



**The Hundred Group**  
of Finance Directors

## **THE 100 GROUP SURVEY INFORMS DEBATE ON SECURING A COMPETITIVE TAX SYSTEM IN THE UK**

Findings from the second annual Total Tax Contribution (TTC) survey of The 100 Group of Finance Directors' members demonstrate the complexity and significance of the tax contributions made by the UK's largest businesses to government revenues. The total tax contribution of all business taxes paid by survey participants is estimated to be over £60bn. This accounts for 13% of all government receipts.

With the exception of corporation tax, there is little transparency over the business taxes borne or collected on behalf of government by business. The study, conducted by PricewaterhouseCoopers LLP using its TTC Framework, is intended to encourage greater transparency around the total tax contribution by large businesses in the UK. The results are shared with the Government and other stakeholders and help inform tax policy.

The pound for pound correlation between corporation tax and other business taxes borne, as first identified in the 2005 survey, is confirmed by the 2006 data. In 2005/06 year-ends, participants paid corporation tax of over £10bn which represents 26% of 2005/06 government corporation tax receipts. In 2005/06 year-ends, survey participants paid just under £10bn in other business taxes, which represents 47.9% of the total taxes borne by participants.

Taxes borne are a cost to the company. This year, for the first time, the survey also examined taxes collected – the taxes that the companies administer on behalf of government (for example, income tax under PAYE, employees' national insurance contributions and net VAT). The results show that for every £1 paid in corporation tax, The 100 Group members collected a further £3.70 in taxes. This represents almost double the amount of taxes borne by these companies. In 2005/06 year-ends, survey participants collected taxes of £40bn on behalf of government. The obligation to administer taxes on behalf of government represents a management and compliance issue for UK businesses and significantly adds to their total tax contribution.

Data is now available for three years on taxes borne and can be looked at in terms of the trends in amounts paid over this period. The data shows that there has been a substantial increase in taxes borne by these companies in excess of inflation and the growth in GDP; the increase in corporation tax for those reporting data for 2004, 2005 and 2006 is 29% and the increase in total taxes born for the three year period is almost 22%.

Philip Broadley, Chairman of The 100 Group, comments:

“The high level of participation in this second survey underlines the importance to the business community of the results it produces. The response from Government is also very encouraging with its recognition of the increasing scope and quality of the

data, and now the availability of trend information generated about the amount of tax paid by The 100 Group members.

"I am certain that the policy debate around the competitiveness of the UK tax system will benefit from the information provided by this exercise, and The 100 Group is committed to repeating it in future years."

Richard Collier-Keywood, UK head of tax, PricewaterhouseCoopers LLP, said:

"The purpose of the survey is to put data into the public domain about the total tax contributions made by UK business. The Total Tax Contribution Framework generates empirical data not otherwise available, which is helpful to inform the tax policy making process, and in particular the debate around the future development of the UK fiscal regime.

"The tax system is a major part of the UK's shop window for attracting and maintaining investment. Business, its advisers and government have a joint role to play in helping to ensure the taxation of business in the UK remains competitive."

**ENDS**

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**Notes to editor:**

1. The survey was conducted in 2006 and respondents comprised 78 out of the 120 corporate members of The 100 Group.

The survey covered 22 business taxes in the UK which are either borne or collected by this group of companies. The inclusion of taxes collected shows a fuller picture of how business contribute to UK tax revenues and supports the findings from last year on the complexity of UK business taxes.

2. Key findings:

Taxes borne

Data was gathered for the following business taxes borne by participants:

Profit taxes - corporation tax, petroleum revenue tax, betting and gaming duty  
Transfer taxes - stamp duty, stamp duty land tax, stamp duty reserve tax\*  
Property taxes - business rates  
Employment taxes - PAYE settlements, employers' national insurance contributions (NICs)  
Indirect taxes - irrecoverable VAT, customs duties, vehicle excise duty, insurance premium tax\*

Environmental taxes - aggregates levy, landfill tax\*, air passenger duty\*, climate change levy\* congestion charge

Corporation tax:

In 2005/06 year-ends, participants paid corporation tax of £10,829m which represents 26% of 2005/06 government corporation tax receipts. Extrapolating the results suggests that in total, The Hundred Group's corporate members paid corporation tax of £12,554m in 2005/06 (30% of 2005/06 government corporation tax receipts).

The 15 largest taxpayers contributed over 19% of government corporation tax receipts in 2005/06

Other business taxes:

In 2005/06 year-ends, survey participants paid £9,956m in other business taxes. Other business taxes represented 47.9% of the total taxes borne by participants. Extrapolating the results suggests that in total, The 100 Group's corporate members paid other business taxes of £12,114m in 2005/06, representing 49.1% of total taxes borne.

#### Taxes collected

Data was gathered for the following business taxes collected by participants:

Profit taxes - tax deducted at source

Transfer taxes - stamp duty reserve tax\*

Employment taxes - income tax under PAYE, employees' NICs

Indirect taxes - net VAT, fuel excise duty\*, tobacco excise duty\*, alcohol excise duty\*, insurance premium tax\*

Environmental taxes - landfill tax\*, air passenger duty\* and climate change levy\*

Taxes collected total £40,078m for survey participants, representing almost double the amount of taxes borne by these companies.

Extrapolating the results suggests that in total, The 100 Group corporate members collect £48,086m. This represents over 10% of total government receipts and again represents almost double the amount of taxes borne by these companies.

The 15 largest taxpayers (in taxes borne) contributed 65% of the taxes collected in the 2006 survey.

\* Taxes may be both taxes borne and taxes collected – for example, taxes borne by any company on its own consumption in addition to taxes collected by companies in the appropriate industry sector.

#### Total Tax Contribution

In the 2006 survey, the total taxes borne by participants totalled £20,785m, representing 4.5% of all government receipts.

When taxes collected are added to taxes borne, the participants are accountable for 13% of all government receipts. In their 2005/06 year-ends, participants made a TTC of £60,863m.

The extrapolated figures for business taxes borne and collected by corporate members amount to £72,754m - almost 16% of all government receipts.

On average, participant companies paid an amount equivalent to 18.3% of their turnover in taxes borne and taxes collected.

### Trends in taxes borne

Through the two surveys, data is available on taxes borne for three years. Trends for these years have been calculated on a like for like basis.

The increase in corporation tax for those reporting data for 2006 and 2005 is 23%. The increase over a three year period for those reporting data for 2004, 2005 and 2006 is 29%. Data is not available to compare these increases to the trend in participants' UK profits.

The increase in taxes borne for those reporting data for 2006 and 2005 is almost 16%. The increase over a three year period for those reporting data for 2004, 2005 and 2006 is almost 22%.

The intention is to repeat the survey in 2007 to obtain another year of data and enable trends and changes to be further analysed and monitored. It is also hoped that the survey will be extended in 2007 to include tax compliance costs.

### 3. Methodology

The survey was carried out using the PricewaterhouseCoopers Total Tax Contribution (TTC) Framework. The Framework is designed to provide a method for companies to measure and report on the taxes they pay. It is not an economic model and it is relatively straight forward for stakeholders to understand. The fundamentals of the Framework are the definition of a tax and also the distinction between taxes borne and taxes collected. TTC provides information for all stakeholders, internal and external, on what companies contribute and informs better decision making.

### 4. About The 100 Group of Finance Directors

The 100 Group of Finance Directors draws its members from the largest UK companies. It seeks to represent the view of its members of issues that impact the work of Finance Directors and the companies they serve in areas such as accounting and taxation.

The Group is chaired by Philip Broadley, Group Finance Director at Prudential plc.