THE 100 GROUP

THE HUNDRED GROUP
OF FINANCE DIRECTORS

A collective voice for the development of UK-based business

2023 Total Tax Contribution survey for the 100 Group

Analysis of 100 Group data from 2022/23

A report prepared by PwC for the 100 Group of Finance Directors

December 2023

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Contents

About the 100 Group

The 100 Group of Finance Directors represents the view of the finance directors of FTSE 100 and several large UK private companies. Our member companies represent the vast majority of the market capitalisation of the FTSE 100 Index. Our aim is to contribute positively to the development of UK and international policy and practice on matters that affect our business, including taxation, financial reporting, corporate governance and capital market regulation. We believe that good fiscal and tax policy is grounded upon long-term stability, simplicity and consistency. Our members collectively employ 5.6% of the UK workforce and, in 2023, paid or generated taxes equivalent to 10.0% of total UK government receipts.

THE 100 GROUP

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 364,000 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.co.uk.

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Foreword

Welcome to the 19th annual PwC Total Tax Contribution (TTC) survey of the 100 Group. Based on analysis of data received from 92 of the largest companies in the UK, it shows that a 9.9% increase in taxes borne in 2022/23 pushed the average total tax rate (TTR) for the 100 Group to almost 50% of commercial profits[1]. With taxes collected by the 100 Group also increasing in this year's survey, the total tax contribution has increased by £8.3bn compared to last year and, at £89.8bn, represents 10.0% of total government receipts.

As well as the TTC reaching its highest level since the survey began, a record number of 30 UK taxes were included in the TTC framework this year[2]. This is an increase of two from last year thanks to the introduction of the plastic packaging tax and the energy profits levy (EPL)[3].

Employer national insurance contributions (NICs) and the EPL drive this year's increase in taxes borne. Taking effect from 26 May 2022, there are seven months' worth of EPL included in the survey. In 2022 the levy was charged at 25% on adjusted profits from UK oil and gas operations. This is in addition to the existing 40% headline rate for corporation tax and supplementary charge. Next year we can expect a full year of EPL at the higher 35% rate that has been in place from January 2023.

Beyond the significant contribution to the public finances in taxes paid and collected, large companies make consistently high levels of business investment which help to drive growth throughout the UK economy. Capital investment by companies in the survey was above £25bn for the second year running, while research and development (R&D) expenditure increased for the third consecutive year, reaching £12.5bn (£3.4bn higher than in 2019/20).

The survey also gathered the views of Heads of Tax on their company's net zero targets and the role of tax and other policies in enabling companies to meet those targets. While 96% of the companies that responded have a target, only 11% of those expect tax policy to play an important role in meeting those targets. When asked which policies would have a positive impact on their ability to meet their targets, 68% of companies said that more generous green incentives would have a high or very high impact. Asked whether the large-scale green incentives in the US and the EU are having an adverse impact on UK competitiveness, 41% of companies rated the impact as high or very high.

Just over 40% of companies expect the renewable energy transition to significantly impact their business model and levels of investment.

Given the scale of potential disruption and the effort required to meet their targets, companies were understandably keen to also emphasise the importance of consistency and clarity over net zero policies.

On top of the challenges of meeting net zero commitments, companies are responding to greater demands for mandatory and voluntary tax reporting. Two major changes that tax departments are preparing for are the OECD Pillar 2 reforms[4] and public country-by-country reporting[5] (CbCR). The latter will require companies to publicly disclose their revenues, profits, total employees and corporate income tax, by jurisdiction. With the expectation that this will bring increased scrutiny from a range of stakeholders, many companies are collecting their TTC data so that they are in a position to explain their full tax contribution around the world[6].

It's clearly a time of significant change and a busy time for tax teams in particular. Once again we thank the participating companies for continuing to support the survey and encourage business leaders and other stakeholders to continue to engage with the tax agenda in the future.

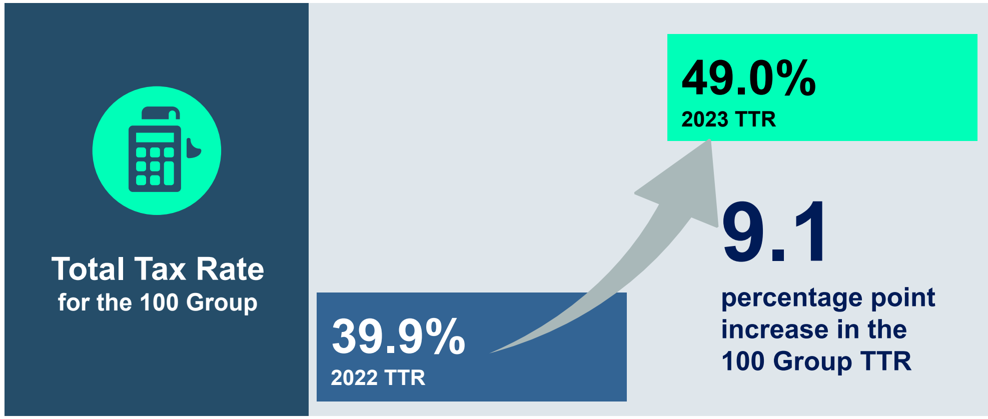
Andy Agg
Chair of the 100 Group Tax Committee

Andy Wiggins
PwC, Total Tax Contribution and Tax Transparency leader

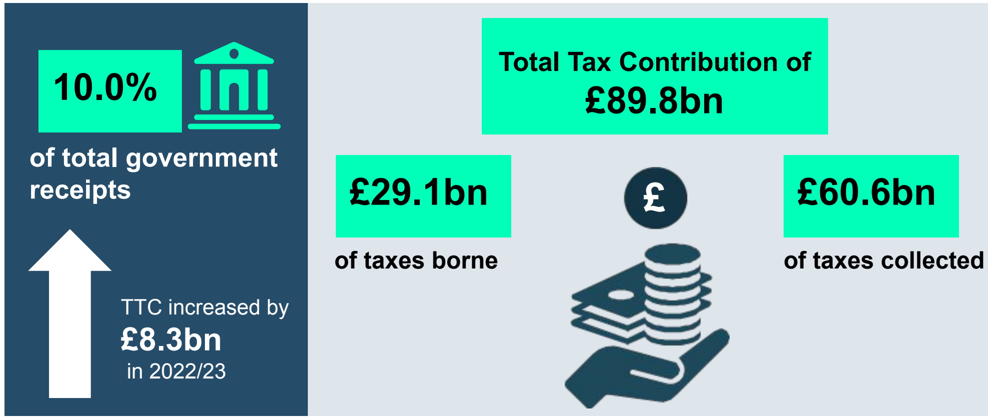
1 The average TTR for companies in the survey was 49.0%, an increase of 9.1 percentage points compared to last year's report
2 In 2006 there were 22 business taxes in the survey. See Appendices for details of all taxes included in the survey.
3 With the energy profits levy applying to a different base compared to corporation tax, we count the EPL as an additional tax in the TTC framework.
4 OECD Pillar Two establishes a global minimum tax regime which will apply to both public and privately held multinational groups with consolidated revenue over €750m and will apply to accounting periods commencing on or after 31 December 2023.
5 EU CbCR - Member States will have to implement the CbCR Directive into domestic law for the financial year starting on or after 22 June 2024 in most cases, with first disclosures a year after the end of the period.
6 PwC's review of the FTSE 350 shows that 51 FTSE 100 and 17 FTSE 250 companies are disclosing their TTC data in 2022/23

Key findings

1. **Taxes borne and the total tax rate (TTR) for the 100 Group both increased this year:**
   - Employer NICs and the Energy Profits Levy have driven a 9.9% increase in taxes borne in 2022/23.
   - Taxes borne by the 100 Group are almost half of commercial profits (TTR: 49.0%). The increase in taxes borne, without a corresponding increase in profits, led to a 9.1 percentage point increase in the TTR.



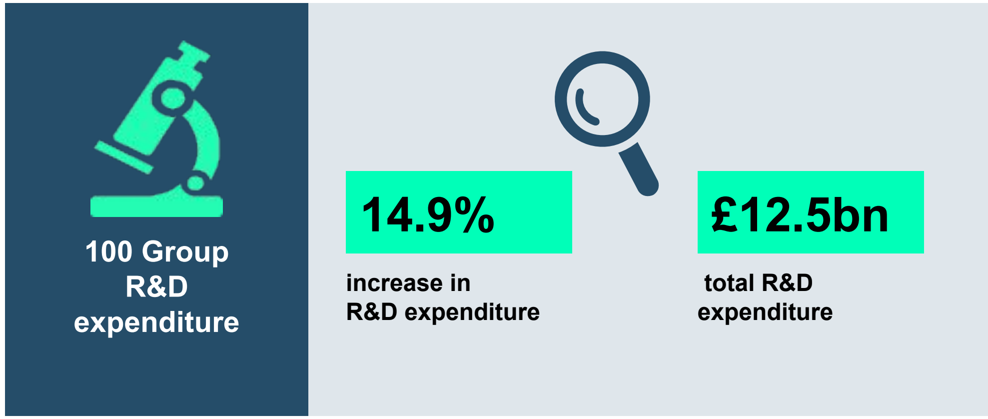
2. **The Total Tax Contribution (TTC) increased by £8.3bn in 2022/23**
   - The TTC of the 100 Group was £89.8bn* in 2022/23, comprising:
     – £29.1bn of taxes borne
     – £60.6bn of taxes collected
   - Representing 10.0% of total UK government receipts



* Due to rounding, the taxes borne and taxes collected totals do not sum to the TTC.

3. **The TTC methodology this year includes 30 business taxes, the highest number of taxes since the survey began.**
   - There are two new taxes in this year's survey: the Plastic Packaging Tax and the Energy Profits Levy

4. **100 Group Research & Development (R&D) expenditure increased for the 3rd consecutive year, helping to drive technological innovation, productivity and economic growth.**
   - 14.9% - increase in R&D expenditure
   - £12.5bn - total R&D expenditure



Total Tax Contribution of the 100 Group in 2023

The Total Tax Contribution (TTC) of the 100 Group[7] in 2022/23 is estimated to be £89.8bn, which represents 10.0% of UK government receipts.

The 92 companies that participated in the 2023 survey provided data on taxes paid totalling £85.8bn. After extrapolation to all 100 Group members, the TTC is estimated to be £89.8bn, which represents 10.0% of total UK government receipts for the year ended 31 March 2023 (figure 1). This comprises total taxes borne of £29.1bn and total taxes collected of £60.6bn. Within taxes borne, we estimate corporation tax payments of £8.4bn (10.8% of total UK corporation tax receipts). Employment taxes make up £27.4bn of the total tax contribution, 7.0% of UK government receipts of employment taxes.

Other business taxes (those borne and collected in addition to corporation tax), account for 90.5% of the TTC for the 2023 survey.

Figure 1 – Total Tax Contribution of the 100 Group, 2022/23

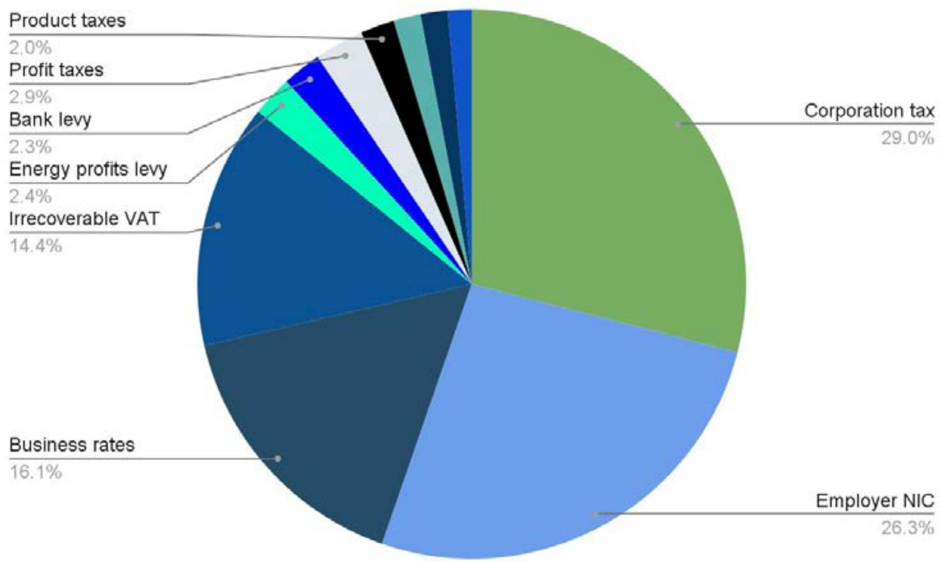
	Survey participants (£m)	Extrapolated to the 100 Group[8] (£m)	Percentage of government receipts[9]
Corporation tax[10]	8,133	8,418	
Other taxes borne	19,800	20,719	
Taxes borne	27,932	29,137	
Taxes collected	57,860	60,647	
Total Tax Contribution	**85,792**	**89,784**	**10.0%**

Figure 2 shows the profile of taxes borne by 100 Group companies in 2022/23. The largest tax borne was corporation tax, at 29.0% of total taxes borne (compared to 32.2% in 2021/22). Employer national insurance contributions (NIC) is the second largest tax borne, at 26.3% of total taxes borne (compared to 25.1% in 2021/22). The third largest is business rates (16.1%) followed by irrecoverable VAT (14.4%).

There were two new taxes in this year's survey: the energy profits levy, which makes up 2.4% of total taxes borne and the plastic packaging tax. Twenty-one companies in the survey reported paying plastic packaging tax, totalling £5.6m.

For every £1 of corporation tax, £2.43 is paid in other business taxes borne. In 2005, the ratio was 1:1.

Figure 2 – Taxes borne by percentage, 2022/23



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

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

8 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.

9 Office for Budget Responsibility (OBR) Economic and fiscal outlook supplementary fiscal tables November 2023. Table 2.9. Current receipts (on a cash basis).

10 Extrapolated corporation tax payments are 10.8% of government receipts of corporation tax.

Total Tax Contribution of the 100 Group in 2023

The Total Tax Contribution (TTC) of the 100 Group in 2022/23 is estimated to be £89.8bn, which represents 10.0% of UK government receipts.

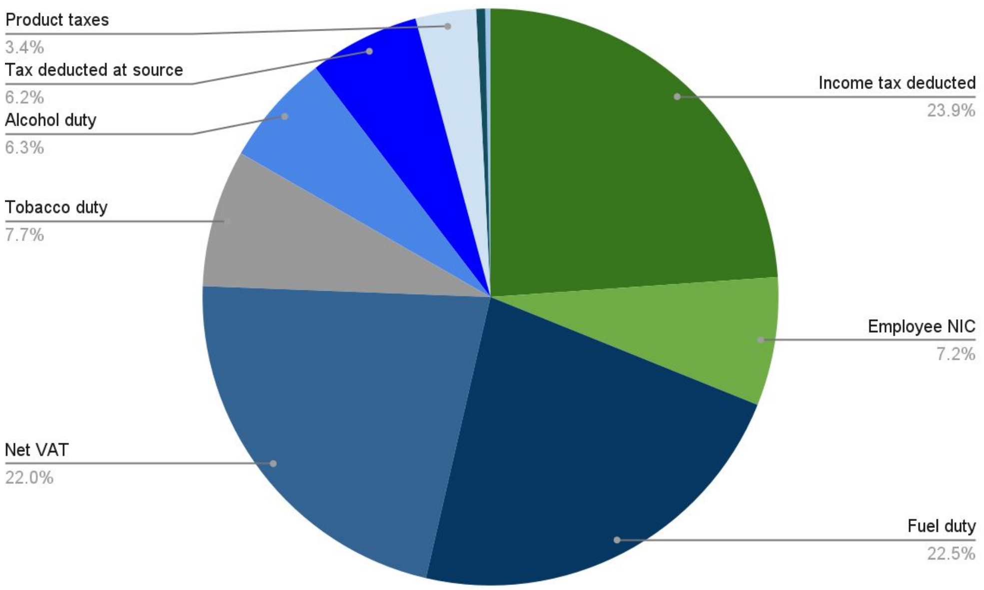
Figure 3 shows the profile of taxes collected by 100 Group companies in 2022/23. Employment taxes, at 31.1%, are the largest share of taxes collected (income tax deducted under PAYE: 23.9% and employee NIC: 7.2%) followed by fuel duties at 22.5% (figure 3).

For every £1 of corporation tax borne by this group of companies, there is £7.11 of taxes collected.

Both taxes borne and taxes collected increased in this year's survey, by 9.9% and 6.0% respectively, (see page 20 for the two-year trend analysis).

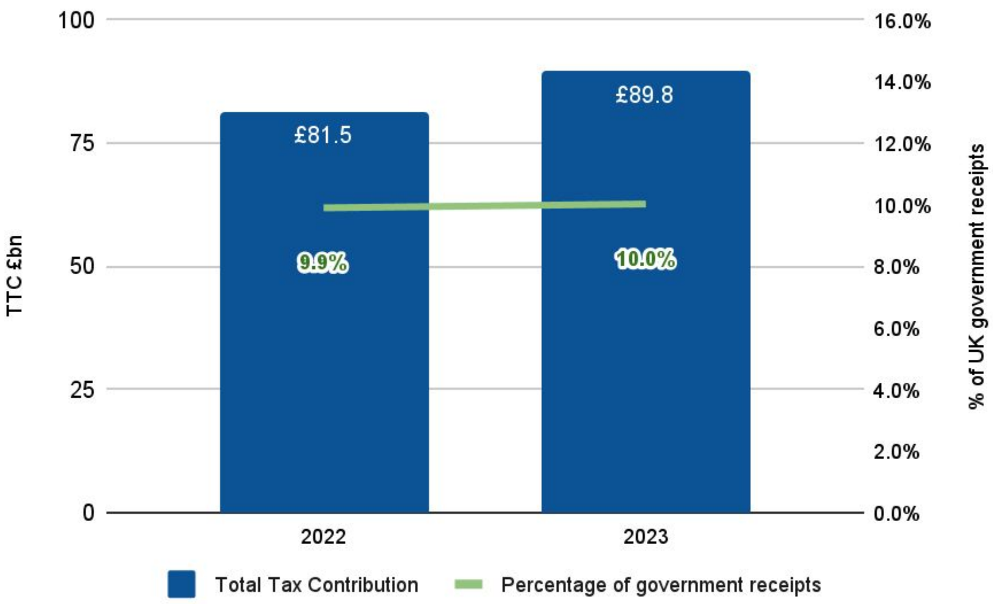
The TTC in 2023 is £8.3bn higher than in 2022, and represents 10.0% of total UK government receipts (figure 4). UK government receipts increased by 9.8% in 2022/23, driven by employment and corporation taxes. UK employment taxes increased by 12.4% due to wage growth, the impact of frozen tax thresholds and the temporary 1.25 percentage point increase in national insurance contributions (NICs) that was in force for seven months of 2022. Corporation tax increased by 20.6% as a result of growth in profitability following the pandemic.

Figure 3 – Taxes collected by percentage, 2022/23



Source: PwC analysis

Figure 4 – Total Tax Contribution of the 100 Group, 2022 and 2023



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 30 business taxes in the UK under the TTC methodology[11] in 2023, including two new taxes: the energy profits levy and the plastic packaging tax (Appendix 2). Some taxes in the survey can be categorised as both borne and collected, depending on the specific circumstances. There are 25 taxes that are borne by companies in the survey (including corporation tax) and 15 taxes that are 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. PwC sense check the TTC data received from each company and may ask participants to clarify and explain particular elements. Data was extrapolated to provide an estimate of the TTC of the entire 100 Group. The same methodology has been used since the survey began, allowing the results to be compared across 19 years of the survey.

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 19 years, highlighting the changing tax profile and how changing economic conditions and legislation have impacted these trends.

[11] https://www.pwc.co.uk/services/tax/insights/total-tax-contribution-framework-common-questions.html

Value distributed

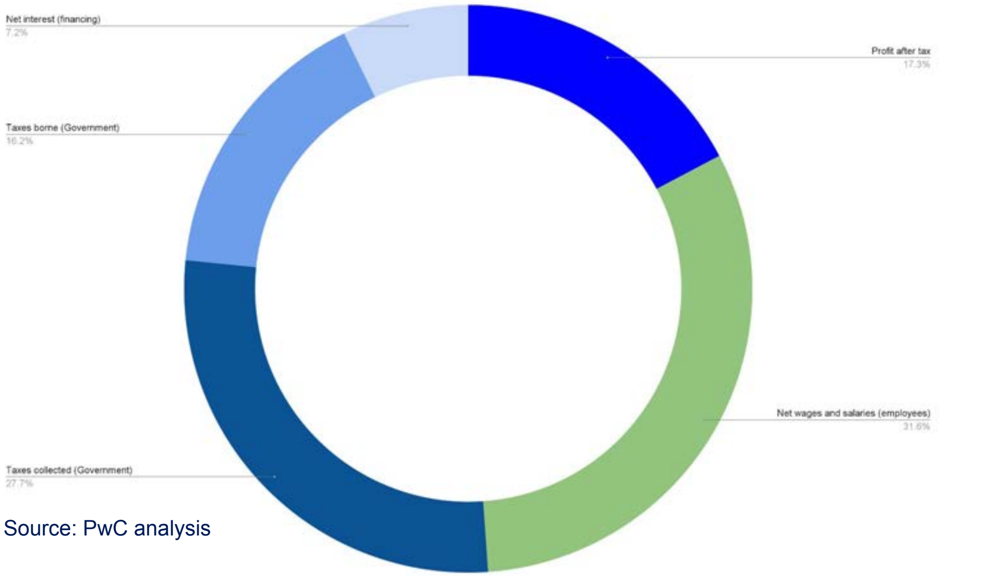
The Total Tax Contribution can be put into the context of value distributed[12] by companies. In 2023, more than 40% of the value distributed went to the government in taxes borne and collected, while over 30% went to employees in the form of wages and salaries.

Value is distributed to the government in taxes, to employees in wages and salaries, to creditors in interest payments, and in profits retained for reinvestment or distributed to shareholders. 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 100 Group participants, with 43.9% of the value distributed going to the government in taxes borne and collected (figure 5). Wages paid to employees remain the second largest share of value distributed, at 31.6%. Profits after tax (available to reinvest in the company or distribute to shareholders as dividends) account for 17.3% of the total.

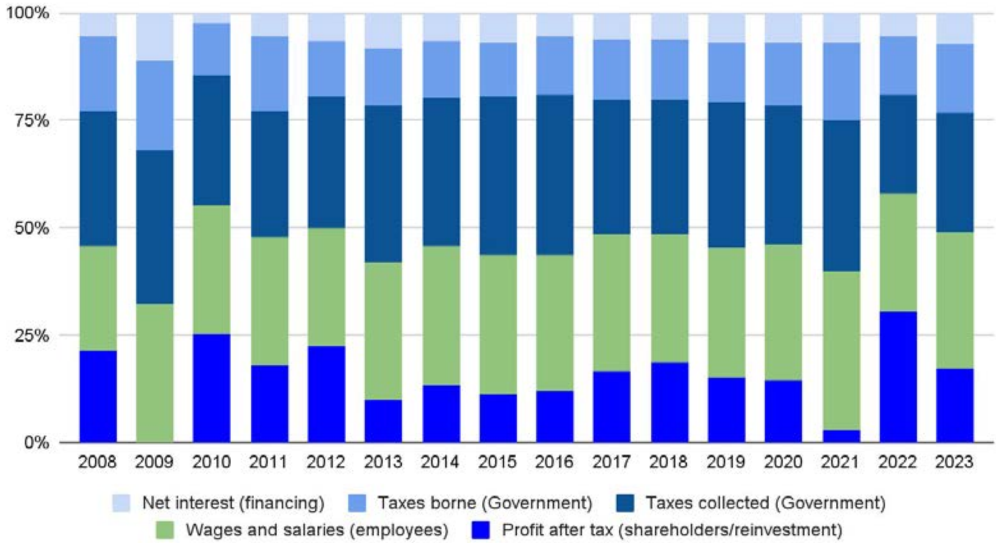
The trend in value distributed by the 100 Group (figure 6), shows that the government has been the largest beneficiary every year of the survey. The impact of the financial crisis can be seen by the overall loss in 2009. While the pandemic led to significant swings in profitability in the 2021 and 2022 surveys.

Figure 5 – Value distributed by the 100 Group participants, 2023



Source: PwC analysis

Figure 6 – Profile of value distributed by the 100 Group participants, 2008 to 2023



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

12 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 the government.

The wider economic contribution – GVA and UK suppliers

The contribution these large companies make to society extends beyond the value of goods and services produced, taxes paid and jobs created (direct impacts). There are significant indirect impacts, with further value and additional jobs supported through purchasing from UK suppliers. Furthermore, those employed directly by the organisation, or indirectly by a supplier, spend their salaries in the wider economy (generating induced impacts).

To indicate the scale of this wider economic impact, the survey collects data on the number of UK suppliers that each company worked with over the 12-month survey period and additional data to allow us to estimate Gross Value Added (GVA).

On average, each company supported 5,605 UK suppliers[13] (figure 7), emphasising the considerable indirect impact that the 100 Group companies have on the wider UK economy.

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[14] for the 100 Group companies is £81,791, compared to an estimated GVA per employee of £70,360 in the UK economy as a whole[15] (figure 8).

Figure 7 – Number of UK suppliers supported by survey participants in 2022/23

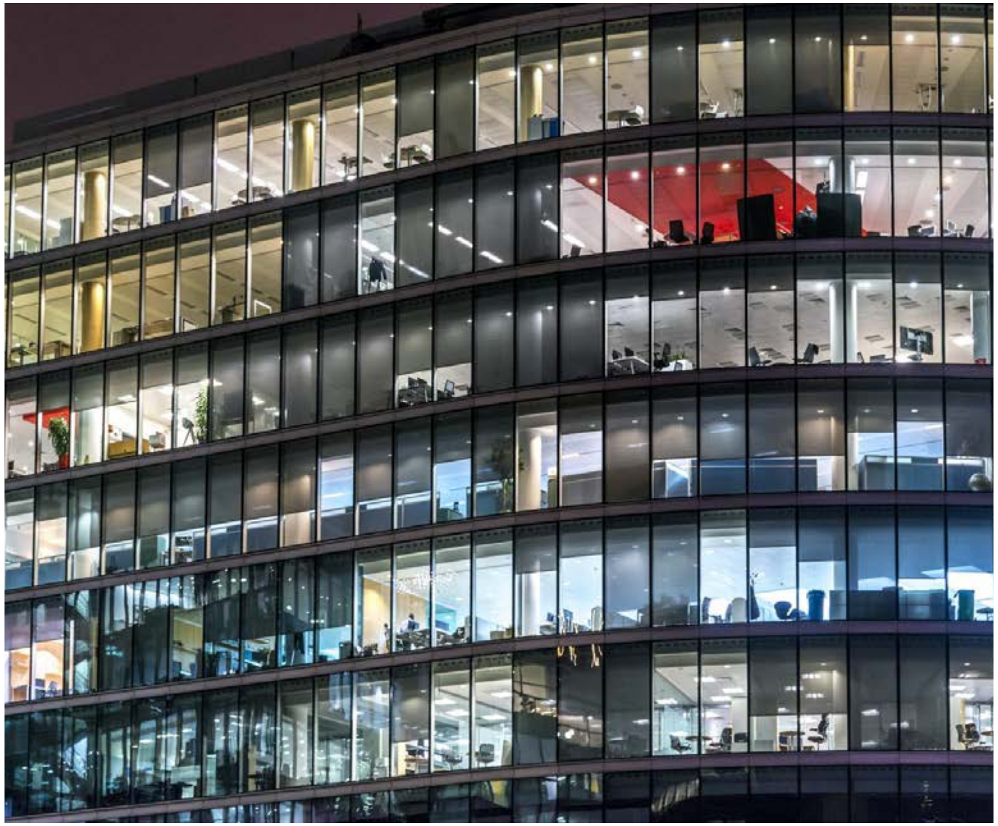
	Percentage of participants providing data	Average number of UK suppliers
UK suppliers supported by each 100 Group company	62%	5,605

Source: PwC analysis

Figure 8 – Gross Value Added per employee in 2022/23

	Average for the 100 Group of companies	UK GVA per employee
GVA per employee	£81,791	£70,360

Source: PwC analysis



[13] On a like-for-like analysis, there was a 7.2% increase in the average number of UK suppliers compared to 2022.
[14] 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.
[15] GVA per employee for the UK was calculated using ONS data for Gross Value Added (average) at basic prices, divided by total UK employment: A01: Summary of labour market statistics

The wider economic contribution – employment

The 100 Group employs 1.8 million people, paying an average wage of £40,058 and contributing employment taxes of £14,601 per employee on average.

The 100 Group companies are major employers – the survey participants employed 1.7 million people in 2023. Extrapolating this to the 100 Group, we estimate total employment of 1.8 million people (figure 9). This represents 5.6% of the total UK workforce. The average wage per employee is £40,058 (compared to the average national wage of £34,963[16]) with average employment taxes of £14,601 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 survey results show that the participating companies paid a total of £25.8bn in employment taxes, including £7.8bn in employment taxes borne and £18.0bn in employment taxes collected (figure 10). Extrapolating to the 100 Group, we estimate a total of £27.4bn in employment taxes borne and collected, which accounts for 7.0% of total UK government receipts from employment taxes.

Employment taxes are the second largest element of total taxes borne and taxes collected, after product taxes. Employer NIC, at 26.3%, is the second largest tax borne for participants, and income tax deducted under PAYE together with employee NIC account for 31.1% of taxes collected.

On a like-for-like basis, where companies have supplied data for employment taxes, wages and salaries, and total UK employees for the 2022 and 2023 surveys, the number of employees decreased by 0.4%, wages and salaries increased by 5.2% and employment taxes increased by 11.5% (figure 11). The increase in employment taxes was greater than the increase in wages and salaries, due to higher bonuses in 2021/22, for which the associated taxes are included in this year's survey.

Figure 9 – Employment tax figures for the 100 Group in 2022/23

	Survey participants	Extrapolated to the 100 Group	Percentage of Government figures
Number of UK Employees	1.7m	1.8m	5.6%[17]
Total employment taxes	£25.8bn	£27.4bn	7.0%[18]

Source: PwC analysis

[16] Based on the median gross weekly earnings for full-time employees, Office for National Statistics (ONS) Employee earnings in the UK: 2023, 1 December 2023
[17] ONS Employment by industry (Labour Force Survey), xx November 2023
[18] The Office for Budget Responsibility (OBR) Economic and fiscal outlook supplementary fiscal tables November 2023. Table 2.9. Current receipts (on a cash basis).

The wider economic contribution – employment (continued)

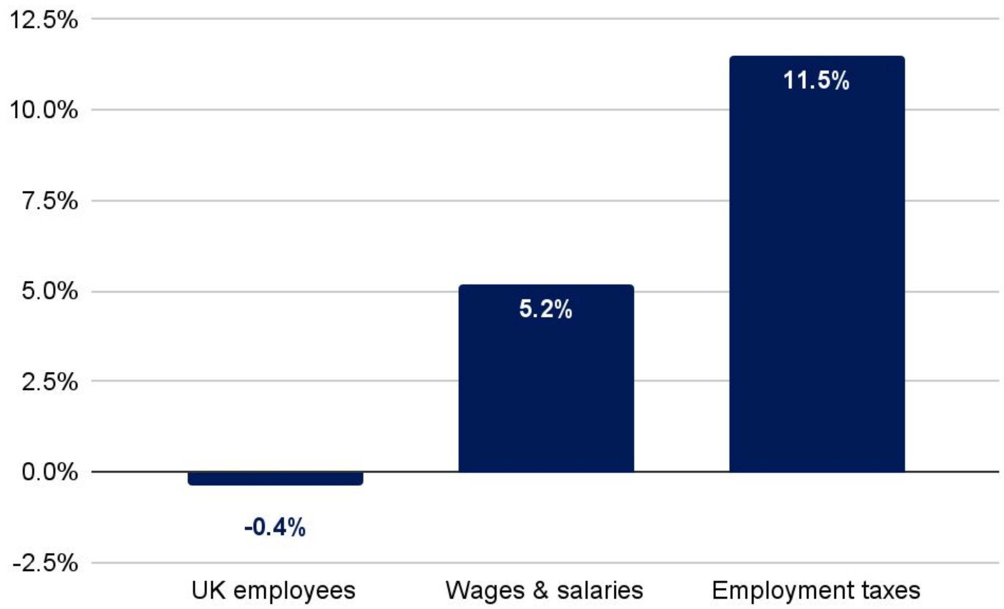
The 100 Group employs 1.8 million people, paying an average wage of £40,058 and contributing employment taxes of £14,601 per employee on average.

Figure 10 – Employment tax figures for the survey participants in 2022/23

	£ millions
Employment taxes borne	
Employer NIC	7,383
PAYE agreements (PSAs) (tax on benefits)	100
Net apprenticeship levy	290
Total employment taxes borne	**7,773**
Employment taxes collected	
Employee NIC	4,168
Income tax deducted under PAYE	13,820
Total employment taxes collected	**17,988**
Total employment taxes borne and collected	**25,761**

Source: Survey data

Figure 11 – Two year trends in the number of UK employees, wages and salaries, and employment taxes, 2022 to 2023



Source: PwC analysis, based on 84 companies that provided data for the number of employees, wages and salaries and employment taxes in both the 2022 and 2023 surveys.

The wider economic contribution – capital investment, research & development

Business investment is an important contribution that large companies make to the UK economy. Following last year's 38.4% increase, there was a 2.0% decrease in capital investment by survey participants in 2022/23. Meanwhile, research and development expenditure increased for the third consecutive year.

The 100 Group makes a significant contribution to innovation and the fabric of the UK economy through capital investment and by funding research and development (R&D). 88% of the participating companies provided data showing that total investment in tangible fixed assets was £25.3bn, representing 10.5% of UK expenditure on business investment (figure 12). On a like-for-like basis, where we have company data for the 2022 and 2023 surveys, this represents a decrease of 2.0%.

In the 2022 and 2023 surveys, companies were able to make use of the 'Super Deduction' announced in the March 2021 Budget, allowing companies to deduct 130% of qualifying capital investment from 1 April 2021 until 31 March 2023. The more generous allowances were introduced at the same time as it was announced that the rate of corporation tax would rise from 19% to 25% in April 2023. The intention of the Super Deduction was to remove any incentive to delay business investment until the introduction of the higher rate. At a total estimated cost of £24bn between 2020-21 and 2023-24, the policy was expected to increase business investment by an additional 10% over the period[19].

The survey participants also invested a total of £12.5bn in R&D expenditure, an increase of 14.9% compared to 2022 (figure 13), driven by aerospace and pharmaceuticals companies.

Figure 12 – Investment made by 100 Group companies in fixed assets 2022/23

2023 Survey	Percentage of participants providing data	Total (£m)	Percentage of the total UK amount[20]	Trend 2022-2023 on a like-for-like basis
UK fixed assets additions	88%	25,342	10.5%	-2.0%

Source: PwC analysis

Figure 13 – Investment made by 100 Group companies in research and development 2022/23

2023 Survey	Percentage of participants providing data	Total (£m)	Trend 2022-2023 on a like-for-like basis
R&D expenses	49%	12,520	14.9%

Source: PwC analysis

[19] OBR Supplementary forecast information release: Capital allowances super-deduction costing, 17 February 2022
[20] ONS Gross Fixed Capital Formation: Business Investment: CP SA: £m, 31 October 2023

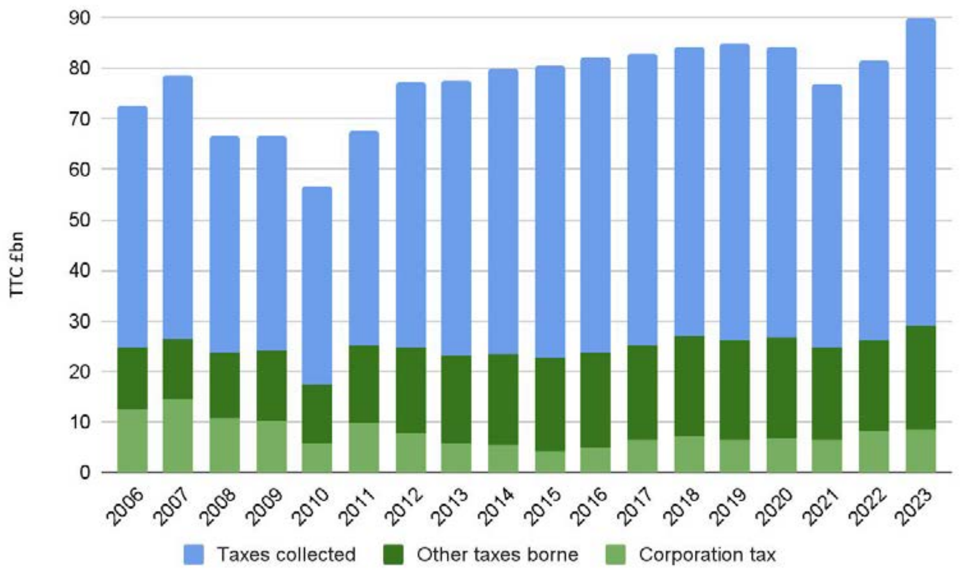
The changing profile of tax

The profile of taxes paid by large businesses has changed significantly over the 19 years of the survey, as a result of changes to tax policy and economic conditions. The most pronounced change has been a shift from corporation tax towards other business taxes, such as business rates, employer NIC and irrecoverable VAT. In 2005, other business taxes were 50.0% of taxes borne. In 2023, they account for 71.0%.

Figure 14 shows the total tax contribution of the 100 Group since 2006, split between corporation tax, other taxes borne and taxes collected. Prior to the pandemic, the total contribution had been relatively stable over a nine year period, reaching over £80bn for six consecutive years to 2019/20. In 2021, the total contribution dropped to its lowest level for ten years as a result of the COVID-19 pandemic, followed by a partial recovery in 2022. Figure 14 also shows the impact of the financial crisis between 2008 and 2011.

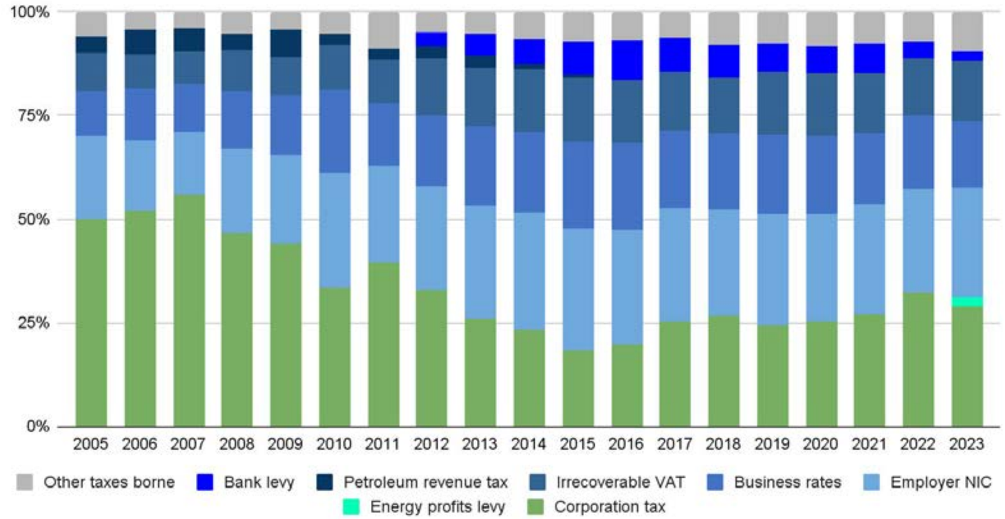
A major trend since the survey began has been the decreasing share of corporation tax compared to other business taxes. Figure 15 shows that, in 2005, corporation tax accounted for 50.0% of taxes borne, increasing to 55.9% in 2007 just before the financial crisis. The trend from 2007 to 2015, with the exception of 2011, was for corporation tax to account for a declining share of taxes borne each year, while the contribution from other business taxes has increased. The share of taxes borne from employer NIC, for example, increased over the survey period, becoming the largest tax borne between 2013 and 2020, with the exception of 2018.

Figure 14 – Total Tax Contribution for the 100 Group, 2006 to 2023[21]



Source: PwC analysis

Figure 15 – Profile of taxes borne, 2005 to 2023



Source: Survey data

[21] The chart is based on extrapolated data from each survey.

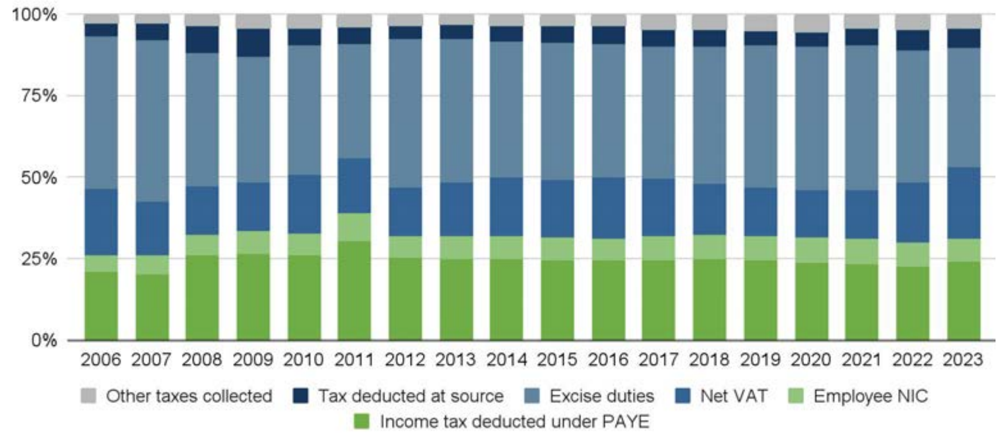
The changing profile of tax (continued)

There are a range of factors influencing the changing profile of taxes borne, including variations in profitability relating to different sectors within this group of companies and depressed profitability on the whole following the financial crisis. However, a major driver for the falling share of corporation tax between 2007 and 2015 was 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 corporation tax rate increased to 25% in April 2023, the first increase since the survey began. The impact of the higher rate will be seen in the 2024 survey.

The headline rate is, however, not the only factor that affects corporation tax receipts. In 2018, with the rate at 19%, corporation tax was the largest tax borne for 100 Group companies, after increasing for three consecutive years. This was largely a result of government legislation, particularly affecting the corporation tax paid by the banks in the survey. This included tighter loss relief legislation (companies were restricted in their ability to use carried forward losses to offset against taxable profits), non-deductibility of compensation payments, and the introduction of the bank surcharge in January 2016, imposing an additional 8% surcharge on bank profits. Tighter loss relief legislation applied to all industry sectors from April 2017, with 50% of taxable profits eligible to be offset by carried forward losses. Legislation restricting corporate interest deductions was also introduced from April 2017. In 2023, corporation tax continues to be the largest tax borne by 100 Group companies.

In contrast to the profile of taxes borne, the profile of taxes collected is notable for its stability since the financial crisis, both in terms of the profile by taxes and by sector (figures 16 and 18). Excise duties account for the largest share of taxes collected at 36.5%, followed by 31.1% from employment taxes (income tax deducted under PAYE 23.9% and employee NIC 7.2%).

Figure 16 – Profile of taxes collected, 2006 to 2023



Source: Survey data

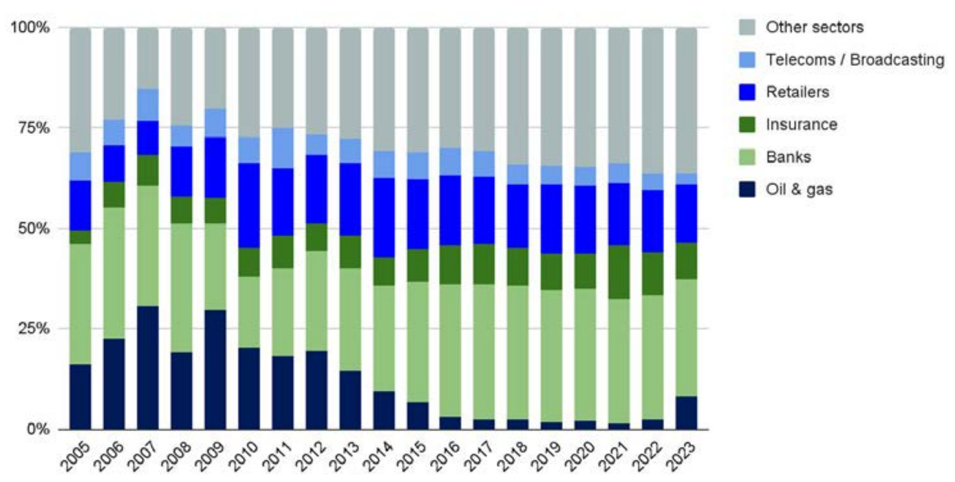
The changing profile of tax (continued)

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

The profile over the survey period shows the importance of financial services (38.1% of total taxes borne in 2023) as well as the significance of the retail sector, which has averaged 17.2% of taxes borne since 2010. The most significant fluctuation in taxes borne over the survey period is from the oil and gas sector, over 25% of the total in 2007 and 2009, but 3% or less between 2016 and 2022. In 2022/23, however, there was a significant rise in taxes borne by the oil and gas companies, driven by the introduction of the energy profit levy in May 2022. The oil and gas share of taxes borne increased from 2.4% in 2021/22 to 8.2% in 2022/23.

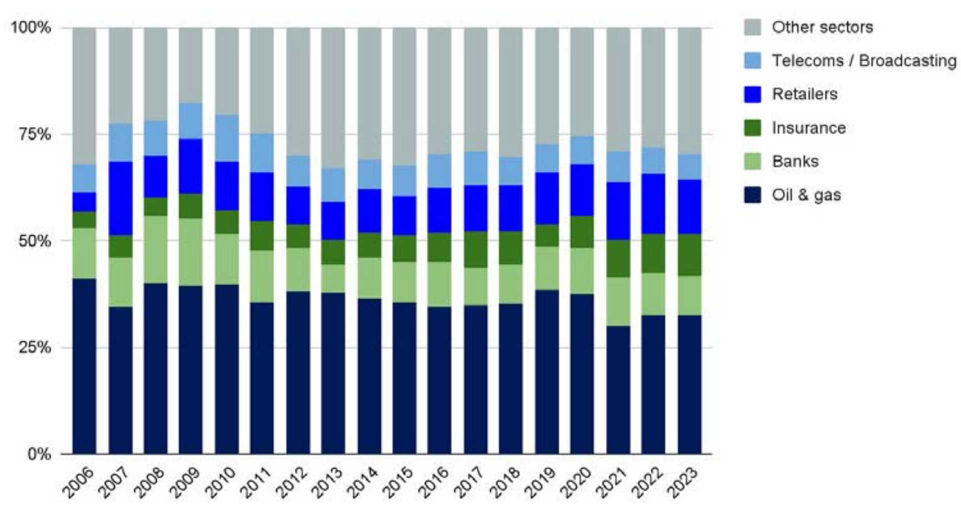
When taxes collected are added to the sectoral analysis, the importance of the oil and gas sector over the survey period is evident, particularly as a consequence of fuel duties, which are levied when petroleum products are sold in the UK (figure 18). The share of taxes collected from the sector was 32.7% in 2023. Combining taxes borne and taxes collected, the oil and gas sector makes up one quarter of the total tax contribution of the 100 Group in 2023 (figure 26).

Figure 17 – Profile of taxes borne by sector, 2005 to 2023



Source: PwC analysis

Figure 18 – Profile of taxes collected by sector, 2006 to 2023



Source: PwC analysis

The changing profile of tax (continued)

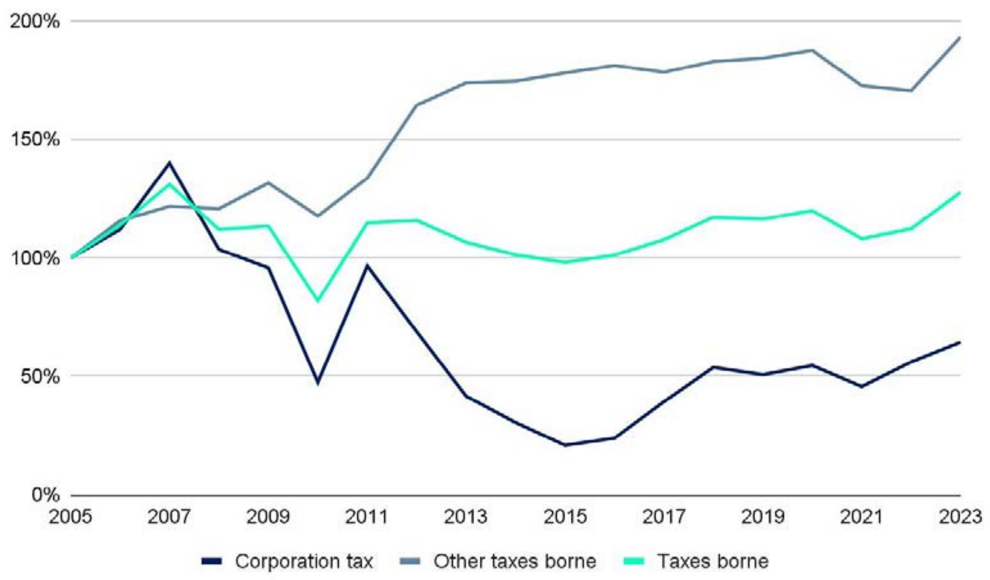
Over the last 19 years, the TTC survey has collected an extensive bank of data on tax payments by the 100 Group members, providing a unique insight into the changing profile of taxes paid by the largest UK companies. 26 companies have provided data in all the surveys we have undertaken. This enables us to look at long-term trends on a like-for-like basis.

Figure 19 displays taxes borne by these 26 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 93.2% since the survey began in 2005, while corporation tax has decreased by 35.6%.

For the first time since the 2020 report, there has been an increase in both corporation tax and other taxes borne. The last two years of the survey were affected by the pandemic, with both corporation tax and other taxes borne decreasing in 2020/21, and just corporation tax increasing in 2021/22. This year there was another increase in corporation tax, but an even sharper increase in other taxes borne, driven by employer NIC and the introduction of the energy profits levy, a temporary profits levy on North Sea oil and gas production. National Insurance contributions increased as a result of a temporary 1.25 percentage point rate increase that applied to seven months of 2022, along with higher wages and salaries in 2022/23.

Figure 19 also shows 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 19 – 2005 to 2023 trends in taxes borne - corporation tax, other taxes borne and total taxes borne



Source: PwC analysis

The changing profile of tax (continued)

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 (PRT). 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 26 companies that have provided data for the entire survey period, irrecoverable VAT in 2023 is more than twice the 2005 level (an increase of 119.9%).

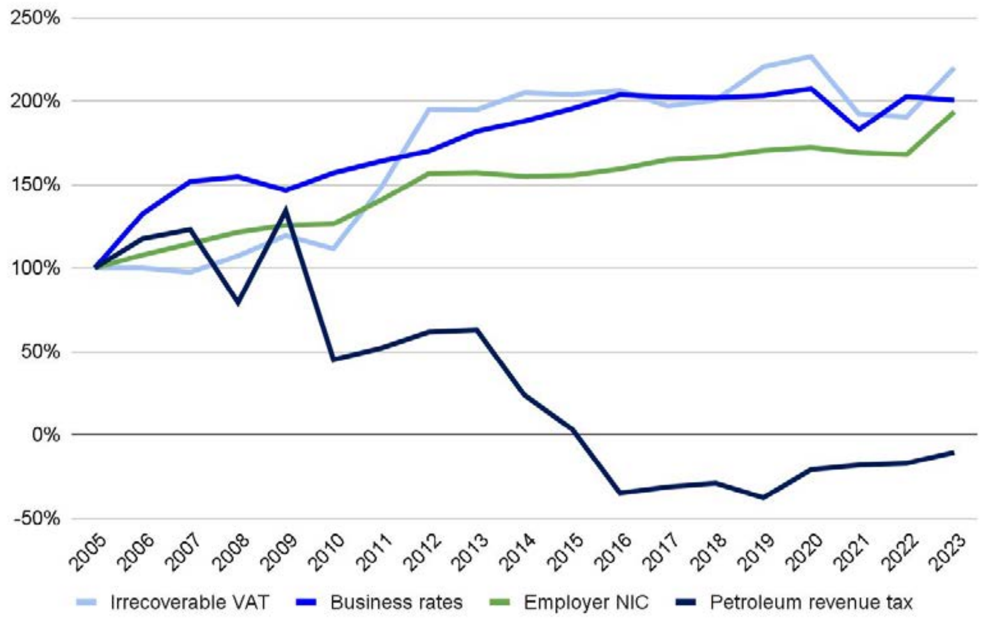
The significant increase in irrecoverable VAT between 2010 and 2014 was largely driven by the increase in the rate of VAT to 20% in 2011, changes in the EU VAT system in 2010[22], and legislative and case law changes for the financial services sector. In addition, there was a trend for the financial services sector to outsource more of its activities, which increased the cost base, the associated input VAT, and so the amount of VAT that cannot be recovered. Prior to 2023, irrecoverable VAT decreased for two years due to lower expenditure incurred by the financial services sector and higher VAT recovery rates following the UK's departure from the European Union. Irrecoverable VAT has increased this year for the first time since 2020 due to increasing costs driving up input tax.

Even after a sharp decline in 2021 due to the rates relief for the retail, leisure and hospitality sectors in the first year of the pandemic, business rates are at twice the level they were in 2005. The prior increase across the survey period was driven by increasing multipliers (see section on business rates for more detail) and rateable values.

Employer national insurance contributions for these 26 companies have increased by 93.6% over the survey period. This is a result of increased NI rates in 2011 and increasing wages over the survey period, including the impact of the national living wage in April 2016. The sharp increase in this year's report is due to higher wages and salaries and the temporary 1.25 percentage point rate increase that applied to seven months of 2022.

The decrease in PRT over the survey period is due to a combination of falling profitability, and older oil fields to which this tax still applies reaching maturity (those that received development consent before 16 March 1993). Since 2016, PRT for the companies in the survey has been in an overall refund position.

Figure 20 – 2005 to 2023 trends in taxes borne - irrecoverable VAT, business rates, employer NIC, and petroleum revenue tax



Source: PwC analysis

[22] http://ec.europa.eu/taxation_customs/business/vat/eu-vat-rules-topic/where-tax_en

Total Tax Rate

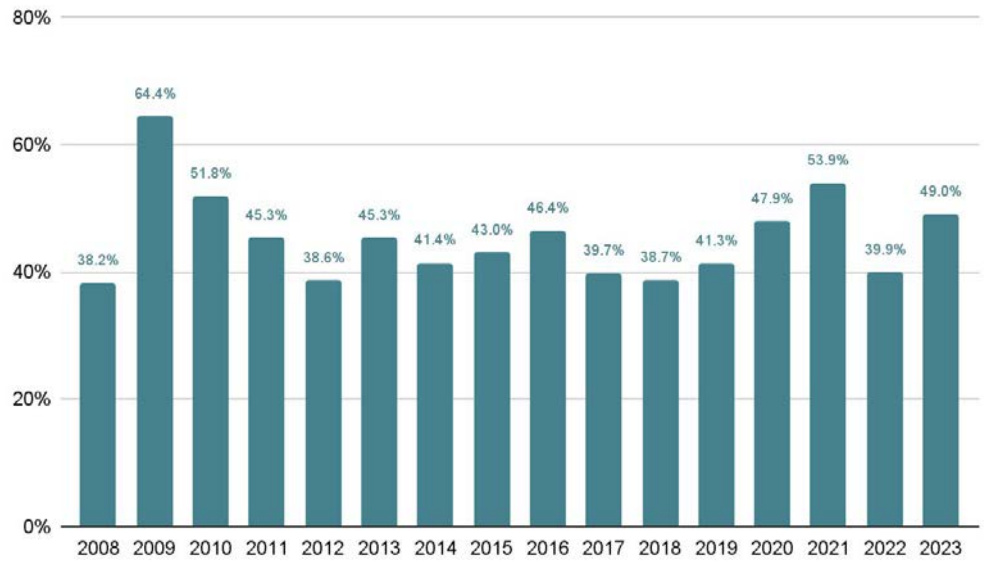
The Total Tax Rate (TTR) is a measure of the cost of all taxes borne in relation to UK commercial profit. In 2023 the average TTR for the survey participants is 49.0%.

The average Total Tax Rate (TTR) for 100 Group members participating in the 2023 survey is 49.0%[23] (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.

The TTR peaked in 2009 when profits fell at the height of the financial crisis and then declined as the economy and profitability recovered. The TTR also rose above 50% in 2021 as the economy contracted sharply during the pandemic.

In 2023, with taxes borne increasing more than profits, the Total Tax Rate increased to 49.0% (an increase of 9.1 percentage points).

Figure 21 – Total Tax Rate, 2008-2023



Source: PwC analysis

[23] TTR overall average is 45.4% and the median is 32.6%

Trend in Total Tax Contribution between 2022 and 2023

Both taxes borne and taxes collected by the 100 Group increased in the 2023 survey, by 9.9% and 6.0% respectively.

From the 92 companies providing data in 2023, 85 companies also participated in the 2022 survey allowing us to analyse the trends on a like-for-like basis for these companies. Figure 22 shows the trend in TTC from 2022 to 2023, and the components of the total increase comprising taxes borne and taxes collected.

Figure 22 – Trend in Total Tax Contribution, 2022 - 2023

Total tax contribution	Individual trend	Trend as % of total
Taxes borne	9.9%	3.1%
Taxes collected	6.0%	4.1%
Total tax contribution	**7.2%**	**7.2%**

Source: PwC analysis. Note: Figure 22 shows the overall TTC trend and the trends in taxes borne and taxes collected as a share of the total.

Figure 23 – Trend in taxes borne, 2022 - 2023

Tax borne	Trend as % of total taxes borne
Employer NIC	3.6%
Energy profits levy	2.8%
Irrecoverable VAT	2.3%
Other taxes borne	1.3%
Business and cumulo rates	1.0%
Corporation tax	0.6%
Bank levy	-1.7%
Total taxes borne	**9.9%**

Source: PwC analysis. Note: Figure 23 shows the trend in individual taxes borne as a share of the total 9.9% trend.

Taxes borne increased by 9.9% in 2023, with employer NIC and the energy profits levy (EPL) the main drivers (figure 23). Employer NIC accounted for 3.6 percentage points of the total increase in taxes borne, driven by an increase in wages and salaries and the temporary 1.25 percentage point rate increase that was in force for seven months of 2022. EPL, introduced from 26 May 2022, accounted for 2.8 percentage points of the total increase. There are seven months' worth of EPL included in this year's survey. In 2022 the levy was charged at 25% on adjusted profits from UK oil and gas operations. This is in addition to the existing 40% headline rate for corporation tax and supplementary charge. Next year we can expect a full year of EPL at the higher 35% rate that has been in place from January 2023. The overall increase in taxes borne was partially offset by a decrease in bank levy (1.7 percentage points of the total), which is a reflection of the reduction in the scope of the levy for UK-headquartered banks effective from 1 January 2021, as well as the final reduction in bank levy rates continuing to filter through to quarterly payments into 2022/2023.

Figure 24 shows a breakdown of the 9.9% increase in taxes borne by the main sectors that are driving the increase. It shows that the oil & gas companies and the banks are driving the increase in profit taxes (corporation tax and EPL), while the other sectors in the survey are driving the increase in other taxes borne.

Figure 24 – Trend in taxes borne (highlighting specific sectors), 2022 - 2023

	All sectors	Oil & Gas	Banks	Other sectors
Corporation tax	0.6%	3.0%	2.0%	-4.4%
Energy profit levy	2.8%	2.8%	0.0%	0.0%
Other business taxes	6.5%	0.9%	0.0%	5.6%
Total taxes borne	9.9%	6.7%	2.0%	1.2%

Source: PwC analysis. Note: Of the 92 participating companies there are 6 banks and 5 oil & gas companies.

Trend in Total Tax Contribution between 2022 and 2023 (continued)

Both taxes borne and taxes collected by the 100 Group increased in the 2023 survey, by 9.9% and 6.0% respectively.

Taxes collected increased by 6.0% in 2022, largely driven by net VAT and income tax deducted under PAYE, and partially offset by decreases in tobacco, alcohol and fuel duties (figure 25). Net VAT accounted for 3.3 percentage points of the total increase in taxes collected, driven by the oil & gas, utilities and leisure & hotel sectors. Net VAT increased in 2022/23 as sales increased following the pandemic. Income tax deducted under PAYE and employee NICs were the second and third largest drivers (2.7 and 0.4 percentage points of the total), driven by an increase in wages and salaries.

Figure 25 – Trend in taxes collected, 2022 - 2023

Tax	Trend as % of total taxes collected
Net VAT	3.3%
Income tax deducted under PAYE	2.7%
Other taxes collected	0.6%
Employee NIC	0.4%
Fuel duties	-0.1%
Alcohol duties	-0.4%
Tobacco duties	-0.5%
Total taxes collected	**6.0%**

Source: PwC analysis. Note: Figure 25 shows the trend in individual taxes collected as a share of the total 6.0% trend.

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 taxes borne (other than corporation tax) that impact the 100 Group: employer NIC, business and cumulo rates, irrecoverable VAT and bank levy.

Figure 26 shows the profile of TTC from 2006 to 2023 for the five largest 100 Group industry sectors. The chart shows a marked decrease in contribution from the oil and gas sector, from over a third of the total in 2006 (34.7%) to 24.7% in 2023.

The contribution from the financial services sector, a quarter of the total in 2006, fell to below 20% in the aftermath of the financial crisis (19.6% in 2010). From 2016 the financial services share of TTC has been over a quarter of the total every year (25.2% in 2023).

The contribution from the retailers has fluctuated over the survey period, from a low of 6.2% in 2006 to a high of 14.5% in 2010. At 14.4% the retail share of TTC in 2022 was the highest since 2010. In 2023, retailers make up 13.4% of the total.

Figure 27 shows the impact of corporation tax, employer NIC, business and cumulo rates, irrecoverable VAT and bank levy, on different sectors. For retailers, and telecoms and utilities, business and cumulo rates make up 50.6% and 44.0% of their taxes borne respectively. For banks and insurers, irrecoverable VAT makes up 31.3% and 33.5% of their taxes borne respectively. Bank levy accounts for 7.8% of taxes borne for participating banks. For the oil and gas sector, 16.0% of their taxes borne contribution in 2023 comes from employer national insurance contributions.

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. Between 6 April 2022 and 5 November 2022, the rate temporarily increased to 15.05%.

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

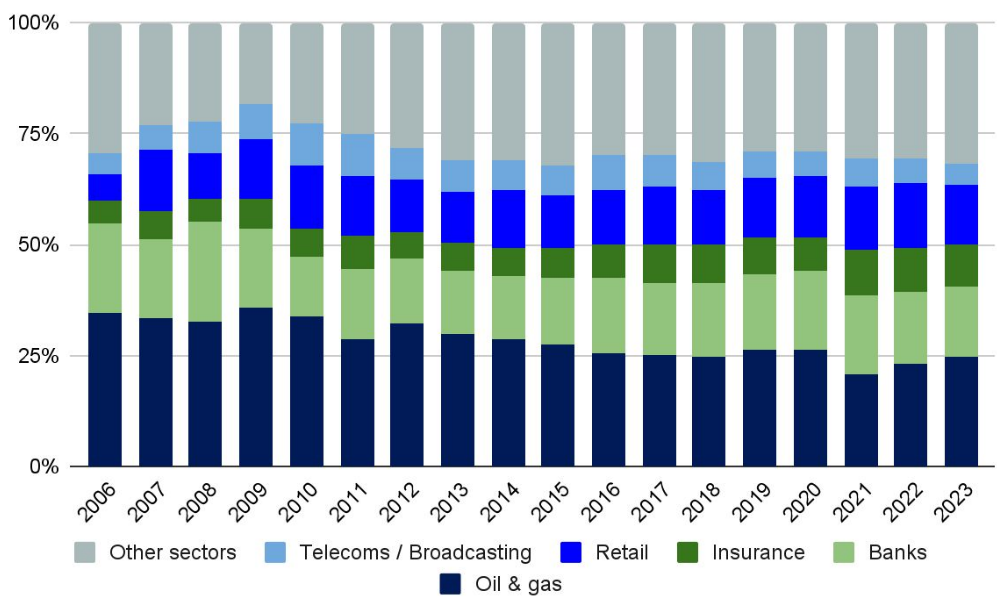
This is input VAT that is a cost to a business when related sales are exempt, as is the case for many transactions in the financial services sector. See page 28 for further analysis.

Bank levy

The bank levy, introduced in 2011, is an annual tax on the balance sheet equity and liabilities of banks. The rate reached its highest level (0.210% on short term and 0.105% on long term chargeable equity or liabilities) in 2015, and started to fall from January 2016. From 2021 onwards, 0.10% is applied to short term chargeable equity and liabilities and 0.05% to long term chargeable equity and liabilities (figure 34). See page 29 for further analysis.

The impact of other business taxes on different sectors (continued)

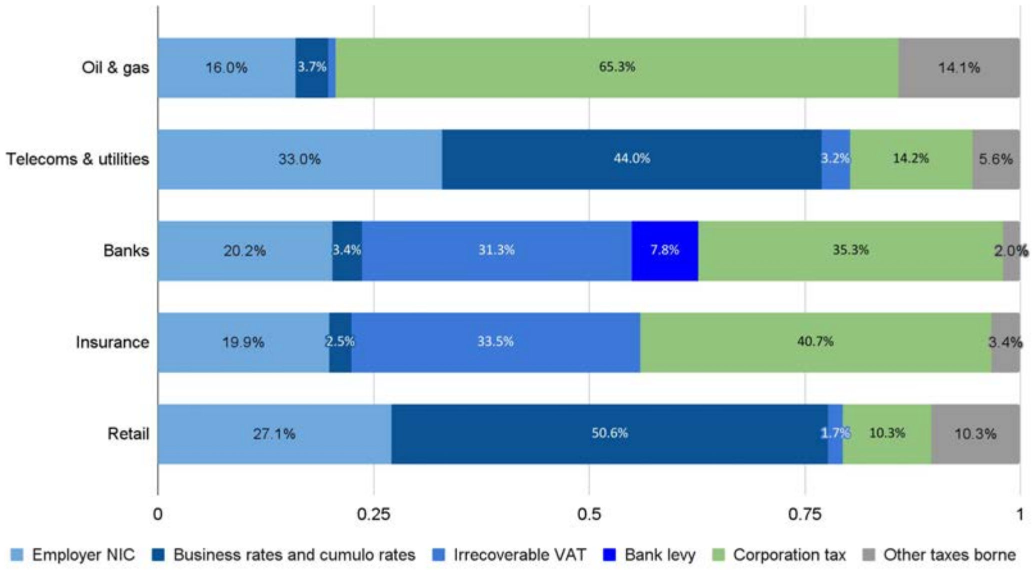
Figure 26 – Total Tax Contribution 2006-2023 by sector



Source: PwC analysis

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 2023



Source: PwC analysis

Corporation tax

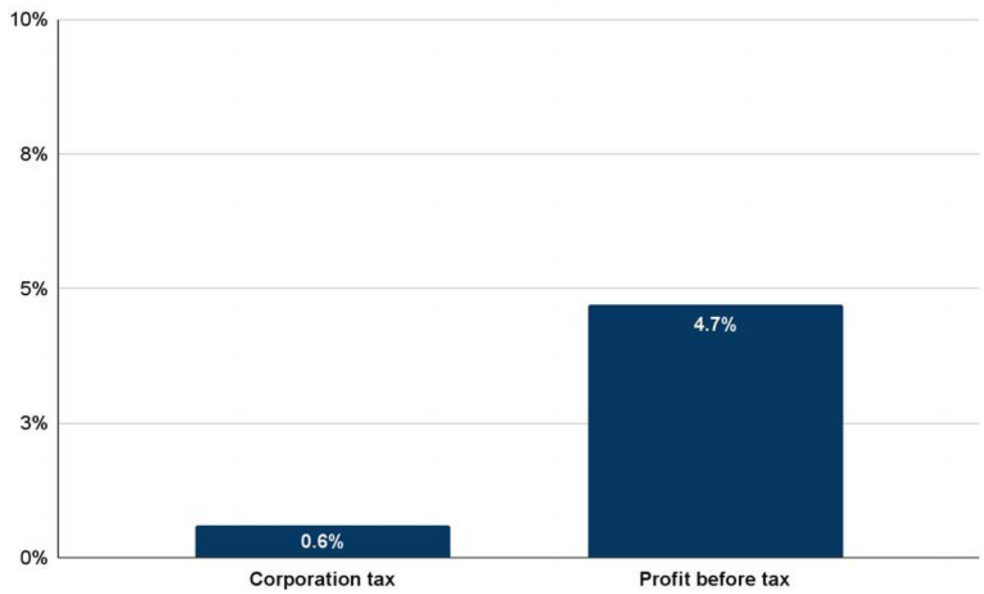
In 2022/23, we estimate that the 100 Group members paid £8.4bn in corporation tax, representing 10.8% of total UK government corporation tax receipts. Corporation tax represents 29.0% of total taxes borne in the 2023 survey (figure 2). For every £1 of the corporation tax, the 100 Group companies paid another £2.43 in other taxes borne, and £7.11 in taxes collected.

Corporation tax paid by survey participants increased by 1.9%, on a like-for-like basis, compared to last year's report, primarily driven by higher profits for the oil & gas companies. Extrapolated corporation tax payments for the 100 Group are 10.8% of total government corporation tax receipts, compared to 12.8% in last year's survey.

Figure 28 compares the two-year trend in profits and corporation tax on a like-for-like basis, where companies provided both profit before tax and corporation tax data for the 2022 and 2023 surveys. For these 81 companies, profits increased by 4.7% and corporation tax increased by 0.6%.

Figure 29 shows the trend in government receipts from corporation tax by sector. It shows that corporation tax receipts increased in 2022/23 for most sectors, with the exception of life assurance and manufacturing. On an economy level there was a 20.6% increase in government corporation tax receipts in 2022/23.

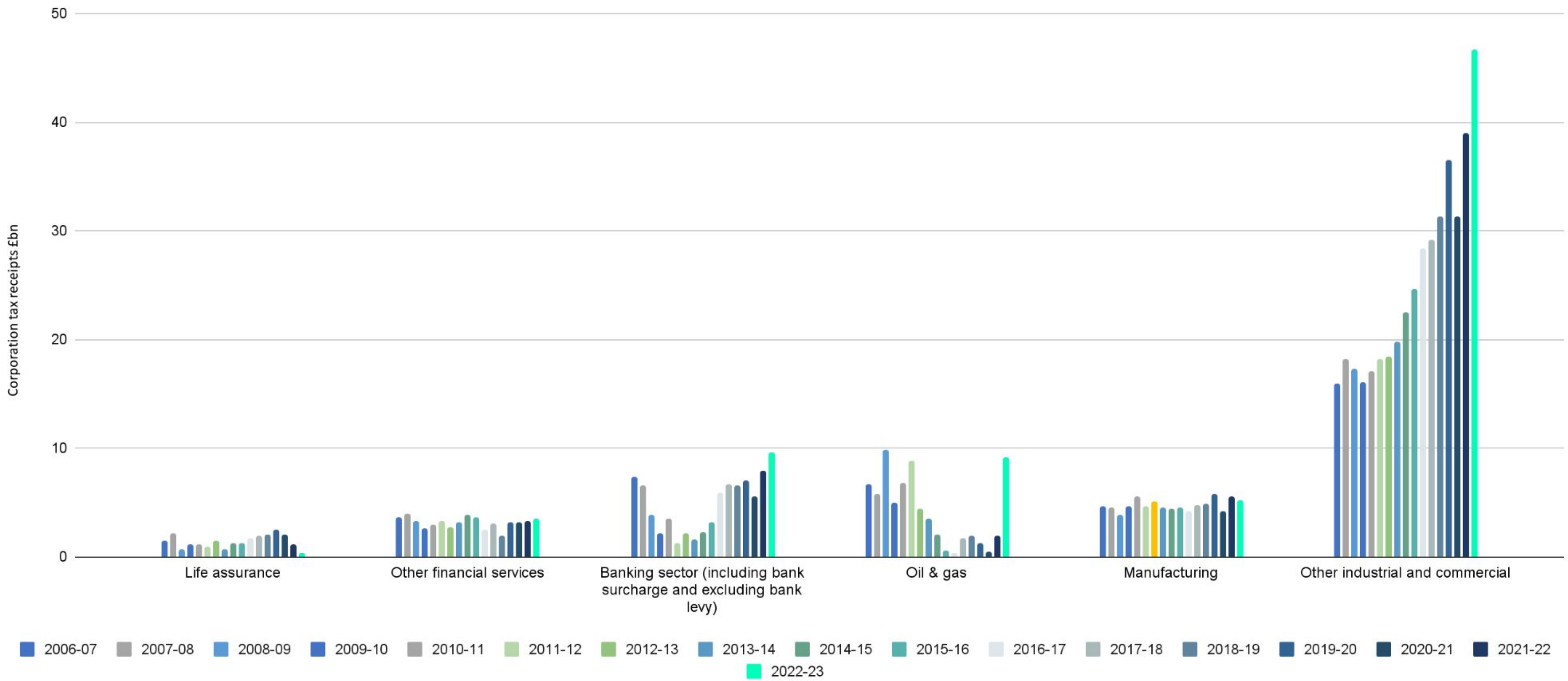
Figure 28 – Trend in corporation tax and profit before tax on a like-for-like basis, 2022 - 2023



Source: PwC analysis, based on the overall average for the 81 companies providing both profit and corporation tax data for both 2022 and 2023 surveys.

Corporation tax (continued)

Figure 29 – Government receipts from corporation tax by sector, 2007 - 2023



Source: HMRC

[24] HMRC: https://www.gov.uk/government/statistics/corporation-tax-statistics-2023
Note: there is no government corporation tax data available for retailers.
Note: the corporation tax figure for the Oil & Gas sector in 2022–23 includes receipts from the energy profits levy.

Business rates

Business rates are the third largest tax borne by participating companies in 2022/23. 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 50.6% of their 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 (figure 31). Business rates include cumulo rates; non-domestic rates paid on rateable network assets by utility and telecom companies (e.g. pipelines and cables).

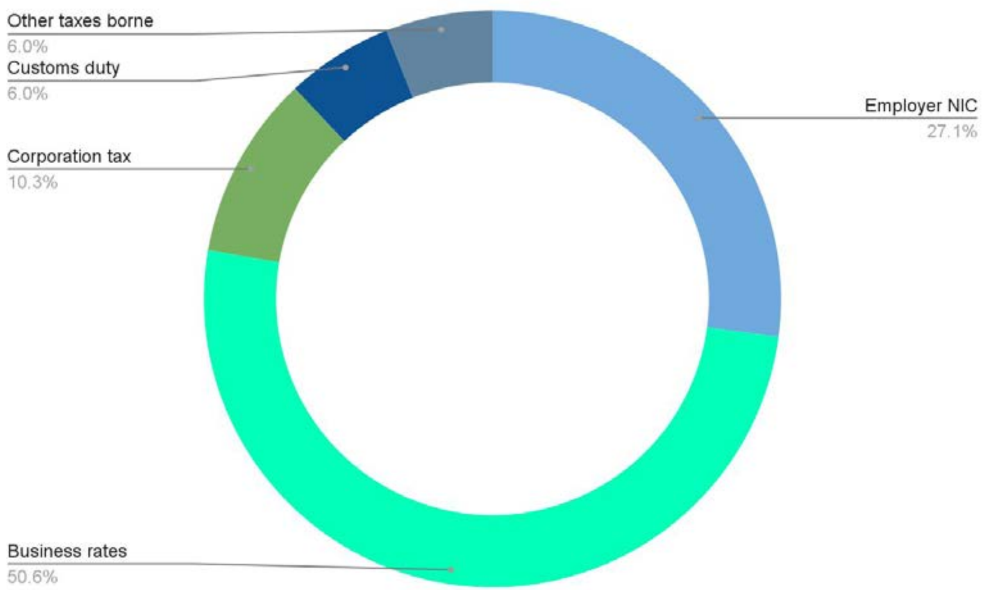
In 2022/23, survey participants paid a total of £4.5bn in business rates, representing 15.7% of the UK government's business rates receipts. On a like-for-like basis, business rates increased by 5.8% in 2022/23, and are the third largest tax borne by participating companies (16.1% of taxes borne).

Business rates paid by the 26 companies that have participated in every year of the survey have increased by 100.4% since the survey began in 2005. This is due to a combination of increasing multipliers and rateable property values, as well as the general growth in business property owned by participating companies over the survey period.

Retailers paid 46.0% of all business rates paid by the 100 Group participants in 2022/23. On average, 50.6% 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. 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% of business rates revenue[25]. The policy aim is for local authorities to retain 75% of revenue from business rates, along with some flexibility over setting the rates. There have been calls for reform to business rates and HM Treasury has recently called for evidence as it looks at the impact of the tax[26], particularly on retailers.

Figure 30 – Taxes borne by retailers on an average basis, 2022/23



Source: PwC analysis

[25] https://publications.parliament.uk/pa/cm5802/cmselect/cmcomloc/33/3306.htm
[26] https://www.gov.uk/government/consultations/hm-treasury-fundamental-review-of-business-rates-call-for-evidence

Business rates (cont'd)

Figure 31 – Business rates multipliers from 2005 to 2023

Financial year	England[27]	City of London[28]
2023/24	51.2	52.6
2022/23	51.2	52.4
2021/22	51.2	52.4
2020/21	51.2	52.0
2019/20	50.4	51.0
2018/19	49.3	49.8
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

[27] https://www.gov.uk/calculate-your-business-rates
[28] https://www.cityoflondon.gov.uk/services/business-rates/how-your-bill-is-calculated

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 14.4% of total taxes borne (figure 2). 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.

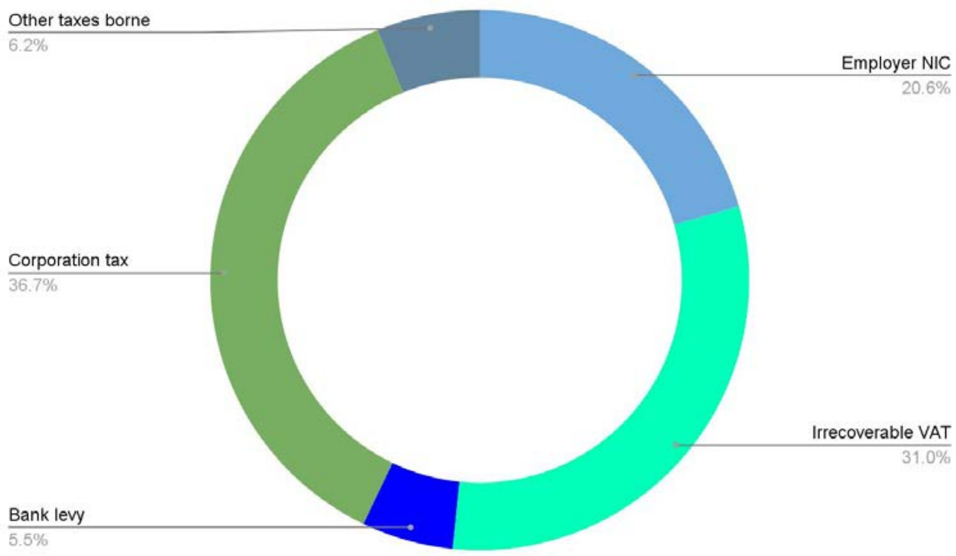
Survey participants paid a total of £4.0bn in irrecoverable VAT. Of this total, financial services companies paid £3.6bn. On average, it accounts for 31.0% of taxes borne by financial services companies that participated in this year's survey (figure 32).

In 2023, irrecoverable VAT increased for the financial services companies, due to increasing costs driving up input tax. This increase in irrecoverable VAT reverses the trend observed between 2020 and 2022, when irrecoverable VAT was declining due to the changes in VAT recovery rates following the UK's departure from the European Union[29].

Irrecoverable VAT paid by the 26 companies that have participated every year of the survey has increased by 119.9% since the survey began in 2005. The increase has been largely 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, 2022/23



Source: PwC analysis

[29] The Brexit transition period ended on 31 December 2020 when the UK formally left the EU customs union and single market. From 1 January 2021 VAT rules allowed for input VAT credits for the majority of exempt trades entered into with EU based counterparties that were previously only available for trades with non EU counterparties. This led to an increase in VAT recovery rates for the FS sector.

Bank levy

The banking sector is, by definition, the only sector that bears the bank levy. In 2022/23 it was the fourth largest tax borne by the banks in the survey.

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 revenue[30]. From January 2016 the rates decreased each calendar year following the introduction of the bank surcharge. The government's stated intention was to balance the burden on the banking sector between a balance sheet and a profits-based tax[31].

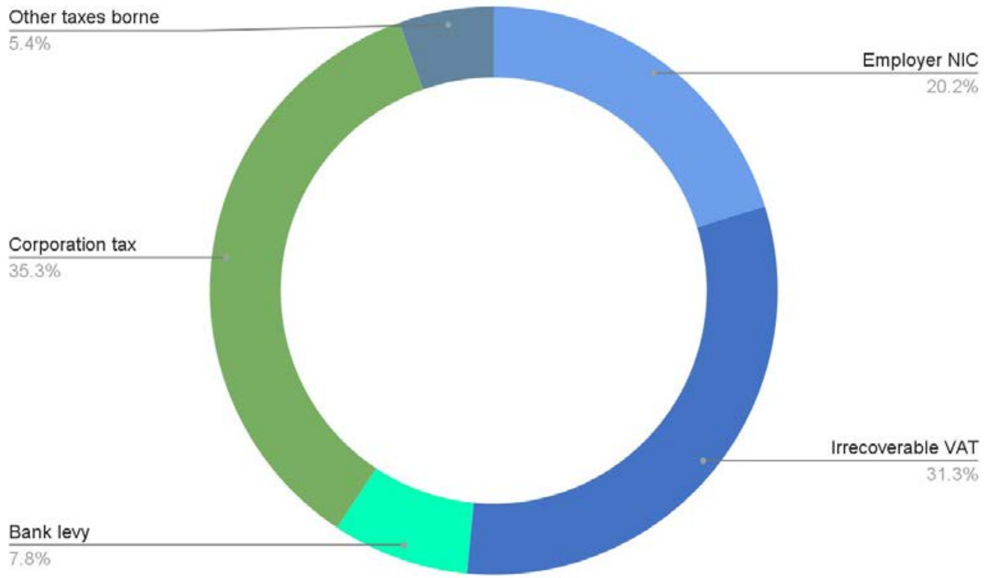
Since 2021, a rate of 0.10% applied to short term chargeable equity and liabilities and 0.05% to long term chargeable equity and liabilities (figure 34). The levy initially applied to the global consolidated balance sheet of UK headquartered banks, but only to the UK balance sheet of a foreign headquartered bank. From 1 January 2021, the bank levy scope was reduced to apply to the UK balance sheet for all banks.

In 2022/23, the government received £1.3bn in bank levy from the banking sector[32]. Banks participating in this year's survey paid bank levy of £634.6m, representing 47.6% of the government's total bank levy receipts. This total makes up 2.3% of the total taxes borne by the 100 Group (figure 2).

Survey data shows that the bank levy paid by survey participants has decreased by 39.9% since 2022, on a like-for-like basis. This is largely driven by the change in bank levy scope and the reduction in levy rates.

The banking sector is the only industry subject to this levy. As shown in figure 33, banks pay, on average, 7.8% of their taxes borne in bank levy.

Figure 33 –Taxes borne by banks on an average basis, 2022/23



Source: PwC analysis

[30] https://www.gov.uk/government/news/government-introduces-bank-levy
[31] www.gov.uk/government/uploads/system/uploads/attachment_data/file/470307/TIIN_Bank_Profits_Surcharge.pdf
[32] PAYE and Corporate Tax receipts from the banking sector: 2023, https://www.gov.uk/government/statistics/paye-and-corporate-tax-receipts-from-the-banking-sector-2023

Bank levy (continued)

Figure 34 – Changes in the rate of bank levy[33]

Financial year	Charge on short term equity or liabilities	Charge on long term equity or liabilities	Change in the short term rate of bank levy percentage points (base year 2011)	Change in the long term rate of bank levy percentage points (base year 2011)
2011	0.075%	0.038%	0.000	0.000
2012	0.088%	0.044%	0.013	0.006
2013	0.130%	0.065%	0.055	0.027
2014	0.156%	0.078%	0.081	0.040
2015	0.210%	0.105%	0.135	0.067
2016	0.180%	0.090%	0.105	0.052
2017	0.170%	0.085%	0.095	0.047
2018	0.160%	0.080%	0.085	0.042
2019	0.150%	0.075%	0.075	0.037
2020	0.140%	0.070%	0.065	0.032
2021	0.100%	0.050%	0.025	0.012

[33] https://www.gov.uk/government/publications/bank-levy-rate-reduction/bank-levy-rate-reduction

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.

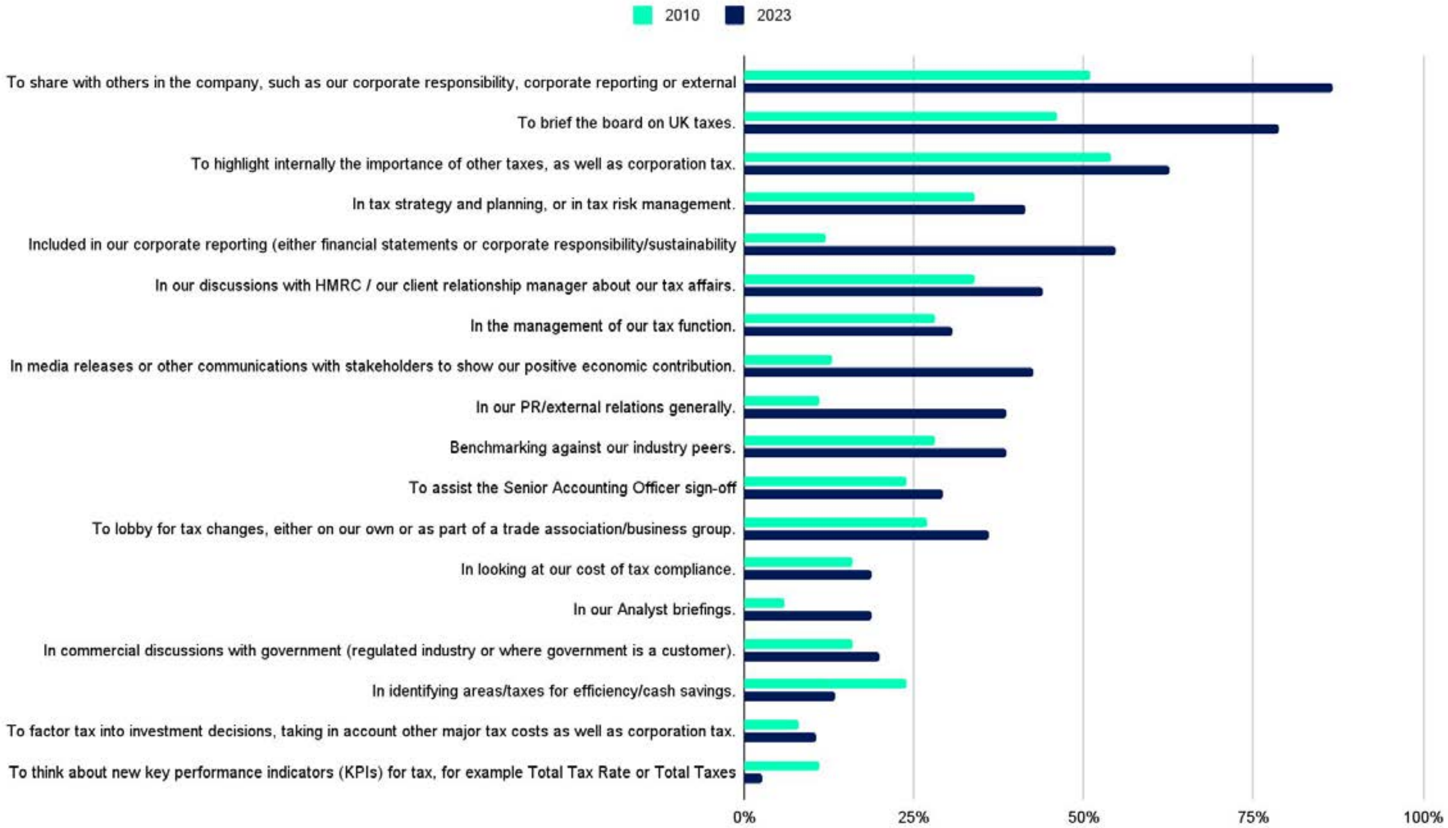
The survey asked participants how they use their TTC data. Figure 35 displays the responses provided in 2023.

- 87% of companies use their TTC data to share with others in the company, such as their corporate responsibility, corporate reporting or external relations colleagues.
- 79% of companies use their TTC data to brief the board on UK taxes.
- 55% 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 2023, use of TTC data in corporate reporting (either financial statements or corporate responsibility/sustainability report) has increased by 43 percentage points since 2010.

This year, we also saw increases in the number of companies using their TTC to benchmark against their industry peers (39%) and in PR and external relations (39%).

Figure 35 – How companies use their TTC data



Source: PwC analysis

Participation in the 19th survey

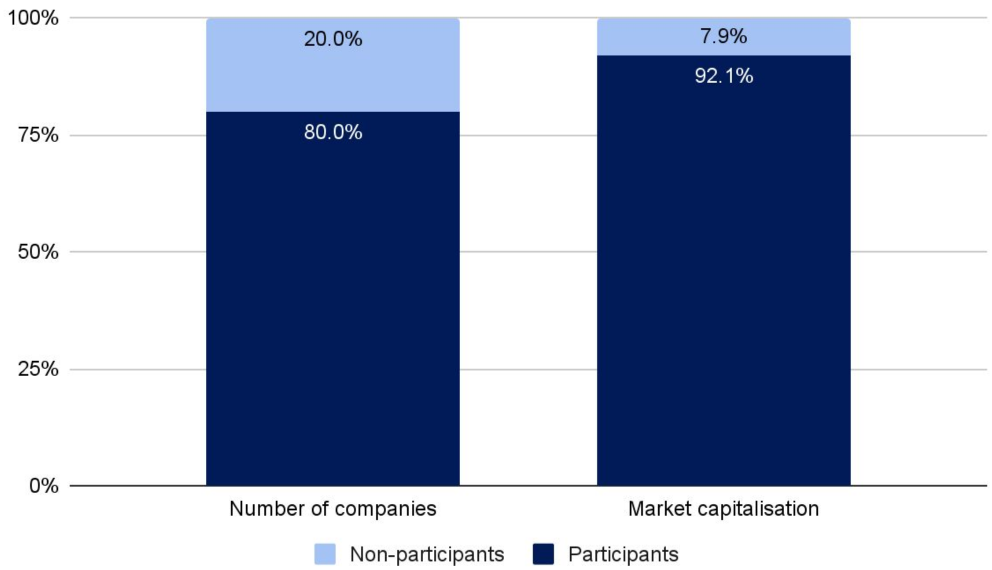
The survey continues to be well supported by the 100 Group – 92 companies provided data in 2023, representing 92.1% of market capitalisation (figure 36).

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 2023 survey is based on data collected from the 100 Group members for their accounting periods ending in the 12 months to 31 March 2023. 57% of participants have a December year end, 18% have a March year end and the remaining companies have other year ends spread throughout the survey period.

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 2023 Total Tax Contribution survey is included in Appendix 1[34].

Figure 36 – 92 companies provided data for the 2023 survey



Source: PwC analysis

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

Business Perceptions: Pillar Two

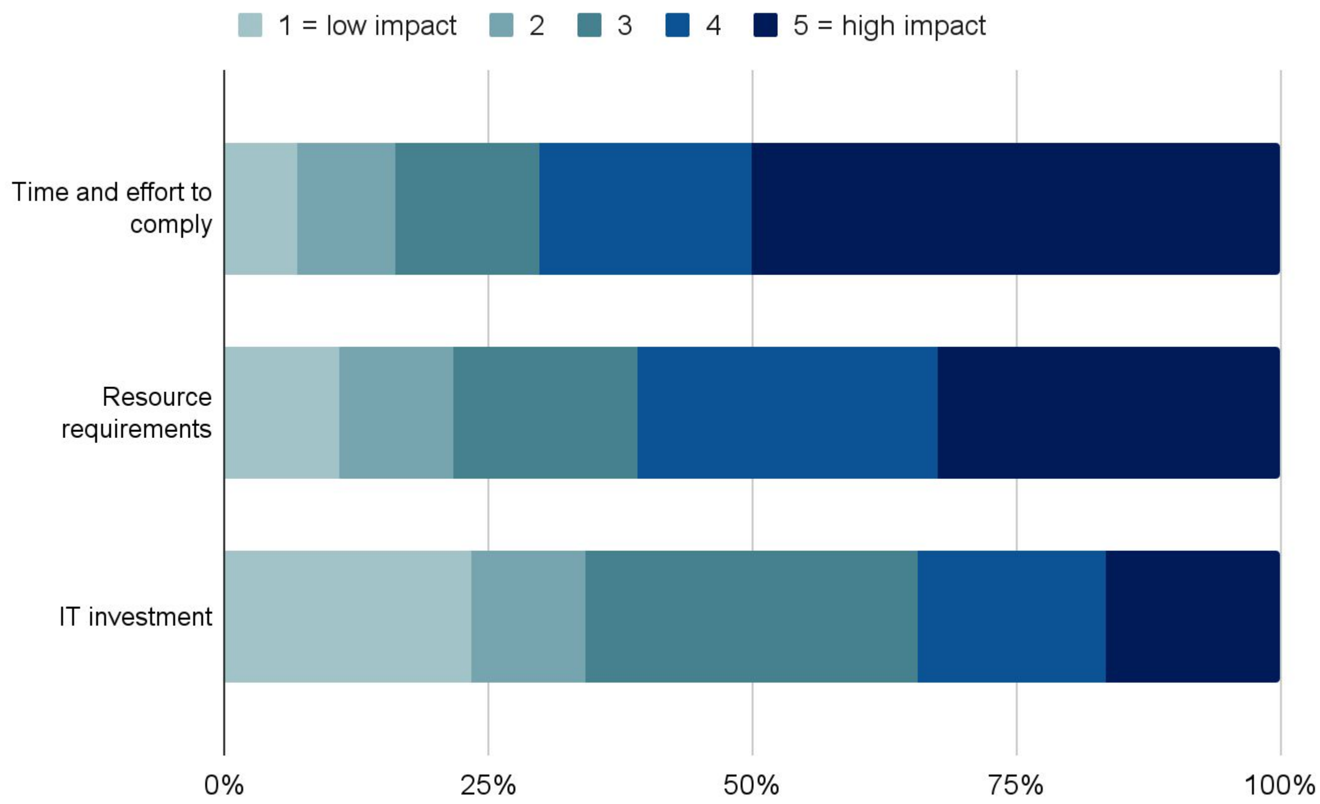
Companies participating in the 100 Group survey were asked to give their views on the OECD Pillar Two reforms and the net zero transition as part of the 2023 survey.

Pillar Two

With Pillar Two on the horizon, and the draft legislation from July 2022 including an Income Inclusion Rule (IIR) which will apply to accounting periods beginning as soon as 31 December 2023, we have included an additional question this year to understand the expectations of the impact on various areas for the 100 Group participants. From the 74 companies that responded to this question, 70% expect the introduction of Pillar Two to have a significant impact (a rating of 4 or 5) on their time and effort to comply with tax reporting legislation. As a result, the majority of companies also expect this to have an impact on their tax resource needs, with 61% expecting a significant impact. 34% of companies that responded also expect the new requirements to have a significant impact on their IT investment.

To ease the compliance burden on organisations during the initial years, the Organisation for Economic Cooperation and Development (OECD) announced the Pillar Two CbCR-based Transitional Safe Harbour in December 2022. This will allow Multinational Enterprises (MNEs) to temporarily use their CbCR data in place of the new, and more complex, GloBE rules when assessing an MNEs jurisdictional level ETR, where the CbCR is 'qualifying' and specific conditions are met.

Figure 37 – Do you expect the introduction of Pillar Two to have an impact on the following areas?



Source: PwC analysis

Business Perceptions: Net zero transition

Companies participating in the 100 Group survey were asked to give their views on the OECD Pillar Two reforms and the net zero transition as part of the 2023 survey.

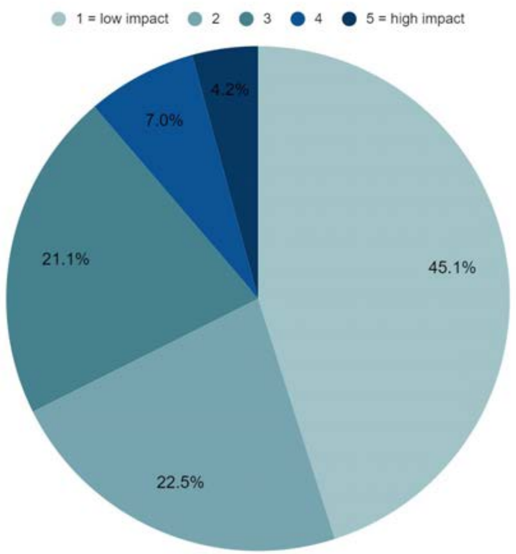
Transition to net zero emissions

Businesses will play an important role in the UK's ability to meet its 2050 net zero target, and transition plans will be a key part of company ESG programmes. This year's survey asked companies about their net zero targets and their views on how tax and wider government policy might help companies to meet their targets.

We asked companies if they have a net zero target and whether they expect tax policy to play an important role in their ability to meet that target. 96% of Heads of Tax that responded have a net zero target, but many don't expect tax policy to play a significant role in their ability to meet their target (figure 38). Only 11% expect tax policy to have a high or very high impact on their ability to meet their net zero target.

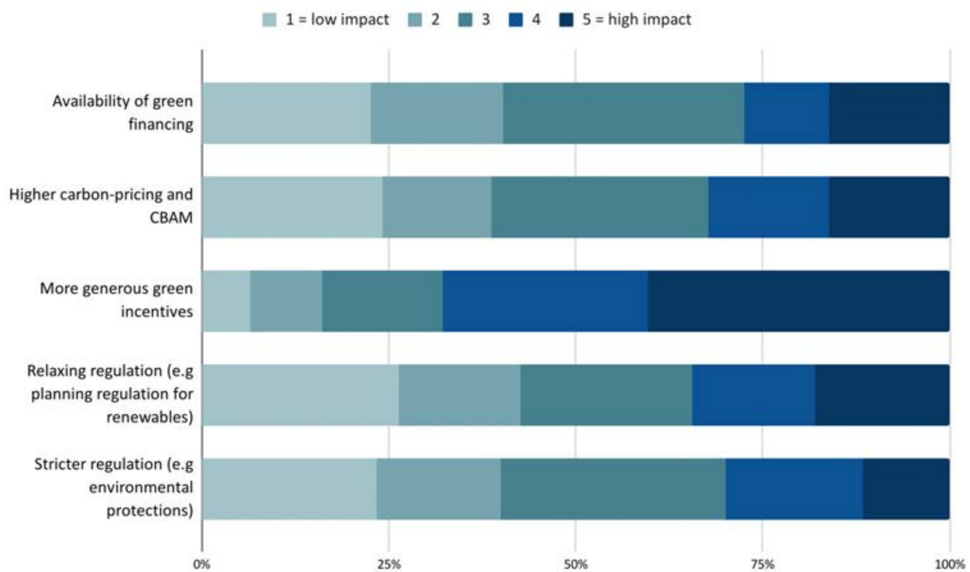
Asked which policies would have a positive impact on their ability to meet their targets, 68% of companies said that more generous green incentives would have a high or very high impact (figure 39).

Figure 38 – Is tax policy likely to be a significant lever for achieving your net zero target?



Source: Survey data

Figure 39 - What policy changes would help your company to achieve your net zero target?



Source: Survey data

Business Perceptions: Net zero transition

Companies participating in the 100 Group survey were asked to give their views on the OECD Pillar Two reforms and the net zero transition as part of the 2023 survey.

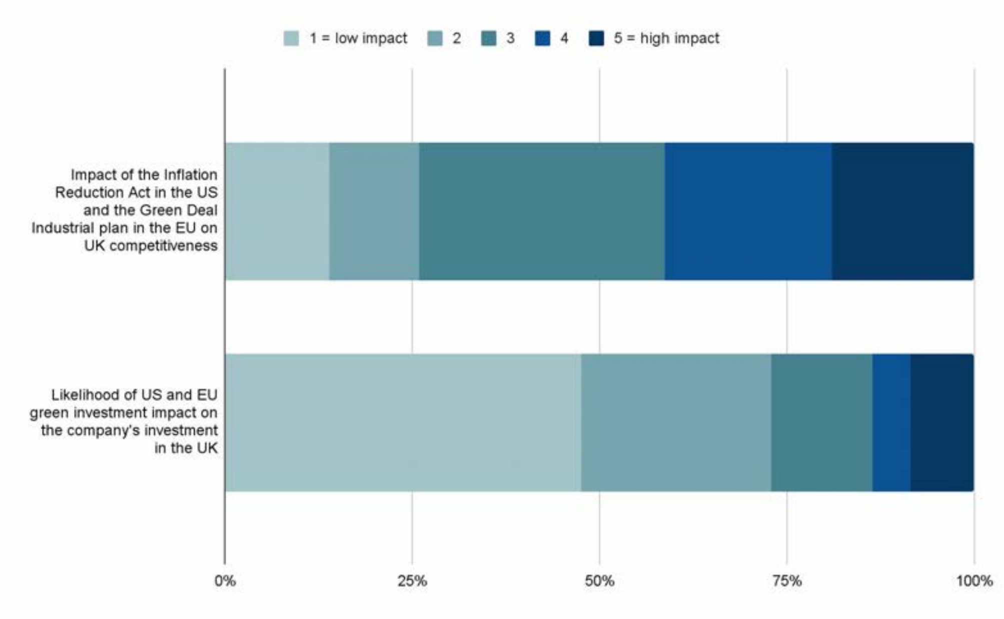
Transition to net zero emissions

When asked whether government incentives - the Inflation Reduction Act in the US and the Green Deal Industrial Plan in the EU - are affecting UK competitiveness, 41% of companies rated the impact as high or very high (figure 40). However, companies in the survey were less concerned that US and EU green incentives would have a significant impact on their own investment in the UK, with only 14% of companies rating the impact as high or very high.

Finally, we asked Heads of Tax to indicate how they expect their company to be affected by the transition to net zero. The responses suggest that 41% of companies are expecting their business model to be significantly impacted by the transition, 44% expect a significant impact on business investment and 35% expect a significant impact on their research and development (figure 41).

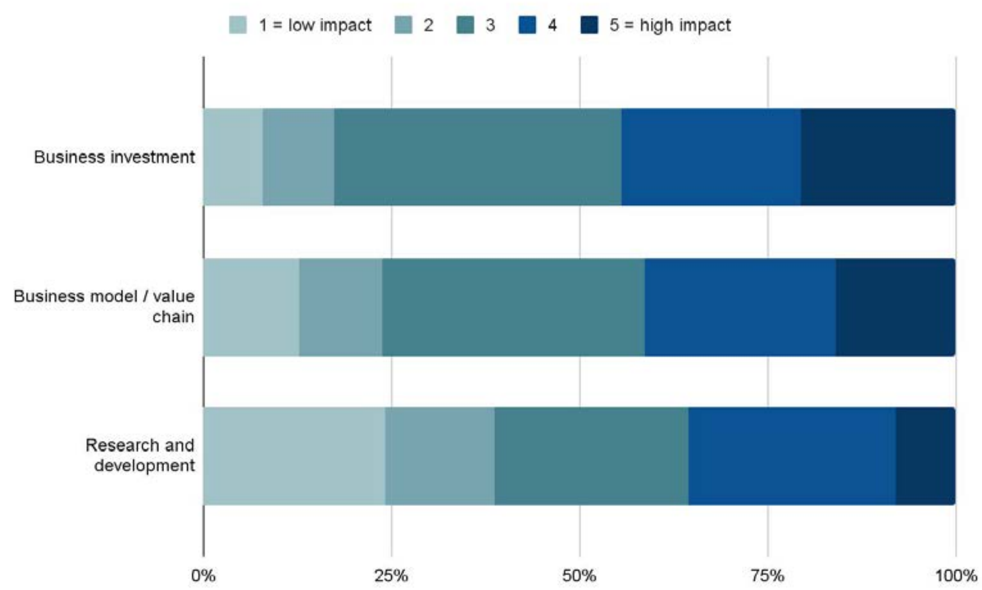
Given the scale of disruption and effort required to meet their targets, companies were also keen to emphasise the importance of consistency and clarity over net zero policies in their additional comments.

Figure 40 – Is the US and EU green investment likely to have an impact on UK competitiveness and on your company's investment in the UK?



Source: Survey data

Figure 41 - Do you expect that the transition to net zero will have an impact on the following areas for your company



Source: Survey data

Looking forward

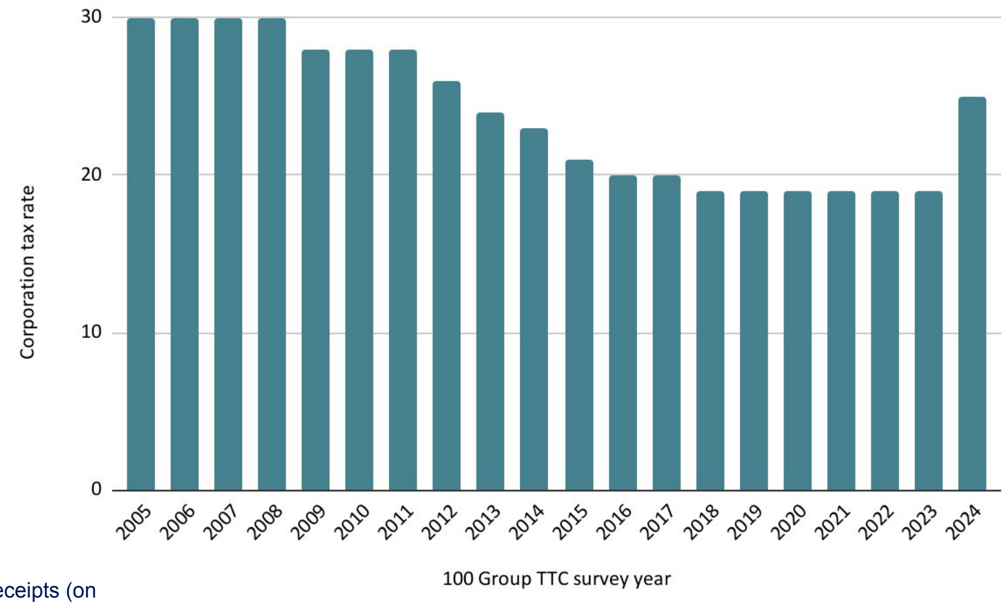
Looking forward to next year's survey, we can expect to see the impact of the corporation tax rate increase from 19% to 25%, which took effect from 1 April 2023. This will be the first year that the rate has increased since the survey began. In 2005 the corporation tax rate was 30% (figure 42).

In addition, we can expect a full year of energy profits levy (EPL) at the higher 35% rate that has been in place from January 2023, along with another new tax: the electricity generator levy (EGL).

This year's survey included seven months' worth of EPL, at a rate of 25% on adjusted profits from UK oil and gas operations. The 2024 survey will include a full year of EPL at the higher 35% rate that has been in place since January 2023. The Office for Budget Responsibility (OBR) is forecasting EPL of £3.6bn for 2023/24[35]. The levy is due to be in place until 31 March 2028[36].

The electricity generator levy, a temporary 45% charge on exceptional receipts generated from the production of wholesale electricity, has been effective from 1 January 2023. It applies to companies generating electricity from nuclear, renewable, biomass and energy from waste sources and is also due to be in place until 31 March 2028[37]. The OBR is expecting EGL to total £1.7bn for 2023/24.

Figure 42 – Headline corporation tax rate, 2005 to 2024



Source: OBR, adjusted to align the headline rate of corporation tax with the 100 Group TTC survey publication year.

35 OBR economic and fiscal outlook supplementary fiscal tables November 2023. Table 2.9. Current receipts (on a cash basis).

36 https://www.gov.uk/government/publications/changes-to-the-energy-oil-and-gas-profits-levy

37 https://www.gov.uk/government/publications/electricity-generator-levy-introduction

Appendix 1 – List of companies invited to participate in the 2023 survey

1. 3i Group
2. Admiral Group
3. Allied Universal
4. Anglo American
5. Ashtead Group
6. Associated British Foods
7. AstraZeneca
8. Aveva Group
9. Aviva
10. B&M European Value Retail SA
11. Babcock International Group
12. BAE Systems
13. Balfour Beatty
14. Barclays Group
15. Barratt Developments
16. Beazley
17. BHP
18. BP
19. British Airways Group
20. British American Tobacco
21. British Broadcasting Corporation
22. BT GROUP
23. Bunzl
24. Bupa
25. Burberry Group
26. Capricorn Energy
27. Capita
28. Centrica
29. Coca-Cola HBC Northern Ireland Limited
30. Compass Group
31. Convatec
32. Croda International
33. Currys
34. Daily Mail and General Trust
35. Diageo
36. Direct Line Group
37. DS Smith
38. Entain
39. Experian
40. ExxonMobil
41. FGP Topco Limited
42. Flutter Entertainment
43. GlaxoSmithKline
44. Greenergy Fuels Holdings Limited
45. Haleon
46. Halma
47. Hammerson
48. Hargreaves Lansdown
49. HSBC Holdings
50. IMI
51. Imperial Brands
52. Informa
53. Inmarsat
54. Intercontinental Hotels Group
55. Intermediate Capital Group
56. Intertek Group
57. ITV
58. J Sainsbury
59. JD Sports Fashion
60. John Lewis Partnership
61. John Wood Group
62. Johnson Matthey
63. Kingfisher
64. Land Securities Group
65. Legal & General
66. Lloyds Banking Group
67. London Stock Exchange Group
68. M&G
69. Marks and Spencer Group
70. Merlin Entertainments
71. Mitchells & Butlers
72. National Grid
73. Nationwide Building Society
74. NatWest Group
75. Next
76. Ocado Group
77. Pearson
78. Pennon Group
79. Persimmon Group
80. Phoenix Group Holdings
81. Prudential
82. Reckitt Benckiser
83. RELX
84. Rentokil Initial
85. Rightmove
86. Rio Tinto
87. Rolls-Royce Holdings
88. Royal Mail
89. RSA Insurance Group
90. Sage Group
91. Schroders
92. SEGRO
93. Severn Trent Water Limited
94. Shell
95. Smith & Nephew
96. Smiths Group
97. Spirax-Sarco Engineering
98. SSE
99. St James's Place
100. Standard Chartered
101. Abrdn
102. Taylor Wimpey
103. Tesco
104. The Berkeley Group Holdings
105. The British Land Company
106. Travis Perkins
107. Tullow Oil
108. Unilever
109. United Utilities Group
110. Vodafone Group
111. Weir Group
112. Wellcome Trust
113. Whitbread
114. Wm Morrison Supermarkets
115. WPP

Appendix 2 – List of taxes borne and collected in the UK

	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	×	
Energy profits levy	×	

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 under PAYE		×
PAYE agreements (tax on benefits)	×	
Employee national insurance contributions		×
Employer national insurance contributions	×	
Apprenticeship levy	x	

	Tax borne	Tax collected
Taxes on consumption (product taxes)		
Net VAT		×
Irrecoverable VAT	×	
Customs duty	×	×
Tobacco duty		×
Alcohol duty		×
Insurance premium tax	×	×
Air passenger duty	×	×
Vehicle excise duty	×	
Soft drinks industry levy		×
Digital services tax	×	

Environmental taxes (planet taxes)		
Fuel duty		×
Landfill tax	×	×
Congestion charge	×	
Climate change levy	×	×
Aggregates levy	×	
EU Emissions Trading Scheme ('EU ETS')	×	×
Plastic packaging tax	×	

Appendix 2 – List of taxes borne and collected in the UK (continued)

The five tax bases

Total Tax Contribution has been used by companies around the world. 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).

1

People taxes

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

2

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.

3

Property taxes

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

4

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 fuel duties and vehicle excise duties.

5

Appendix 3 shows how we classify UK taxes into these five tax bases.

Appendix 3 – Taxes borne and collected by participants of the 2023 100 Group survey

Tax type	Taxes borne	£ 2022/23
Profit	Corporation tax	8,132,747,291
Profit	Betting & gaming duty	819,926,797
Profit	Petroleum revenue tax	-105,009,667
Profit	Energy profits levy	675,398,844
People	Employer NIC	7,382,566,243
People	Net apprenticeship levy	290,088,478
People	PAYE settlements	99,757,393
Property	Business and cumulo rates	4,502,898,759
Property	Bank levy	634,623,145
Property	Stamp duty land tax	239,447,705
Property	Stamp duty and stamp duty reserve tax	199,702,377
Product	Irrecoverable VAT	4,047,283,298
Product	Customs duty	473,350,539
Product	Vehicle excise duty	86,864,534
Product	Insurance premium tax	81,379,995
Product	Air passenger duty	6,992,873
Planet	Climate change levy and carbon price support	156,844,774
Planet	EU ETS	191,167,909
Planet	Landfill tax	4,219,330
Planet	Congestion charge	5,915,835
Planet	Aggregates levy	538,200
Planet	Plastic packaging tax	5,594,914
	Total tax borne	**27,932,299,566**

Tax type	Taxes collected	£ 2022/23
Profit	Tax deducted at source	3,563,758,640
People	Income tax deducted under PAYE	13,819,583,823
People	Employee NIC	4,168,044,175
Property	Stamp duty reserve tax	294,897,796
Product	Net VAT	12,743,990,042
Product	Tobacco duty	4,461,389,000
Product	Alcohol duty	3,620,419,626
Product	Insurance premium tax	1,970,575,044
Product	Soft drinks industry levy	14,154,153
Product	Air passenger duty	14,000
Planet	Fuel duty	13,000,892,309
Planet	Climate change levy and carbon price support	202,386,423
	Total tax collected	**57,860,105,031**

Appendix 4 – Key contacts

Andy Wiggins

+44 (0) 7803 737 681
andrew.wiggins@pwc.com

John Davies

+44 (0) 7717 572 811
john.davies@pwc.com

Mirha Janjua

+44 (0) 7483 406 801
mirha.janjua@pwc.com