

# Total Tax Contribution

PricewaterhouseCoopers LLP 2008 survey  
for The Hundred Group



## Foreword

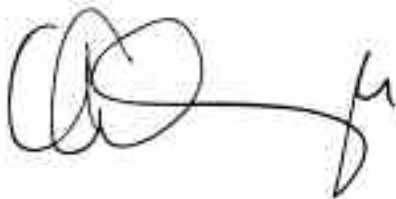
This is the fourth annual Total Tax Contribution survey of The Hundred Group members. The survey is strongly supported by members, with a record number participating this year. This reflects the keen interest from British companies in how the Government taxes business, and in the competitiveness of the tax regime for business investment<sup>1</sup>.

The survey results again emphasise the importance of The Hundred Group as contributors to UK tax revenues. They indicate that the membership as a whole paid nearly a quarter (23.8%) of the total corporation tax take in the year to March 2008, and contributed an eighth (12.9%) of all Government tax receipts in total taxes borne and collected. Expressed in a different way, the results show that of the amounts these companies distribute to their stakeholders, almost half (48.6%) goes to Government.

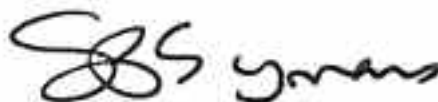
Members of The Hundred Group are large employers. The survey results emphasise that the Group creates highly skilled, well paid jobs, which it will be important to try to retain in the current downturn.

In all previous surveys the figures for corporation tax and other taxes borne have increased over the previous year. In the year to March 2008 however, taxes borne fell significantly, with particular falls in corporation tax and stamp duties, reflecting reduced profitability and less transaction activity. Looking forward, the current economic outlook indicates that further falls are likely in the 2009 survey. Tax receipts from the financial services sector will undoubtedly be much lower in 2009 as will the profitability of other sectors.

The purpose of these surveys is to provide data to inform the dialogue about the competitiveness of the UK tax system and what taxes companies actually pay. As in previous years, the results have been widely discussed with Government and other stakeholders prior to publication. It is our intention to repeat the survey for a fifth time in 2009, and we welcome feedback on how to enhance the survey and the usefulness of the results.



Ashley Almanza  
Chairman, The Hundred Group



Susan Symons  
Tax Partner, Total Tax Contribution

<sup>1</sup> In the annual PwC global survey of Chief Executive Officers, published in January 2009, CEOs worldwide were asked which aspects of the tax regime were most important in influencing investment decisions. The top choice was clarity and stability of the tax rules. The second most important aspect was the total amount of taxes that companies pay.

## Total Tax Contribution

PricewaterhouseCoopers LLP 2008 survey for The Hundred Group

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# 1 Key results

- 2008 was a record year for participation, showing the support of large UK based business for both the Total Tax Contribution (TTC) concept and the output of the surveys:
  - 83 of The Hundred Group members provided data in 2008.
  - There is now an extensive bank of data from four TTC surveys.
- The Hundred Group members have a major economic impact in the UK:
  - Participants reported UK turnover of £367 billion, 1.3 million employees and a Total Tax Contribution of £58 billion.
  - 48.6% of the value distributed by participants was paid to Government in taxes borne and collected.
- Corporation tax is one of 22 taxes in the UK that companies pay:
  - On average for The Hundred Group, for every £1 of corporation tax, there was another £1.14 in other taxes borne and £3.88 in taxes collected.
- For the first time since the surveys were commissioned, taxes borne fell over the previous year:
  - Taxes borne fell 12.4% between 2007 and 2008.
  - This was driven primarily by the fall in corporation tax (24.2%) and stamp duties (15.5%).
- The fall in corporation tax is attributable to a number of factors, including:
  - A fall in profit before tax of 25.9%.
  - The peak in corporation tax payments by oil and gas participants in last year's survey, due to the changes in the payment on account regime for these companies.
  - This is despite large one-off corporation tax charges for the real estate participants on conversion to Real Estate Investment Trusts (REITs).
- The fall in stamp duties reflects a slowdown in transaction activities.
- Looking forward to the 2009 survey, corporation tax can be expected to fall further, due to:
  - the impact of the financial crisis on the financial services sector; and
  - the impact of the economic crisis on all sectors.
- Employment taxes continue to rise, despite a fall in employee numbers (1% in 2007/08, 11.5% in 2004/08):
  - Employers National Insurance Contributions (NICs) rose 9.8%, employees NICs 4.1% and income tax under PAYE 11.2%.
  - Employment taxes borne and collected per employee (for each of 1.3 million employees) was £19,729.
- The survey looked at the impact of changes in corporation tax rules (reduction in statutory rate to 28% and various changes to capital allowances), and the changes to business rates empty property relief, both from 1 April 2008:
  - Those participants who were able to quantify the impact predicted an average reduction in their corporation tax bill of £1.7m and an average increase in their business rates bill of £1.1m.
  - Although the overall impact is small, the picture varied for individual participants. The biggest reduction predicted was £36.0m, and the biggest increase £12.2m.

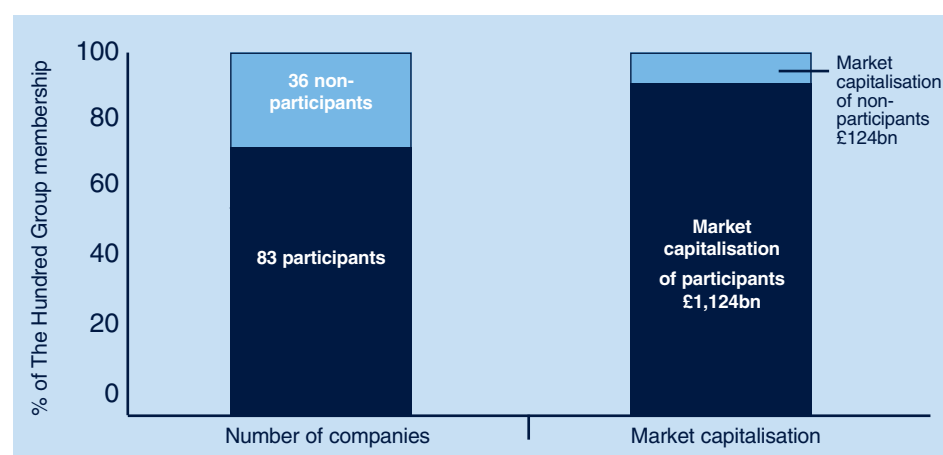
- Virtually all participants view their relationship with HMRC as cooperative (completely cooperative 56%, somewhat cooperative 42%).
- Both the 2007 and 2008 surveys collected data on the cost of complying with the tax system. 62 of The Hundred Group members provided data on this aspect of their tax affairs:
  - On average participants have 12.7 full-time equivalent (FTE) employees on UK tax compliance.
  - For all taxes, the cost on average is 1.57% of their taxes borne, effectively representing a surcharge of this amount on the taxes that companies bear.
- Through TTC surveys undertaken by PwC in a number of countries it is now possible to compare the impact of the tax system on large business. Of the countries for which we currently have results:
  - The UK has the highest average Total Tax Rate (TTR), apart from the US and Belgium.
  - The average TTC as a percentage of turnover in the UK is higher than other countries, except for Canada and the Netherlands.
  - The UK has a higher average figure for employment taxes per employee than all other countries, except Belgium.
  - The UK has the highest average cost of compliance of any country, except the US.



## 2 Purpose and outline of the survey

- 2.1 PricewaterhouseCoopers LLP (PwC) has carried out the fourth annual Total Tax Contribution (TTC) survey for The Hundred Group<sup>2</sup>.
- 2.2 The purpose of these surveys is to provide information on how the UK tax system impacts large business and what these companies contribute to the UK public finances. The survey results have been discussed with Government and other interested parties and are now being published to make them available to a wider audience.
- 2.3 2008 has been a record year for participation in the survey, showing the support of large UK-based business for both the TTC concept and the output of the surveys. 83 of The Hundred Group members provided data in 2008, including 18 of the FTSE 20<sup>3</sup>. There is now an extensive bank of data from the four TTC surveys.
- 2.4 The survey follows the principles of the PwC Total Tax Contribution Framework. The framework looks beyond corporation tax and provides a methodology for measuring all the taxes that companies pay. The framework makes a distinction between taxes borne (those taxes which are a cost to the company) and taxes collected (where the company is the unpaid tax collector on behalf of Government). The survey for The Hundred Group includes both taxes borne and taxes collected<sup>4</sup>.
- 2.5 In generating the survey results, PwC has anonymised and aggregated the data provided by The Hundred Group members. PwC has not verified, validated or audited the data and cannot therefore give any undertaking as to the accuracy of the survey results.

**Figure 1 – 83 of The Hundred Group membership provided data for the 2008 survey**

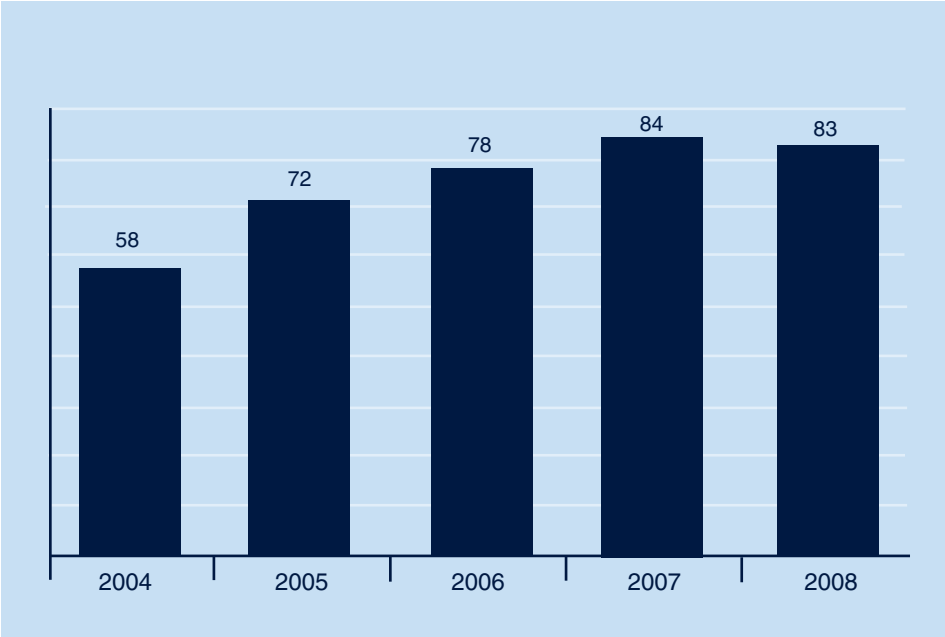


<sup>2</sup> The Hundred Group of Finance Directors, whose members mainly comprise the CFOs of the companies which comprise the FTSE 100.

<sup>3</sup> FTSE 20 as at 31 March 2008. Two of the FTSE 20 at that date are not members of The Hundred Group.

<sup>4</sup> For a full list of UK taxes that companies pay, see Appendix I.

**Figure 2 – The number of companies providing data for the four TTC surveys**



The first survey in 2005 also requested data for the previous year. Also, ten companies in the 2008 survey provided data for 2007, to add to the data that was collected previously.

### 3 Total Tax Contribution of The Hundred Group

- 3.1 The Hundred Group members have a major economic impact in the UK. Collectively, participants reported turnover of almost £370bn, 1.3m employees and a Total Tax Contribution of £58bn<sup>5</sup>. This represents 11.2% of total Government tax receipts for all taxes (including income tax, capital gains tax, inheritance tax and council tax)<sup>6,7</sup>.
- 3.2 Extrapolating these figures to the entire membership of The Hundred Group suggests a Total Tax Contribution of £66.5bn, or 12.9% of total Government tax receipts. Extrapolation has been carried out on a conservative basis<sup>8</sup>.
- 3.3 Corporation tax paid by The Hundred Group members was £11.0bn, and represents 23.8% of total Government corporation tax receipts in the year to 31 March 2008.
- 3.4 The survey also collected data on UK turnover, UK profit before tax, the UK wages and salaries bill and net interest paid in the UK. Pulling all these figures together with taxes borne and collected, suggest that 48.6% of the value distributed by survey participants was paid to Government in taxes borne and collected.

**Figure 3 – Total Tax Contribution for The Hundred Group – 2008**

	Data from survey participants £m	Extrapolated to The Hundred Group membership £m	Percentage of Government receipts
<b>UK taxes borne</b>			
Corporation tax	9,605	11,001	23.8%*
Other taxes borne	10,938	12,901	
<b>Taxes borne</b>	<b>20,543</b>	<b>23,902</b>	<b>4.6%</b>
<b>Taxes collected</b>	<b>37,227</b>	<b>42,647</b>	<b>8.3%</b>
<b>Total tax contribution</b>	<b>57,770</b>	<b>66,549</b>	<b>12.9%</b>

\* Percentage of corporation tax receipts.

<sup>5</sup> 71 participants reported figures for UK turnover, 72 for employee numbers and 83 for their tax payments.

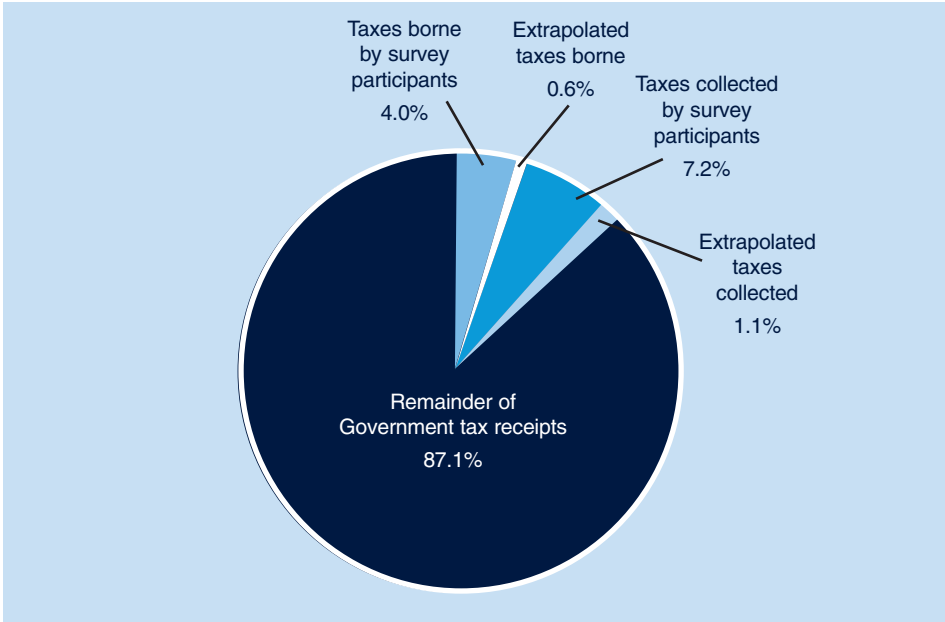
<sup>6</sup> In the 2008 survey data was collected for The Hundred Group members tax payments in their accounting year ended in the year to 31 March 2008. The 2007 survey collected data for their accounting periods ended in the year to 31 March 2007 and so on. The first survey in 2005 also collected data for the previous year.

<sup>7</sup> Government tax receipts from November 2008 Pre-Budget Report published by HM Treasury.

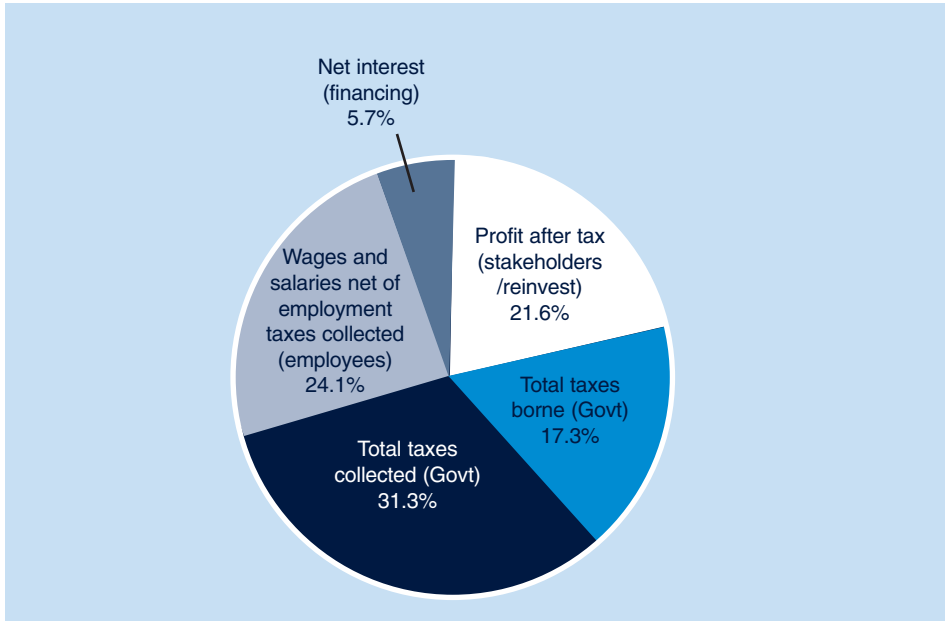
<sup>8</sup> Extrapolation for missing data on tax payments has been carried out on a company-by-company basis using data on corporation tax from published accounts if available and applying ratios from companies in the same industry sector.



**Figure 4 – Total Tax Contribution for The Hundred Group as a percentage of Government tax receipt – 2008**



**Figure 5 – Taxes borne and collected as a percentage of value distributed – 2008**

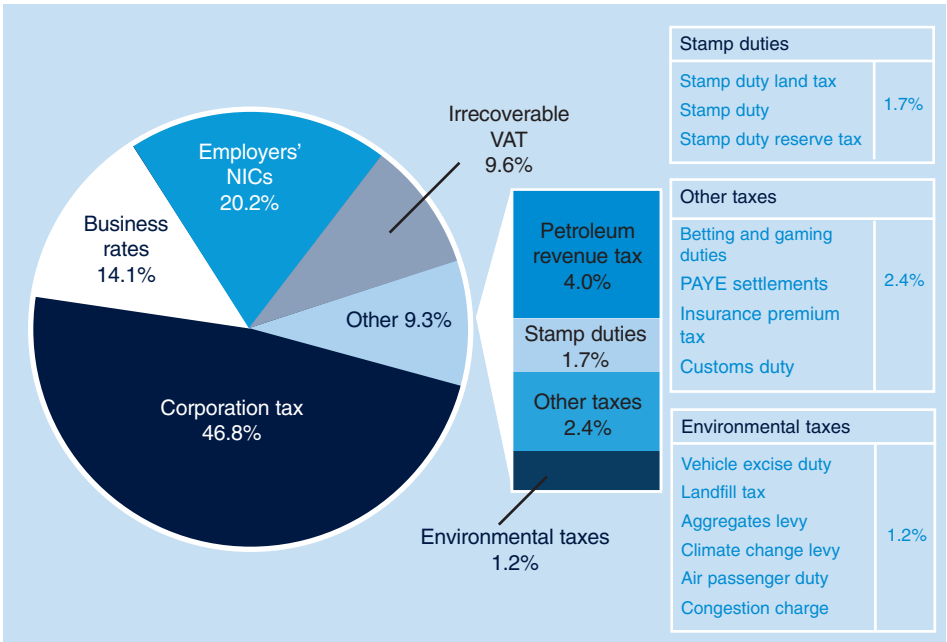


Taxes borne and collected as a percentage of value distributed is an approximation of how companies add value for their stakeholders. The result shows the total figures used in the study for UK taxes borne and collected, UK profit, UK net interest and UK wages and salaries, all expressed as a percentage.

# 4 Taxes borne and collected

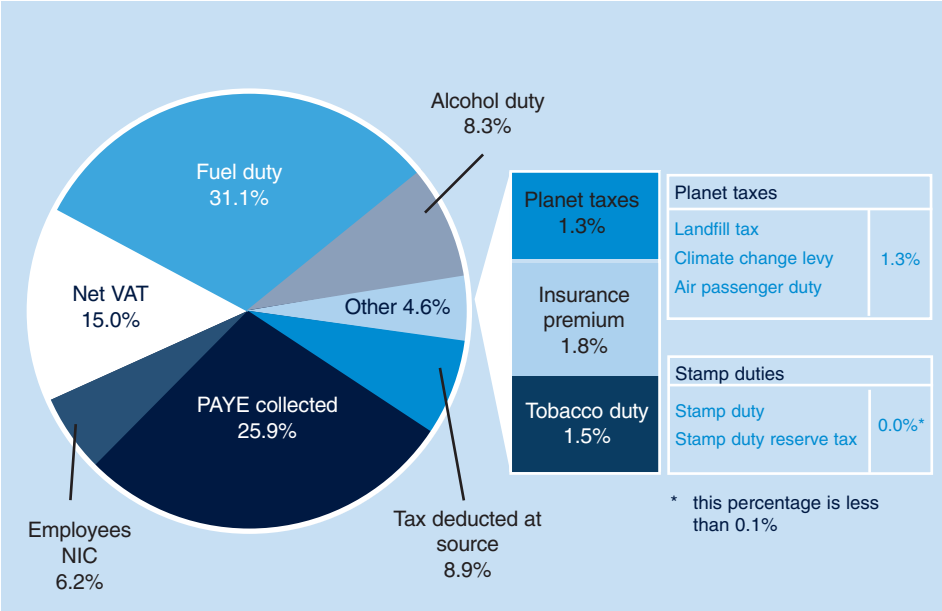
- 4.1 Taxes borne by survey participants were £20.6bn, with corporation tax the largest tax borne. In 2008 The Hundred Group participants accounted for 20.7% of total corporation tax receipts. However, in 2008 corporation tax represented less than half of total taxes borne (46.8%, down from 55.9% last year reflecting a fall in corporation tax payments). Therefore for every £1 of corporation tax paid, The Hundred Group members paid another £1.14 in other taxes borne in 2008.
- 4.2 Employers' NICs is the next largest tax borne, accounting for 20.0% of taxes borne, reflecting the role of The Hundred Group as large UK employers. This is followed by local business rates (14.1% of the total) and irrecoverable VAT (9.7% of the total), the latter being primarily a cost for the financial services (FS) sector. Petroleum revenue tax (4.0% of taxes borne, down from 5.7% last year) is a cost for oil and gas companies operating certain fields in the North Sea.
- 4.3 Taxes collected by The Hundred Group participants were again larger than their taxes borne (a ratio of 1.81) and total £37.2bn. These taxes represent a significant administrative burden for The Hundred Group members. For every £1 in corporation tax paid there was another £3.88 in taxes collected.
- 4.4 The largest amounts of taxes collected were the excise duties collected by producers of fuel, alcohol and tobacco, together representing 40.9% of taxes collected. Employees' NICs and income tax deducted under PAYE were the next largest taxes collected, at 32.1% of the total. The Hundred Group members reported output VAT of £32bn<sup>9</sup> and VAT collected (output tax less input tax) of £5.6bn or 15.0% of taxes collected. The Hundred Group members also collected income tax at source from interest and other payments, insurance premium tax, stamp duty reserve tax, air passenger duty, climate change levy and landfill tax.

Figure 6 – Taxes borne 2008 – by percentage



<sup>9</sup> 60 participants reported figures for output VAT.

Figure 7 – Taxes collected 2008 – by percentage



## 5 Employment taxes

- 5.1 The Hundred Group are large UK employers, with the 2008 survey participants employing 1.3 million employees in the UK, or 4.4% of the total UK workforce<sup>10 11</sup>. The employment taxes borne and collected by survey participants totalled £16.2bn<sup>12</sup>.
- 5.2 Employment taxes rose compared to last year, despite a small fall in employee numbers (1.0%). Employers' NICs rose 9.8%, employees' NICs 4.1% and income tax under PAYE 11.2%.
- 5.3 On average, for each of their employees, The Hundred Group companies paid £19,729 to the public finances in 2008 in employment taxes alone. This is the multiplier effect in employment taxes for jobs maintained or created by large UK business. To put these figures into context, the UK national average wage for that period is £25,100<sup>13</sup>. This suggests that The Hundred Group members tend to employ more skilled, higher paid workers. On average, employment taxes borne and collected are equal to 38.2% of the wages and salaries bill.
- 5.4 The average figure for employment taxes per employee has risen from last year, despite a fall in employee numbers. This is due to increasing salaries, and also because more companies from the highly paid FS sector participated in this year's survey. There was no change to the tax rules affecting employment in the survey period<sup>14</sup>.

**Figure 8 – Employment taxes borne and collected 2008**

	£000
Employment taxes borne	
- employers' NICs	4,151,997
- PAYE settlements	129,161
<b>Total</b>	<b>4,281,158</b>
Employment taxes collected	
- employees' NICs	2,320,394
- income tax under PAYE	9,638,454
<b>Total</b>	<b>11,958,848</b>
<b>Total employment taxes borne and collected</b>	<b>16,240,006</b>

<sup>10</sup> 72 participants provided data on UK employee numbers.

<sup>11</sup> Office of National Statistics – size of the work force 29.22m.

<sup>12</sup> Employment taxes borne include employers national insurance contributions and PAYE settlements (where the company reaches an agreement with HMRC to pay the tax due on certain employee benefits). Employment taxes collected include employees national insurance contributions and income tax, both deducted under Pay As You Earn.

<sup>13</sup> Office of National Statistics 2008 Annual Survey of Hours and Earnings median weekly pay for full-time employees in the UK.

<sup>14</sup> For companies that participated in both years, employment taxes rose by 9% on average.

**Figure 9 – Employment taxes borne and collected per employee – 2008 and 2007**

Employment taxes per employee	2008						2007					
	Total		Borne		Collected		Total		Borne		Collected	
<b>Calculated for all participants as a group</b> Total employment taxes paid per UK employee.	12,316		3,247		9,069		10,108		2,522		7,586	
<b>Calculated for all individual participant companies</b> Mean average of employment taxes per employee for individual companies.	19,729		4,926		14,803		16,820		4,023		12,622	
<b>Calculated for all individual participant companies</b> Median average of employment taxes per employee for individual companies.	13,809		3,706		10,017		13,508		3,355		9,989	
Range of ratios of employment taxes per employee for individual participant.	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>
	2,937	100,446	18	26,815	2,115	73,631	2,904	57,183	956	13,041	1,948	53,377

**Figure 10 – Employment taxes as a percentage of wages and salaries – 2008 and 2007**

Employment taxes as a percentage of wages and salaries	2008						2007					
	Total		Borne		Collected		Total		Borne		Collected	
<b>Calculated for all participants as a group</b> Total employment taxes as a percentage of wages and salaries.	32.6%		8.5%		24.1%		39.1%		9.8%		29.4%	
<b>Calculated for all individual participant companies</b> Mean average of employment taxes as a percentage of wages and salaries for individual companies.	38.2%		10.0%		28.2%		38.6%		9.9%		28.7%	
<b>Calculated for all individual participant companies</b> Median average of employment taxes as a percentage of wages and salaries for individual companies.	36.6%		9.8%		27.2%		38.6%		9.8%		28.4%	
Range of ratios of employment taxes as a percentage of wages and salaries for individual participant companies.	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>
	21.6%	75.0%	0.1%	19.0%	15.9%	56.0%	20.0%	76.0%	4.0%	18.0%	14.0%	58.0%

**Overall average calculated for all participants as a group:** this uses the data for all participants together as a group. The overall average is calculated as a single sum for all participants.

**Mean average calculated for all individual participant companies:** this is calculated by adding all the individual company results and dividing by the number of those participants. This measure gives equal weight to all companies in the sample.

**Median calculated for all individual participant companies:** the median is the middle value of the individual company results ordered from lowest to highest i.e. the middle observation.

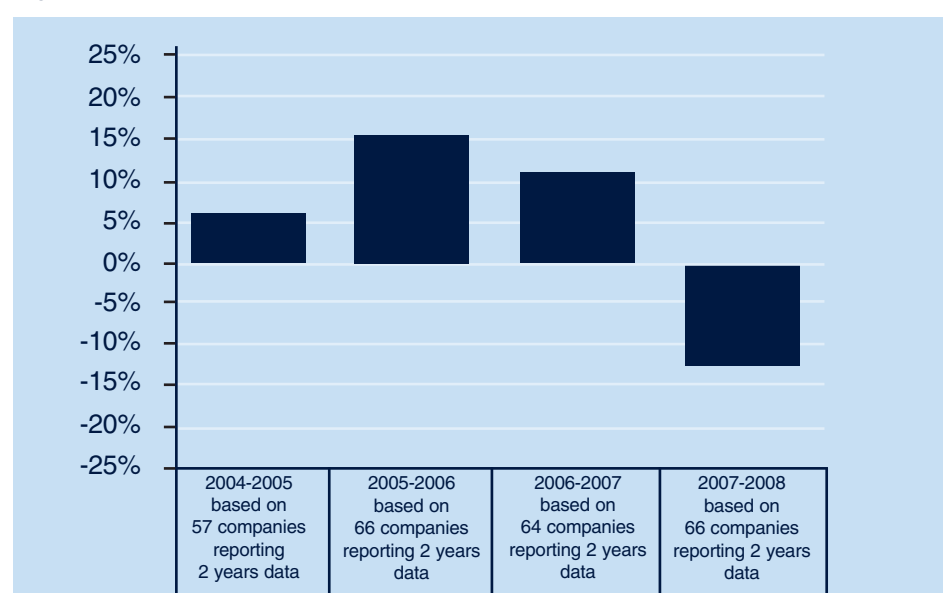
**Minimum:** the minimum is the result in the individual company observations with the lowest value.

**Maximum:** the maximum is the result in the individual company observations with the highest value.

## 6 Trends in tax payments

- 6.1 For the first time since the TTC survey for The Hundred Group was commissioned, the amount of taxes borne fell, compared to the previous year. They fell 12.4% between 2007 and 2008. This compares with an increase of 5.8% between 2004 and 2005, of 15.6% between 2005 and 2006, and of 10.8% between 2006 and 2007<sup>15</sup>.
- 6.2 The fall in taxes borne was driven by a fall in several taxes, including corporation tax. Corporation tax fell by 24.2% between 2007 and 2008. This compares with an increase of 5.4% for 2004/05, of 22.7% for 2005/06 and 18.2% for 2006/07.
- 6.3 The fall in corporation tax is attributable to a number of factors, including a fall in profit before tax for participants, of 25.9% for the year, and refunds in respect of previous years reported by a number of participants. The fall also reflects the peak in corporation tax payments by oil and gas participants in last year's survey, due to the changes in the payment on account regime for these companies<sup>16</sup>. The fall in corporation tax between 2007 and 2008 is also despite large one-off corporation tax charges for the real estate participants on conversion to REIT status<sup>17</sup>.
- 6.4 Other taxes borne which fell between 2007 and 2008 include; petroleum revenue tax (34.9%), a period in which the level of production fell, stamp duty land tax (16.0%) and stamp duty/ stamp duty reserve tax (15.0%), reflecting the slowdown in transaction activities.
- 6.5 Looking forward, taxes borne, particularly corporation tax, can be expected to fall further as profits are impacted by the financial crisis and the economic recession. Participants incurring losses may also be able to carry these back for offset against prior periods and claim corporation tax refunds.
- 6.6 Taxes collected increased 4.3% between 2007 and 2008. This compares to a fall of 2.5% in 2006/2007. No data was requested for taxes collected for 2004 or 2005.

**Figure 11 – Trends in taxes borne 2004-2008**



<sup>15</sup> Trends have been calculated on a like-for-like basis. Only participants providing the relevant data for all relevant periods have been included.

<sup>16</sup> The changes to the payment on account regime for upstream oil and gas corporation tax and the supplementary charge (introduced by Finance Act 2005) caused more than one years worth of tax liability to be paid in the year to 31 December 2006, (around half of the 2005 liability was paid in January, a third of the 2006 liability was paid in July, and a further third of the 2006 liability was paid in October).

<sup>17</sup> A Real Estate Investment Trust (REIT) is a property investment vehicle that benefits from exemption from UK corporation tax in relation to its UK property rental business. REITs are required to distribute 90% of their income, which is taxable in the hands of the investors. REITs were introduced with effect from 1 January 2007 and companies were subject to a one-off corporation tax liability, called a conversion charge. For certain companies, there was a large corporation tax liability this year.

Figure 12 – Trends in corporation tax 2004-2008

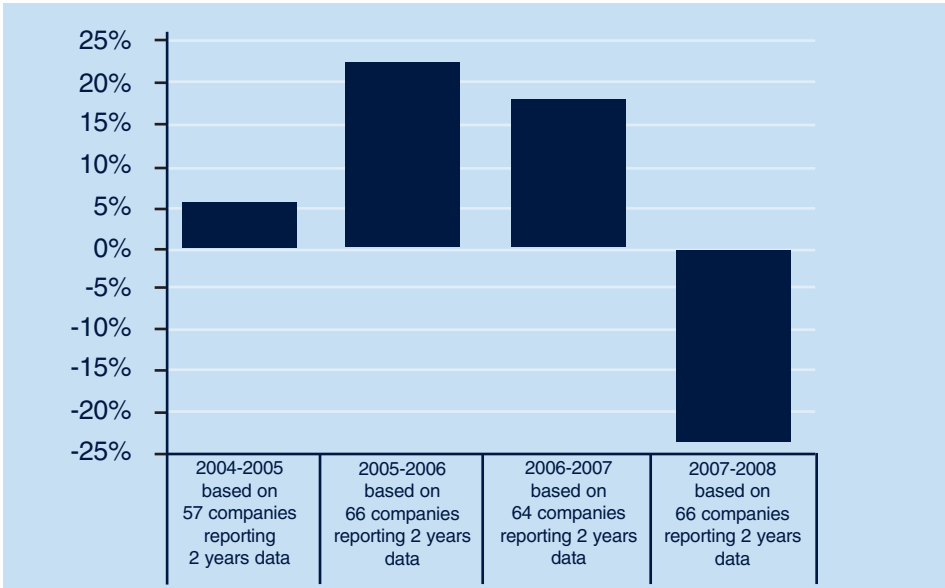
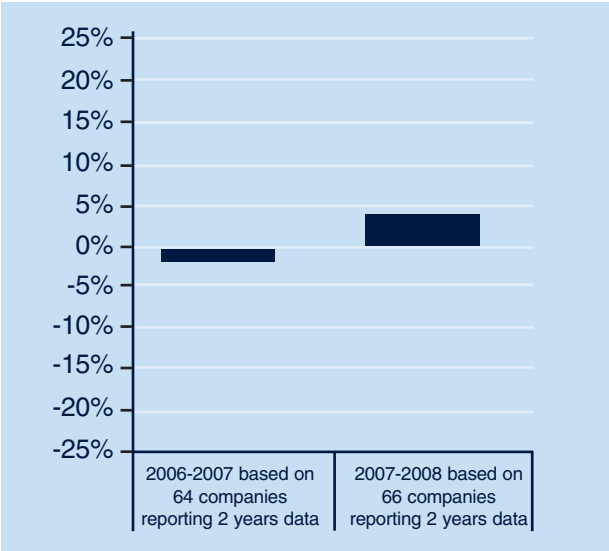


Figure 13 – Trends in taxes collected 2006-2008

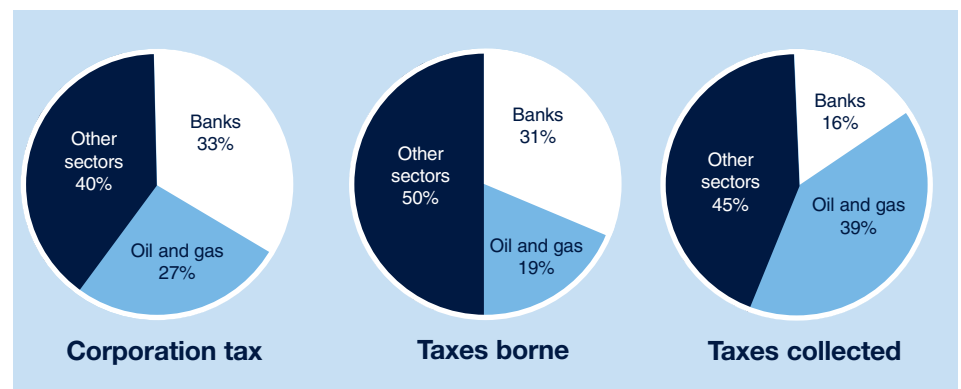




## 7 Industry analysis

- 7.1 As in previous years, the banks and oil and gas companies were the largest contributors in terms of taxes paid. When interpreting the survey results in this section, it is important to understand that there are different numbers of participants in each industry sector. The comparison between sectors is therefore not like-for-like.
- 7.2 The bank participants were the largest contributors to corporation tax and to taxes borne in 2008. This has been the case in all the years covered by the four surveys, apart from 2007 when there was a peak in corporation tax payments by the oil and gas companies. Looking forward to next year's survey (accounting periods ending in the year to 31 March 2009), corporation tax payments by the banks, and the FS sector generally, can be expected to fall.
- 7.3 The oil and gas participants were the next largest contributors to corporation tax and to other taxes borne in 2008. Again, this has been the case in all the years covered by the surveys apart from 2007, when the oil and gas participants paid more than the banks. 2007 was a peak year for corporation tax payments by the oil and gas companies due to the effect of the change in their payment on account rules.

**Figure 14 – Banks and oil and gas participants – contribution to the survey results**



Result shows the contribution by amount to the survey results. It is important to note that there are different numbers of participants in each sector.

Figure 15 – Bank participants – contribution to the survey results 2005 to 2008

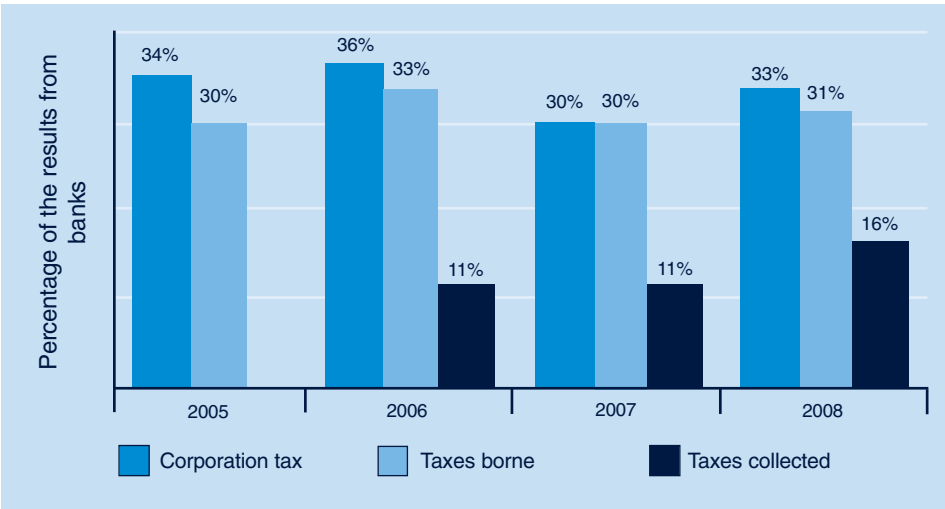
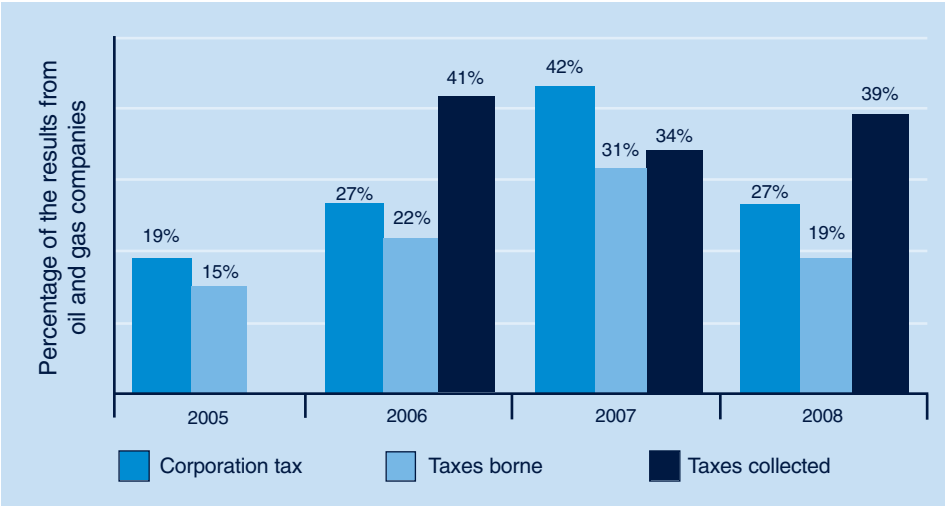


Figure 16 – Oil and gas participants – contribution to the survey results 2005 to 2008



## 8 The picture for individual participants

- 8.1 The mean average TTR for participants was 38.2%. The TTR is an indicator of the cost of all taxes borne<sup>18</sup>.
- 8.2 The mean average for taxes borne and collected as a percentage of turnover for participants was 21.6%. TTC as a percentage of turnover is an indicator of the size of the tax contribution in the context of the size of the business, as measured by turnover.
- 8.3 The mean average employment taxes borne and collected per employee for participants was £19,729. Employment taxes borne and collected per employee is an indicator of the multiplier effect in employment taxes of jobs created or maintained.
- 8.4 The mean average percentage of value distributed by participants to Government in taxes borne and collected was 40.3%. The calculation of value distributed is an indication of how companies add value for their stakeholders<sup>19</sup>.

**Figure 17 – Total tax rates for survey participants 2008 and 2007**

Total Tax Rate	2008		2007	
<b>Calculated for all participants as a group</b> Total taxes borne as a percentage of total UK profit before taxes borne.	45.0%		34.3%	
<b>Calculated for all individual participant companies</b> Mean average of TTRs for individual companies.	38.2%		36.2%	
<b>Calculated for all individual participant companies</b> Median average of TTRs for individual companies.	32.8%		28.8%	
Range of TTRs for individual companies.	<b>Min</b> 1.6%	<b>Max</b> 114.6%	<b>Min</b> 1.7%	<b>Max</b> 128.9%

**Figure 18 – Taxes borne and collected for survey participants 2008 and 2007**

Total Tax Contribution as a percentage of turnover	2008						2007					
	Total		Borne		Collected		Total		Borne		Collected	
<b>Calculated for all participants as a group</b> Total taxes borne and collected as a percentage of total turnover.	15.8%		5.7%		10.1%		15.7%		5.9%		9.8%	
<b>Calculated for all individual participant companies</b> Mean average of TTC as a percentage of turnover for individual companies.	21.6%		7.4%		14.2%		17.9%		7.2%		10.7%	
<b>Calculated for all individual participant companies</b> Median average of TTC as a percentage of turnover for individual companies.	15.0%		5.1%		8.4%		14.5%		5.5%		7.8%	
Range of ratios of TTC as a percentage of turnover for individual participant companies.	<b>Min</b> -3.0%	<b>Max</b> 105.1%	<b>Min</b> -3.0%	<b>Max</b> 47.8%	<b>Min</b> -3.4%	<b>Max</b> 101.6%	<b>Min</b> 3.0%	<b>Max</b> 89%	<b>Min</b> 1.0%	<b>Max</b> 50%	<b>Min</b> -2.0%	<b>Max</b> 86.0%

<sup>18</sup> The calculation is total taxes borne (above and below the line) as a percentage of profit before total taxes borne (profit before tax plus above the line taxes).

<sup>19</sup> Calculation used data provided by participants for profit before tax, taxes borne and collected, wages and salaries and net interest.

Figure 19 – Employment taxes borne and collected per employee for survey participants 2008 and 2007

Employment taxes per employee	2008			2007		
	Total (£)	Borne (£)	Collected (£)	Total (£)	Borne (£)	Collected (£)
Calculated for all participants as a group Total employment taxes paid per UK employee.	12,316	3,247	9,069	10,108	2,522	7,586
Calculated for all individual participant companies Mean average of employment taxes per employee for individual companies.	19,729	4,926	14,803	16,820	4,023	12,622
Calculated for all individual participant companies Median average of employment taxes per employee for individual companies.	13,809	3,706	10,017	13,508	3,355	9,989
Range of ratios of employment taxes per employee for individual participant.	Min 2,937    Max 100,446	Min 18    Max 26,815	Min 2,115    Max 73,631	Min 2,904    Max 57,183	Min 956    Max 13,041	Min 1,948    Max 53,377

Figure 20 – Percentage of value distributed by participants to Government in taxes borne and collected 2008

Value distributed	2008		
	Total	Borne	Collected
Calculated for all participants as a group Total TTC as a percentage of value distributed.	48.1%	17.1%	31.1%
Calculated for all individual participant companies Mean average of TTC as a percentage of value distributed for individual companies.	40.3%	15.4%	26.4%
Calculated for all individual participant companies Median average of TTC as a percentage of value distributed for individual companies.	38.0%	13.7%	23.1%
Range of ratios of TTC as a percentage of value distributed for individual participant companies.	Min 5.6%    Max 92.7%	Min 1.2%    Max 56.4%	Min 1.0%    Max 82.4%

There are no figures for previous years for the mean average or the median average, but the calculation for all participants as a group in the 2007 survey was 46%.

## 9 The expected impact of changes to corporation tax and business rates from April 2008

- 9.1 The 2008 survey also looked at the impact of changes in corporation tax rules (reduction in statutory rate to 28% and various changes to capital allowances) and the changes to business rates (empty property relief), both from 1 April 2008<sup>20</sup>. Participants were asked:
- Have you considered the impact of these changes on your business?
  - Are these changes likely to increase or decrease your tax payments?
  - If possible, please quantify the impact on your tax payments.
- 9.2 30 participants were able to quantify a predicted impact of the changes in the corporation tax rules. They predicted an average reduction in their corporation tax bill of £1.7m. However, the picture varied between individual participants. The reduction in statutory rate benefits all companies but the changes in capital allowances are predicted to increase the corporation tax bill for many, including some capital intensive industries. The biggest reduction predicted was £36m, the biggest increase £12.2m.
- 9.3 15 participants were able to quantify a predicted impact of the changes in business rates rules. They predicted an average increase in their business rates bill of £1.1m. The biggest increase predicted was £5m, the smallest £89,000.

**Figure 21 – Changes in corporation tax rules from 1 April 2008 – impact for participants**

Description of change	Numbers of participants responding "increases"	Amount of increase (£)	Numbers of participants responding "decrease"	Amount of decrease (£)	Total change in corporation tax payments (£)	Average change in corporation tax payments (£)	Minimum (£)	Maximum (£)
The statutory rate of corporation tax will decrease to 28% with effect from 1 April 2008	0	0	17	-144,252,400	-144,252,400	-8,485,435	-33,900,000	-2,400
The withdrawal of industrial and agricultural buildings allowances in stages between 2008 and 2011	14	25,305,326	0	0	25,305,326	1,807,523	3,000	8,000,000
A reduction in the rate of writing-down allowances for plant machinery in the general pool from 2008/09 from 25% to 20%	17	124,843,000	0	0	124,843,000	7,343,706	100,000	39,200,000
An increase in the rate of writing-down allowances for long-life asset expenditure from 2008/09 from 6% to 10%	1	5,000	4	-58,300,000	-58,295,000	-11,659,000	-45,200,000	5,000
The introduction of a new 10% rate of writing-down allowances from 2008/09 for certain fixtures integral to buildings	6	2,288,000	1	-16,800	2,271,200	324,457	-16,800	1,000,000
Net effect of changes	18	63,287,326	12	-113,415,200	-50,127,874	-1,670,929	-36,033,000	12,200,000

<sup>20</sup> The main changes to capital allowances were (1) withdrawal of industrial buildings allowances and agricultural business allowances in stages between 2008 and 2011, (2) reduction in writing down allowances (WDAs) for plant and machinery in the general pool from 25% to 20%; (3) increase in WDAs for long-life assets from 6% to 10%; and (4) a new 10% rate of WDAs for certain fixtures integral to buildings. The changes in business rates rules were a reduction in empty property relief to three months for offices and shops and to six months for factories and workshops.

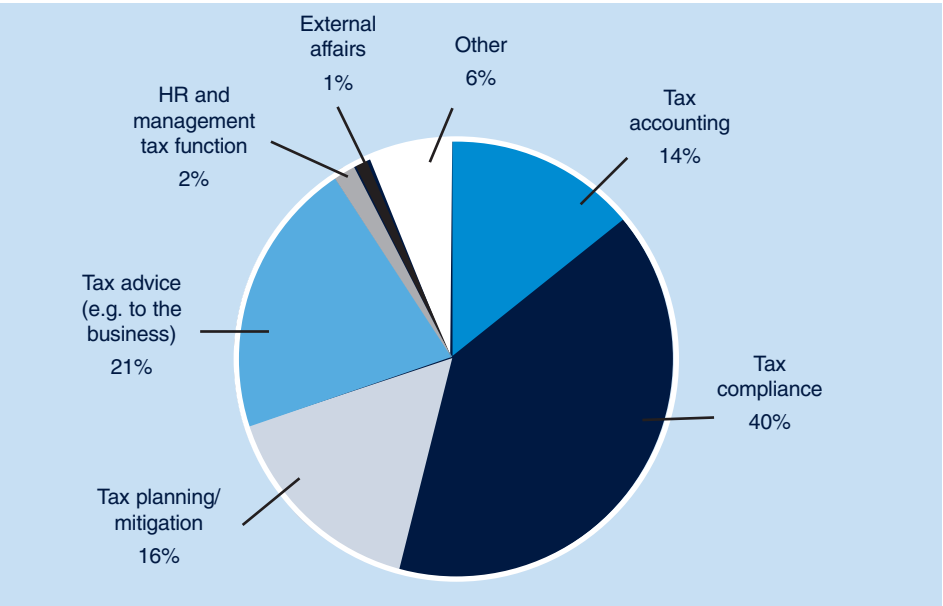
Figure 22 – Changes in business rates rules from 1 April 2008 – impact for participants

Description of change	Numbers of participants responding “increases”	Amount of increase (£)	Numbers of participants responding “decrease”	Amount of decrease (£)	Total change in business rates payments (£)	Average change in business rates payments (£)	Minimum (£)	Maximum (£)
Please quantify (+/-) the impact on your tax payments	15	15,942,126	0	0	15,942,126	1,062,808	88,801	5,000,000

# 10 In-house specialist tax resource

- 10.1 The 2008 survey also collected data on the size and shape of participants' tax departments (their in-house specialist tax resource). 80 participants provided data for this section of the report. It is important to note that as large UK-based companies, their UK tax departments will generally have a role in the group's worldwide tax affairs as well as in the UK. Participants reported an average of 12.9 FTE employees in their tax department<sup>21</sup>. The minimum number was one, the maximum nearly 100.
- 10.2 Participants' tax departments spend the majority of their time on the regulation of tax (on average; 40% on tax compliance and 14% on tax accounting). Tax planning and mitigation takes 16% of their time on average.
- 10.3 The head of tax generally reports to the finance director (70%) or the financial controller (12%).
- 10.4 The primary performance measure for the tax department is often the effective rate of corporation tax (43%), followed by a lack of surprises (21%) and compliance deadlines being met (13%).
- 10.5 Virtually all participants view their relationship with HMRC as cooperative (completely cooperative 56%, somewhat cooperative 42%).
- 10.6 The average budget for the tax department of participants was £1.8m. More than half (58%) represents internal costs (salaries, etc.) and 42% represents spend on external suppliers.

Figure 23 – How do tax departments spend their time?



<sup>21</sup> Mean average for participants.



Figure 24 – Who does the head of tax report to?

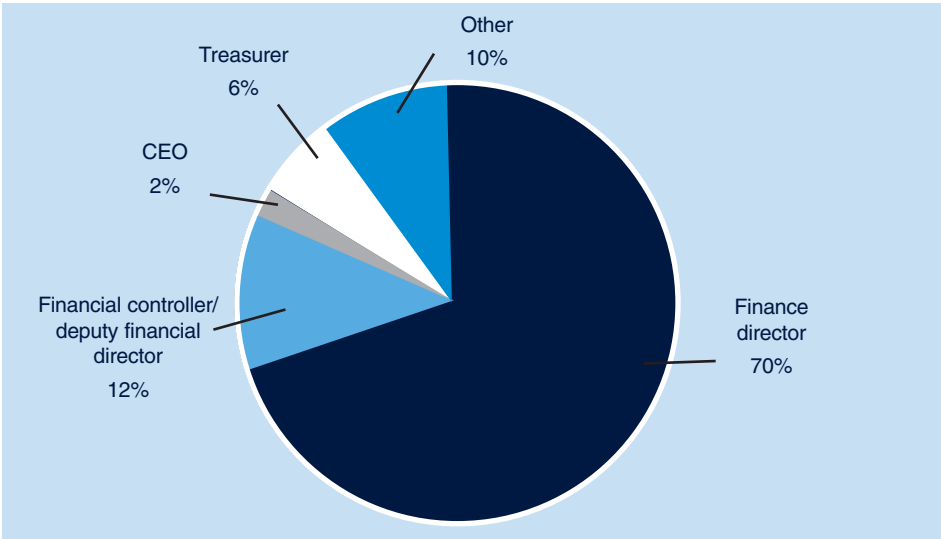
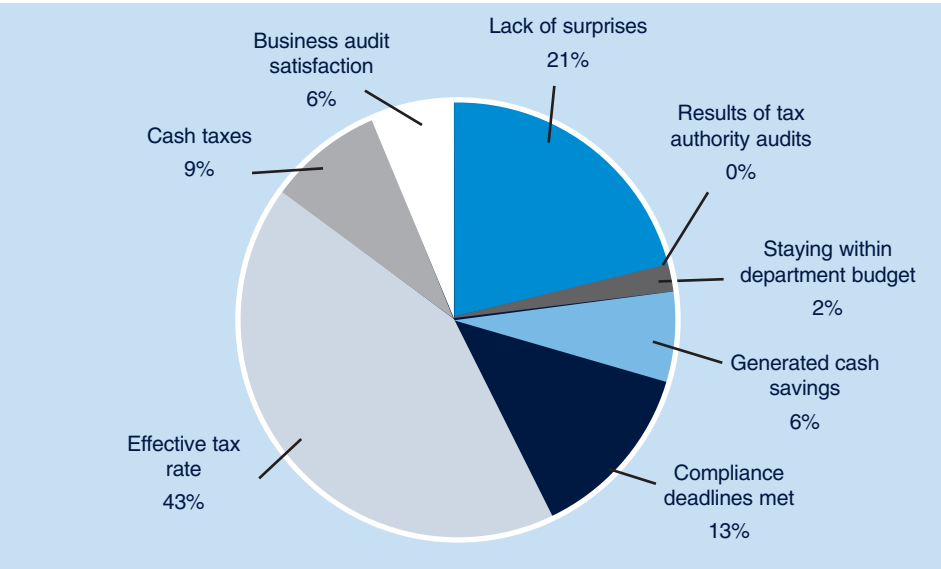
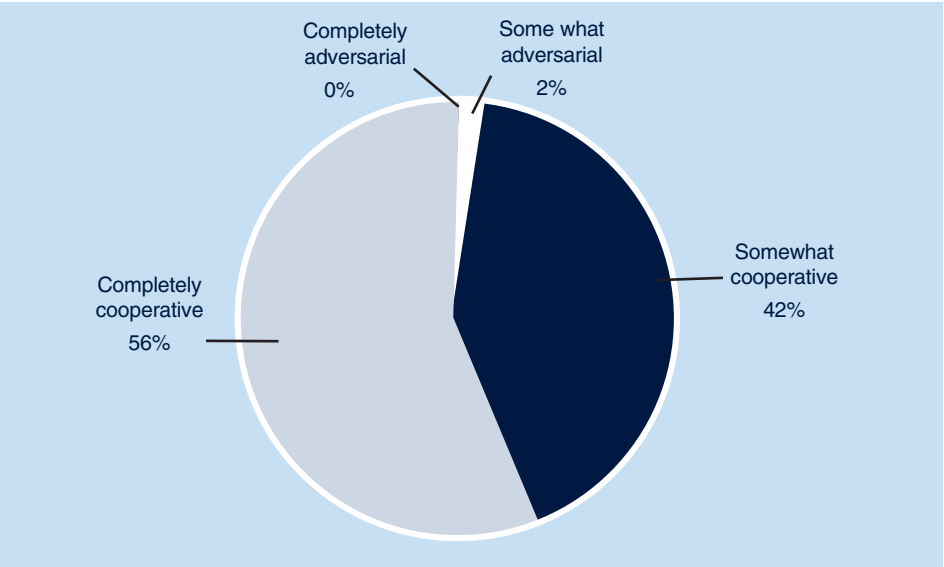


Figure 25 – How is the tax department measured?



Participants were asked how the performance of their tax department is measured. This chart shows the most important measure indicated by participants.

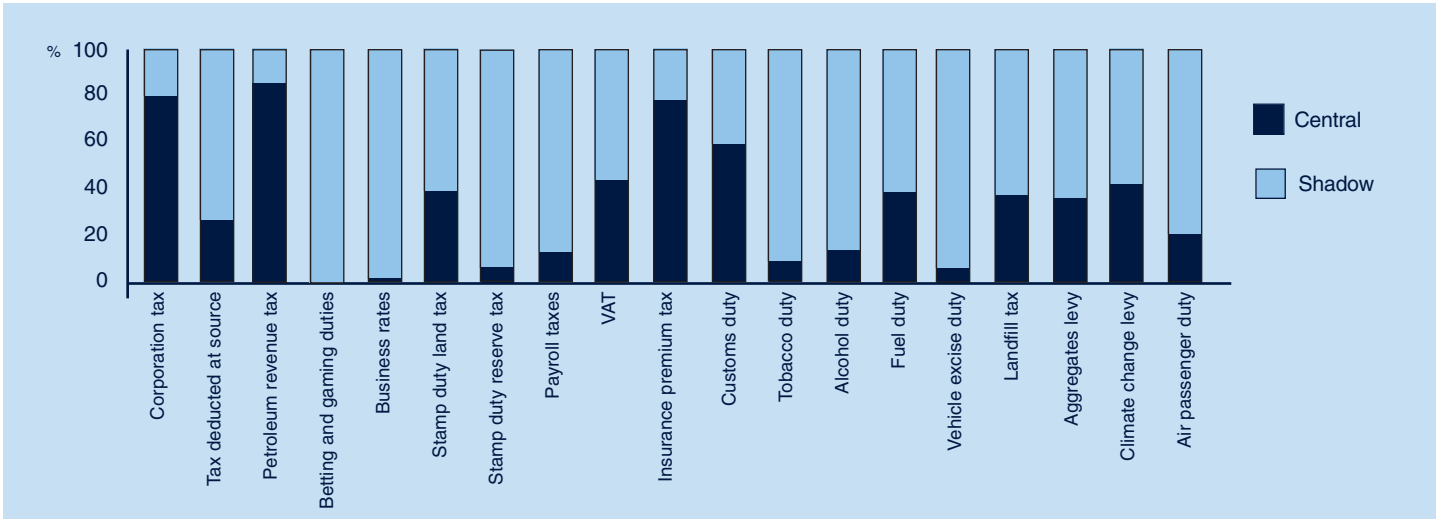
Figure 26 – How would you categorise your relationship with HMRC?



# 11 The cost of tax compliance

- 11.1 Both the 2007 and 2008 surveys collected data on the cost of complying with the UK tax system. Through the two surveys, 62 of The Hundred Group members have provided data on this aspect of their tax affairs<sup>22</sup>. Overall, they reported the equivalent of 787 full-time employees working on UK tax compliance, an average of 12.7 per company<sup>23</sup>.
- 11.2 A little under half of the time reported (42%) was spent by the ‘shadow tax department’ – those outside the tax department (e.g. finance or payroll), who play a role in tax compliance. This is considered to be an under-estimate as many participants found it difficult to provide data for the shadow tax department. The shadow tax department plays a key role in compliance for many taxes, including; business rates, stamp duties, employment taxes, VAT and excise duties.
- 11.3 43% of the time spent on UK tax compliance relates to corporation tax, 28% to employment taxes and 20% to VAT. The other taxes account for 9%. Of the 43% of time on corporation tax, 7.3% (17% of 43%) relates to the international aspects of the UK corporation tax rules, with the lion's share spent on transfer pricing and controlled foreign companies.
- 11.4 The data provided by participants on time spent has been translated to a monetary cost and added to the spend on external providers for compliance services, for the purposes of estimating the cost of compliance with UK taxes<sup>24</sup>. This cost has then been compared with their tax payments. 54% of the total cost was for corporation tax, which represents only 16% of the total tax payments. On the other hand, excise duties are 27% of the total payments and only 2% of the compliance cost. The results show that corporation tax is a relatively expensive tax to administer.
- 11.5 For participants, the cost of compliance for all taxes on average in 2008 was 1.57% of total taxes borne, effectively representing a surcharge of this amount on these companies’ tax bills. The cost of compliance for corporation tax on average in 2008 was 1.63% of their corporation tax payments, however extending the analysis to take an average across the period covered by the TTC studies. The average was 1.93% of their corporation tax payments.

Figure 27 – Compliance time by tax – split between central tax department and shadow tax department

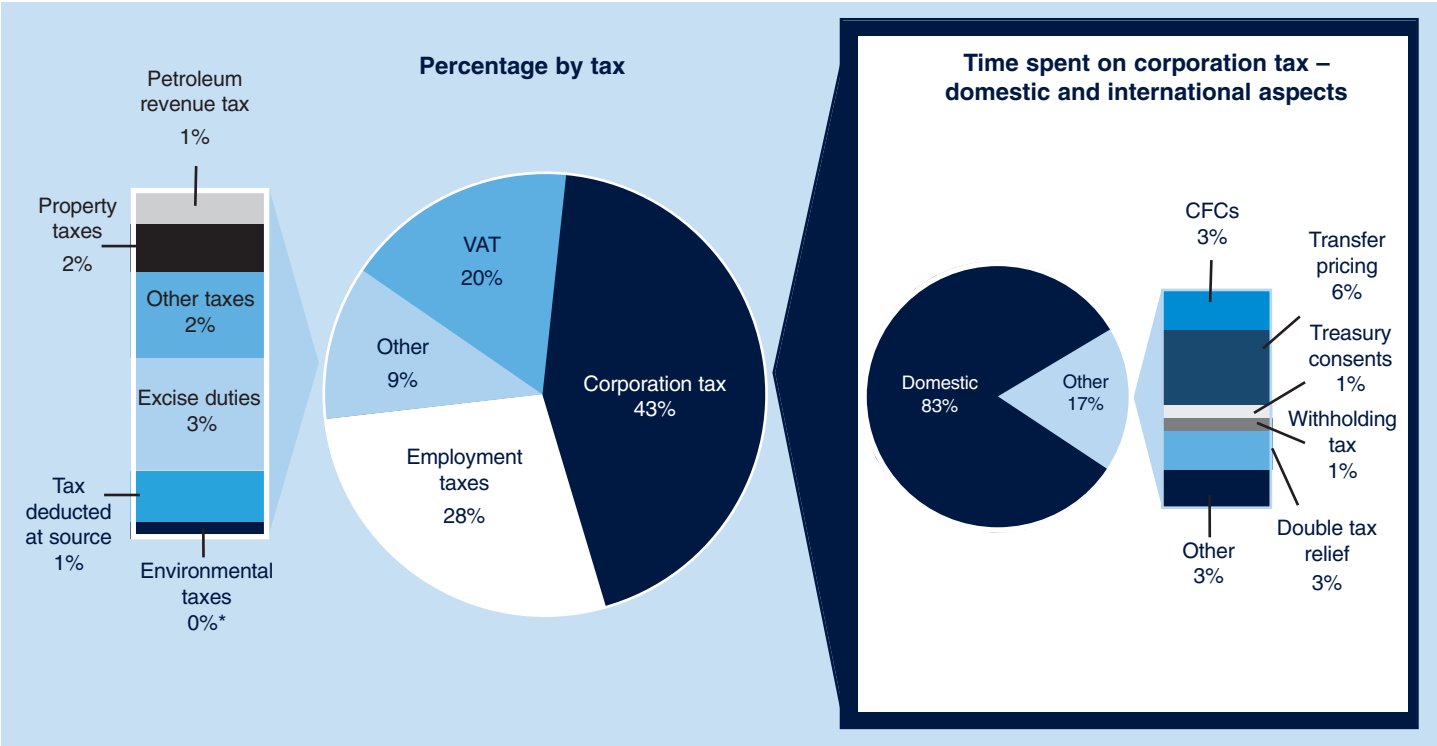


<sup>22</sup> Participants provided data on the estimated amount of time spent on tax compliance and on fees paid to external providers for tax compliance services.

<sup>23</sup> Mean average for participants.

<sup>24</sup> Time has been costed on a standard basis using a standard salary and benefit cost by grade and adding a percentage for overheads.

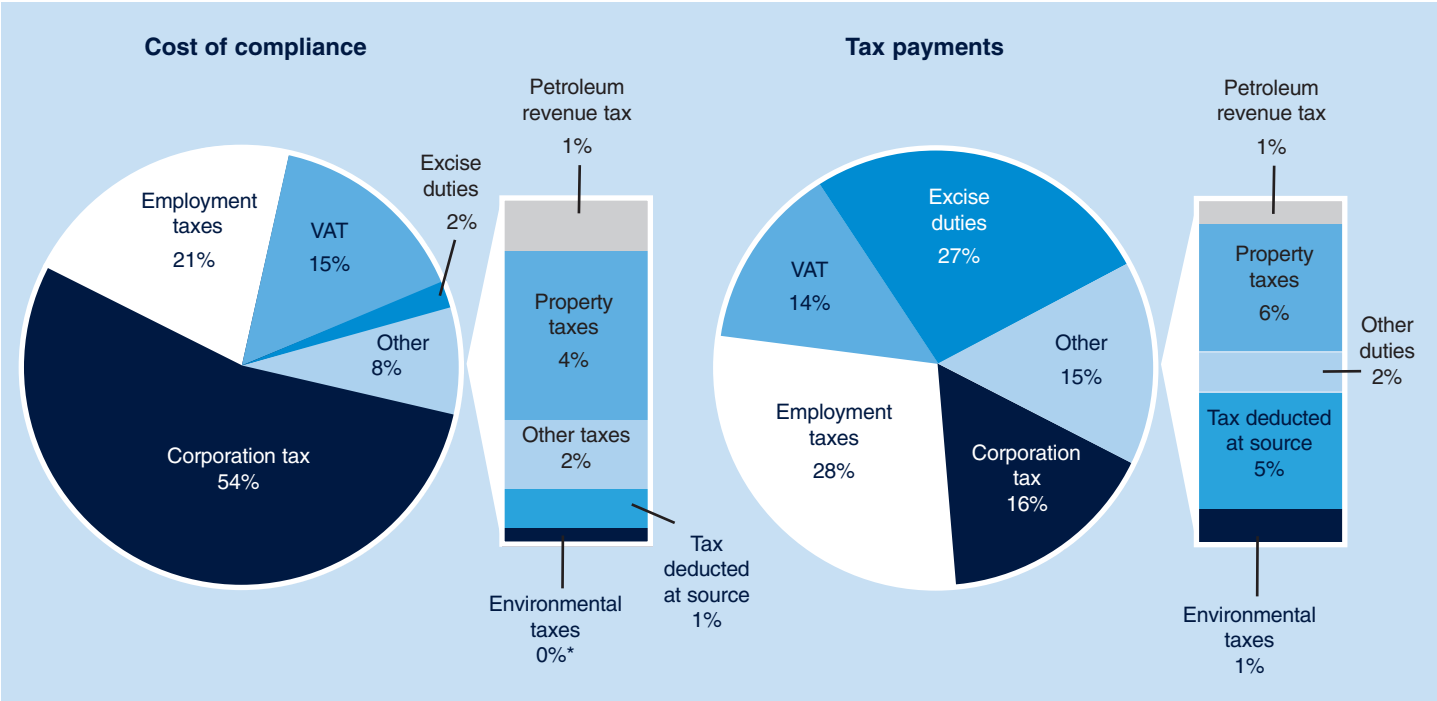
Figure 28 – Time spent on compliance – percentage by tax



This chart shows the percentage split by tax for the total time spent on UK tax compliance for participants overall.

\* This percentages is less than 0.5%.

Figure 29 – The cost of compliance for participants overall, compared to their tax payments – by percentage



This chart shows the percentage split by tax for the total cost of UK tax compliance for participants overall, and compares this with the percentage split by tax of participants UK tax payments.

\* This percentages is less than 0.5%.

Figure 30 – Participants cost of tax compliance as a percentage of their tax payments

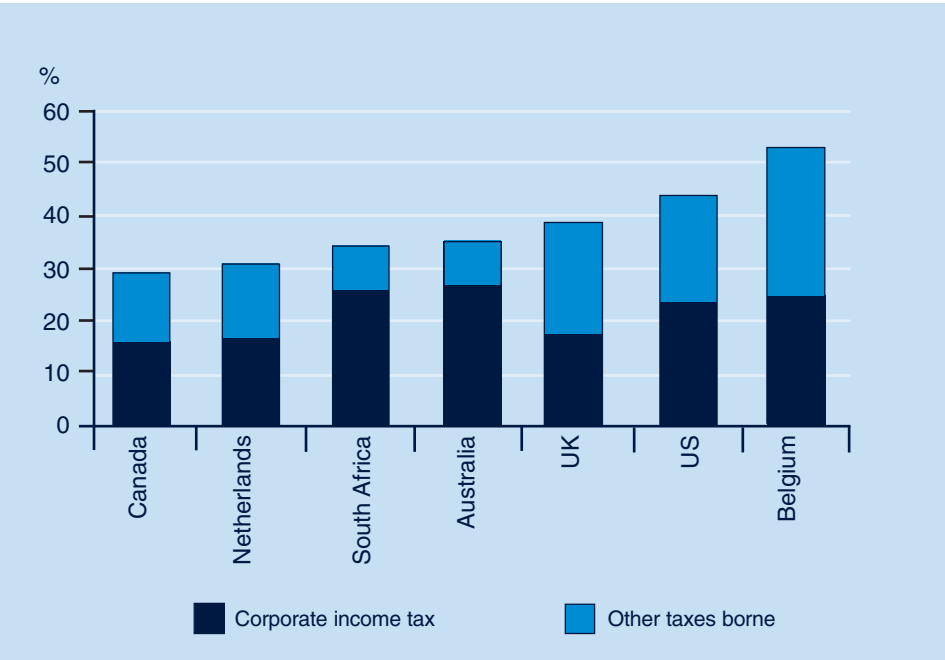
	Corporation tax compliance cost as % of corporation tax payments		Total tax compliance costs as a % of taxes borne		Total tax compliance costs as a % of Total Tax Contribution	
Calculated for all participants as a group	0.49%		0.45%		0.14%	
Total compliance cost as a % of total tax payments						
Calculated for all individual participant companies	1.63%		1.57%		0.34%	
Mean average for individual companies						
Calculated for individual participant companies	0.55%		0.51%		0.20%	
Median average for individual companies						
Range of values for individual participant companies	Min	Max	Min	Max	Min	Max
	0.05%	11.72%	0.06%	16.89%	0.004%	2.14%

Percentages based on the 2008 survey tax payments and includes only those taxes for which compliance costs have been given. The percentage for corporation tax excludes companies which paid no corporation tax or had a corporation tax refund in the 2008 survey.

# 12 International comparisons

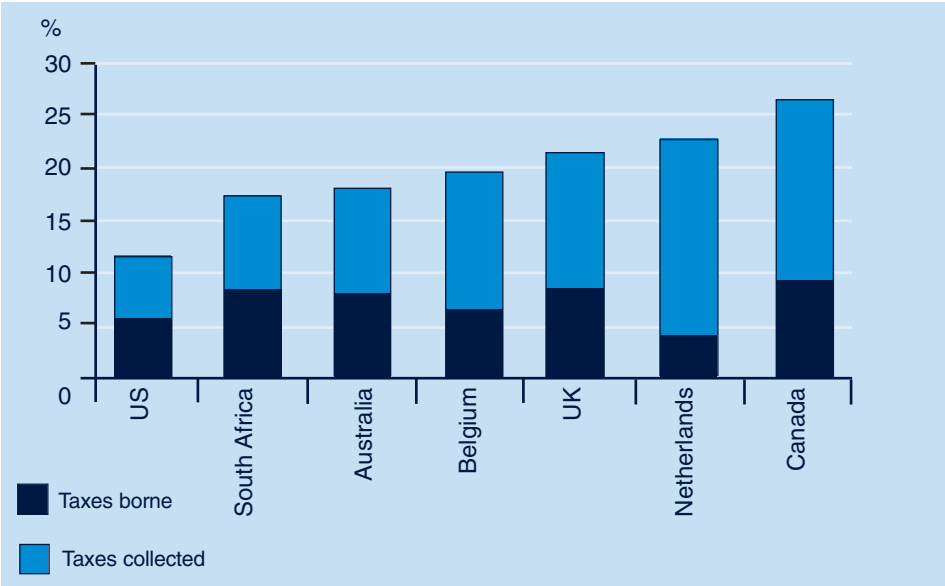
- 12.1 TTC surveys with leading business organisations have also been carried out in a number of other countries, using the same methodology. This allows the results for The Hundred Group in the UK to be compared with the results for large business in Australia, Belgium, Canada, the Netherlands, South Africa and the US.
- 12.2 The cost of all taxes borne in the UK ranks the UK above average in this peer group of countries. The Hundred Group has the highest average TTR, apart from Belgium and the US. Belgium has a higher level of tax to GDP (44.4% compared to 36.6% for the UK). Despite the US having the second lowest tax revenues to GDP among the surveyed countries, the US TTR is second highest. It is perceived that there is greater reliance on taxes borne in the US than in other countries<sup>25</sup>.
- 12.3 The tax contribution in relation to the size of the business also ranks the UK at the top of this group. The Hundred Group has the highest average taxes borne and collected expressed as a percentage of turnover, apart from Canada and the Netherlands. This appears to relate mostly to taxes collected and the administrative burden. The Netherlands survey had a high participation from energy companies, which have the extra collection responsibility for energy taxes.
- 12.4 The Hundred Group are large employers, employing skilled, well paid workers. The UK has the highest average figure for employment taxes borne and collected per employee, apart from Belgium. Belgium has higher social security contributions levied on the employer, which also contribute to the high TTR.
- 12.5 Four other countries (Canada, South Africa, Australia and the US) have also collected data on the cost of tax compliance in their TTC surveys. The Hundred Group in the UK has the highest average cost of tax compliance of any country, except for the US.

**Figure 31 – Comparison of the average total tax rate for countries carrying out TTC studies**



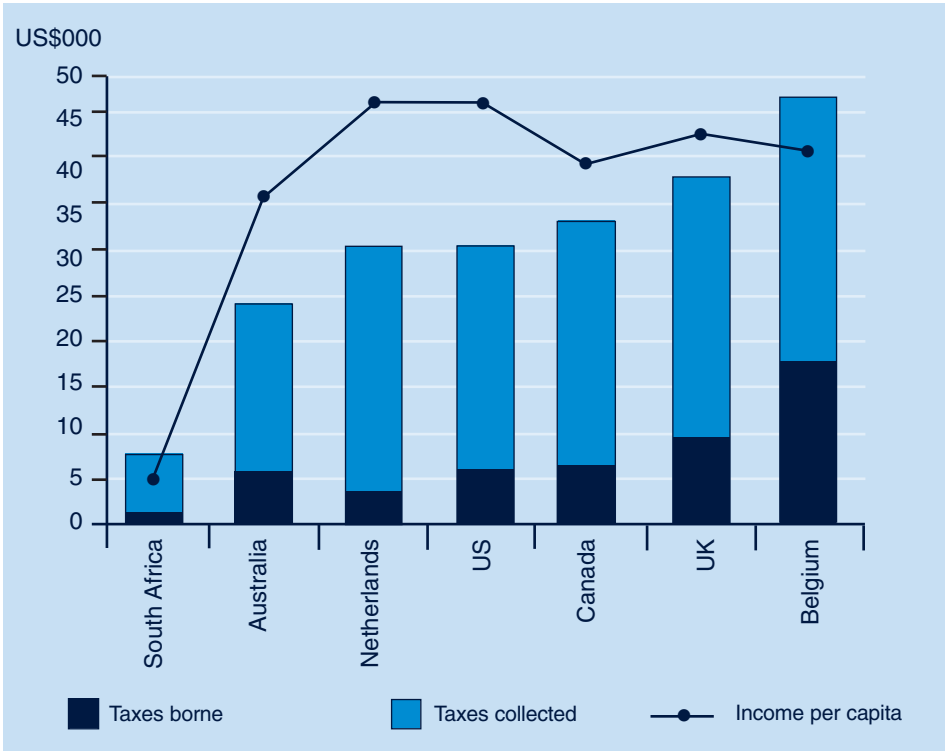
<sup>25</sup> Total Tax Contribution PricewaterhouseCoopers LLP 2008 survey for the Business Roundtable.

**Figure 32 – Comparison of the average Total Tax Contribution to turnover for countries carrying out TTC studies**



This chart shows the mean average result for participants in each country.

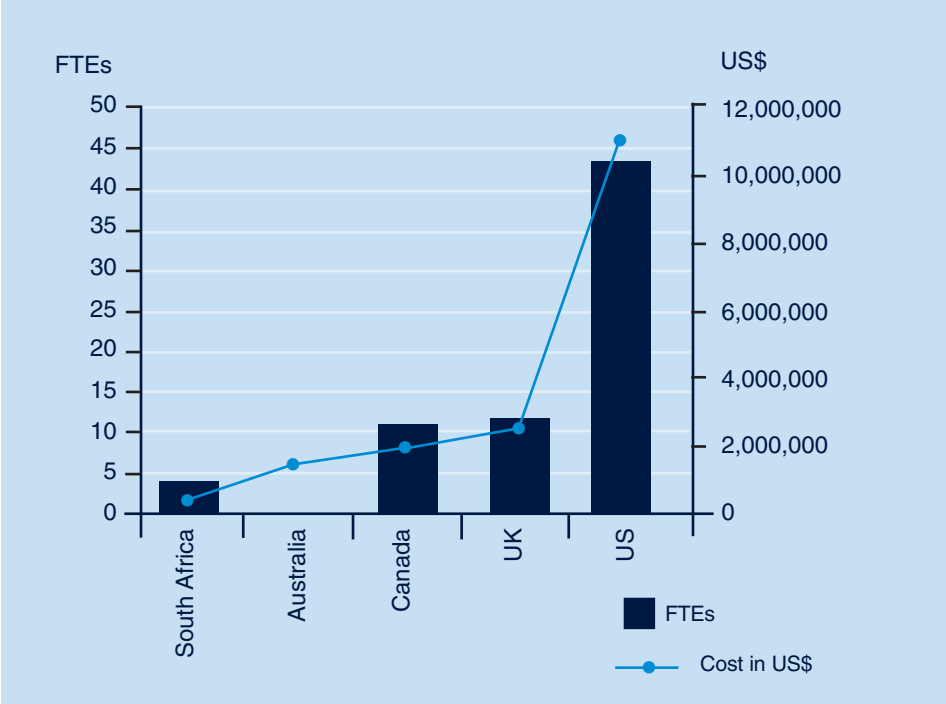
**Figure 33 – Comparison of the average employment taxes borne and collected per employee for countries carrying out TTC studies**



This chart shows the mean average result for participants in each country. It also shows income per capita taken from the World Development Indicators database, World Bank 2007.



Figure 34 – Comparison of the average cost of tax compliance for countries carrying out TTC studies



This chart shows the mean average number of full-time equivalent (FTE) staff working on compliance with the national tax system, as estimated by participants in each country. The chart also shows the survey results for the mean average cost of compliance with all taxes in each country. The cost is either estimated by participants (Australia, Canada and the US) or calculated on a standard cost basis (South Africa and the UK). FTE numbers are not available for Australia.

# Appendix I

List of UK taxes borne and collected by companies

UK taxes	Tax borne	Tax collected
<b>Profit taxes</b>		
Corporation tax	✓	
Tax deducted at source		✓
Petroleum revenue tax	✓	
Betting and gaming duty	✓	
<b>Property taxes</b>		
Business rates	✓	
Stamp duty land tax	✓	
Stamp duty	✓	
Stamp duty reserve tax	✓	✓
<b>People taxes</b>		
Income tax under PAYE		✓
PAYE settlements	✓	
Employees national insurance contributions		✓
Employers national insurance contributions	✓	
<b>Product taxes</b>		
Net VAT		✓
Irrecoverable VAT	✓	
Customs duties	✓	
Fuel duty		✓
Alcohol duty		✓
Tobacco duty		✓
Vehicle excise duty	✓	
Insurance premium tax	✓	✓
<b>Planet taxes</b>		
Landfill tax	✓	✓
Air passenger duty	✓	✓
Congestion charge	✓	
Climate change levy	✓	✓
Aggregate levy	✓	

## Appendix II

### Taxes borne and collected reported by The Hundred Group participants in the survey

Taxes borne	2008 taxes borne (£'000s)	% of tax receipt*
<b>Profit taxes</b>		
Corporation tax	9,604,881	20.7%
Petroleum revenue tax	815,169	48.0%
Betting and gaming duties	193,953	12.9%
<b>Property taxes</b>		
Business rates	2,892,558	13.5%
Stamp duty land tax**	192,976	1.9%
Stamp duty**	142,865	4.0%
Stamp duty reserve tax**	18,792	
<b>People taxes</b>		
PAYE settlements	129,161	0.1%
Employers NIC***	4,151,997	9.7%
<b>Product taxes</b>		
Irrecoverable VAT	1,987,779	2.5%
Insurance premium tax	25,513	1.1%
Customs duties	144,524	5.8%
<b>Planet taxes</b>		
Vehicle excise duty	72,830	1.3%
Landfill tax	29,036	3.2%
Aggregate levy	68,987	23.0%
Climate change levy	42,432	6.1%
Air passenger duty	25,992	1.3%
Congestion charge	3,593	
<b>Total</b>	<b>20,543,038</b>	<b>4.0%</b>

\* From November 2008 Pre-Budget Report published by HM Treasury.

\*\* The split between SDLT and SDRT/ stamp duty is from the UK Statistics Authority ([www.statisticsauthority.gov.uk](http://www.statisticsauthority.gov.uk)).

\*\*\*Split of employers and employees NIC from OECD revenue statistics.

Taxes collected	2008 taxes collected (£'000s)	% of tax receipt*
<b>Profit taxes</b>		
Tax deducted at source	3,301,044	7.1%
<b>Property taxes</b>		
Stamp duty **	108	0.4%
Stamp duty reserve tax**	16,858	
<b>People taxes</b>		
PAYE collected	9,638,454	6.5%
Employees NIC ***	2,320,394	4.4%
<b>Product taxes</b>		
Net VAT	5,588,277	6.9%
Insurance premium tax	677,864	29.5%
Fuel duty	11,534,458	46.3%
Tobacco duty	550,000	6.8%
Alcohol duty	3,106,227	37.4%
<b>Planet taxes</b>		
Landfill tax	141	0.0%
Climate change levy	190,722	27.2%
Air passenger duty	302,607	15.1%
<b>Total</b>	<b>37,227,154</b>	<b>7.2%</b>

\* From November 2008 Pre-Budget Report published by HM Treasury.

\*\* The split between SDLT and SDRT/ stamp duty is from the UK Statistics Authority ([www.statisticsauthority.gov.uk](http://www.statisticsauthority.gov.uk)).

\*\*\*Split of employers and employees NIC from OECD revenue statistics.

## Appendix III

### Membership of The Hundred Group

3i Group plc	GlaxoSmithKline plc	Resolution plc
Abbey National plc	Goldman Sachs	Rexam plc
Alliance & Leicester plc	Hammerson plc	Rio Tinto plc
Alliance Boots	Hays plc	Rolls-Royce Group plc
Anglo American plc	HBOS plc	Royal & Sun Alliance Insurance Group plc
Antofagasta plc	Home Retail Group plc	Royal Dutch Shell plc
ASDA Stores	HSBC Holdings plc	SABMiller plc
Associated British Foods plc	ICAP plc	Schroders plc
AstraZeneca plc	Imperial Tobacco Group plc	Scottish & Newcastle Ltd
Aviva plc	Intercontinental Hotels Group plc	Scottish & Southern Energy plc
BAE Systems	International Power plc	SEGRO plc
Barclays plc	ITV plc	Severn Trent plc
Barratt Developments plc	J Sainsbury plc	Shire Pharmaceuticals Group Ltd
BG Group	John Lewis plc	Smith & Nephew plc
BP plc	Johnson Matthey	Smiths Group plc
Bradford & Bingley plc	Kelda Group plc	Standard Chartered Bank
British Airways plc	Kingfisher plc	Standard Life
British American Tobacco plc	Ladbroke's plc	Stora Enso International Ltd
British Broadcasting Corporation	Land Securities Group plc	Tate & Lyle plc
British Energy	Legal and General Group plc	Taylor Wimpey plc
British Sky Broadcasting plc	Liberty International plc	Tesco plc
BT Group plc	Lloyd's	The British Land Company plc
Bunzl plc	Lloyds TSB Group plc	The Capita Group plc
Cable & Wireless plc	Logica plc	The Carphone Warehouse Group plc
Cadbury plc	London Stock Exchange	The Royal Bank of Scotland Group plc
Centrica plc	Lonmin plc	The Sage Group plc
Cobham plc	Man Group plc	Tomkins plc
Compass Group plc	Marks and Spencer Group plc	TUI Travel plc
Corus	Mitchells & Butlers plc	Unilever plc
Daily Mail and General Trust plc	National Grid plc	United Business Media plc
Diageo plc	Nationwide Building Society	United Utilities plc
DSG International plc	Next Group plc	VEGA Group plc
EMAP plc	Nordic Panorama plc (Maisha plc)	Vodafone Group plc
EMI Group plc	Northern Rock plc	Whitbread Group plc
Experian	Old Mutual plc	Wm Morrison Supermarkets plc
ExxonMobil International Limited	Pearson plc	Wolseley plc
First Group plc	Persimmon plc	WPP Group plc
Friends Provident plc	Prudential plc	Yell Group plc
G4S plc	Reckitt Benckiser plc	
GKN plc	Reed Elsevier plc	
	Rentokil Initial plc	

## Appendix IV

### PwC team contact details

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Susan Symons, is a senior client tax partner and leads the engagement with The Hundred Group having been instrumental in developing the PwC Total Tax Contribution Framework. Susan is one of PwC's most experienced partners and works with leading clients on global tax management and planning. Prior to joining PwC she spent 16 years with the Inland Revenue.



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Neville Howlett, is the external relations director for the tax practice. Before rejoining PwC in 2005 he worked within the oil and gas industry on tax and other Government-related issues for almost 16 years. Neville assists with the analysis of the TTC survey results, helping to define key messages, and ensuring effective communication with interested stakeholders, including Government.



**Janet Kerr**  
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Janet Kerr, a senior manager in the tax practice, is a primary point of contact in terms of the data collection and analysis. Janet has experience in both audit and tax and has a wealth of experience in conducting the Total Tax analysis and surveys, reviewing companies tax strategies, benchmarking their tax ratios and dealing with shareholder value analysis.



**Aristidis Asimakis**  
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Aristidis Asimakis is a senior associate in the Total Tax Contribution team with particular experience on research projects and indirect taxes. Aris has project managed the 2008 TTC survey for The Hundred Group and is involved in the feedback and discussions with participants about their own results. As well as The Hundred Group survey, Aris works on tax rate studies, benchmarking the tax ratios of large listed companies in the same industry sector.

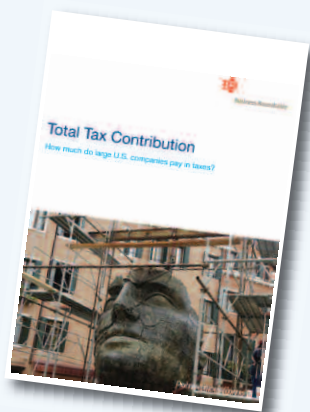
# Appendix V

## PwC Total Tax Contribution publications

**Total Tax Contribution Framework**  
What is your company's overall tax contribution?  
A PricewaterhouseCoopers discussion paper  
Published April 2005



**Total Tax Contribution**  
How much do large U.S. companies pay in taxes?  
Due to be released in February 2009



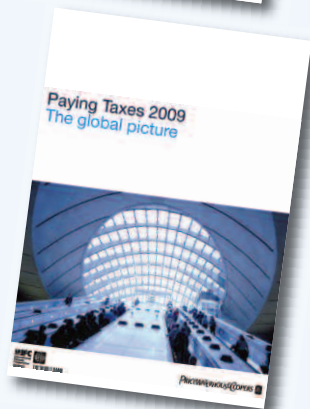
**Tax Transparency Framework**  
A review of the tax communications of the largest listed Companies in Belgium, the Netherlands and UK  
Published October 2008



**Total Tax Contribution**  
How much do large South African companies really pay?  
PricewaterhouseCoopers survey in South Africa  
Published October 2008



**Paying Taxes 2009**  
The global picture  
Published jointly with the World Bank November 2008



**Total Tax Contribution**  
PricewaterhouseCoopers survey for the Federation of Belgium Enterprises 2007 survey  
Published March 2008



**Total Tax Contribution**  
PricewaterhouseCoopers survey for the Canadian Council of CEOs  
Published May 2008



**What is your company's Total Tax Contribution?**  
2007 survey results  
PricewaterhouseCoopers survey in Australia  
Published March 2008





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