



2017 Total Tax Contribution survey for the 100 Group

A sustained contribution in uncertain times

December 2017

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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 6.5% of the UK workforce, and in 2017 paid, or generated, taxes equivalent to 12.6% 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

At PwC UK, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/uk.

Foreword

Welcome to the thirteenth annual PwC Total Tax Contribution (TTC) survey of the 100 Group. This report presents the analysis of data received from 100 companies, highlighting the TTC and wider economic contribution for 2017¹, along with the trend analysis over the thirteen years of the survey.

The TTC of the 100 Group increased for the seventh consecutive year in 2017, reaching £82.9bn. The overall increase in the year was driven by a 6.3% increase in taxes borne, taxes that are a direct cost to the company, and a 1.4% decrease in taxes collected.

The survey analysed the total taxes paid by 100 Group companies in their financial years ended in the year to 31 March 2017 – a period that included the Brexit referendum, on 23 June 2016, and the triggering of Article 50, on 29 March 2017.

Brexit brings uncertainty, but also provides an opportunity to have a wide ranging debate about how we can use future freedom and flexibility to reform our tax system. It is crucial that we engage in that debate now, to ensure that the tax system we have in the future is not an afterthought to the final Brexit deal, but a clear roadmap that addresses some of the challenges we face as a nation, as well as broader trends around changing demographics, disruptive technology, the gig economy and climate change.

To be capable of meeting the challenges of the future will require a long-term approach to developing tax policy. This requires early consultation with a wide range of stakeholders, public engagement and consensus building.

Businesses should be a part of that dialogue. This report shows the significant contribution that large businesses make, not only to the public finances, but by supporting the wider economy through investment, supply chain activity, and by providing high value jobs. Large businesses are a vital part of a mixed economy, and they have a key role to play in building an economy that works for everyone. Support for open trade policies has clearly been eroded on both sides of the Atlantic as the benefits and impacts of global trade are perceived to be unevenly distributed. This is ultimately damaging to businesses and society as a whole.

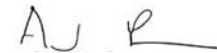
By acknowledging the challenges facing the economy and helping to build solutions that benefit the wider society, large businesses can help to build trust in the tax system. In recent years, businesses have been doing more to help build the understanding of the tax system, by explaining their tax strategies and increasing voluntary transparency around their tax affairs. The trend towards greater transparency is likely to continue and should contribute to an improved debate on the effectiveness of the global tax system. At the heart of this is the debate of whether everyone is paying a fair share of tax; we think that question needs to be addressed with governments and the public so that all taxpayers have confidence in the system. We hope that this report helps to start that debate.

The Total Tax Contribution survey for the 100 Group aims to contribute to this debate with data collected over a thirteen year period, based on the PwC TTC framework that is simple and well understood. We hope that enriching the public narrative with robust data can help to build trust, inform constructive debate and contribute to sound policymaking. The survey, supported by one hundred companies, provides comprehensive analysis of the tax, and wider economic contribution, of the largest UK companies.

We thank the participating companies for continuing to support the survey and encourage business leaders and other stakeholders to engage with the tax agenda in the future.



Chris O'Shea
Chair of the 100 Group Tax Committee



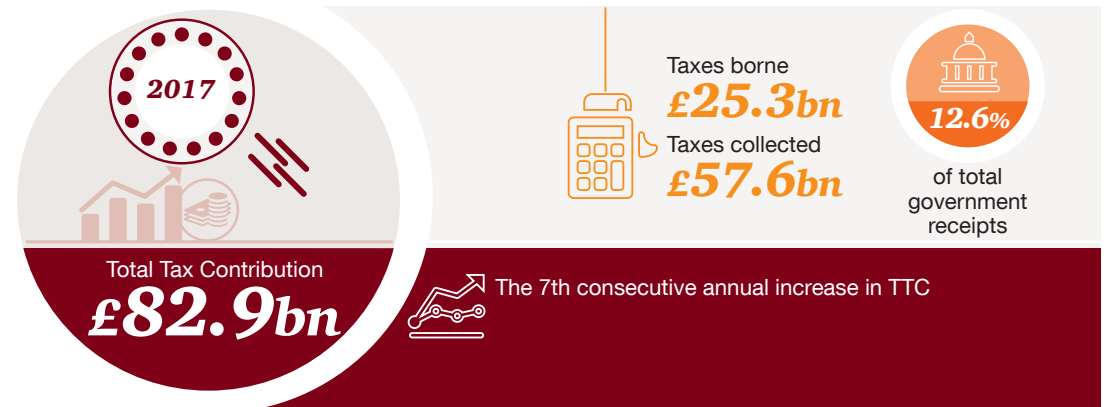
Andrew Packman
PwC, Total Tax Contribution and Tax
Transparency leader

¹ Data was collected for accounting periods ending in the year to 31 March 2017

Key findings

1. The Total Tax Contribution of the 100 Group increased in 2017, reaching £82.9bn: This includes both taxes borne of £25.3bn and taxes collected of £57.6bn, and represents 12.6% of total government receipts.

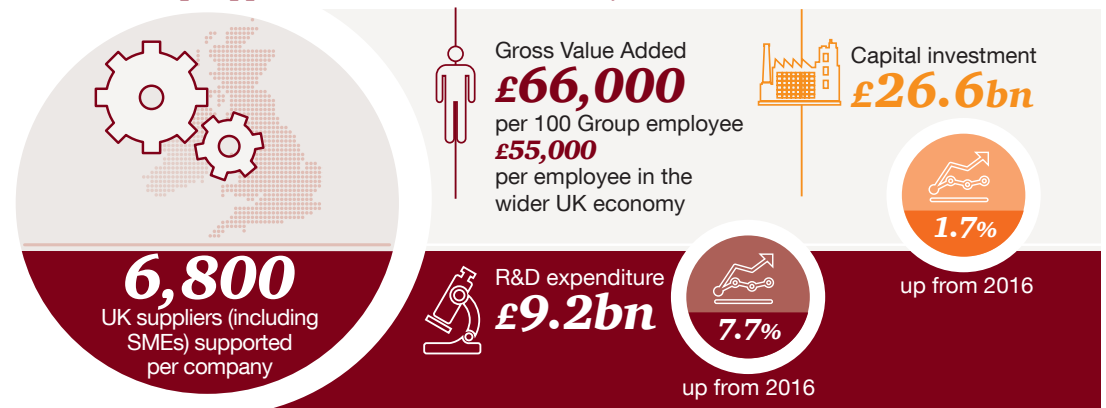
The TTC of the 100 Group increased in 2017



2. The 100 Group supports the broader UK economy in a number of important ways:

- UK suppliers: On average, each 100 Group participant supported 6,800 UK suppliers, including SMEs
- Gross Value Added*: For the 100 Group we estimate GVA per employee of £66,000. This compares to an average GVA per employee of £55,000 in the wider UK economy.
- Capital investment: Survey participants spent £26,609m on capital investment in 2017 (an increase of 1.7% since 2016)
- R&D expenditure: Survey participants spent £9,248m on research and development in 2017 (an increase of 7.7% since 2016)

The 100 Group supports the broader UK economy



*GVA is a measure of the value of goods and services produced

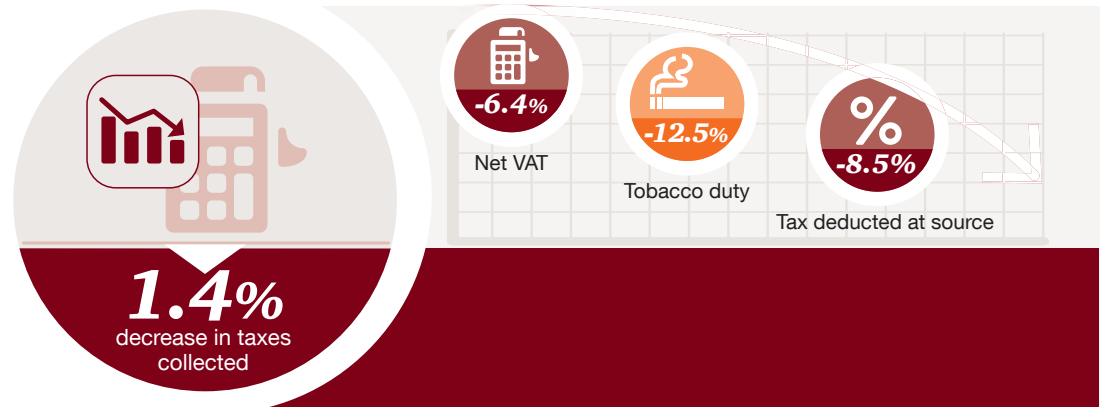
3. Taxes borne increased by 6.3% from 2016 to 2017:

The increase was largely driven by a 33.0% increase in corporation tax (accounting for 6.5 percentage points of the increase in taxes borne), and a 4.4% increase in employer NIC (1.3 percentage points of the total increase). Of the 6.3% increase in taxes borne, the banks accounted for 3.2 percentage points and the retailers for 1.6 percentage points. The increase in corporation tax was due to a number of factors: the introduction of the bank surcharge from January 2016, loss relief and compensation payment restrictions affecting the banks, and increasing profitability within the 100 Group.

Taxes borne increased in 2017



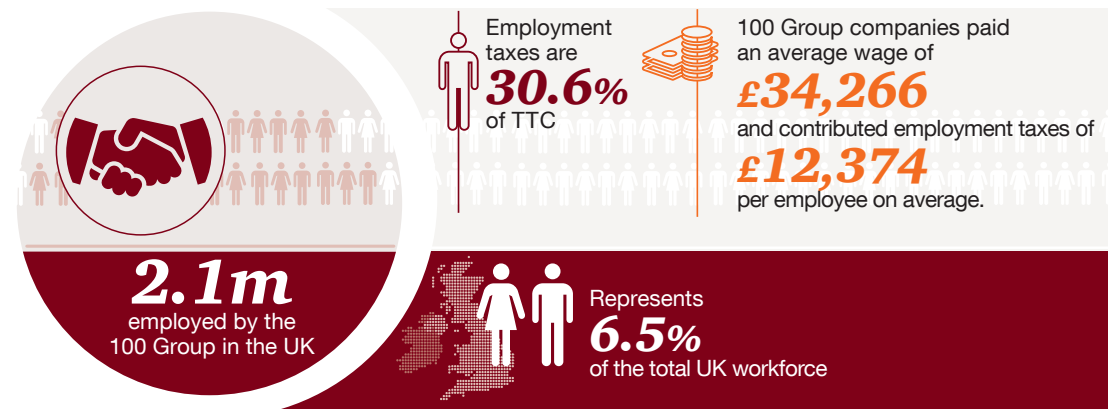
The increase in TTC was despite a fall in taxes collected



4. The increase in TTC was despite a 1.4% fall in taxes

collected: The decrease in taxes collected was driven by net VAT, tobacco duty and tax deducted at source.

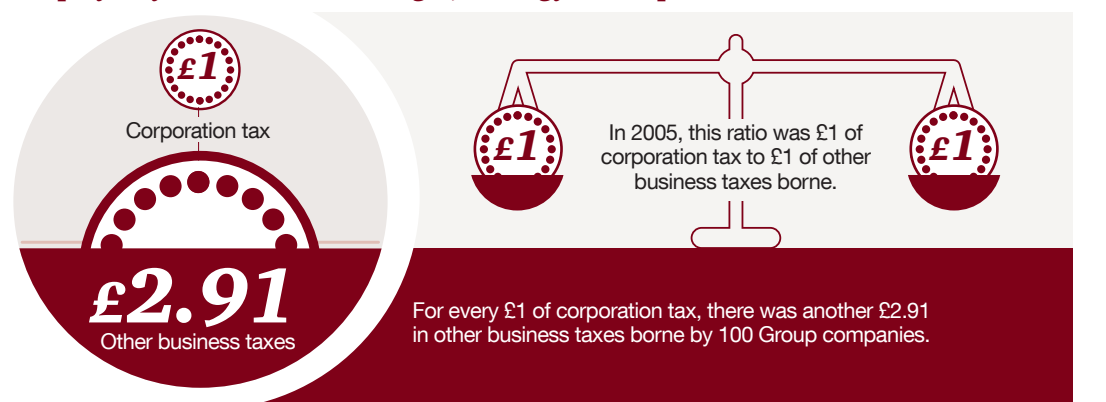
Employment taxes remain the largest element of the Total Tax Contribution



5. At 30.6% employment taxes remain the largest element of

the Total Tax Contribution: We estimate the 100 Group employed 2.1 million people in the UK, representing 6.5% of the total UK workforce, paid an average wage of £34,266 (the national average is £28,600) and contributed average employment taxes of £12,374 per employee.

The profile of taxes borne has changed, moving from corporation tax to other business taxes



6. The profile of taxes borne has changed, moving from

corporation tax to other business taxes: Other business taxes, such as business rates, irrecoverable VAT and employer NIC, have increased significantly since the survey began. For every £1 of corporation tax, there was another £2.91 in other business taxes borne by 100 Group companies. In 2005, the ratio was 1:1.

Total Tax Contribution of the 100 Group in 2017



The 100 Group² continues to make a significant contribution to UK tax revenues. We estimate the Total Tax Contribution (TTC) of the 100 Group to be £82.9bn in 2017. This is the seventh consecutive year that the TTC has increased, and it is now £4.3bn higher than the pre-financial crisis total of £78.6bn in 2007.

The one hundred companies that participated in the 2017 survey provided data on taxes paid totalling £81.0bn. After extrapolation to all 100 Group members, the TTC is estimated to be £82.9bn, which represents 12.6% of total government receipts for the year ending 31 March 2017 (figure 1). This comprises total taxes borne of £25.3bn and total taxes collected of £57.6bn. Within taxes borne, we estimate corporation tax of £6.4bn, 12.6% of government corporation tax receipts and employment taxes of £25.7bn, 9.4% of government receipts of employment taxes.

Other business taxes paid, in addition to corporation tax, account for 92.3% of the TTC for the 2017 survey. However, there is often little visibility of these other business taxes borne and collected, and public debate can at times fail to recognise the full picture.

The largest tax borne continues to be employer National Insurance contributions (NIC) (27.3% of total taxes borne), while corporation tax has become the second largest (25.2% compared to 19.7% in 2016) and business rates is now the third largest tax borne (18.9% compared to 20.9% in 2016) (figure 3). For every £1 of corporation tax, £2.91 is paid in other business taxes borne. In 2016, this ratio was £1 of corporation tax to £3.96 of other business taxes borne. In 2005, the ratio was 1:1.

Employment taxes, at 31.7%, are the largest share of taxes collected (income tax deducted under PAYE: 24.5% and employee NIC: 7.2%) followed by fuel duty at 27.2% (figure 4). For every £1 of corporation tax borne by this group of companies, there is £9.03 of taxes collected.

Figure 1: Total Tax Contribution of the 100 Group 2017

	Survey participants (£m)	Extrapolated to the 100 Group (£m) ³	Percentage of government receipts ⁴
Corporation tax	6,263	6,397 ⁵	
Other taxes borne	18,207	18,867	
Taxes borne	24,470	25,264	
Taxes collected	56,574	57,644	
Total Tax Contribution	81,044	82,908	12.6%

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

³ 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.

⁴ Office for Budget Responsibility (OBR) – Economic and fiscal outlook supplementary fiscal tables – November 2017. Table 2.8. Current receipts (on a cash basis).

⁵ Extrapolated corporation tax payments are 12.6% of government receipts of corporation tax.

The TTC in 2017 is £0.6bn higher than in 2016, but represents a falling share of government receipts: 12.6% in 2017 compared to 13.3% in 2016 (figure 2). This is due to strong growth in government receipts (up 6.0%) in the 2016-17 financial year, driven largely by increased NICs, followed by increases in income tax, VAT and corporation tax receipts. The increase in NICs reflects a number of policy changes that have had a greater impact on the wider UK economy, particularly the public sector, and less impact on the 100 Group companies.

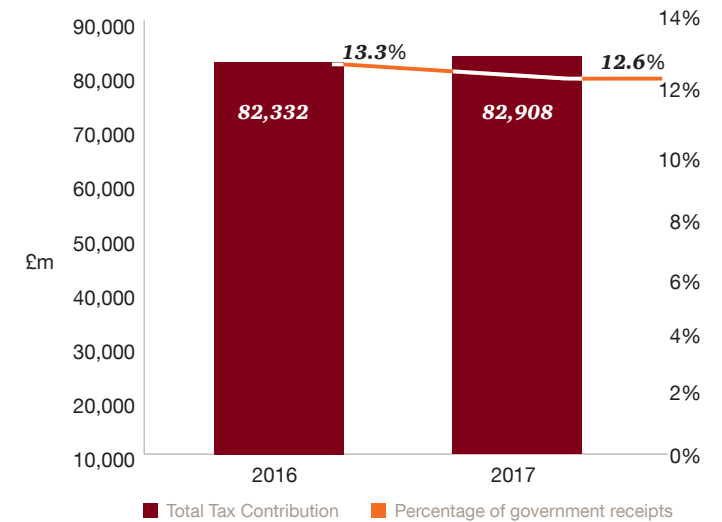
Finally, public sector authorities became responsible for deciding if off-payroll working rules apply to intermediaries providing services via personal service companies (PSC) and partnerships⁷, bringing a greater number of individual taxpayers within the scope of paying NICs.

⁶ Office for Budget Responsibility (OBR): Economic and fiscal outlook, November 2017, p.47 <http://budgetresponsibility.org.uk/download/economic-and-fiscal-outlook-november-2017/>

⁷ Although the change was effective from April 2017, we expect the impact to be seen within 2016-17 as public sector employers prepare for the change in legislation

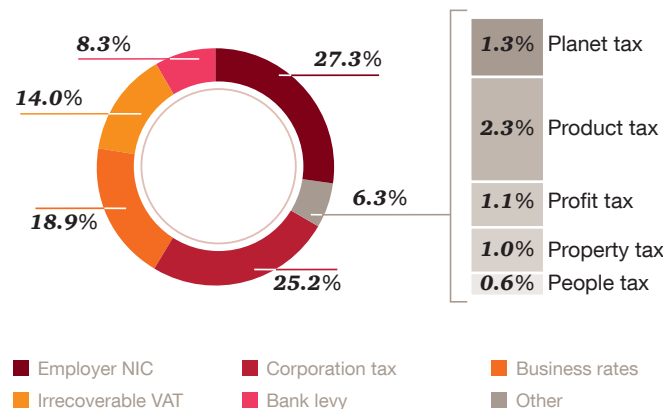
Firstly, with the single-tier State Pension system beginning in 2016-17, contracting-out of the State Earnings Related Pension Scheme (SERPS) came to an end from April 2016, bringing an end to the NIC rebate for employers and employees that took advantage of the scheme. Secondly, although there has been steady growth in the UK workforce, the growth has been skewed towards lower paid jobs⁶, and with the starting threshold for National Insurance contributions almost £3000 lower than for income tax and the upper earnings limit attracting a reduced rate, there is a greater impact on NIC receipts.

Figure 2: Total Tax Contribution of the 100 Group 2016 and 2017



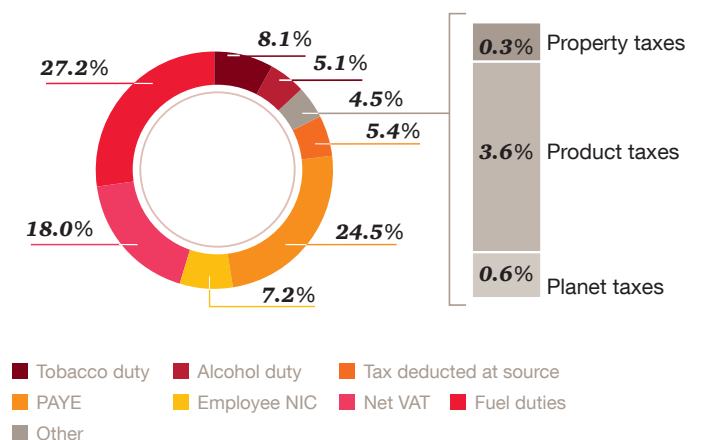
Source: PwC analysis

Figure 3: Taxes borne by percentage, 2017



Source: PwC analysis. Note: see appendix 2 for an explanation of the five tax bases (profit, people, product, property and planet taxes).

Figure 4: Taxes collected by percentage, 2017



Source: PwC analysis

TTC Methodology

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 are reflected in its financial results, e.g. corporation tax, employer 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 that gives rise to the taxes and then collects and administers them on behalf of HMRC.

We have identified twenty six business taxes in the UK under the TTC methodology⁸ in 2017 (Appendix 2). Of these, there are twenty two business taxes borne (including corporation tax) and thirteen business taxes collected.

The survey collects data from 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 thirteen TTC surveys with the 100 Group use the same methodology which enables the results to be compared.

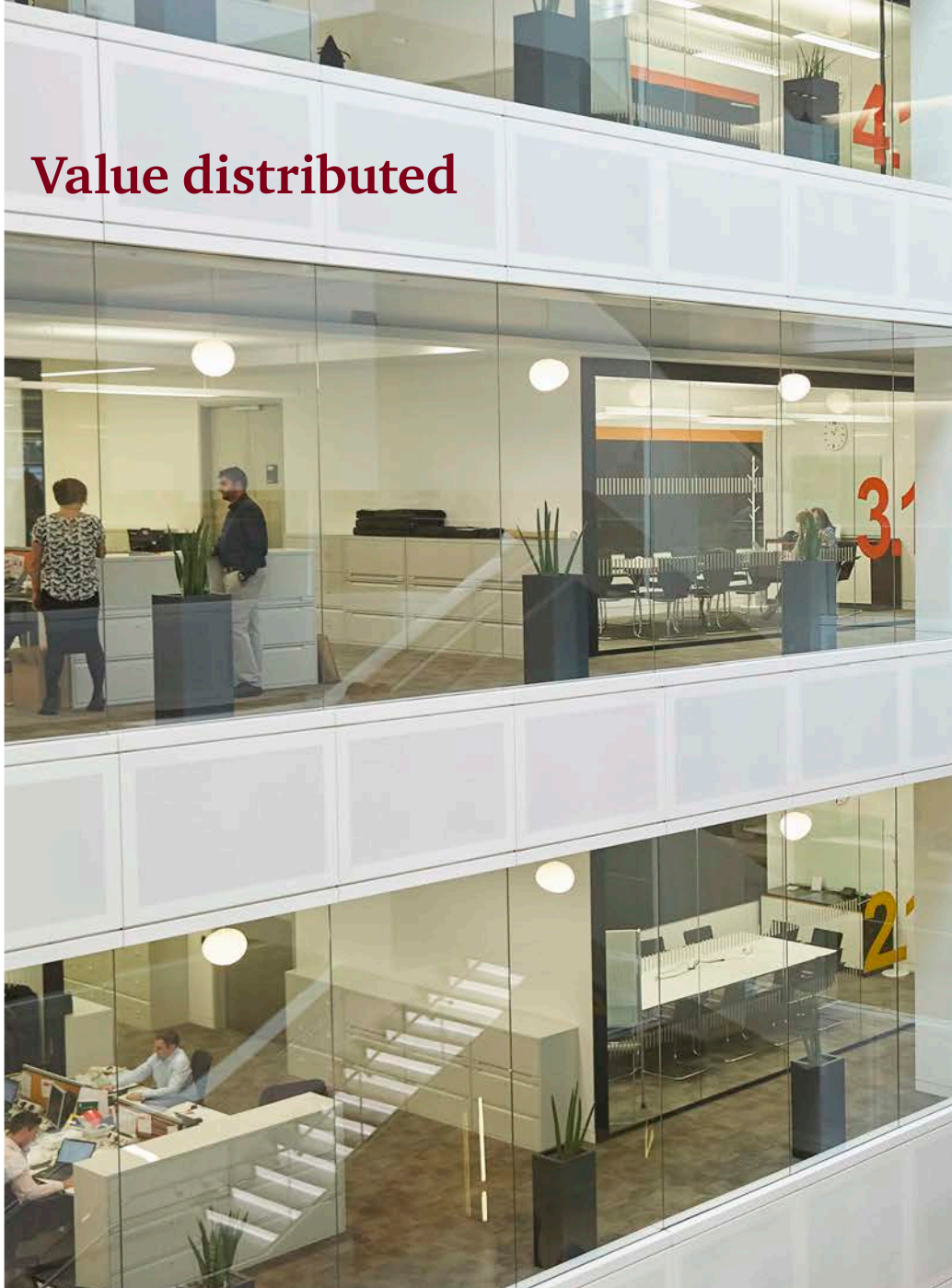
This report focuses on the contribution made in taxes borne, taxes collected, and the wider economic contribution. It analyses the trend over the last twelve months and also the last thirteen years, highlighting the changing tax profile and how changing economic conditions and legislation have impacted these trends.

It also takes a look at how companies are using their TTC data and their views on tax transparency initiatives and the current UK tax regime.

⁸ <http://www.pwc.com/m1/en/tax/documents/2016/total-tax-contribution-framework-july-2016.pdf>



Value distributed



The Total Tax Contribution can be put into the context of value distributed⁹ by companies. 45.1% of the value distributed in 2017 goes to the government in taxes.

Value is distributed to the government in taxes, to employees in wages and salaries, to creditors in interest payments, and is distributed to shareholders or retained in the business for reinvestment. With the information gathered through the study, we are able to put the TTC in the context of value distributed by the companies that have provided this data.

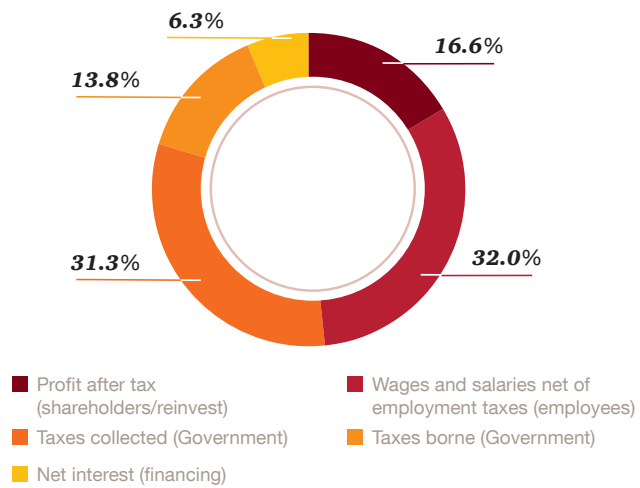
The survey results show that the government remains the largest beneficiary of the value distributed by the 100 Group participants, at 45.1%. Wages paid to employees are the second largest share of the value distributed, at 32.0%.

Profits after tax (available for reinvestment in the company or distribution to shareholders as dividends) account for 16.6% of the total (figure 5).

Figure 6 shows the trend in value distributed from the 100 Group since 2008, showing that consistently the largest portion of value goes to the government in taxes. Prior to 2013 there is a slightly more volatile trend, marked by the 100 Group suffering an overall loss in 2009 due to the financial crisis, before recovering in 2010.

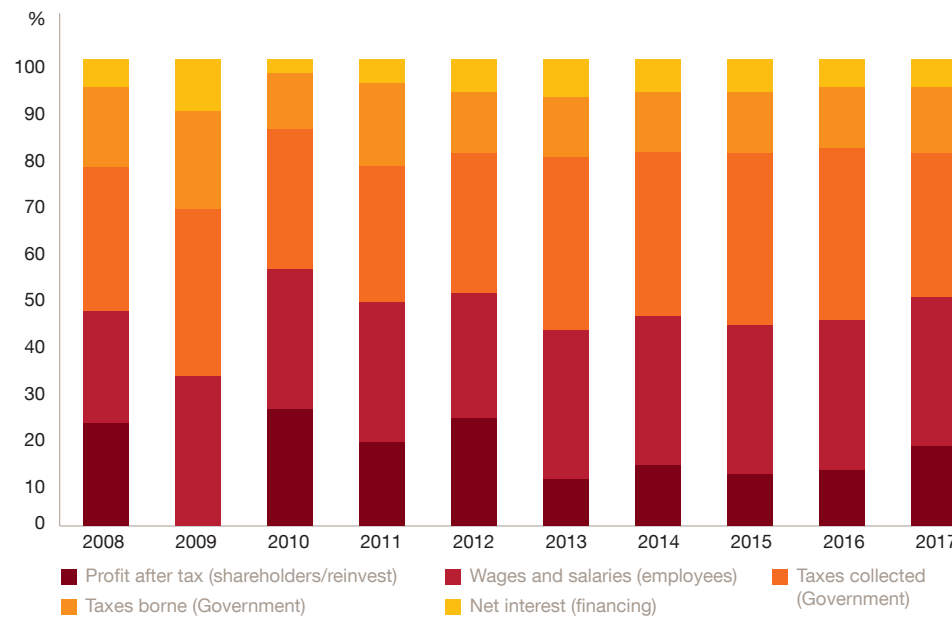
⁹ Value distributed includes taxes and other costs funded from profits, profits retained or distributed to shareholders plus taxes generated from the business activity and collected on behalf of government.

Figure 5: Value distributed by the 100 Group participants, 2017



Source: PwC analysis

Figure 6: Profile of value distributed by the 100 Group participants, 2008 to 2017



Source: PwC analysis. Note: limited data prior to 2008 to generate value distributed.

The wider economic contribution

GVA and UK suppliers

In addition to the significant contribution made to the public finances, the 100 Group also contribute to the UK economy in many other ways. This year's survey asked participating companies for the number of UK suppliers they work with, and collected additional data to measure the Gross Value Added (GVA) of the 100 Group.

The 100 Group companies play a major part in the UK economy. They supply the goods, services and infrastructure we rely upon, whilst providing employment to a significant portion of the UK workforce. However, their contribution extends beyond the value of goods and services produced, taxes paid and jobs created (direct impacts). Indirect impacts, through purchasing from suppliers and ancillary workers, generate further value and create additional jobs.

Those employed directly by the organisation, or indirectly by a supplier, will spend their salaries in the wider economy (generating induced impacts).

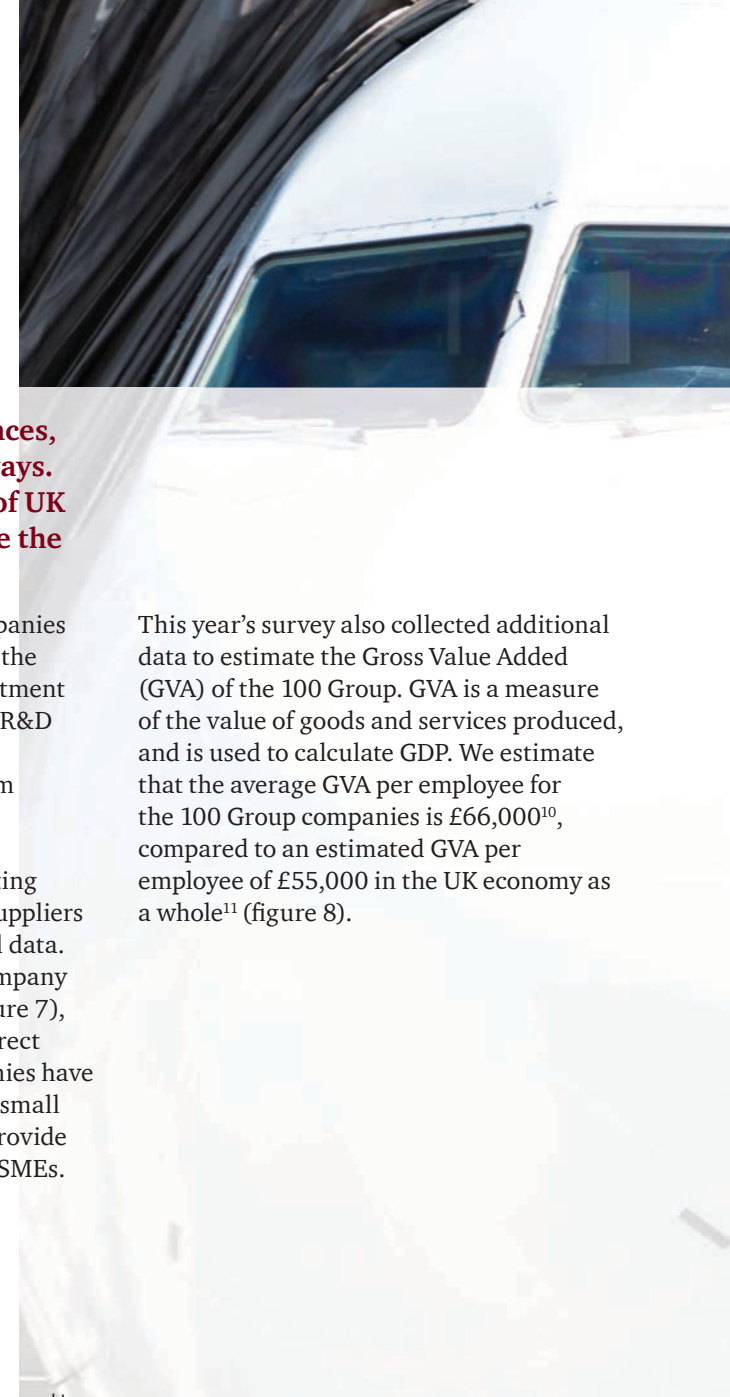
On top of this, the 100 Group companies invest significantly in the fabric of the UK economy through capital investment and stimulate innovation through R&D expenditure, which is vital for the UK economy to achieve longer-term improvements in productivity.

This year's survey asked participating companies for the number of UK suppliers they work with, and 64% provided data. On average, each participating company supported 6,832 UK suppliers (figure 7), emphasising the considerable indirect impact that the 100 Group companies have on the wider UK economy. For the small number of companies that could provide data, 50% of these suppliers were SMEs.

This year's survey also collected additional data to estimate the Gross Value Added (GVA) of the 100 Group. GVA is a measure of the value of goods and services produced, and is used to calculate GDP. We estimate that the average GVA per employee for the 100 Group companies is £66,000¹⁰, compared to an estimated GVA per employee of £55,000 in the UK economy as a whole¹¹ (figure 8).

¹⁰ GVA was calculated using the income approach, defined as the sum of profit before tax, wages and salaries, employers' social contributions, depreciation, amortisation, and taxes incurred as a result of engaging in production.

¹¹ GVA per employee for the UK was calculated using ONS data for Gross Value Added (average) at basic prices, divided by ONS data on the number of people in work to March 2017 (UK labour market: May 2017 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/may2017>)



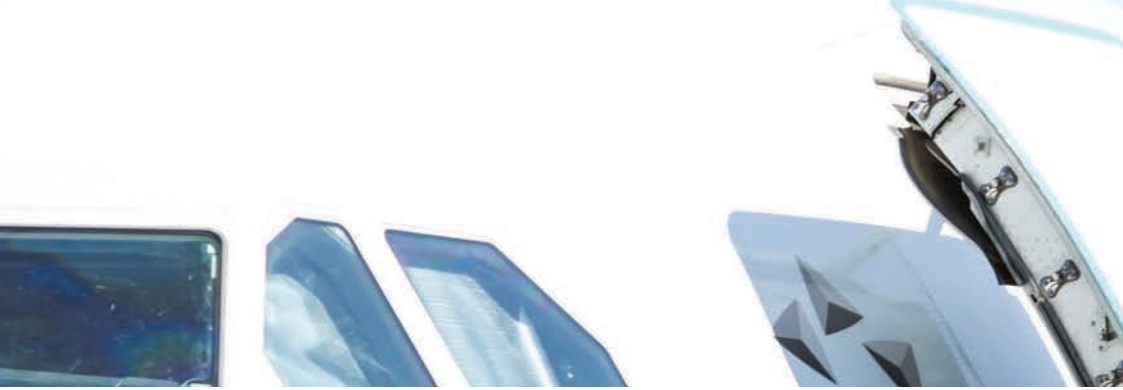


Figure 7: Number of UK suppliers supported by survey participants in 2017

	Percentage of participants providing data	Average number of UK suppliers
UK suppliers supported by each 100 Group company	64%	6,832 ¹²

Source: PwC analysis

Figure 8: Gross Value Added per employee in 2017

	Average for the 100 Group of companies	UK GVA per employee
GVA per employee	£66,000	£55,000

Source: PwC analysis



¹² The median was 3,355; the trimmed mean was 4,217.

The wider economic contribution

Employment

The 100 Group employs 2.1 million people in the UK, paying an average wage of £34,266 and contributing employment taxes of £12,374 per employee on average.

The 100 Group companies are major employers – the survey participants employed 1.9 million people in 2017. Extrapolating this to the 100 Group, we estimate total employment of 2.1 million people in the UK (figure 9). This is the same as the extrapolated figure in 2016 and represents 6.5% of the total UK workforce. The average wage per employee is £34,266 (compared to the average national wage of £28,600¹³) with average employment taxes of £12,374 paid per 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.

The 100 Group paid a total of £25.7bn in employment taxes borne and collected (extrapolated), which accounts for 9.4% of total government receipts from employment taxes. Employment taxes are the largest element of total taxes borne and taxes collected. Employer NIC, at 27.3%, is the largest tax borne for participants, and income tax deducted under PAYE together with employee NIC account for over 30% of taxes collected.

The survey results show that the participating companies paid a total of £24.9bn in employment taxes, including £6.9bn in employment taxes borne and £18.0bn in employment taxes collected (figure 10).

On a like-for-like basis, where companies have supplied data for employment taxes, wages, and number of employees for both 2016 and 2017, the number of employees fell by 1.4%, while employment taxes and wages have both increased (figure 11). The increase in wages and salaries was driven by a combination of factors – the increase in the national wage rate over the year (the national living wage was introduced on 1 April 2016) along with some redundancy payments, in particular in the banking sector. The latter is partly driving the fall in employee numbers. As a result, wages per employee and employment taxes per employee have both increased.

¹³ Annual Survey of Hours and Earnings, 2017 Provisional Results: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2017provisionaland2016revisedresults>

Figure 9: Employment tax figures for the 100 Group in 2017

	Survey participants	Extrapolated to the 100 Group	Percentage of government figure
Number of UK employees	1.9m	2.1m	6.5% ¹⁴
Total employment taxes	£24,937m	£25,725m	9.4% ¹⁵

Source: PwC analysis

Figure 10: Employment tax figures for the survey participants in 2017

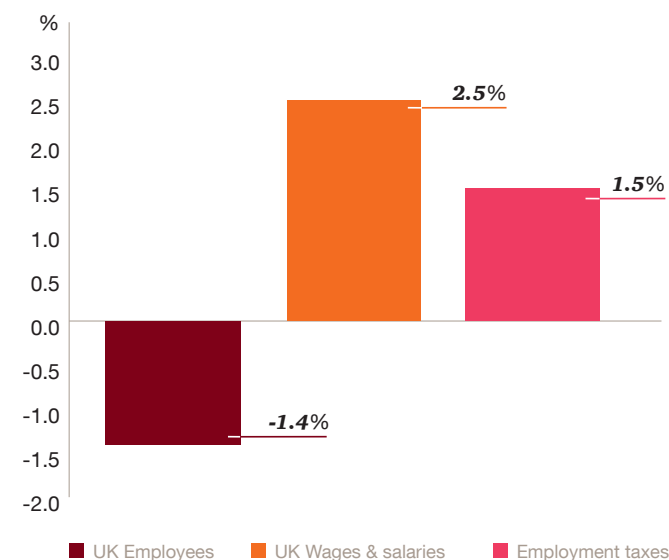
	£
Employment taxes borne	
Employer NIC	£6,755m
PAYE agreements (PSAs) (tax on benefits)	£129m
Total employment taxes borne	£6,884m
Employment taxes collected	
Employee NIC	£4,109m
Income tax deducted under PAYE	£13,944m
Total employment taxes collected	£18,053m
Total employment taxes borne and collected	£24,937m

Source: PwC analysis

¹⁴ Office for National Statistics (ONS) – UK Labour Market: May 2017. Release date 17 May 2017

¹⁵ The Office for Budget Responsibility (OBR) – Economic and fiscal outlook supplementary fiscal tables – November 2017. Table 2.8. Current receipts (on a cash basis).

Figure 11: Trends in number of employees, wages and salaries, and employment taxes, 2016 to 2017



Source: PwC analysis, based on 77 companies that provided data for the number of employees, wages and salaries and employment taxes in 2016 and 2017. Some redundancy payments are included in wages and salaries.

The wider economic contribution

Capital investment, research & development

Business investment is an important contribution that large companies make to the UK economy. In 2017, both capital investment and R&D expenditure from the 100 Group increased.

The 100 Group make a significant contribution to innovation and the fabric of the UK economy through capital investment and research and development expenditure. 92 of the participating companies invested a total of £26.6bn in tangible fixed assets, representing 14.5% of UK expenditure on business capital investment (figure 12). On a like-for-like basis, where we have company data for both 2016 and 2017, this represents an increase of 1.7%, largely driven by companies in the transport, banking and telecoms sectors.

The survey participants also invested a total of £9.2bn in research and development, an increase of 7.7% compared to 2016 (figure 13). The two year trend in research and development spending has largely been driven up by companies in the pharmaceutical and aerospace sectors.

Figure 12: Investment made by 100 Group companies in fixed assets 2017

2017 survey	Percentage of participants providing data	Total (£m)	Percentage of the total UK amount	Trend 2016 – 2017 on a like-for-like basis
UK fixed assets additions	92%	£26,609	14.5% ¹⁶	+1.7%

Source: PwC analysis

Figure 13: Investment made by 100 Group companies in research and development 2017

2017 survey	Percentage of participants providing data	Total (£m)	Trend 2016 – 2017 on a like-for-like basis
R&D expenses	54%	£9,248	+7.7%

Source: PwC analysis

¹⁶ <http://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/businessinvestment>

The changing profile of tax

The thirteen years of the survey reveal fascinating trends in the profile of taxes paid by large businesses, and the proportion of taxes paid by different industry sectors. The contribution from other business taxes, such as business rates, employer NIC and irrecoverable VAT, have increased over the survey period, while corporation tax contributions decreased until 2015. Corporation tax receipts increased in both 2016 and 2017, the first consecutive increase in ten years.

The TTC of the 100 Group increased for the seventh consecutive year in 2017, reaching £82.9bn (figure 14). Looking at the profile of TTC split between corporation tax, other taxes borne and taxes collected over the entire survey period, a major trend since the global financial crisis has been the decreasing share of corporation tax compared to other business taxes.

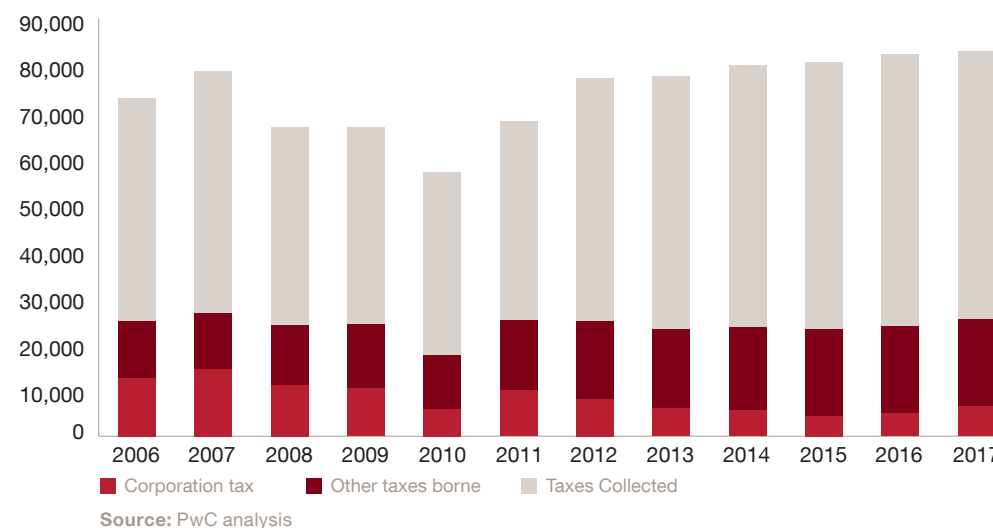
Figure 15 shows that, in 2005 when the survey began, corporation tax accounted for 50% of taxes borne, increasing to 55.9% in 2007 just before the financial crisis.

The trend from 2007 to 2015, with the exception of 2011, has been for corporation tax to account for a declining share of taxes borne year on year, while the contribution from other business taxes has increased. The share of taxes borne from employer NIC, for example, has increased over the survey period, becoming the largest tax borne from 2013 onwards.

There are a range of factors influencing the changing profile, including variations in profitability relating to different sectors within this group of companies, and depressed profitability on the whole in the aftermath of the financial crisis. However, a major driver for the falling share of corporation tax between 2007 and 2015 has been the reduction in the headline rate. The rate of corporation tax, at 30% when the survey began, was reduced to 28% in 2008. This was the first change to the headline rate in ten years, and was followed by a further reduction to 26% in 2011, and then a series of cuts taking the headline rate down to 19% from 1 April 2017. The rate for the period covered by this survey was 20%.

However, the headline rate is not the only factor that determines corporation tax receipts. In 2017, with the corporation tax rate at its lowest level since the survey began, we have seen the second consecutive increase in corporation tax paid by 100 Group members.

Figure 14: Total Tax Contribution for the 100 Group, 2006 to 2017¹⁷



¹⁷ The chart is based on extrapolated data from each survey.

Government legislation has had a clear impact on the corporation tax paid by the banks in the survey, with tighter loss relief legislation (25% of carried forward losses were eligible to be offset against taxable profit, down from 50% in the previous year) non-deductibility of compensation payments, and the introduction of the bank surcharge in January 2016, imposing an additional 8% surcharge on the profits of banking companies.

At a UK economy level, there has also been growth in corporation tax receipts, despite the reduction in the headline rate. Some key factors are likely to be driving this trend: legislation that has broadened the tax base along with measures to reduce avoidance, growth in the number of companies or in individuals incorporating, and increasing corporate profitability in recent years¹⁸.

Growth in incorporation has had the effect of increasing corporation tax receipts at the expense of overall receipts, as profits are taxed at a lower rate than personal income. Incorporation growth since 2007 has been particularly high within the construction, retail, IT, media and professional services sectors¹⁹.

Figure 15: Profile of taxes borne, 2005 to 2017

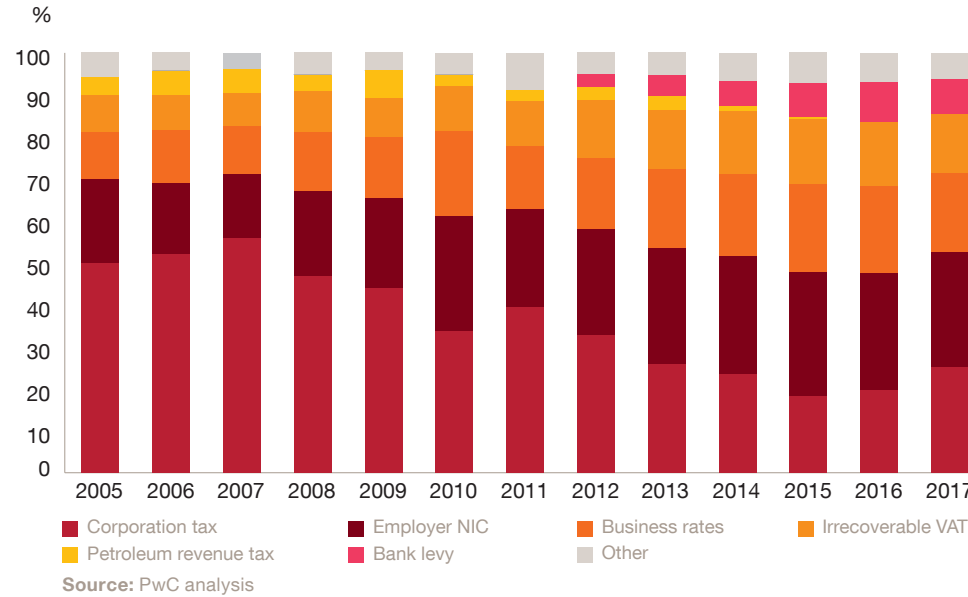
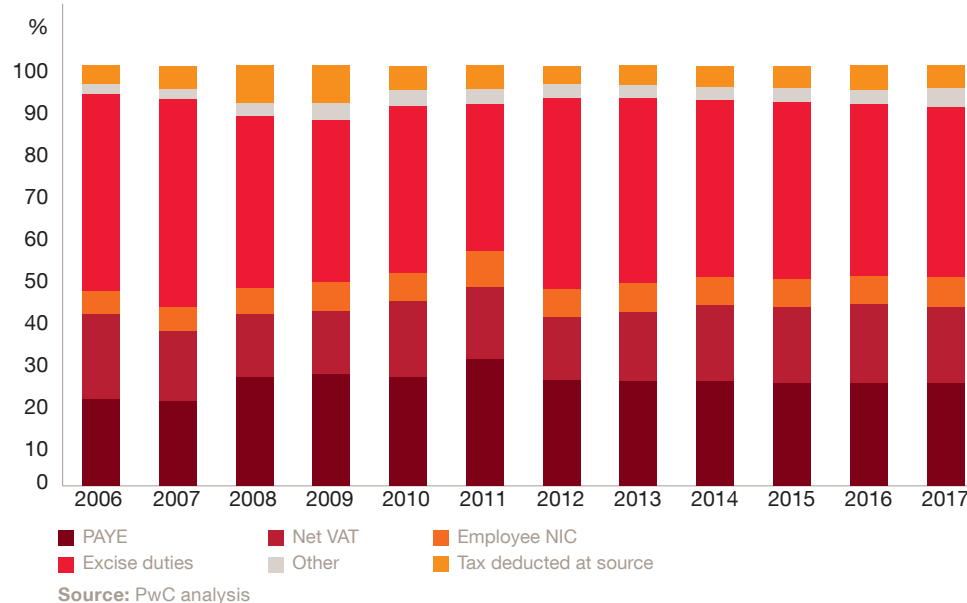


Figure 16: Profile of taxes collected, 2006 to 2017



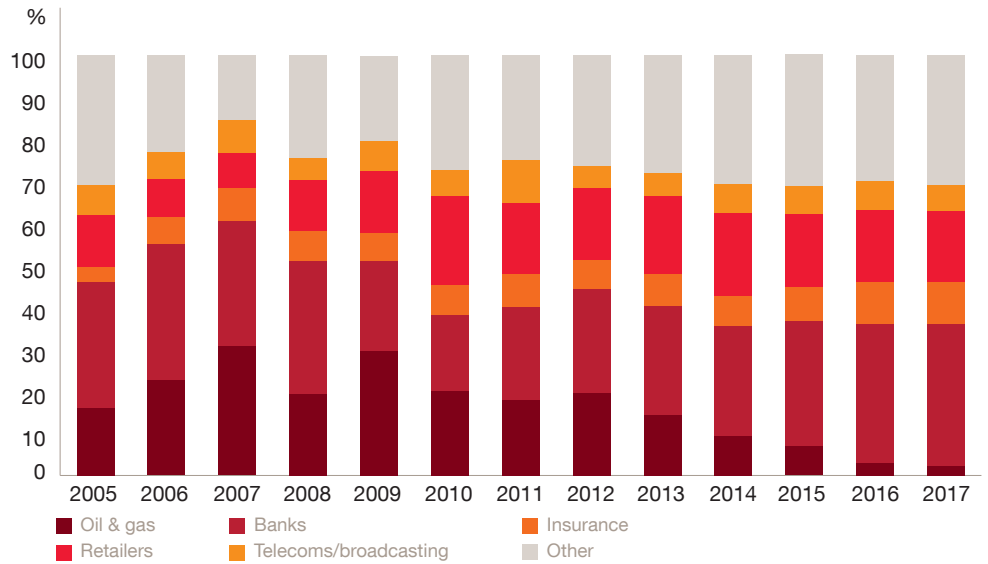
Looking at the contribution from all business taxes borne, figure 17 shows the profile for the five largest sectors (note, there are different numbers of companies in each sector and the total contribution varies between the years).

The 2017 profile is broadly consistent with 2016, while the profile over the survey period shows the recent trend away from oil and gas companies – 2017 shows the smallest contribution of taxes borne from the sector since the survey began – and towards a greater reliance on financial services.

However, when taxes collected are added to the sectoral analysis, the continued importance of the oil and gas sector is evident, particularly as a consequence of fuel duties, which are levied when petroleum products are sold into the UK market (figure 18). Although on a downward trend since 2012 the sector continues to account for a quarter of the overall TTC of the 100 Group (figure 26 – Total Tax Contribution 2006-2017 by sector).

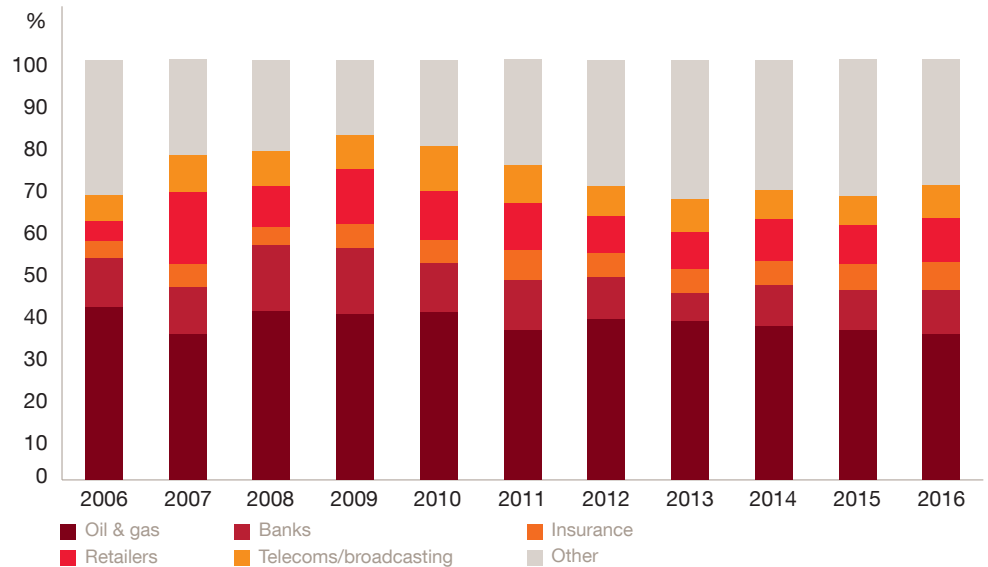
In contrast to the profile of taxes borne, the profile of taxes collected is notable for its stability over the last six years, both in terms of the profile by taxes and by sectors (figure 16 and 18). Excise duties account for the largest share of taxes collected at 40.4%, followed by 31.7% from employment taxes (PAYE 24.5% and employee NIC 7.2%).

Figure 17: Profile of taxes borne by sector, 2005 to 2017



Source: PwC analysis

Figure 18: Profile of taxes collected by sector, 2006 to 2017



Source: PwC analysis

¹⁸ Profitability of private non-financial corporations (excluding oil & gas sector), measured by the net rate of return. See ONS Profitability of UK companies: www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/datasets/profitabilityofukcompaniesreferencetable
¹⁹ <http://budgetresponsibility.org.uk/box/the-effect-of-incorporations-on-tax-receipts/>

Over the last thirteen years, the TTC survey has collected an extensive bank of data on tax payments by the 100 Group members, giving us a unique insight into the changing profile of taxes paid by the largest UK companies. Twenty-eight 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.

Figure 19: 2005 to 2017 trends in taxes borne – corporation tax, other taxes borne and total taxes borne

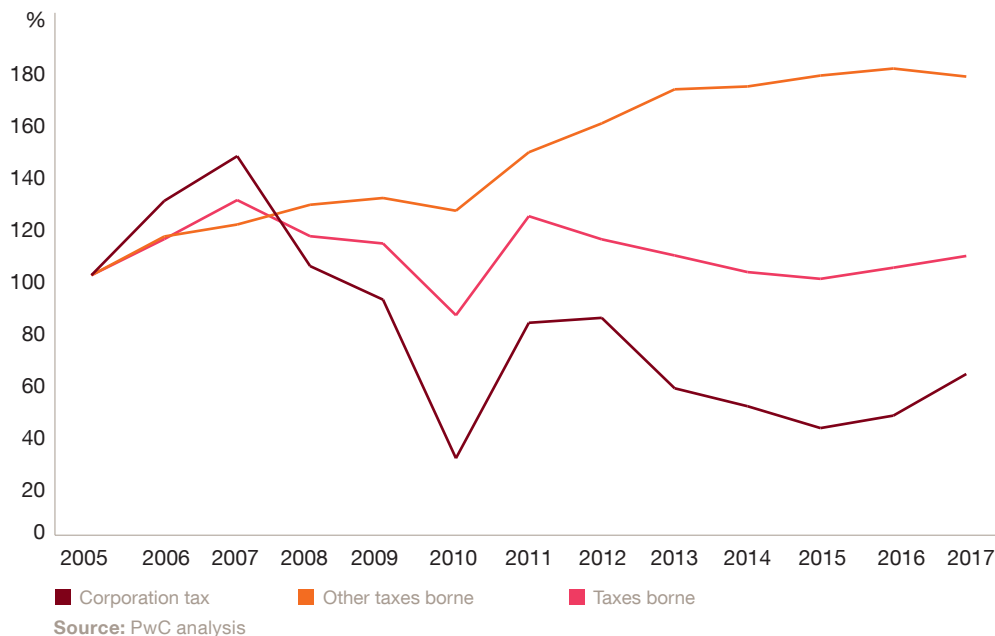


Figure 19 displays taxes borne by these companies split into corporation tax and other taxes borne, to show how the contribution from those different elements, along with total taxes borne, has changed over time. The broad trend over the survey period has been for decreasing corporation tax contributions since 2007 to be offset by increasing contributions from other business taxes borne. Other taxes borne have increased by 76.4% over the thirteen year period, and corporation tax has decreased by 38.0%.

However, the increase in other taxes borne has slowed in recent years, and decreased in 2017 for the first time since the 2010 survey, while 2017 has also seen the second consecutive increase in corporation tax.

Figure 19 also reveals the impact of the financial crisis, most noticeably in the 2010 survey. It demonstrates that other business taxes borne, which are not so dependent on profit, are less volatile, and consequently have provided a more stable source of revenue for the government. However, the shift away from profit taxes towards taxes based on people, production and property can have a greater impact on sectors that have lower profit margins and require a large workforce, such as retailers.

Figure 20 looks at the trend in other taxes borne in greater detail, splitting out the largest taxes from this category over the survey period: employer NIC, business rates, irrecoverable VAT and petroleum revenue tax. Irrecoverable VAT arises when input VAT cannot be reclaimed by companies that provide services or products that are exempt from VAT, as is the case for the financial services sector. For the twenty-eight companies that have provided data for the entire survey period, irrecoverable VAT has more than doubled. This has largely been driven by the increase in the rate of VAT to 20% in 2011, changes in the EU VAT system in 2010²⁰, and legislative and case law changes for the financial services sector. In addition, a trend for the financial services sector to outsource more of its activities resulted in increased input VAT.

²⁰ http://ec.europa.eu/taxation_customs/business/vat/eu-vat-rules-topic/where-tax_en

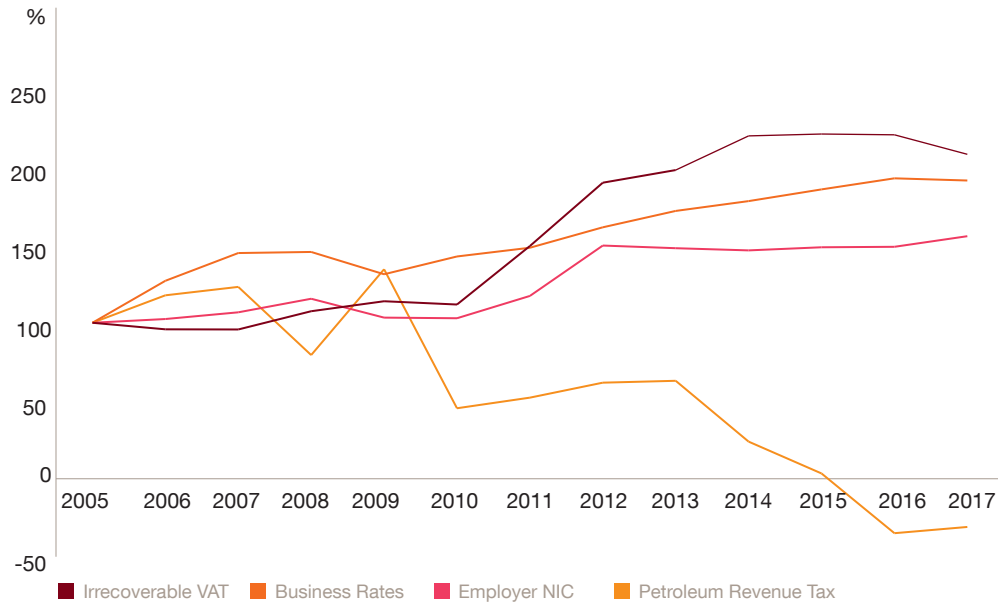
Business rates has increased by 91.2% since the survey began, driven by increasing multipliers (see section on business rates for more detail) and rateable values. Employer National Insurance contributions increased by 55.5%, as a result of increased rates in 2011 and increasing wages over the survey period, including the impact of the national living wage in April 2016.

The average Total Tax Rate (TTR) for 100 Group members participating in the 2017 survey is 39.7%²¹ (figure 21).

The TTR is a measure of the cost of taxes borne in relation to profit. It is calculated for total taxes borne (corporation tax plus all other taxes borne) as a percentage of profit before total taxes borne. When comparing TTRs on a like-for-like basis, where we are able to calculate a company's TTR for both 2016 and 2017, the 2017 TTR remained broadly level compared to 2016.

The TTR peaked in 2009 when profits fell at the height of the recession and then declined as the economy and profitability recovered. In 2017, the TTR decreased for this group of companies, as a result of increasing profitability.

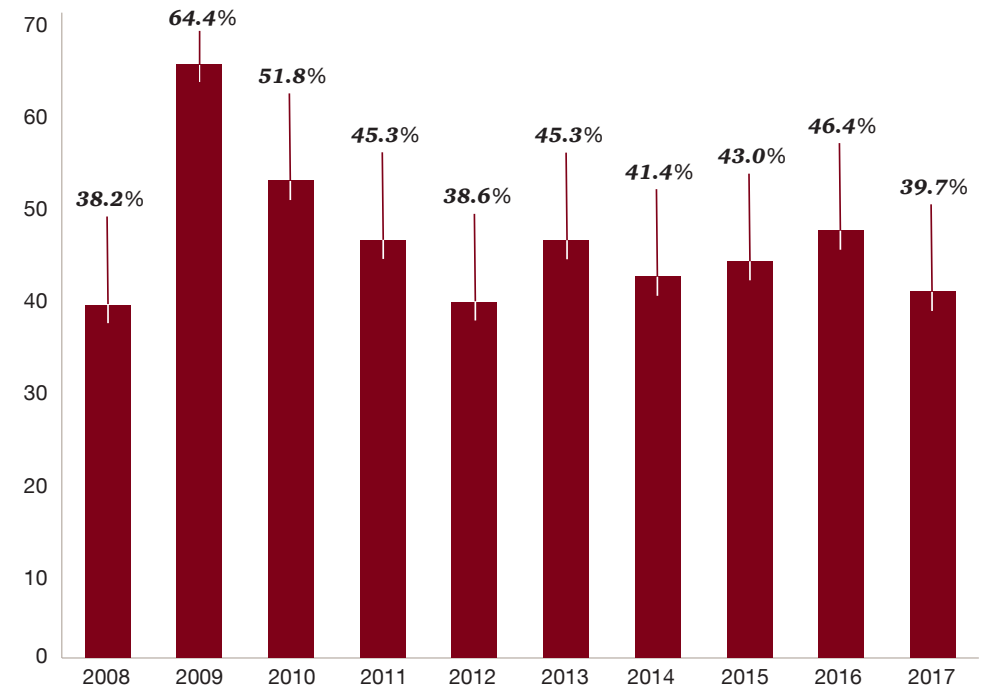
Figure 20: 2005 to 2017 trends in taxes borne – irrecoverable VAT, business rates, employer NIC, and PRT



Source: PwC analysis

²¹ TTR overall average is 63.9% and the median is 33.2%

Figure 21: Total Tax Rate, 2008-2017



Source: PwC analysis

Trend in Total Tax Contribution between 2016 and 2017

In 2017, the Total Tax Contribution of the 100 Group increased by 0.7%, driven by a 6.3% increase in taxes borne, largely driven by corporation tax, partially offset by a 1.4% decrease in taxes collected.

Eighty-three companies provided data for both 2016 and 2017 surveys allowing us to analyse the trends on a like-for-like basis for these companies. Figure 22 shows the trend in TTC from 2016 to 2017, and the proportional trend of the total increase comprising of taxes borne and taxes collected.

The 6.3% increase in taxes borne was largely driven by corporation tax, accounting for 6.5 percentage points of the total increase, and employer NIC at 1.3 percentage points of the total increase (figure 23). The increase in corporation tax was due to a number of factors: there was an increase in profitability within the 100 Group as a whole, whilst the banking sector was affected by the bank surcharge from January 2016, imposing an additional 8% surcharge on the profits of banking companies, tighter loss relief legislation (25% of carried forward losses were eligible to be offset against taxable profit, down from 50% in the previous year) and continued non-deductibility of compensation payments. For those banks that participated in both 2016 and 2017, 35.3% of the increase in corporation tax was due to the bank surcharge.

Figure 24 shows a breakdown of the 6.3% increase in taxes borne by banks and retailers (the sectors that were the largest drivers of the increase), splitting out the impact of corporation tax. The banks accounted for 3.2 percentage points of the increase in taxes borne, and retailers for 1.6 percentage points.

Employer NIC contributed 1.3 percentage points of the total increase in taxes borne, largely driven by the retailers. The national living wage was introduced from 1 April 2016, for all workers aged 25 and above, and represented a rise of 50p per hour compared to the national minimum wage rate.

The increase in taxes borne was partially offset by reductions in bank levy (-0.7 percentage points of total taxes borne) and irrecoverable VAT (-0.5 percentage points of the total). The decrease in bank levy was largely due to the reduction in bank levy rates, which reached their peak in the 2016 survey. From January 2016, bank levy rates were reduced, and will gradually decrease each calendar year up until 2021.

The decrease in irrecoverable VAT was largely driven by the banks, due to reductions in input costs. Irrecoverable VAT is a tax that primarily impacts the financial services companies in the 100 Group, as financial services products and services are often VAT-exempt. In 2017, the banks paid 69.7% of all irrecoverable VAT paid by survey participants.

The 1.4% decrease in taxes collected was driven by decreasing net VAT, tobacco duty and tax deducted at source, partially offset by an increase in insurance premium tax collected, (0.7 percentage points of the total movement), following increases to the standard rate of IPT in 2015 and 2016²² (figure 25). The decrease in net VAT (1.2 percentage points of the total decrease in taxes collected) was driven by the oil and gas sector, the banks and tobacco companies. This is a result of decreasing output VAT (for banks and oil and gas companies), increasing input VAT, and some significant one-off payments. The increase in input VAT is partially a result of business restructuring costs in these sectors.

The decrease in tobacco duty (1.2 percentage points of the total decrease) was primarily due to specific business restructuring, but also reflects changing consumer habits partly attributable to increases in duty rates (government receipts of tobacco duty decreased by 6.7% in the same period).

The decrease in tax deducted at source (0.5 percentage points of the total) was driven by the banks, following the removal of the obligation on banks to deduct tax at source from account interest.

Figure 22: Trend in Total Tax Contribution, 2016-2017

Total Tax Contribution	Trend as % of total ²³
Taxes borne	1.7%
Taxes collected	-1.0%
Total Tax Contribution	0.7%

Source: PwC analysis

Figure 23: Trend in taxes borne, 2016-2017

Tax borne	Trend as % of total taxes borne ²⁴
Corporation tax	6.5%
Business rates	0.0%
Employer NIC	1.3%
Bank levy	-0.7%
Irrecoverable VAT	-0.5%
Other taxes borne	-0.3%
Total taxes borne	6.3%

Source: PwC analysis

²² The standard rate of insurance premium tax increased from 6.0% to 9.5% on 1 November 2015, and to 10.0% from 1 October 2016 (the period analysed by this study). It increased to 12.0% on 1 June 2017. www.gov.uk/government/publications/rates-and-allowances-insurance-premium-tax/insurance-premium-tax-rates

²³ Movement shown as a proportion of Total Tax Contribution

²⁴ Movement shown as a proportion of taxes borne

Figure 24: Trend in taxes borne (highlighting specific sectors), 2016-2017

2016-17	All Sectors	Retailers	Banks	Other Sectors
Corporation tax	6.5%	0.8%	4.6%	1.1%
Other business taxes	-0.2%	0.8%	-1.4%	0.4%
Total taxes borne	6.3%	1.6%	3.2%	1.5%

Source: PwC analysis. Note: Of the 100 participating companies there are 6 banks and 9 retailers.

Figure 25: Trend in taxes collected, 2016-2017

Tax	Trend as % of total taxes collected
Tax deducted at source	-0.5%
Tobacco duty	-1.2%
Other excise duties (fuel & alcohol)	0.4%
Employee NIC	0.2%
Income tax deducted under PAYE	0.0%
Net VAT	-1.2%
Insurance premium tax	0.7%
Other taxes collected	0.2%
Total taxes collected	-1.4%

Source: PwC analysis

The impact of other business taxes on different sectors



The 100 Group is a cross-industry sector organisation. The TTC surveys show how the impact of tax policy varies by industry sector, and how the trends in contribution have changed since 2006.

The survey highlights four significant other taxes borne (other than corporation tax) that impact the 100 Group: employer NIC, business and cumulo rates, irrecoverable VAT and bank levy, explained below.

Figure 26 shows the trend in TTC from 2006 to 2017 for the five largest 100 Group industry sectors. The trend shows a marked decrease in contribution from the oil and gas sector, from 34.7% in 2006 to 25.3% in 2017, while the contribution from the financial services sector has increased by 5.9 percentage points since 2010, to account for 25.4% of TTC in 2017.

Figure 27 shows the impact, on different sectors, of corporation tax, employer NIC, business and cumulo rates, irrecoverable VAT and bank levy. Other taxes are included in the 'other taxes' category. For retailers, and telecoms and utilities, business rates make up 40.6% and 34.2% of their taxes borne respectively.

For banks and insurers, irrecoverable VAT makes up 27.2% and 31.6% of their taxes borne respectively. Bank levy accounts for 25.9% of taxes borne for participating banks. For the oil and gas sector, 59.3% of their taxes borne contribution comes from employer NIC.

Employer National Insurance contributions

Employer NIC 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.

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 (e.g. pipelines) (see page 26 for further analysis).

Irrecoverable VAT

This is input VAT that is a cost to a business when related sales are exempt, as is the case for many transactions in the financial services sector (see page 28 for further analysis).

Bank levy

The bank levy, introduced in 2011, is an annual tax on the balance sheet equity and liabilities of banks. The rate from April 2015 increased to its highest rate of 0.210% on short term and 0.105% on long term chargeable equity or liabilities, and started to fall from January 2016 (see page 29 for further analysis).

Figure 26: Total Tax Contribution 2006-2017 by sector

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.

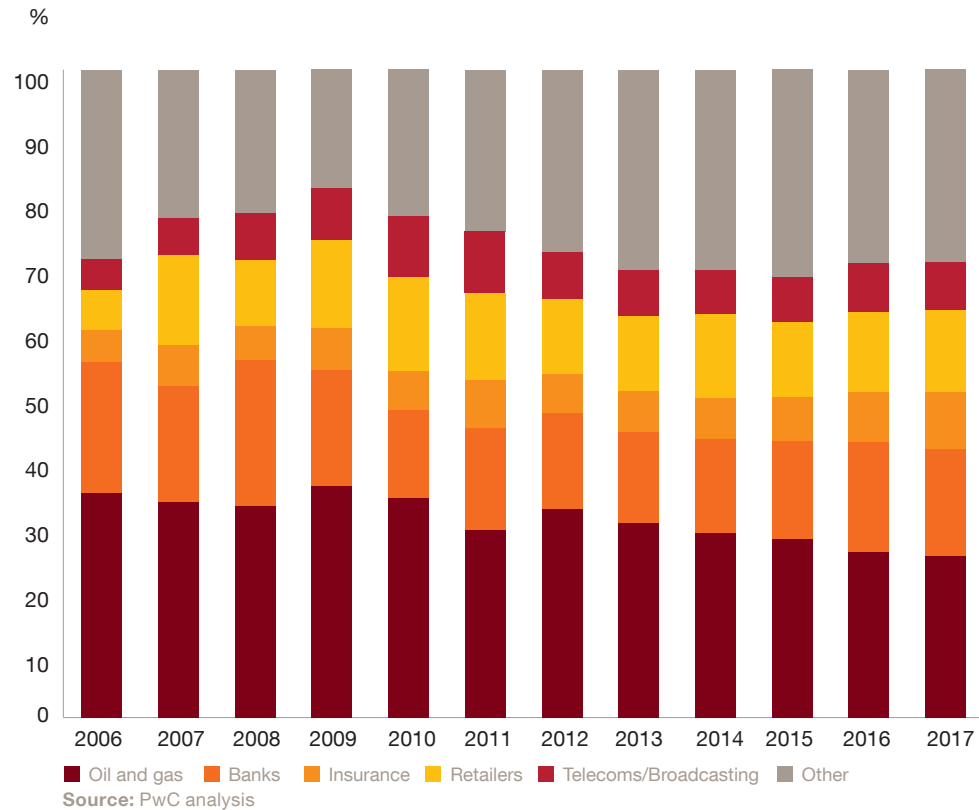
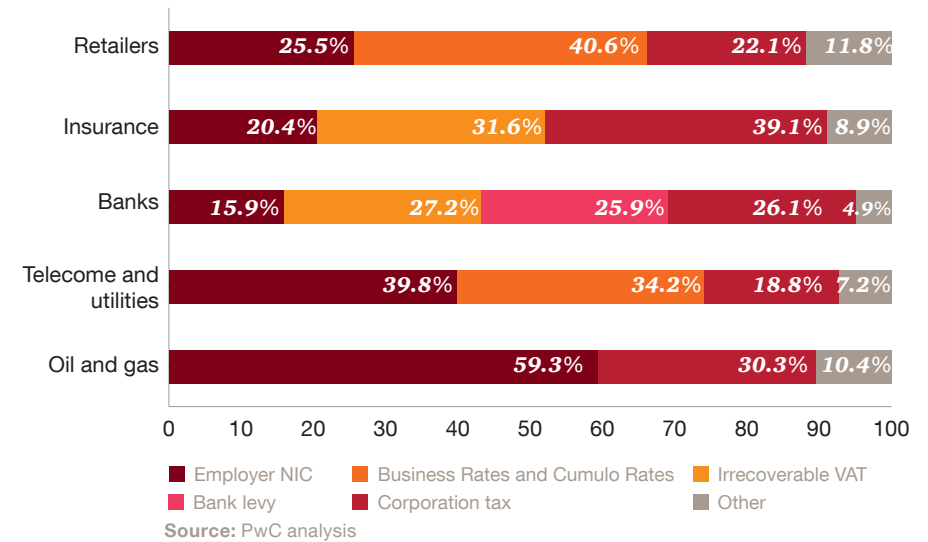


Figure 27: Sector taxes borne 2017



Corporation tax



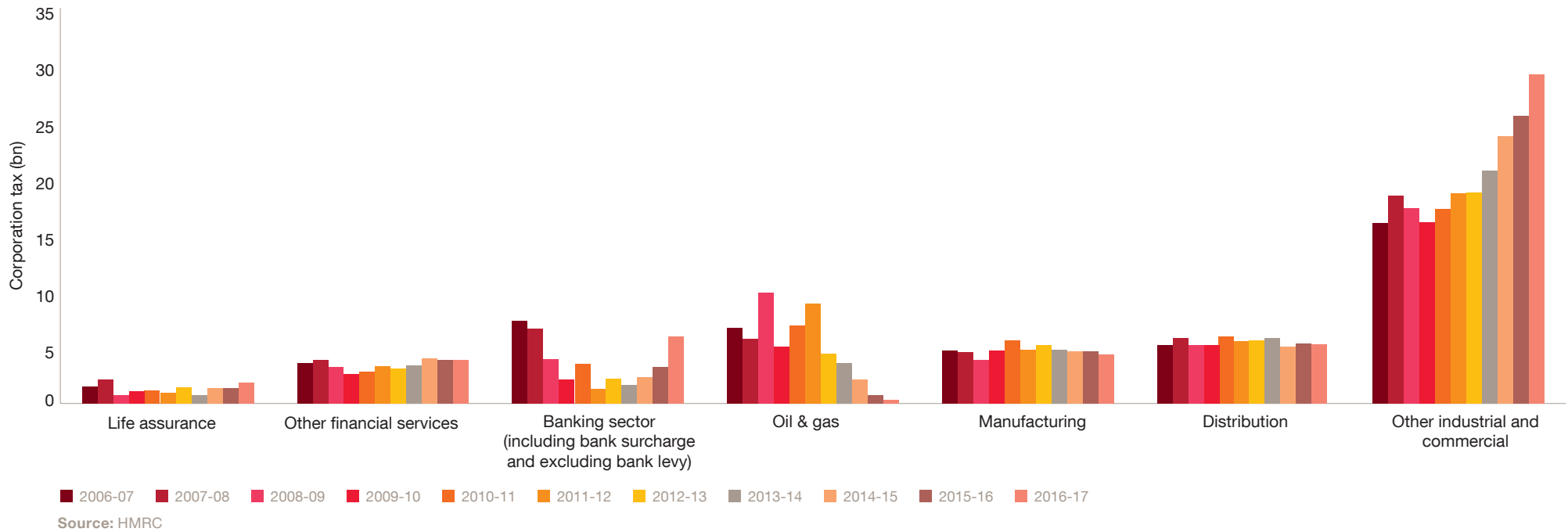
Corporation tax paid by the 100 Group has increased for the second consecutive year. In 2017, we estimate that the 100 Group members paid £6.4bn in corporation tax, representing 12.6% of total UK government corporation tax receipts. Corporation tax represents 25.2% of total taxes borne in the 2017 survey (figure 3). For every £1 of the corporation tax, the 100 Group companies paid another £2.91 in other taxes borne, and £9.03 in taxes collected.

Corporation tax has increased by 33.0% for the 100 Group companies taking part in both the 2016 and 2017 surveys. The increase was largely driven by the banks (23.2 percentage points of the total increase), with the retailers accounting for 4.1 percentage points of the increase.

The increasing contribution from the banks was due to a number of factors: the introduction of the bank surcharge in January 2016, imposing an additional 8% surcharge on the profits of banking companies, tighter loss relief legislation (25% of carried forward losses were eligible to be offset against taxable profit, down from 50% in the previous year) and continued non-deductibility of compensation payments. For those banks that participated in both 2016 and 2017, 35.3% of the increase in corporation tax was due to the bank surcharge.

Comparing profit and corporation tax trends on a like-for-like basis, where companies provided both profit data and corporation tax data for both 2016 and 2017 (figure 29), revealed stronger growth in both corporation tax and profitability in 2017 compared to the previous year.

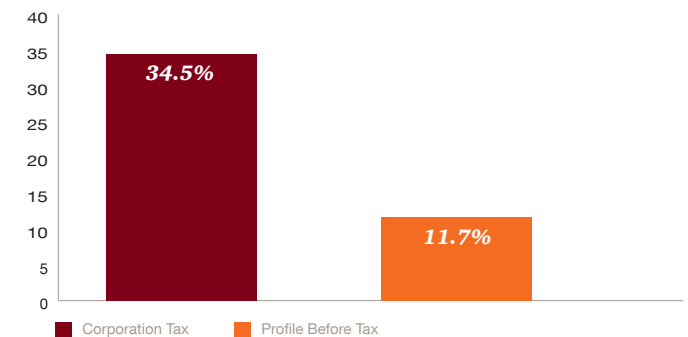
Figure 28: Government receipts from corporation tax by sector, 2007 – 2017²⁵



In 2017, we estimate that the 100 Group members paid £6.4bn in corporation tax, 12.6% of total UK government corporation tax receipts. This represents a growing share of government corporation tax receipts (up from 11.0% in 2016), despite strong growth in government corporation tax receipts in 2016-17.

Figure 28 shows the trend in government receipts from corporation tax by sector, revealing considerable growth from ‘other industrial and commercial’ over the last four years. Within this category, the construction sector and professional, scientific and technical sector have contributed significantly to this growth, potentially as a result of increasing incorporation within these industries.

Figure 29: Movement of corporation tax and profit before tax on a like-for-like basis, 2016 – 2017



Source: PwC analysis, based on the average result for companies providing both profit and corporation tax data for both 2016 and 2017.

²⁵ There is no government corporation tax data available for retailers.

Business rates



Business rates are the third largest tax borne for participating companies in 2017. They are charged on rateable property and are not linked to a company’s profitability. Business rates impact heavily on the retailers in the survey, accounting for 40.6% of total taxes borne.

Business rates are charged on the occupation of non-domestic property, including shops, offices, warehouses, factories, pubs and holiday rental homes or guest houses. The tax is 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 2017, survey participants paid a total of £4.7bn in business rates, representing 15.9% of the government’s business rates receipts. At 18.9%, business rates are the third largest tax borne for participating companies in 2017, after being the second largest for the previous two years.

On a like-for-like basis, analysing companies that have provided data in 2016 and 2017, the amount paid in business rates has remained level since 2016. There was a revaluation of business rates carried out in 2017, revising rateable values and multipliers (figure 31). As the new valuations came into effect in England and Wales on 1 April 2017, any impact on the business rates paid by this group of companies will be seen in next year’s survey.

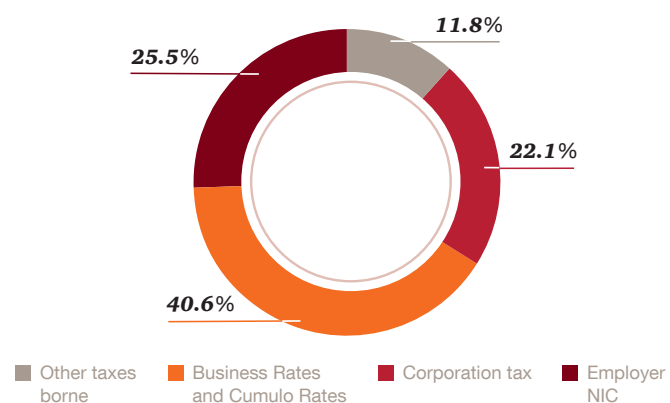
The amount paid in business rates has increased by 91% since the survey began in 2005, driven by a combination of an increase in the multipliers and in rateable property value, as well as the general growth in business property owned by participating companies over the survey period.

49.0% of all business rates paid by the 100 Group participants in 2017 were paid by retailers. On average, 40.6% of taxes borne by 100 Group retailers are business rates (figure 30).

Property taxes are a particular area of focus when it comes to the proposals to decentralise fiscal powers within the UK. By 2020, local authorities are expected to be able to retain 100 per cent of revenue from business rates, along with some flexibility over setting the rates. Since 1990, business rates have been set by central government, and revenues transferred back from local to central government. Since 2013, local government has been able to retain 50 per cent of business rates revenue.



Figure 30: Taxes borne by retailers on an average basis, 2017



Source: PwC analysis

Figure 31: Business rates multipliers from 2005 to 2017

Financial year	England ²⁶	City of London ²⁷
2017/18**	47.9	48.4
2016/17	49.7	50.2
2015/16	49.3	49.7
2014/15	48.2	48.6
2013/14	47.1	47.5
2012/13	45.8	46.2
2011/12	43.3	43.7
2010/11**	41.4	41.8
2009/10	48.5	48.9
2008/09	46.2	46.6
2007/08	44.4	44.8
2006/07	43.3	43.7
2005/06**	42.2	42.5

** indicates a revaluation year

²⁶ www.gov.uk/calculate-your-business-rates

²⁷ www.cityoflondon.gov.uk/business/business-rates/Pages/how-your-bill-is-calculated.aspx

Irrecoverable VAT

Irrecoverable VAT is a significant tax for financial service companies. However, it's a tax that is not well understood, and as a consequence it attracts little recognition as a contribution made by the financial services sector.

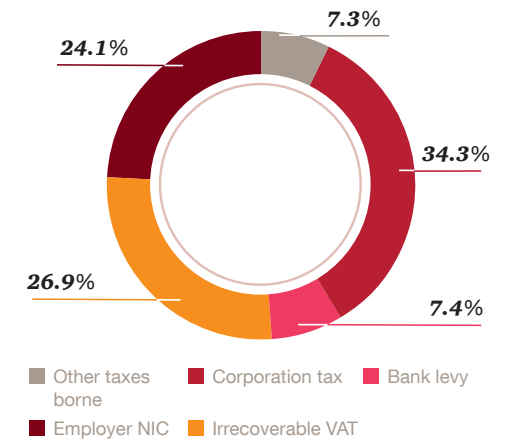
Irrecoverable VAT was the fourth largest tax payment for the study participants accounting for 14.0% of total taxes borne. Irrecoverable VAT arises when input VAT is incurred by a VAT business that makes exempt supplies. When a business supplies goods and services it generally charges VAT, and offsets any VAT it has incurred on purchases used to run the business (input VAT). Where a company's products or services 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 £3.5bn in irrecoverable VAT. Of this total, financial services companies paid £3.0bn. On average, it accounts for 26.9% of taxes borne by financial services companies that participated in this year's survey (figure 32).

Irrecoverable VAT has more than doubled (increased by 108.0%) 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 again in 2011 to 20.0%.

There have also been other factors that have added to the burden of irrecoverable VAT in the financial services sector. 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 of which increase the cost base and level of input VAT.

Figure 32: Taxes borne by financial services companies on an average basis, 2017



Source: PwC analysis

Bank levy

The banking sector is, by definition, the only sector that bears the bank levy. In 2016 it was the largest tax borne by banks in the survey. In 2017 it is the third largest tax borne by the banks, after irrecoverable VAT and corporation tax.

The bank levy, introduced in 2011, is an annual tax on the balance sheet equity and liabilities of banks. The rate of the levy increased every year up until 2015, in an attempt to meet the dual objectives of encouraging the banking sector to move towards more stable sources of funding and of raising a set amount of revenue²⁸. 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.

The rate increase in April 2015 took the bank levy to its highest rate of 0.210% on short term and 0.105% on long term chargeable equity or liabilities, and from January 2016 the rates were reduced to 0.180% and 0.090%. Rates will gradually decrease each calendar year up until 2021 when 0.10% will be applied to short term liabilities and 0.05% to long term liabilities (figure 34).

From January 2021, the scope of the bank levy will be restricted to UK operations. This is particularly relevant for UK-headquartered banks where the bank levy currently applies to the global consolidated balance sheet.

The recent 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 tax²⁹.

In 2017, the government received £3.0bn in bank levy from the banking sector³⁰. Banks participating in this year's survey paid bank levy of £2.0bn, representing 69.6% of the government's total bank levy receipts. This total makes up 8.3% of the total taxes borne by the 100 Group (figure 3 – taxes borne by percentage in 2017) – the fifth largest tax borne.

Survey data shows that the bank levy decreased by 7.1% since 2016, largely due to the reduction in the bank levy rates, but has increased 181.7% since 2012. The trends are dependent on increases in the levy rate as well as the underlying equity or liability values.

The banking sector is the only industry subject to this levy. As shown in figure 33, banks pay, on average, 25.9% of their taxes borne in bank levy.

Figure 33: Taxes borne by banks on an average basis 2017

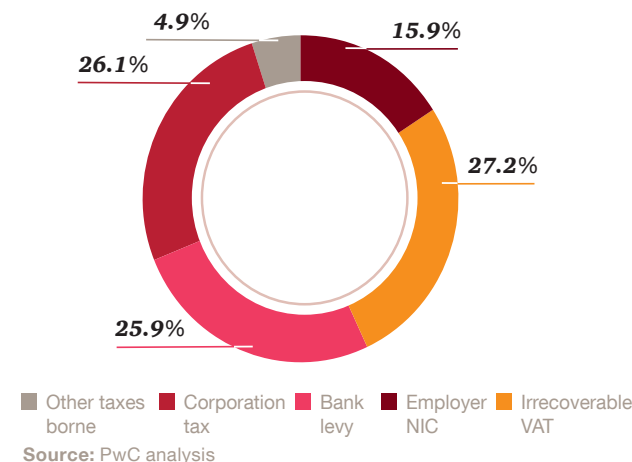


Figure 34: Changes in the rate of bank levy³¹

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	0.075%	0.038%	1.00	1.00
2012	0.088%	0.044%	1.17	1.16
2013	0.130%	0.065%	1.73	1.71
2014	0.156%	0.078%	2.08	2.05
2015	0.210%	0.105%	2.80	2.76
2016	0.180%	0.090%	2.40	2.37
2017	0.170%	0.085%	2.27	2.24
2018	0.160%	0.080%	2.13	2.11
2019	0.150%	0.075%	2.00	1.97
2020	0.140%	0.070%	1.87	1.84
2021	0.100%	0.050%	1.33	1.32

²⁸ <https://www.gov.uk/government/news/government-introduces-bank-levy>

²⁹ www.gov.uk/government/uploads/system/uploads/attachment_data/file/470307/TIIN_Bank_Profits_Surcharge.pdf

³⁰ PAYE and Corporate Tax receipts from the banking sector: 2017, <https://www.gov.uk/government/statistics/payee-and-corporate-tax-receipts-from-the-banking-sector-2017>

³¹ <https://www.gov.uk/government/publications/bank-levy-rate-reduction/bank-levy-rate-reduction>

Business perceptions & looking forward

“

“Clearer and more informative Business Tax Roadmap, particularly post Brexit.”

“Better consultation with industry over tax policy changes.”

“Better understanding of commercial impacts of tax policy e.g. business rates.”

“Invest sufficient resource in the tax collection agencies.”

“With Brexit looming, tax reform and certainty of long term tax policy take on an enhanced significance, and we would welcome more certainty and simplicity in an inherently and increasingly uncertain and complex world.”

”



Companies participating in the 100 Group survey were asked to give their view on aspects of government fiscal policy as part of the 2017 survey.

Large businesses are experiencing unprecedented interest in the tax payments that they make and the tax strategies and policies they adopt, while government policy attempts to balance the drive towards greater regulation and oversight with an “Open for Business” agenda. This year the survey included some questions to assess business perceptions on Base Erosion and Profit Shifting (BEPS), country-by-country (CbC) reporting and tax transparency. Figure 35 summarises the key responses.

87% of participants agreed that greater tax transparency from multi-national companies (MNCs) is needed to help inform the debate around the tax contribution of big business. However, of the 87%, only 48% thought that public reporting of profits and tax paid by country will provide meaningful information to inform the debate, and 64% were concerned about the cost of preparing CbC reports.

Many of the largest UK companies are considering how 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 2016 year ends, thirty-eight companies in the FTSE100 disclosed details of their TTC³².

However, there continues to be uncertainty around whether the OECD’s BEPS initiative will add clarity for businesses. 57% of the participants think the initiative will fail to lead to changes in the international tax system that will create a more predictable environment for business.

We also asked Heads of Tax to give their views on their top priorities to be addressed by tax policymakers. 83% of respondents highlighted ‘certainty of long term tax policy’ and 67% considered that a ‘more competitive tax regime measured by a lower compliance burden’ should be a priority,

in contrast to just 7% who would prioritise a ‘more competitive tax regime measured by lower rates’.

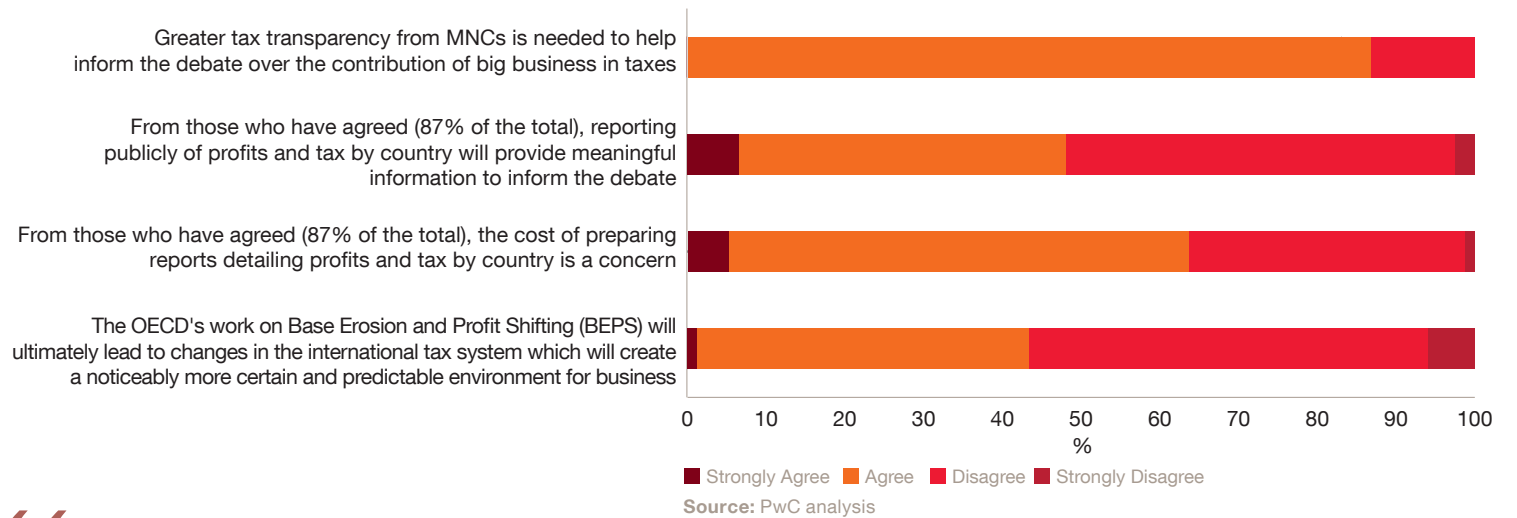
As we look ahead there are a number of notable changes to the UK tax system expected over the next few years, from legislative and tax rate changes, to the addition of a new tax to be included in the TTC framework.

The apprenticeship levy, which was introduced in April 2017, will be included in next year’s TTC survey. At 0.5% of total employer’s wage bill, this is likely to be another material contribution.

For the banks, the rate of bank levy will continue to fall each year to 2021 (see page 29). From 2021, the scope of the levy, which currently applies to the global consolidated balance sheet of a UK-headquartered bank, but only to the UK balance sheet of a foreign-headquartered bank,

³² <https://www.pwc.co.uk/ftse100reporting>

Figure 35: Companies' view on tax transparency and BEPs



will be standardised to apply to just the UK operations for all banks. In addition, the contribution from corporation tax payments made by the banking sector can be expected to remain at the higher levels seen in this year's report. Although the corporation tax rate will be reduced (the main rate is expected to reduce to 17% in 2020), the banking sector will pay corporation tax at a higher rate than the headline rate due to the 8% surcharge.

More generally, following OECD BEPS recommendations, the UK has introduced anti-hybrid rules from January 2017, along with rules limiting interest deductibility from April 2017.

It will be interesting to see, over the next few years, how the combination of the impact of Brexit, the performance of the economy and legislative changes impact the tax contribution of the largest UK businesses.

“

“Key priority: the future of indirect tax policy and certainty around future international trade rules in light of Brexit.”

“Key priority: Tax reform and simplification.”

“Better consultation over tax policy changes.”

“Improving public confidence in tax policy – a better quality discussion on the tax gap; what it is, where the gaps lie.”

“Top 3 priorities for policymakers: certainty of long term policy, improving public confidence in tax policy, simplification of taxes.”

“Business rates reform.”

“Improving public confidence in tax policy.”

“More competitive tax regime, measured by a lower compliance burden (recent changes have increased complexity substantially).”

“Clearly articulated long-term tax policy strategy, explaining relevance, support for UK business and warning of key future changes.”

“Improved certainty of tax outcome by clearer guidance, better consultation and an improved clearance/ruling procedure.”

“More time for businesses to analyse the impact of changes in tax legislation prior to implementation.”

”



How companies use their TTC data

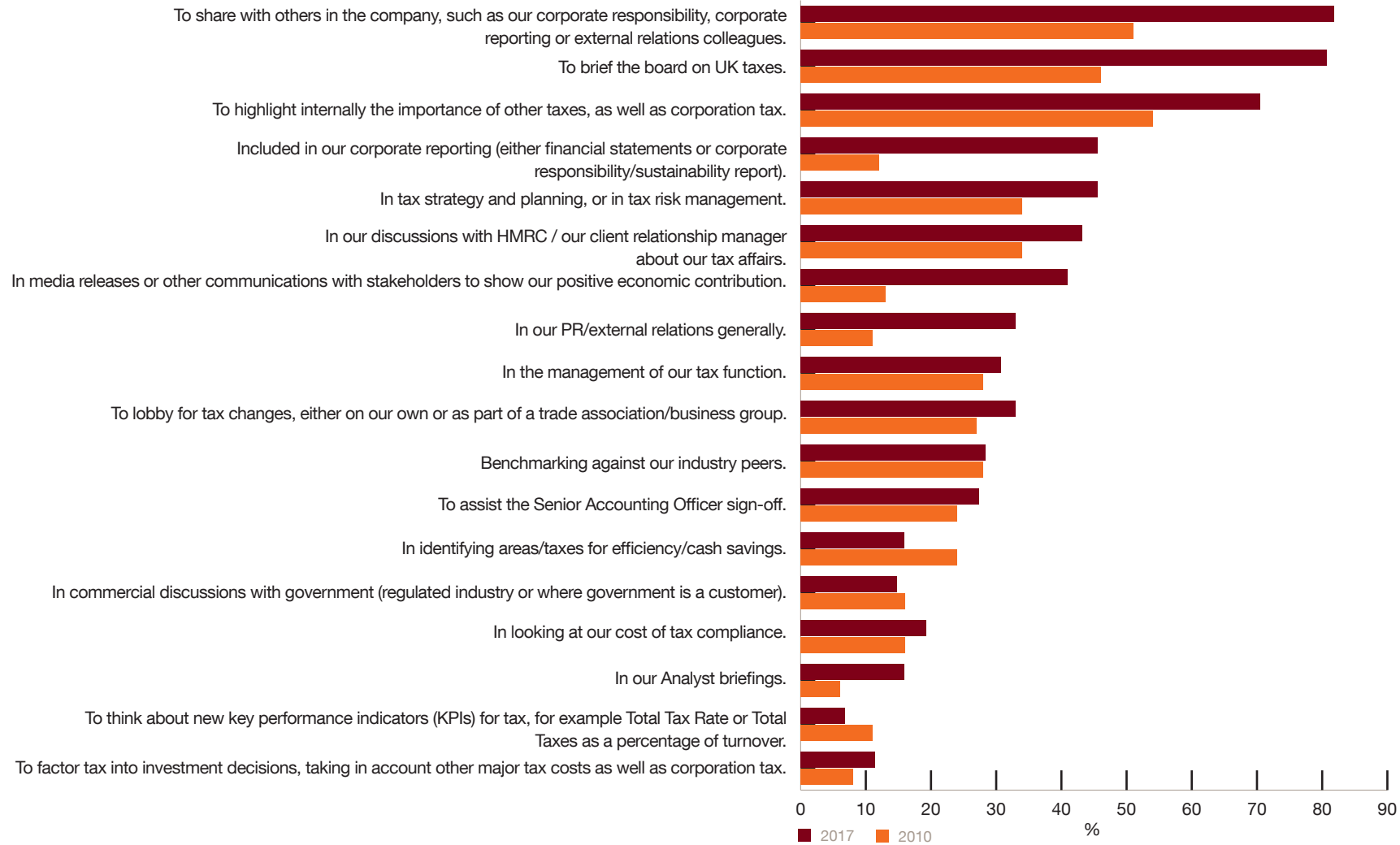
Each participant in the 100 Group TTC survey receives an individual company report on their Total Tax Contribution that details all of the taxes borne, taxes collected and the wider economic contribution they made in the survey period. The report provides details of the participants' tax profile, puts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

The survey asked participants how they use their TTC data. Figure 36 displays the responses provided by the 2017 survey participants.

- 82% of companies use their TTC data to share with others in the company, such as their corporate responsibility, corporate reporting or external relations colleagues.
- 81% of companies use their TTC data to brief the board on UK taxes.
- 46% of companies use their TTC data in corporate reporting, in tax strategy and planning, or in tax risk management.

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 continues to be for internal communication, both in 2010 and 2017, use of TTC data in corporate reporting (either financial statements or corporate responsibility/sustainability report) has increased by 33 percentage points since 2010. This year, we also saw increases in the number of companies using their TTC data to brief the board on UK taxes (rising to 81% of participants), in their tax strategy and planning, or in risk management (46%), in discussions with HMRC (45%) in media releases or other communications with stakeholder (42%) and for PR/external relations (33%).

Figure 36 – How companies use their TTC data



Source: PwC analysis

Participation in the thirteenth survey

The survey continues to be well supported by the 100 Group – 100 companies provided data in 2017 (the fifth consecutive year we have received data from 100 or more companies), representing 95.7% of market capitalisation (figure 37).

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.

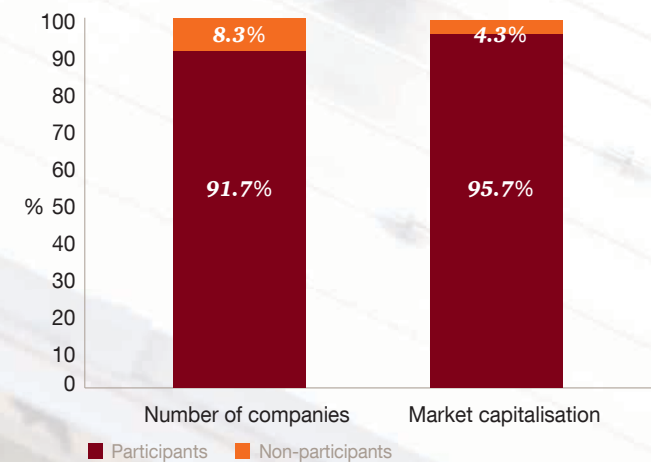
The 2017 survey is based on data collected from the 100 Group members for their accounting periods ending in the 12 months to 31 March 2017. 59% of participants have a December year end, 17% have a March year end and the remaining companies have other year ends spread throughout the survey period.

The TTC surveys have always been well supported by the 100 Group members since the survey started in 2005 (figure 38). Increasing interest in the survey results has led to strong participation over the survey period. 2017 is the fifth consecutive year that one hundred or more companies have participated.

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 2017 Total Tax Contribution survey is included in Appendix 1³³.



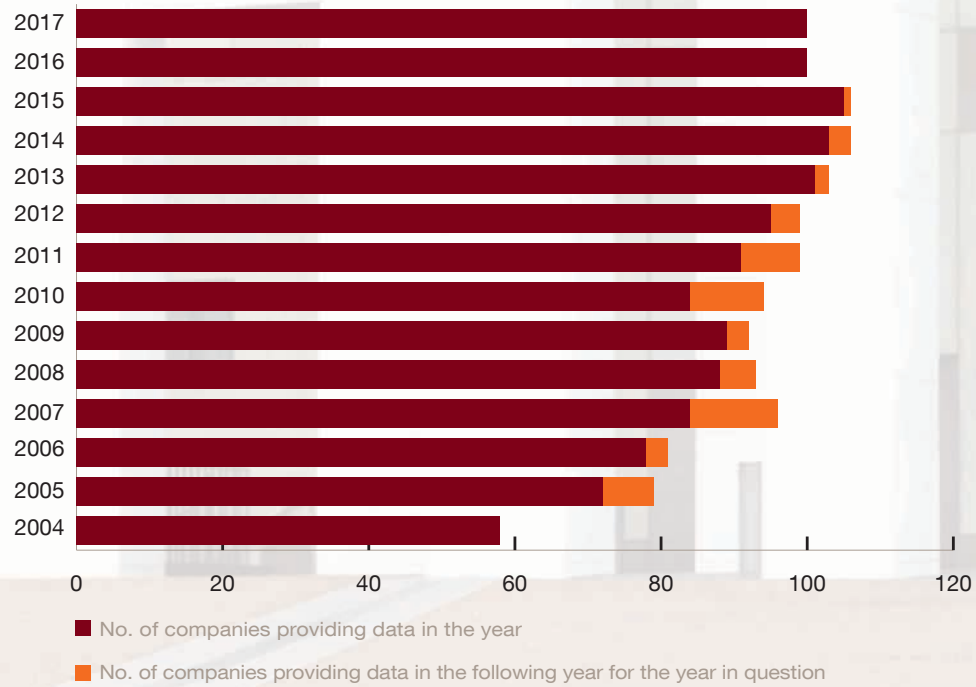
Figure 37: 100 companies provided data for the 2017 survey



Source: PwC analysis

³³This includes all companies that have contributed data in TTC surveys conducted for the 100 Group and are members or have been members.

Figure 38: The number of participants in each year of survey



Source: PwC analysis

Appendix 1

List of companies invited to participate in the 2017 survey

1	3i Group plc	29	Capita Group Plc
2	Aberdeen Asset Management Plc	30	Centrica Plc
3	Admiral Group Plc	31	Coca Cola HBC AG
4	Aggreko Plc	32	Compass Group Plc
5	Alliance Boots	33	Croda International
6	Alliance Trust Plc	34	Daily Mail and General Trust Plc
7	Amec Foster Wheeler Plc	35	Diageo Plc
8	Anglo American Plc	36	Direct Line Insurance Group
9	ARM Holdings plc	37	Dixons Carphone Plc
10	Associated British Foods Plc	38	Experian Plc
11	AstraZeneca Plc	39	ExxonMobil International Limited
12	Aviva Plc	40	G4S Plc
13	Babcock International Group Plc	41	GKN Plc
14	BAE Systems Plc	42	GlaxoSmithKline Plc
15	Balfour Beatty Plc	43	Greenenergy International Ltd
16	Barclays Plc	44	Hammerson Plc
17	Barratt Developments Plc	45	Hargreaves Lansdown
18	Berkeley Group Holdings Plc	46	Heathrow Airport Holdings Limited
19	BP Plc	47	HSBC Holdings Plc
20	British Airways Plc	48	NEX Group Plc
21	British American Tobacco Plc	49	IMI Plc
22	British Broadcasting Corporation	50	Imperial Brands Plc
23	British Land Company Plc	51	Informa
24	BT Group Plc	52	Inmarsat Plc
25	Bunzl Plc	53	Intercontinental Hotels Group Plc
26	BUPA	54	Intertek Group Plc
27	Burberry Group Plc	55	Intu Properties Plc
28	Cairn Energy Plc	56	ITV Plc

57	J Sainsbury Plc	84	Royal Mail Group
58	John Lewis Partnership	85	RSA Insurance Group Plc
59	John Wood Group Plc	86	Sage Group
60	Johnson Matthey Plc	87	Schroders Plc
61	Kingfisher Plc	88	Scottish & Southern Energy Plc (SSE)
62	Ladbrokes Plc	89	Segro Plc
63	Land Securities Group Plc	90	Severn Trent Plc
64	Legal and General Group Plc	91	Shire Plc
65	Lloyds Banking Group Plc	92	Sky plc
66	Marks & Spencer Plc	93	Smith & Nephew Plc
67	Mediclinic International	94	Smiths Group Plc
68	Meggitt Plc	95	St. James's Place
69	Merlin Entertainments	96	Standard Chartered Plc
70	Mitchells & Butlers Plc	97	Standard Life Plc
71	National Grid Plc	98	Tesco Plc
72	Nationwide Building Society	99	The Weir Group
73	Old Mutual Plc	100	The Wellcome Trust
74	Pearson Plc	101	Travis Perkins
75	Pennon Group Plc	102	Tullow Oil Plc
76	Persimmon Plc	103	Unilever Plc
77	Prudential Plc	104	United Utilities Group Plc
78	Reckitt Benckiser Plc	105	Vodafone Group Plc
79	RELX Group	106	Whitbread Group Plc
80	Rio Tinto	107	Wm Morrison Supermarkets Plc
81	Rolls-Royce Plc	108	Wolseley plc
82	Royal Bank of Scotland	109	Worldpay Group
83	Royal Dutch Shell Plc	110	WPP Plc

Appendix 2

List of taxes borne and collected in the UK

The five tax bases

Total Tax Contribution has been used by companies in different countries. Since taxes have different names in different countries, we identified five tax bases under which taxes borne and collected can be categorised – ‘the five Ps’ as we have called them:

Profit taxes – These include taxes on company profits that are borne (such as corporate income tax) and collected (such as withholding tax on payments to third parties).

People taxes – Taxes on employment, both borne and collected (including income tax and social security payments).

Product taxes – Indirect taxes on the production and consumption of goods and services, including VAT and sales tax, customs duties, insurance premium tax and alcohol and tobacco duties.

Property taxes – Taxes on the ownership, sale, transfer or occupation of property.

Planet taxes – Taxes and duties levied on the supply, use or consumption of goods and services that are considered to be harmful to the environment, including vehicle excise duties.

	Tax borne	Tax collected
Taxes on profits (profit taxes)		
Corporation tax	✓	
Tax deducted at source		✓
Petroleum revenue tax	✓	
Betting and gaming duty	✓	
Diverted profits tax	✓	
Taxes on property (property taxes)		
Business rates and cumulo rates	✓	
Stamp duty land tax	✓	
Stamp duty	✓	
Stamp duty reserve tax	✓	✓
Bank levy	✓	
Taxes on employment (people taxes)		
Income tax deducted under PAYE		✓
PAYE agreements (tax on benefits)	✓	
Employee National Insurance contributions		✓
Employer National Insurance contributions	✓	
Taxes on consumption (product taxes)		
Net VAT		✓
Irrecoverable VAT	✓	
Customs duty	✓	
Fuel duty		✓
Tobacco duty		✓
Alcohol duty		✓
Insurance premium tax	✓	✓
Air passenger duty	✓	✓
Vehicle excise duty	✓	
Environmental taxes (planet taxes)		
Landfill tax	✓	✓
Congestion charge	✓	
Climate change levy	✓	✓
Aggregates levy	✓	
EU Emissions Trading Scheme ('EU ETS')	✓	✓
Carbon Reduction Commitment Energy Efficiency Scheme ('CRC')	✓	

Appendix 3

Taxes borne and collected by participants of the 2017 100 Group survey

Taxes borne	£ 2017
Taxes on profits (profit taxes)	
Corporation tax	6,262,965,943
Petroleum revenue tax	-313,307,432
Betting and gaming duty	256,271,528
Taxes on property (property taxes)	
Business and cumulo rates	4,721,221,843
Stamp duty land tax	166,214,715
Stamp duty and stamp duty reserve tax	80,517,527
Bank levy	2,044,304,303
Taxes on employment (people taxes)	
PAYE agreements (tax on benefits)	129,093,144
Employer National Insurance contributions	6,755,475,064
Taxes on consumption (product taxes)	
Irrecoverable VAT	3,450,868,095
Insurance premium tax	48,602,929
Customs duty	427,608,751
Air passenger duty	24,803,839
Vehicle excise duty	68,576,446
Environmental taxes (planet taxes)	
Landfill tax	16,484,305
Aggregates levy	1,751,703
EU ETS	29,176,436
Carbon Reduction Commitment	163,203,327
Climate change levy	131,614,194
Congestion charge	4,609,673
Total tax borne	24,470,056,333

Taxes collected	£ 2017
Taxes on profits (profit taxes)	
Tax deducted at source	3,054,717,974
Taxes on property (property taxes)	
Stamp duty reserve tax	190,151,295
Taxes on employment (people taxes)	
Income tax deducted under PAYE	13,943,709,782
Employee National Insurance contributions	4,108,520,890
Taxes on consumption (product taxes)	
Net VAT	10,066,072,515
Insurance premium tax	1,399,717,875
Fuel duty	15,363,045,944
Tobacco duty	4,578,974,128
Alcohol duty	2,877,171,077
Air passenger duty	653,491,018
Environmental taxes (planet taxes)	
EU ETS	166,135
Landfill tax	144,512,582
Climate change levy	193,409,434
Total tax collected	56,573,660,649

Appendix 4

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www.pwc.co.uk/totaltaxcontribution

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