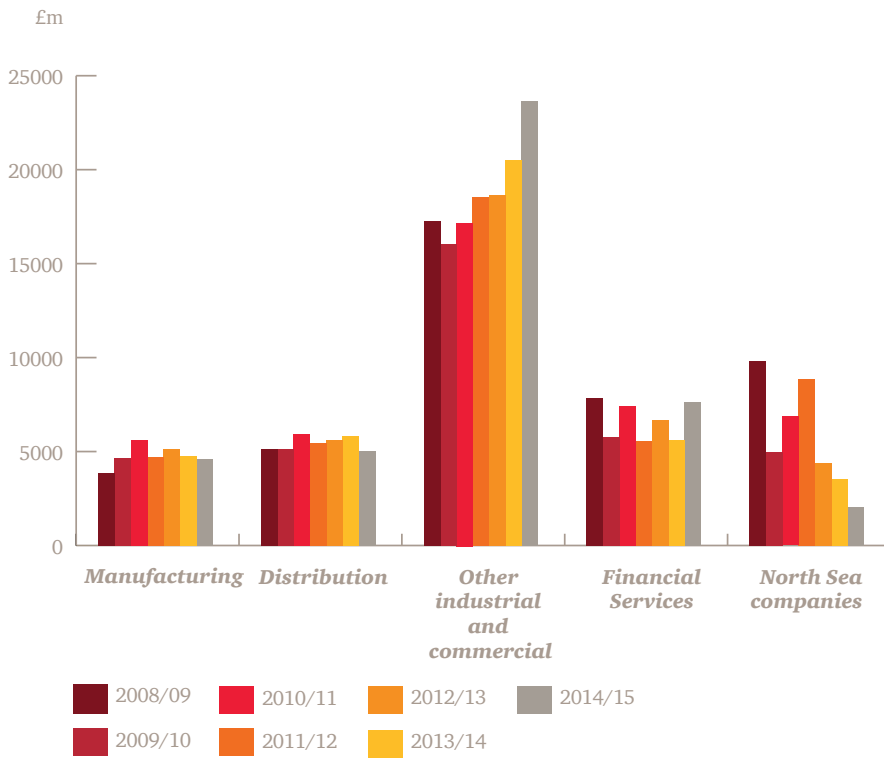
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<sup>14</sup>No government corporation tax data available for retailers.

**Figure 24 – Total taxes borne by percentage 2015**



**Figure 25: 2015 Government receipts from corporation tax – by sector**



# Business Rates

*Business rates are the second largest tax borne for the first time since the survey started in 2005. They are charged on rateable property and are not linked to a company's profitability. Business rates impact heavily on the retailers who are members of the 100 Group.*

Business rates are charged on the occupation of non-domestic property, including shops, offices, warehouses, factories, pubs and holiday rental homes or guest houses. Business rates are paid on the occupation of property based on the rateable value of the property (set by the Valuation Office Agency (VOA)) and a specific multiplier set by central and devolved governments. Business rates include cumulo rates which are non-domestic rates paid on rateable network assets by utility and telecom companies (e.g. pipelines and cables).

In 2015, survey participants of the 100 Group paid a total of £4.6bn in business rates, representing 16.8% of the Government's business rates receipts. This makes up 21.0% of the 100 Group taxes borne, the second largest taxes borne. For the first time since the survey began in 2005, business rates contributed more to the UK tax revenues than corporation tax for this group of companies.

The amount paid in business rates increased by 3.5% since 2014, driven mainly by an increase in the multipliers. Business rates have increased by 86% since 2005, and this increase is driven by a combination of an increase in the multipliers (see figure 26) and in rateable property value as well as the general growth in business property owned by participating companies over the 11 years of the survey period.

Almost half of the business rates paid by the 100 Group participants were paid by retailers. As shown in figure 27, on average, 51.0% of taxes borne by retailers are business rates. This is an increase compared to last year, although profitability for this group of companies as a whole fell.

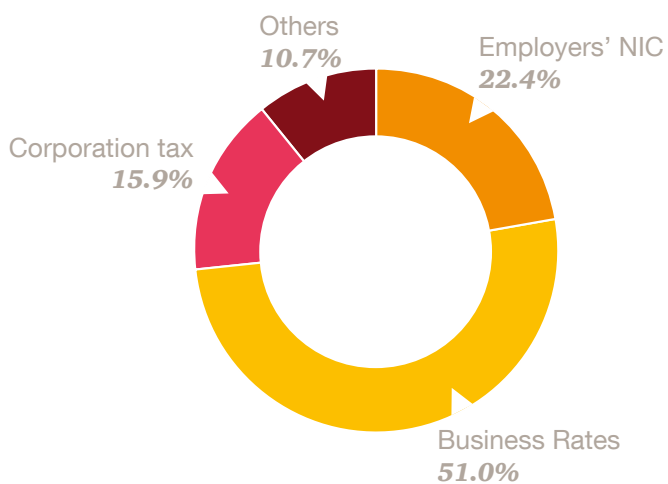


**Figure 26 – Business rates multipliers from 2005 to 2015**

	England	City of London
2015/ 16	<b>49.3</b>	<b>49.7</b>
2014/ 15	<b>48.2</b>	<b>48.6</b>
2013/14	<b>47.1</b>	<b>47.5</b>
2012/ 13	<b>45.8</b>	<b>46.1</b>
2011/ 12	<b>43.3</b>	<b>43.7</b>
2010/ 11**	<b>41.4</b>	<b>41.8</b>
2009/ 10	<b>48.5</b>	<b>48.9</b>
2008/ 09	<b>46.2</b>	<b>46.6</b>
2007/ 08	<b>44.4</b>	<b>44.8</b>
2006/ 07	<b>43.3</b>	<b>43.7</b>
2005/ 06**	<b>42.2</b>	<b>42.5</b>

\*\* indicates a revaluation year

**Figure 27 – 2015 taxes borne by retailers on an average basis**



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# Irrecoverable VAT

*For financial service companies, irrecoverable VAT is a significant tax cost. There is often limited understanding of how irrecoverable VAT arises.*

Irrecoverable VAT was the fourth largest tax payment for the study participants accounting for 15.6% of total taxes borne. Irrecoverable VAT arises when input VAT is incurred by a VAT exempt business. When a business supplies goods and services, it generally charges VAT, and offsets any VAT it has incurred on purchases used to run the business (input VAT). Where the supplies of a company are exempt, VAT is not charged to customers and the company cannot recover its input VAT. This input VAT is known as irrecoverable VAT.

Survey participants paid a total of £3.4bn in irrecoverable VAT. Of this total Financial Services (FS) companies paid £3bn. On average, this tax accounts for 30.4% of taxes borne by the FS participants (figure 28) in this year's survey.

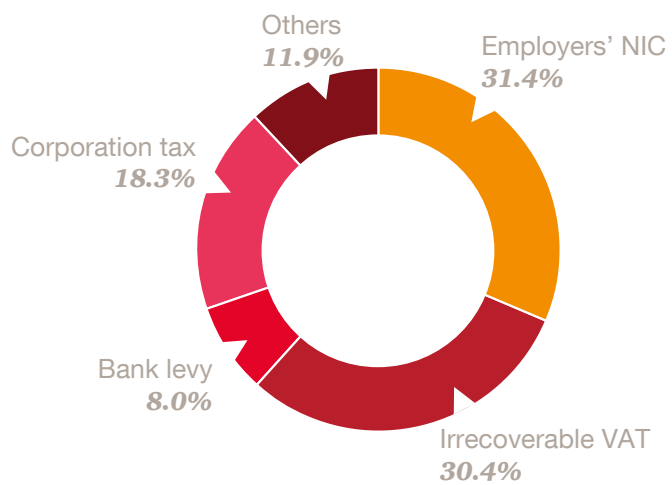
Irrecoverable VAT has more than doubled (increased by 121%) since 2005. The increase in irrecoverable VAT is partly driven by legislative

changes. The rate of VAT increased in 2010 from 15.0% to 17.5% and a second increase was enacted in 2011 which increased the rate of VAT to 20.0%. There have also been changes to the way business in the Financial Services sector is carried out which has added to the burden of irrecoverable VAT.

Many services supplied by the FS companies are exempt from VAT, contributing to the high level of irrecoverable VAT incurred. In 2010, there were changes in the EU VAT system, which taken with legislative or case law changes in the financial services sector, resulted in increased input VAT. There has also been increasing investment in information technology and infrastructure throughout the sector, a drive towards outsourcing administrative business functions and a move towards employing more contractors following the financial crisis, all which increase the cost base and level of input VAT.



Figure 28 – 2015 taxes borne by FS companies on an average basis



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# Bank levy

*The banking sector is the only sector that bears the bank levy and it is the second largest tax the sector pays according to the survey results.*

Bank levy was introduced in 2011, based on the equity and liabilities of banks. The rate of the levy has been increased ten times since it was introduced, in an attempt to meet the dual targets of encouraging the banking sector to move towards more stable sources of funding and of raising a set amount of revenue. The levy is currently applied to the worldwide balance sheet of a UK headquartered bank, but only to the UK balance sheet of a foreign headquartered bank.

Changes were announced in the Summer 2015 Budget. The Budget announced that current rates of 0.21% for short term liabilities and 0.105% for long term liabilities would gradually be reduced over the next 6 years. The rates applicable from 1 January 2021 would be 0.10% for short term liabilities and 0.05% for long term liabilities. The fixed revenue target for Bank Levy receipts will be removed.

In addition to the rate decrease, the Budget announced that the scope of the bank levy would be restricted to UK operations only with effect from 2021. This is particularly relevant for UK-headquartered banks where the bank levy currently applies to the global consolidated Balance Sheet. Figure 29 shows the increase in the rate of bank levy since its introduction.

The changes to the bank levy regime were introduced alongside a new banking specific tax based on profits, the Bank Surcharge Tax. The Government's stated intention is to balance the burden on the banking sector between a balance sheet and a profits based tax.

In 2015, the Government received £2.8bn in bank levy from the banking sector. Study participants (banks) paid bank levy of £1.8bn, representing 64.3% of the Government's total bank levy receipts. This total makes up 8.1% of the total taxes borne by the 100 Group (figure 5 – taxes borne by percentage in 2015), and became the fifth largest taxes borne.

Survey data shows that the bank levy increased by 31.5% since 2014 and 148% since 2012. This is mainly driven by an increase in the levy rate as well as the value of the underlying equity or liability.

The banking sector is the only industry subject to this levy. As shown in figure 30, banks pay 30.5% of their taxes borne in bank levy on average, it is the second largest tax borne after irrecoverable VAT.

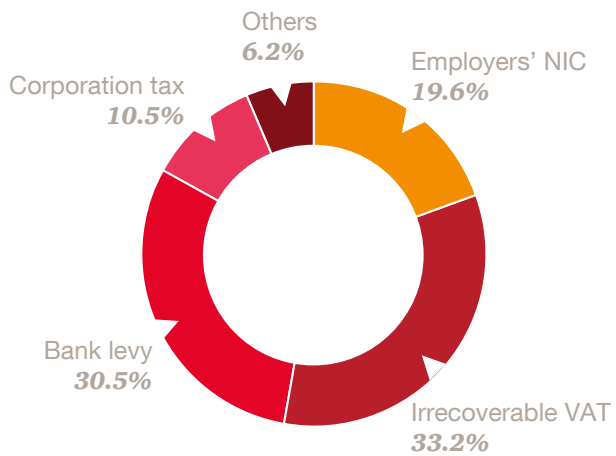




**Figure 29 – Changes in the rate of bank levy**

Financial year	Charge on short term equity or liabilities	Charge on long term equity or liabilities	Increase in the short term rate of bank levy percentage points (base year 2011)	Increase in the long term rate of bank levy percentage points (base year 2011)
2011	<b>0.075%</b>	<b>0.038%</b>	<b>1.00</b>	<b>1.00</b>
2012	<b>0.088%</b>	<b>0.044%</b>	<b>1.17</b>	<b>1.15</b>
2013	<b>0.130%</b>	<b>0.065%</b>	<b>1.73</b>	<b>1.71</b>
2014	<b>0.156%</b>	<b>0.078%</b>	<b>2.08</b>	<b>2.05</b>
2015	<b>0.210%</b>	<b>0.105%</b>	<b>2.80</b>	<b>2.76</b>

**Figure 30 – 2015 taxes borne by banks on an average basis**



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# Business perceptions

*Participating companies of the 100 Group were asked to give their view on current Government fiscal policy as part of the 2015 survey.*

UK businesses are experiencing a period of unprecedented interest in the tax payments that they make and tax strategies and policies they adopt, while Government policy is focused on the UK “Open for Business” agenda. This year the survey included some questions to assess business perceptions on BEPs, country by country reporting and greater transparency.

Figure 31 summaries the key responses. Over 85% of respondents agreed that greater tax transparency from multinational companies (MNCs) is needed to help inform the debate around the contribution of big business in taxes. Of these companies, 70% agreed that the cost of preparing reports detailing profits and tax by country is a key concern for them. Over 50% of them think that reporting profits and tax paid publicly by country will provide meaningful information to inform the debate.

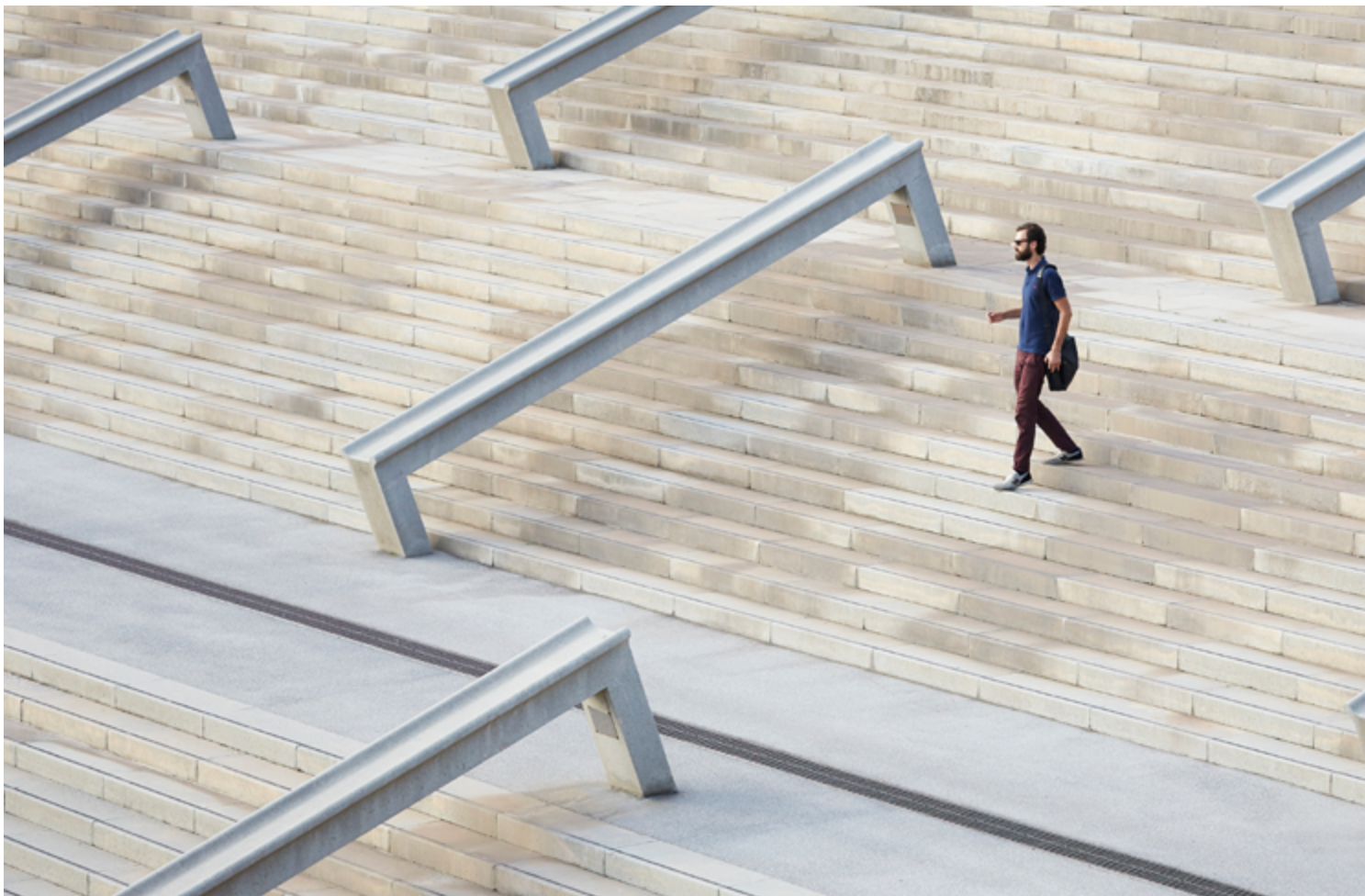
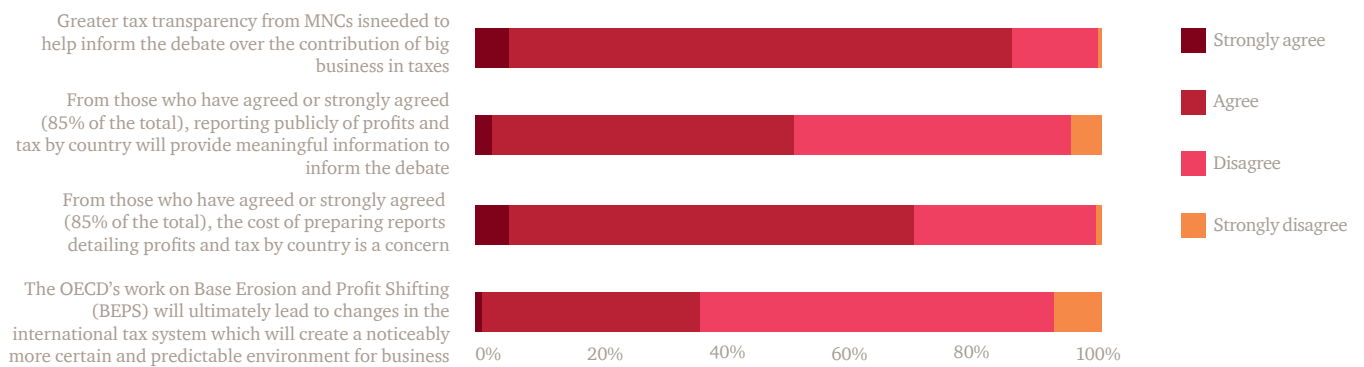
As voluntary disclosure of meaningful information about tax increases in the UK<sup>15</sup>, more companies are considering whether increased transparency around their tax affairs and all of the taxes that they pay could better explain the impact that they have in the economies where they operate. Looking at 2014 year ends, 40 companies in the FTSE100 disclosed details of their TTC.

Over 64% of the participants do not think that the OECD’s Base Erosion and Profit Shifting initiative will lead to changes in the international tax system, that will create a more predictable environment for business.

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<sup>15</sup>Tax Transparency 2015: Developing a communication plan for tax

**Figure 31: Companies' view on tax transparency and BEPs**



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# How companies use their TTC data

*Each participant in the 100 Group TTC survey 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 details 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 2015 survey participants responded as shown in figure 32.

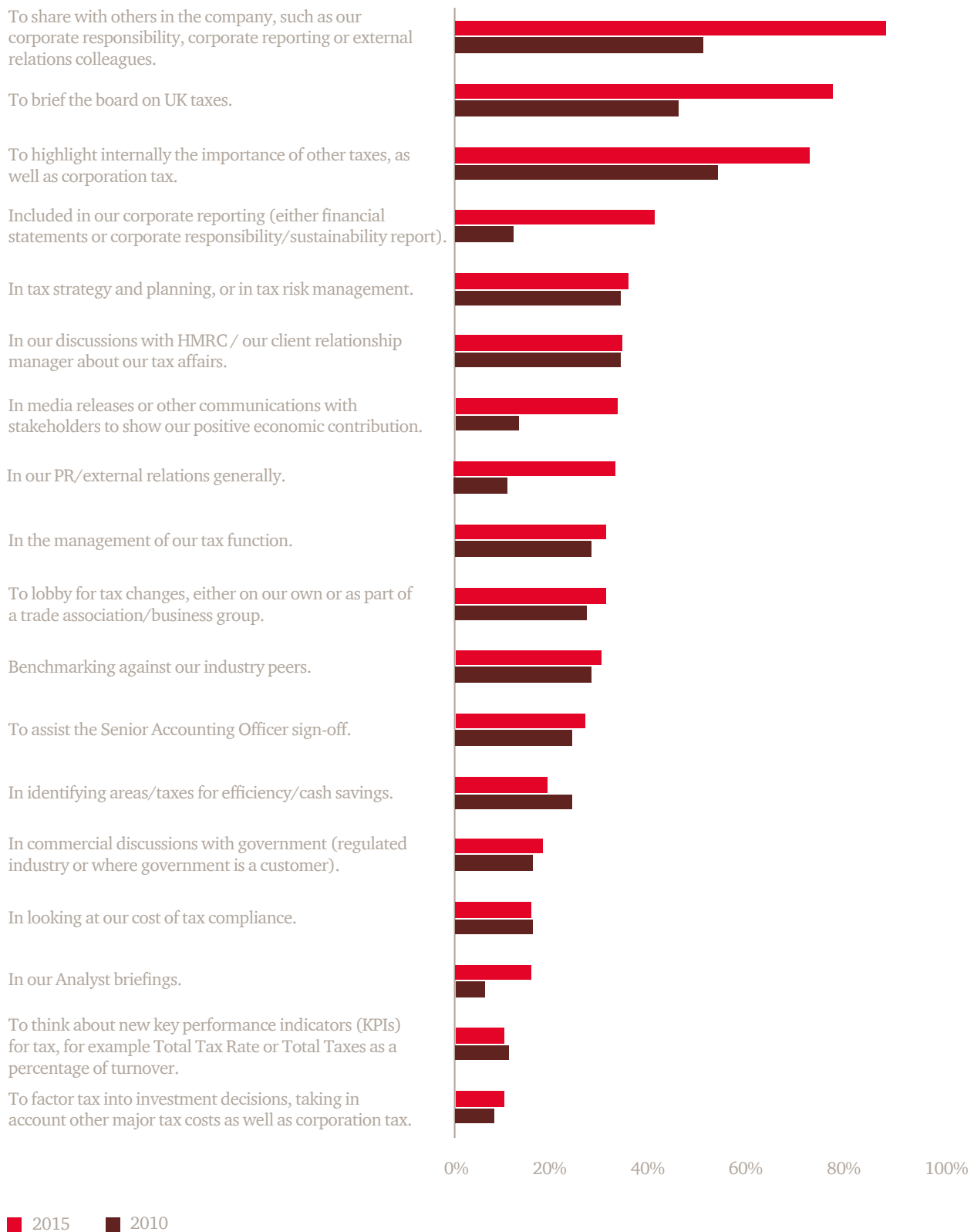
- 89% of companies use their TTC data to share with others in the company, such as their corporate responsibility, corporate reporting or external relations colleagues.
- 78% of companies use it to brief the board on UK taxes.

The 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 2010 and 2015, use of TTC data in corporate reporting (either financial statements or corporate responsibility/ sustainability report) has increased more than 240% since 2010.

Compared to 2010, companies using the data in media releases or other communications with stakeholders to show their positive economic contribution has more than doubled (increase of 156%). Similarly, compared to 2010, the number of companies using the data in PR/external relations (203%) more than doubled.

TTC data has also increasingly been used in analyst briefings. In 2010, 6% of companies were using their data for this purpose. Five years later, this amount has more than doubled (15.6%). A clear reflection of the current environment and how TTC occupies more space in the agenda of a much broader audience.

**Figure 32: How companies use their TTC data**



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# *Appendices*



# Appendix 1

## List of companies invited to participate in the 2015 survey

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



## Appendix 2

# List of taxes borne and collected in the UK

	Tax borne	Tax collected
<b>Taxes on profits (profit taxes)</b>		
Corporation tax	X	
Tax deducted at source		X
Petroleum revenue tax	X	
Betting and gaming duty	X	
<b>Taxes on property (property taxes)</b>		
Business rates and cumulo rates	X	
Stamp duty land tax	X	
Stamp duty	X	
Stamp duty reserve tax	X	X
Bank levy	X	
<b>Taxes on employment (people taxes)</b>		
Income tax under PAYE		X
PAYE agreements (tax on benefits)	X	
Employees' national insurance contributions		X
Employers' national insurance contributions	X	
<b>Taxes on consumption (product taxes)</b>		
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	
<b>Environmental taxes (planet taxes)</b>		
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 2015 100 Group survey

Taxes borne	£s 2015
<b>Taxes on profits (profit taxes)</b>	
Corporation tax	4,000,395,096
Petroleum revenue tax	93,258,768
Betting and gaming duty	179,356,485
<b>Taxes on property (property taxes)</b>	
Business rates	4,578,695,802
Stamp duty land tax	244,715,137
Stamp duty and stamp duty reserve tax	124,079,530
Bank levy	1,769,247,161
<b>Taxes on employment (people taxes)</b>	
PAYE agreements (tax on benefits)	119,773,383
Employer's national insurance contributions	6,421,350,381
<b>Taxes on consumption (product taxes)</b>	
Irrecoverable VAT	3,418,896,983
Insurance premium tax	35,521,798
Customs duties	352,386,864
Air passenger duty	37,252,607
Vehicle excise duty	65,777,546
<b>Environmental taxes (planet taxes)</b>	
Landfill tax	12,083,608
Aggregates levy	233,108
EU ETS	33,585,603
Carbon Reduction Commitment	139,527,021
Climate change levy	215,329,716
Congestion charge	5,979,833
<b>Total</b>	<b>21,847,446,430</b>

<b>Taxes collected</b>	
<b>Taxes on profits (profit taxes)</b>	
Tax deducted at source	2,853,476,774
<b>Taxes on property (property taxes)</b>	
Stamp duty reserve tax	185,098,084
<b>Taxes on employment (people taxes)</b>	
PAYE	13,399,913,387
Employer's national insurance contributions	3,725,946,710
<b>Taxes on consumption (product taxes)</b>	
Net VAT	9,795,326,823
Insurance premium tax	732,823,304
Fuel duties	14,558,761,845
Tobacco duty	5,437,856,904
Alcohol duty	2,946,626,764
Air passenger duty	675,350,876
<b>Environmental taxes (planet taxes)</b>	
Landfill tax	205,000,392
Climate change levy	118,522,091
<b>Total</b>	<b>54,634,703,954</b>

# Appendix 4

## Key contacts

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# Notes

A series of horizontal dotted lines for writing notes.



