

Total Tax Contribution

PricewaterhouseCoopers LLP 2009 survey
for The Hundred Group



About The Hundred Group of Finance Directors

The Hundred Group is a non-political, not-for-profit organisation and its aim is to contribute positively to the development of UK and international policy and practice on matters that affect how businesses are run, for example taxation, financial reporting, corporate governance and capital market regulation. Recently The Hundred Group has been particularly focussed on UK taxation, its complexity and its impact on competitiveness. Its membership comprises the Finance Directors of the 100 largest public companies in the UK and is well placed to provide authoritative views on the opportunities and challenges faced by large UK businesses.

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for our clients and their stakeholders. More than 163,000 people in 151 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

“PricewaterhouseCoopers” refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, the PricewaterhouseCoopers global network or other member firms in the network, each of which is a separate and independent legal entity.

Foreword

It is important that the impact of tax on business is properly understood. The annual PricewaterhouseCoopers Total Tax Contribution surveys for The Hundred Group have helped to inform the dialogue on tax policy by providing information on all of the UK taxes that companies pay.

The 2009 survey looks at tax payments in members' accounting years ended in the year to 31 March 2009, so for many this means the calendar year to 31 December 2008. This was a particularly turbulent period for the UK economy. Northern Rock was taken into government hands in February 2008; and Lehman Brothers collapsed in September 2008, precipitating the financial crisis and a government rescue plan for the banks. By the end of 2008, there had been three quarters of negative growth and the country was officially in recession. Tax receipts fell in the fiscal year 2008/2009 from their peak a year before. This year, the survey has therefore been conducted against the backdrop of a global recession and all that that means in terms of falling tax revenues and difficult policy choices for government.

The survey results reflect the impact of these events on tax payments by The Hundred Group members. While profitability – and therefore corporation tax – fell for many members, payments of other taxes remained steady or actually increased. The impact of the downturn therefore is an increased tax cost for individual members. The average Total Tax Rate increased by 4 percentage points in 2009, to 42%. This is because payments of many taxes, such as business rates and NIC do not fall with declining profitability and thus have become relatively more expensive.

The results also highlight the heavy dependence for UK tax revenues on certain industry sectors. Banks and Oil & Gas companies represent only 15% of the number of survey participants, yet together they paid over half the total tax payments (51% of taxes borne, and 55% of taxes collected). As expected, corporation tax payments by the banks dropped dramatically as a result of the credit crunch, but payments by the Oil & Gas companies continued to rise. However, with future investment by Oil & Gas companies likely to focus outside the UK, aggregate Oil & Gas production and corporation tax may fall in future.

Now, more than ever, as we emerge from recession, it is crucial that the tax system in the UK is internationally competitive. Business investment, capital, innovation and skilled people will flow quickly to countries where tax systems are stable and competitive. These results have been discussed with government and other stakeholders prior to publication to provide valuable insights on the tax system in a constructive discussion on the necessary tax policies for the future.

We thank the member companies for their continued participation in the survey, and it is our intention to repeat it for a sixth time in 2010.



Ashley Almanza
Chairman, The Hundred Group



Susan Symons
Tax Partner, Total Tax Contribution

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1. Key results

As in previous years the survey has been well supported by members reflecting the keen interest from British companies in how government taxes business and in the competitiveness of the tax regime for business investment. A record 86 Hundred Group members took part, the highest number since the survey started five years ago. This represents over three quarters (77%) of the membership.

The results show total taxes borne and collected by the entire membership as £66.6bn, or 13.1% of total government tax receipts from all taxes. This compares to a very similar figure for the survey last year (£66.5bn or 12.9% of total government tax receipts). Despite the downturn therefore, The Hundred Group has maintained the size of its tax contribution, both in absolute terms and as a percentage of government receipts.

The importance of The Hundred Group to tax revenues and to the economy is clearly shown in the results. Participants employed 1.7 million workers in the UK or 5.8% of the total UK workforce and paid total employment taxes borne and collected of £17.2bn. On average for each employee The Hundred Group paid £17,721 to the public finances in employment taxes. This is the direct benefit to the Exchequer for each job maintained or created by large business.

As in previous years, the results highlight the heavy dependence for tax revenues on certain industry sectors. Oil & Gas companies were the biggest contributors to the survey results. For these companies, corporation tax payments rose by 81% over the previous year and all taxes borne by 67%. However, oil prices were at a high in 2008 and with a downward trend in production, tax payments can be expected to fall in future years.

Despite the impact of the financial crisis and a heavy drop in profitability, the Banks were still the second largest sector contributing to the results. For Banks corporation tax fell by 77%, but other taxes borne increased by 11%.

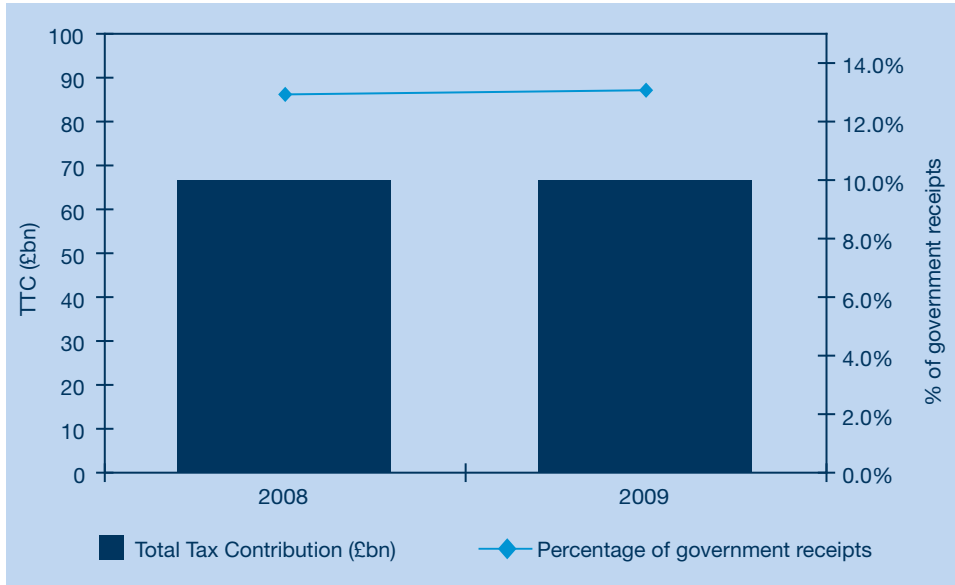
An impact of the downturn is an increased tax cost for The Hundred Group members. This is because, unlike corporation tax, payments of other taxes borne do not fall with declining profitability and therefore become relatively more expensive. The average Total Tax Rate rose from 38.2% in the 2008 survey to 41.6% in 2009. Another impact is that the percentage of value going to government as a stakeholder in these companies increased from 48.6% in 2008 to 56.6% in 2009.

The Total Tax Contribution Framework is a widely understood and accepted approach for measuring the impact of the tax system on business. Similar surveys in other countries enable us to compare the results internationally. The UK now has the highest average Total Tax Rate for countries where similar surveys have been carried out so far, apart from the US and Belgium.

Participants in the survey use their own TTC data in many different ways. The most popular use (48% of participants) is to highlight within the company the importance of other taxes as well as corporation tax; enabling the Board to consider the impact of UK taxes and the trend in the overall tax burden. Around a quarter use their TTC data in managing all their taxes, in discussions with HMRC about their tax affairs, and with government generally in relation to tax policy.

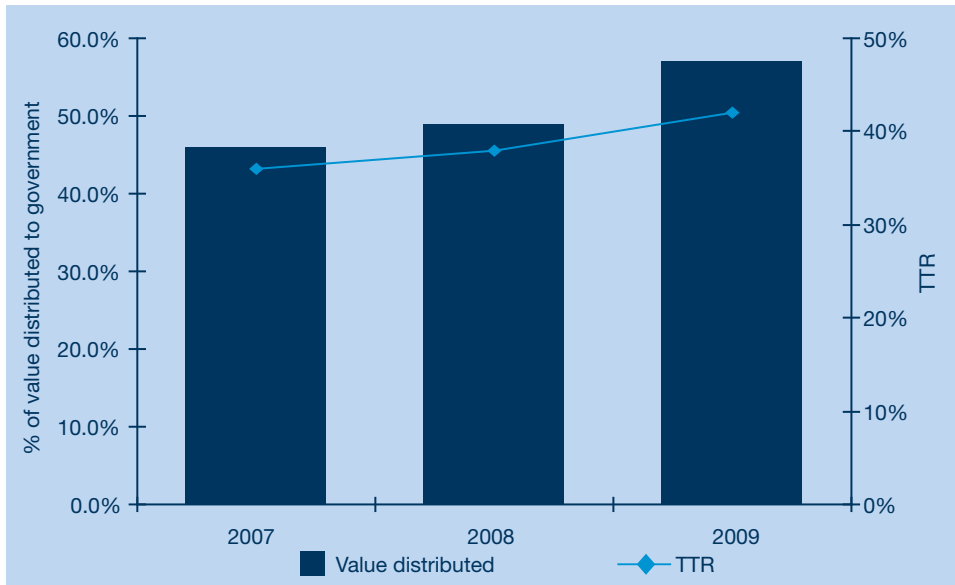
“The importance of The Hundred Group to tax revenues and to the economy is clearly shown in the results.”

Total Tax Contribution of The Hundred Group



The chart shows the size of the Total Tax Contribution of The Hundred Group both in absolute amount and as a proportion of government tax receipts.

The tax cost for The Hundred Group



The chart shows the mean average Total Tax Rates for participants in the 2007, 2008 and 2009 surveys and the percentage of value for participants overall distributed to government in taxes.

2. Purpose and outline of the survey

PricewaterhouseCoopers LLP (PwC) has carried out the fifth annual Total Tax Contribution (TTC) survey for The Hundred Group.

The purpose of these surveys is to provide information on how the UK tax system impacts on 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 published for a wider audience.

The number of The Hundred Group members taking part has increased every year since these surveys started in 2005, and 2009 was no exception. A record number of 86 Hundred Group members provided data in 2009. This represents 77% of the membership by number and 90% by size of market capitalisation. There is now an extensive bank of data from the five TTC surveys.

The 2009 survey collected data for The Hundred Group members' tax payments in their accounts year ended in the year to 31 March 2009. For the majority of participants (53%), this was their December 2008 year end. The survey covers a particularly turbulent period for the UK economy, with the financial crisis unwinding and the economy falling into recession.

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 that are a cost to the company) and taxes collected (where the company is the unpaid tax collector on behalf of a government). The surveys for The Hundred Group include both taxes borne and taxes collected.

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.

“A record number of 86 Hundred Group members provided data in 2009.”

Figure 1: 86 Hundred Group members provided data for the 2009 survey

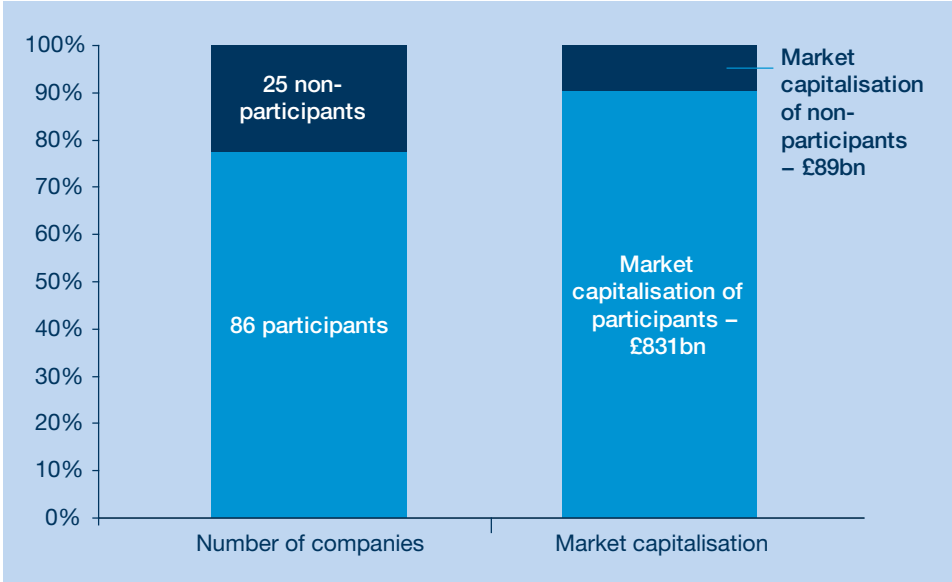
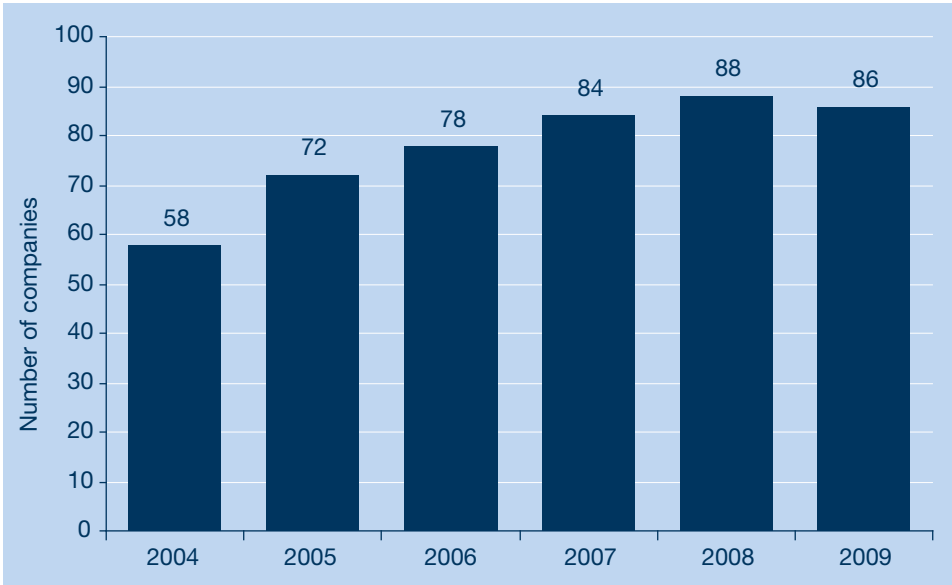


Figure 2: The number of companies providing data for the five TTC surveys



The first survey in 2005 also requested data for the previous year. Also, five companies in the 2009 survey provided data for 2008, to add to the data that was collected previously.

3. Total Tax Contribution of The Hundred Group

The Hundred Group members have a major economic impact in the UK. Collectively, participants reported turnover of £479bn; 1.7m employees; and a Total Tax Contribution of £59bn. This represents 11.6% of total government tax receipts for 2008/2009 from all taxes (including income tax, capital gains tax, inheritance tax and council tax).¹

Extrapolating these figures to the entire membership of The Hundred Group suggests a TTC of £66.6bn, or 13.1% of total government tax receipts.² This compares to a very similar figure of £66.5bn in the 2008 survey, which represented 12.9% of government tax receipts for 2007/2008.³ Despite the downturn, therefore, The Hundred Group has maintained the size of its tax contribution. Total government tax receipts fell 1.6% in 2008/09 over their peak a year before.

Corporation tax (CT) payments have fallen however, reflecting reduced profitability. Extrapolated CT payments for the entire Hundred Group membership are estimated as £10.3bn, compared to £11.0bn in 2008, a fall of 6.4%. Around a third of participants (34%) had a commercial loss (loss before tax) in the year. However, although the absolute amounts of corporation tax paid fell, this represents a very similar percentage of government CT receipts (23.5% in 2008/2009; 23.8% in 2007/2008). Total government CT receipts fell 6.8% between two years.

The survey also collected data on other aspects of the economic footprint of participants. Using these figures to look at how value generated by these companies was distributed suggests that 56.6% was paid to government in taxes borne and collected, with 32.3% going to employees as wages and salaries net of employee taxes and 11.1% in net interest on financing.

“Despite the downturn, therefore, The Hundred Group has maintained the size of its tax contribution.”

1 Government tax receipts from Pre-Budget Report December 2009.

2 Extrapolation has been carried out on a conservative basis using data on corporation tax from published accounts if available or data on revenues if not available and applying ratios from companies in the same industry sector.

3 See Total Tax Contribution PricewaterhouseCoopers LLP 2008 Total Tax Contribution survey for The Hundred Group <http://www.pwc.co.uk/ttc>

Figure 3: Total Tax Contribution for The Hundred Group – 2009

	Data from survey participants (£)	Extrapolated to Hundred Group members (£)	Percentage of government receipts
UK taxes borne			
Corporation tax	9,568,123,410	10,273,923,744	23.5%
Other taxes borne	12,170,969,618	13,939,219,275	
Taxes borne	21,739,093,028	24,213,143,019	4.8%
Taxes collected	37,253,213,612	42,401,868,974	8.4%
Total Tax Contribution	58,992,306,641	66,615,011,993	13.1%

Figure 4: Total Tax Contribution for The Hundred Group as a percentage of government tax receipts – 2009

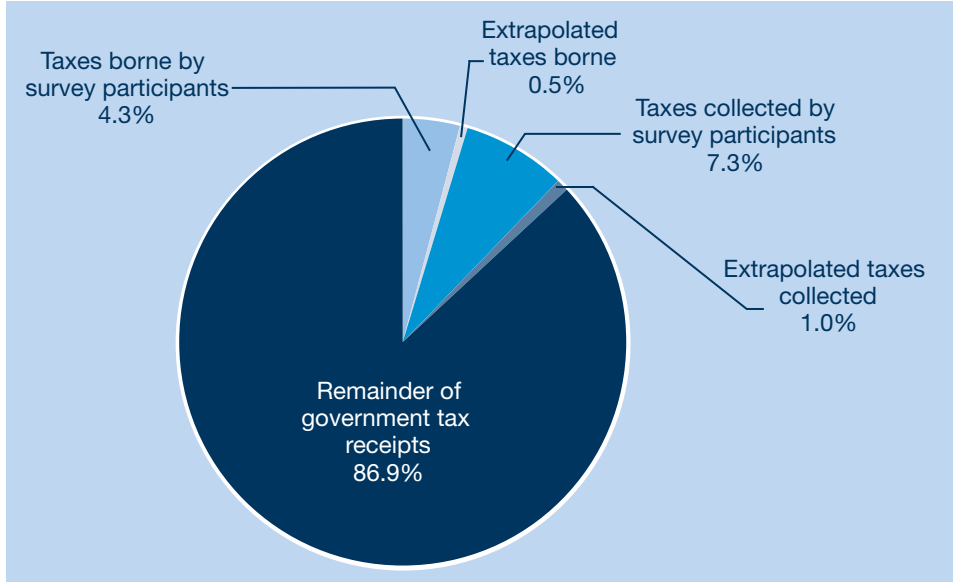
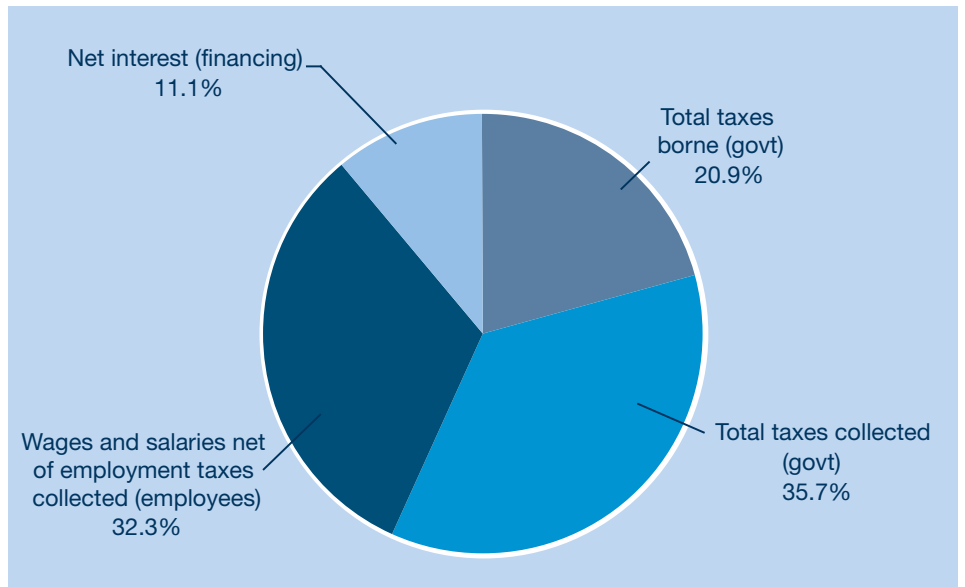


Figure 5: Taxes borne and collected as a percentage of value distributed – 2009



Taxes borne and collected as a percentage of value distributed is an approximation of how companies add value for government as a stakeholder.

4. Industry analysis

The Hundred Group is a cross-industry sector organisation and participants in the survey represent a wide range of businesses. However, as in previous years, the 2009 results highlight the heavy dependence for tax revenues on a small number of sectors. Four industries made a major contribution to the results. In 2009, Oil & Gas, Banks, Retailers and Insurance companies were together less than a third (31%) of the number of survey participants, but made around three quarters of the tax payments (77% of corporation tax, 73% of taxes borne, and 74% of taxes collected).

“Four industries made a major contribution to the results. In 2009, Oil & Gas, Banks, Retailers and Insurance companies were together less than a third (31%) of the number of survey participants, but made around three quarters of the tax payments (77% of corporation tax, 73% of taxes borne, and 74% of taxes collected).”

The Bank participants have been the largest contributors to corporation tax and to taxes borne in three of the four previous survey results (2005, 2006, and 2008). However, in 2009, corporation tax payments by the Banks dropped dramatically, as might be expected, driven by the credit crunch and falling profitability. As a result, the percentage of the survey total for corporation tax paid by the Banks fell from 33% in 2008 to 13% in 2009; and all taxes borne from 31% to 21%.

The Oil & Gas companies were the largest contributors to corporation tax and to total taxes borne in 2009, driven by high oil prices and increased profitability. The percentage of corporation tax (including the supplementary charge) paid by the Oil & Gas companies increased from 27% in 2008 to 48% in 2009; and total taxes borne from 19% to 30%. Oil & Gas companies were also the largest contributors in the 2007 survey, partly due to the effect in that year of the change in their payment on account rules.

2008 looks to have been a peak year for oil prices, with a considerably lower average price recorded in 2009. With lower oil prices and a downward trend in production, corporation tax payments by the Oil & Gas companies, and also petroleum revenue tax, can be expected to fall in future surveys.

The results for taxes collected have remained more stable over the five years of the surveys. The Oil & Gas companies have been the largest contributors to taxes collected in each of the five years, followed by the Banks. In both the 2008 and 2009 surveys, the Oil & Gas companies paid 39% of all taxes collected; and the Banks paid 16%.

Figure 6: Participants in the survey by industry sector by percentage

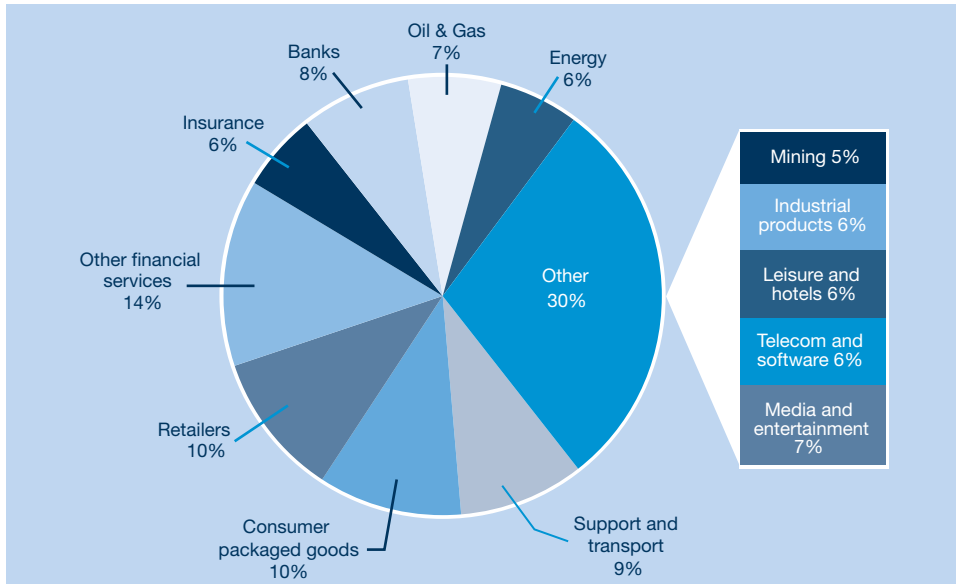


Figure 7: Four sectors made a major contribution to the results

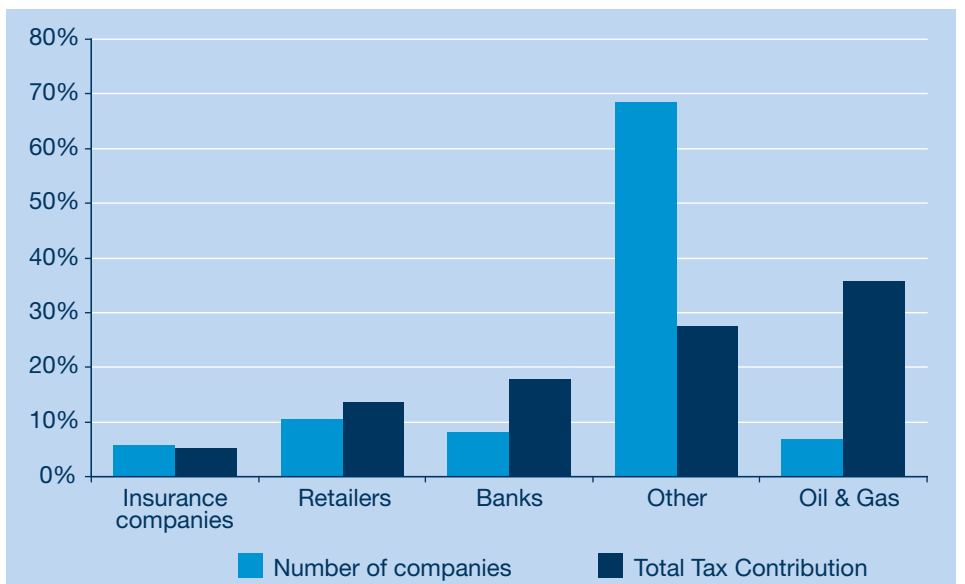
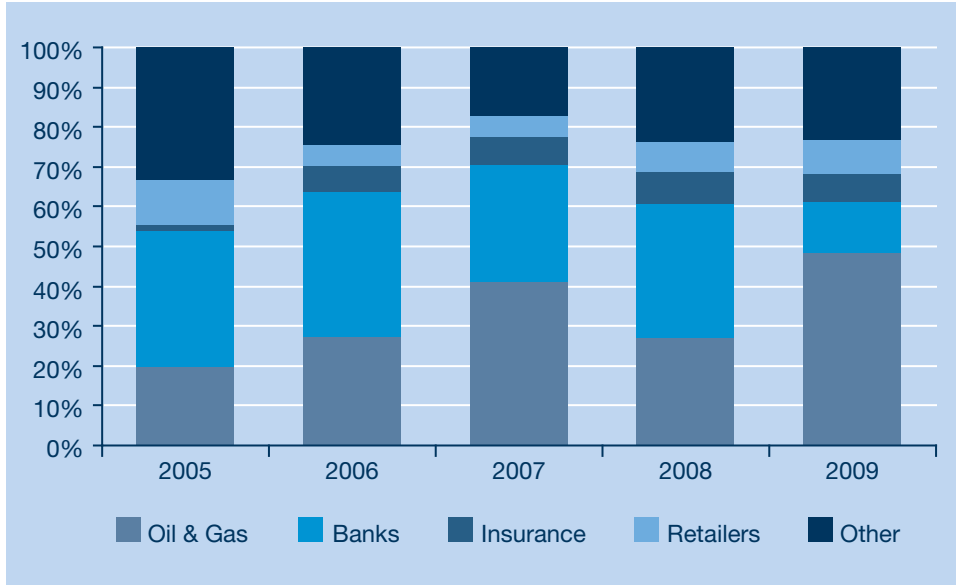


Figure 8: Contribution to survey results 2005 to 2009 by sector – corporation tax



The result shows the contribution by amount to the survey results each year. It is important to note that there are different numbers of participants in each sector and that the number of participants in a sector may also vary year by year.

Figure 9: Contribution to survey results 2005 to 2009 by sector – total taxes borne

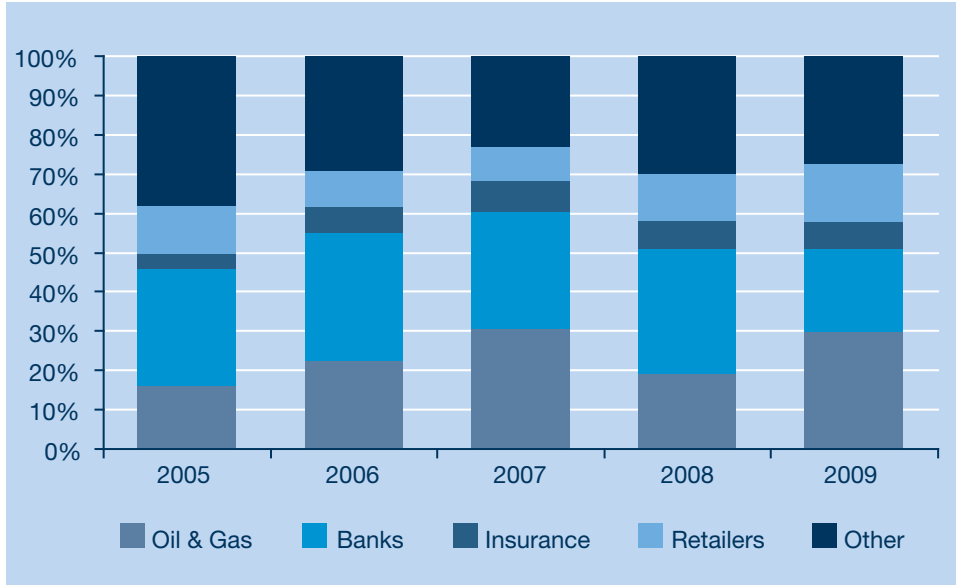


Figure 10: Contribution to survey results 2005 to 2009 by sector – taxes collected

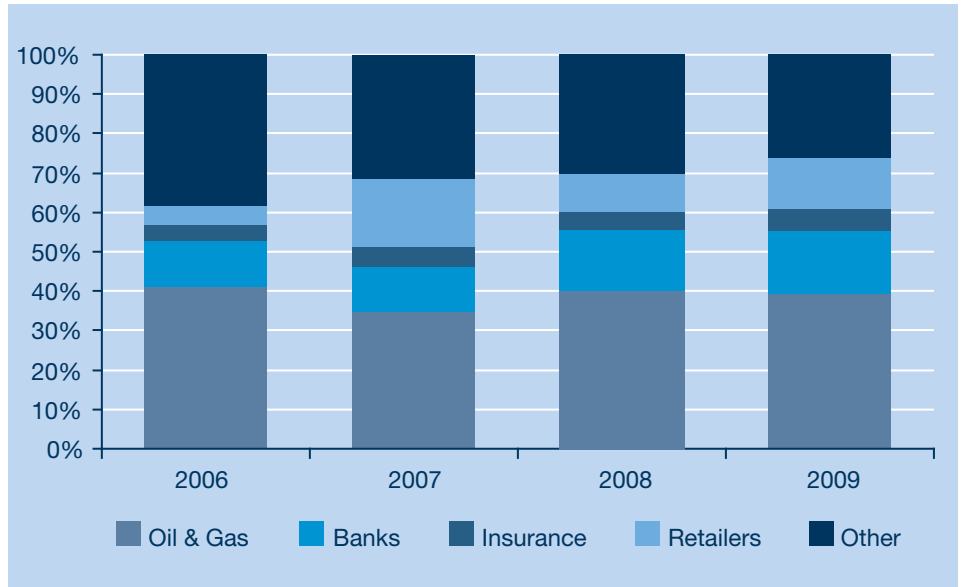
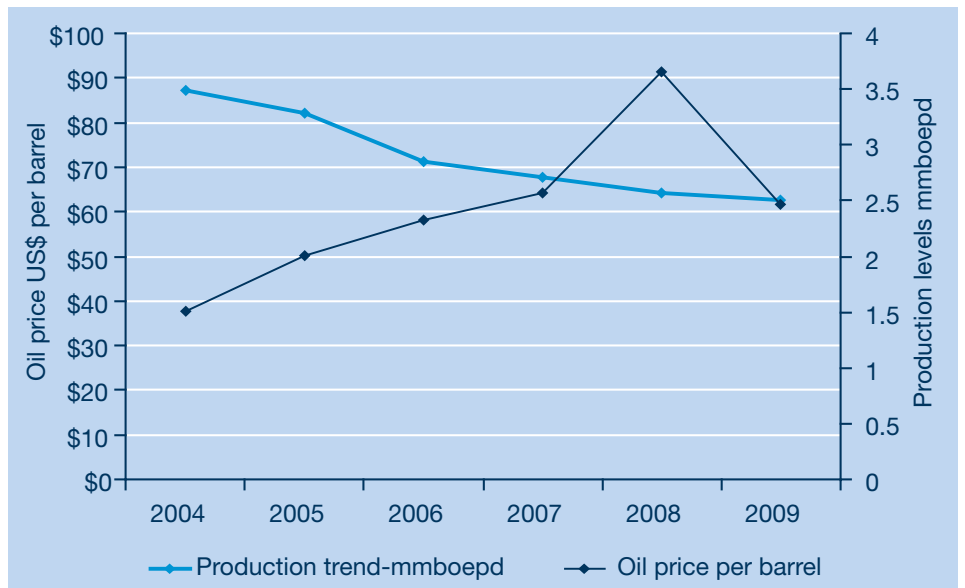


Figure 11: Annual average oil prices and production levels



The chart shows average US\$ per barrel and North Sea production levels in Millions of Barrels of Oil Equivalent Per Day (mmboepd).

Sources: http://www.inflationdata.com/inflation/Inflation_Rate/Historical_Oil_Prices_Table.asp and *Oil & Gas UK 2009 Economic Report*

5. Corporation tax

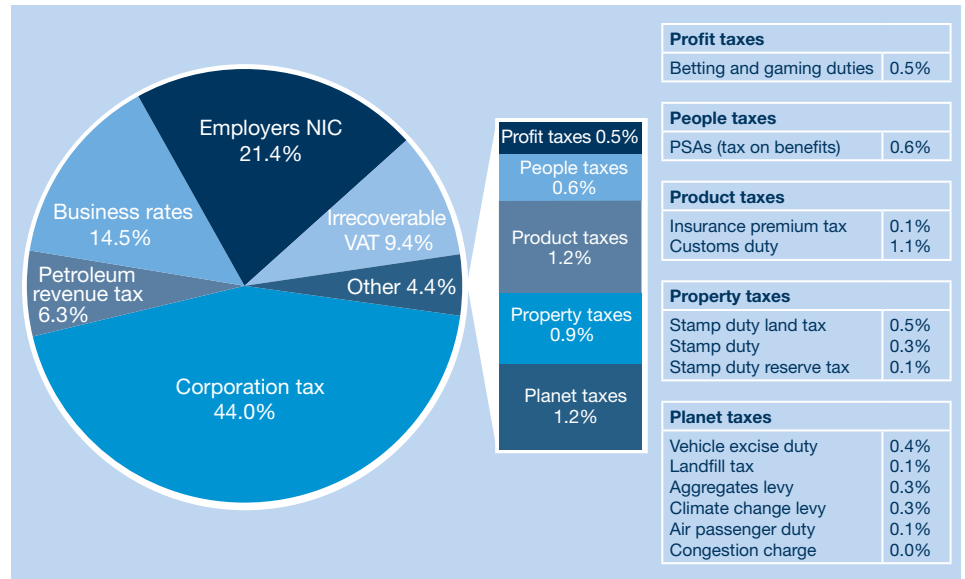
The PwC TTC Framework highlights that corporation tax is one of many different taxes that are paid by companies. The UK has 22 different taxes that are paid by companies, and on average participants in the 2009 survey paid 8.7 other taxes borne in addition to corporation tax, and collected 4.3 more.⁴

“... in 2009, corporation tax was a lower percentage of taxes borne than in any previous survey.”

Corporation tax is the largest tax borne by survey participants. However, in 2009, corporation tax was a lower percentage of taxes borne than in any previous survey. Corporation tax was 44% of taxes borne in 2009 compared to 46.8% in 2008, and to 55.9% in 2007. In 2009, for every £1 of corporation tax borne, survey participants paid £1.27 in other taxes borne, and £3.89 in taxes collected.

Corporation tax payments are liable to be volatile over time as the tax base is heavily influenced by the economic cycle and increasing or decreasing profitability. As might be expected, UK profits fell heavily for survey participants in 2009 compared to 2008, for all sectors apart from Oil & Gas. Around a third of participants had a commercial loss and did not pay any corporation tax in the period, compared to 21% in both 2007 and 2008. The total corporation tax paid by survey participants of £9.6bn is net of total refunds received of £0.8bn.

Figure 12: Taxes borne 2009 – by percentage



⁴ See Appendix 1 for a full list of the UK taxes paid by companies.

6. Employment taxes

The Hundred Group are large UK employers, with the 2009 survey participants employing 1.7 million employees in the UK, or 5.8% of the total UK workforce.⁵

The Hundred Group participants paid a total of £17.2bn in employment taxes borne and collected in 2009. Employment taxes borne are employers' national insurance contributions (NIC) and agreements for the employer to meet tax due on certain employee benefits. Employment taxes collected are employees' NIC and income tax deducted under PAYE. In a recession, maintaining employment levels is a key economic and social aim. For The Hundred Group, employee levels fell only slightly between 2008 and 2009 (1%) and total employment taxes were flat (+0.2%).

On average, for each of their employees, The Hundred Group companies paid £17,721 to the public finances in 2009 in employment taxes alone. This is the direct benefit to the Exchequer for each job maintained or created by these large businesses. To put these figures into context, the average wage per employee for The Hundred Group was £45,706, compared to a UK national average wage of £25,800.⁶ This suggests that The Hundred Group members tend to employ more skilled, higher paid workers.

At 21.4% of taxes borne, employers' NIC is the second highest cost for survey participants (following corporation tax at 44.0%). At 33.4% (income tax under PAYE 26.5%, employees' NIC 6.9%), employment taxes are the largest taxes collected.

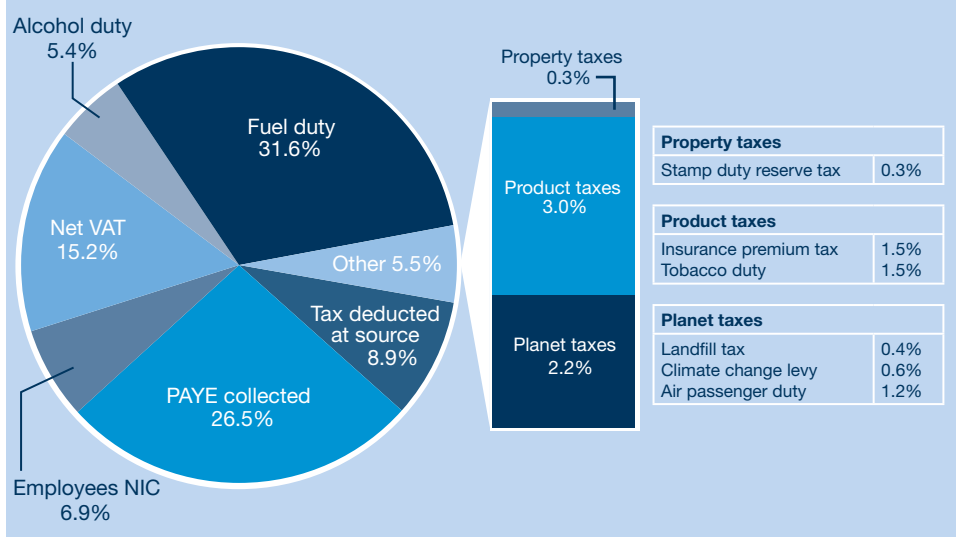
Figure 13: Employment taxes borne and collected 2009

	£000
Employment taxes borne	
Employers NIC	4,644,409
PSAs (tax on benefits)	133,628
Total	4,778,037
Employment taxes collected	
Employees NIC	2,564,172
Income tax under PAYE	9,854,903
Total	12,419,076
Total employment taxes borne and collected	17,197,113

⁵ Office of National Statistics – size of the workforce 28.87m.

⁶ Office of National Statistics – 2009 Annual Survey of Hours and Earnings Median Weekly Pay for Full-time Employees in the UK.

Figure 14: Taxes collected 2009 – by percentage



“The Hundred Group participants paid a total of £17.2bn in employment taxes borne and collected in 2009.”

7. Trends in tax payments

Taxes borne rose 2.2% between 2008 and 2009. This compares to a fall of 12.4% between 2007 and 2008 and increases in all previous years (5.8% between 2004 and 2005; 15.6% between 2005 and 2006; and 10.8% between 2006 and 2007).

However, further analysis of the 2008/2009 trend shows a very different picture by industry sector. Taxes borne increased by 67.4% for the Oil & Gas participants in the survey; fell by 33.4% for the Banks; and fell by 13.5% for all other sectors.

Corporation tax had the largest influence on these trends. UK profit before tax grew by 57% for the Oil & Gas companies, corporation tax (including the supplementary charge) by 81%, and petroleum revenue tax by 69%. As mentioned previously, with high oil prices in 2008, these figures can be expected to decline in future years. For the Banks, UK profit before tax fell by 136% into a loss position, and corporation tax fell by 77%. The impact of the large losses from the financial crisis may mean that it is some time before corporation tax payments recover. Other taxes borne by the Banks, however, increased between 2008 and 2009 – employers' NIC by 14%, and irrecoverable VAT by 13%.

Overall, the trend in corporation tax was a 3.5% fall between 2008 and 2009. This compares to a fall of 24.2% between 2007 and 2008; and increases in all previous years (5.4% between 2004 and 2005; 22.7% between 2005 and 2006; and 18.2% 2006 and 2007). Total government receipts for corporation tax fell 6.8% between 2008 and 2009.

The statutory rate of corporation tax was reduced from 30% to 28% from 1 April 2008, for all sectors apart from North Sea Oil & Gas. However, the reduction was balanced by restrictions in capital allowances so that the overall effect was intended to be tax neutral. The fall in corporation tax for The Hundred Group members is driven by falling profits, rather than the rate change.

The trend in taxes collected was flat between 2008 and 2009, increasing just 1%. This compares to an increase of 4.3% between 2007 and 2008; and to a fall of 2.5% between 2006 and 2007. No data was requested for taxes collected for 2004 or 2005.

“Taxes borne rose 2.2% between 2008 and 2009.”

Figure 15: Trends in taxes borne 2004 to 2009

Taxes borne rose by 2.2% between 2008 and 2009 for companies which participated in both years' surveys.

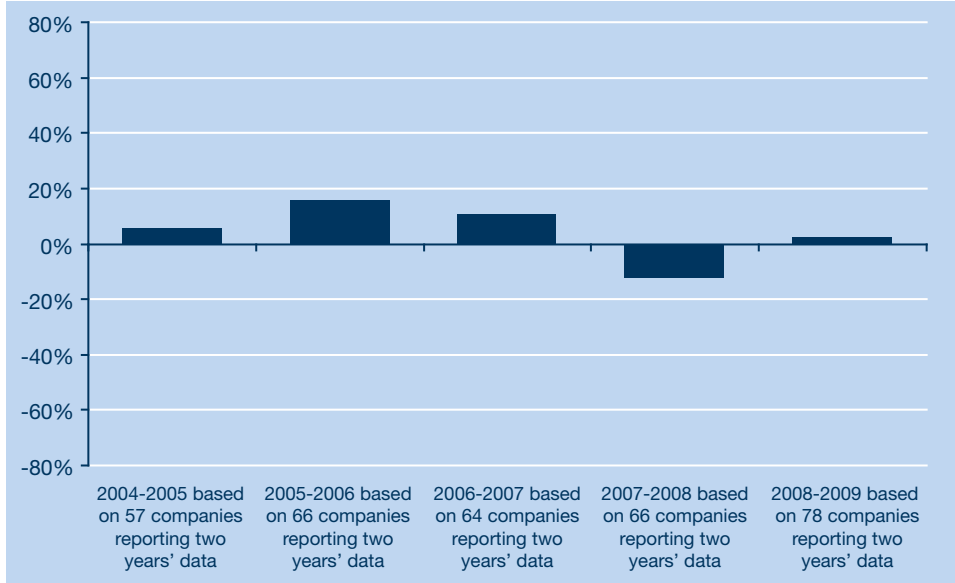


Figure 16: Trends in taxes borne 2008/2009 – by sector

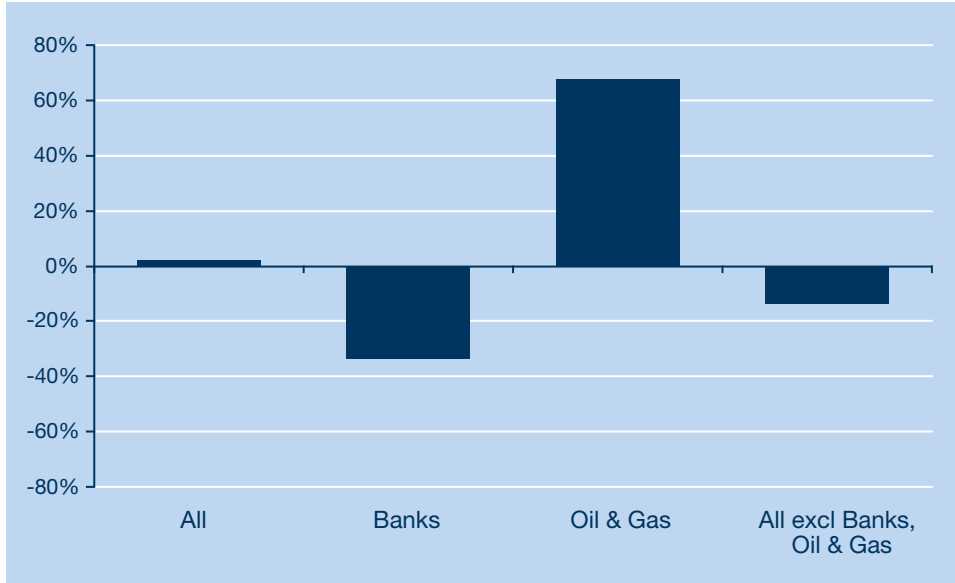


Figure 17: Trends in corporation tax 2008/2009 – by sector

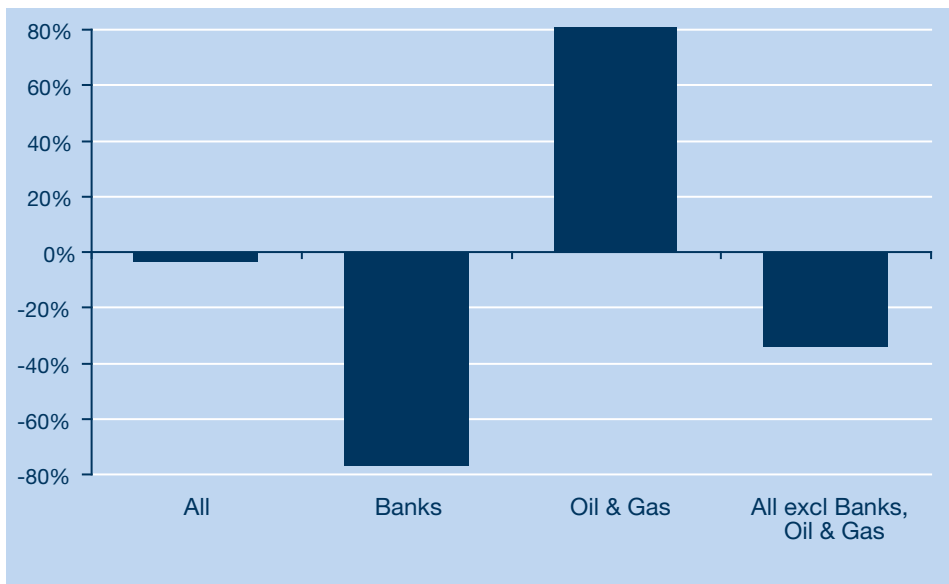
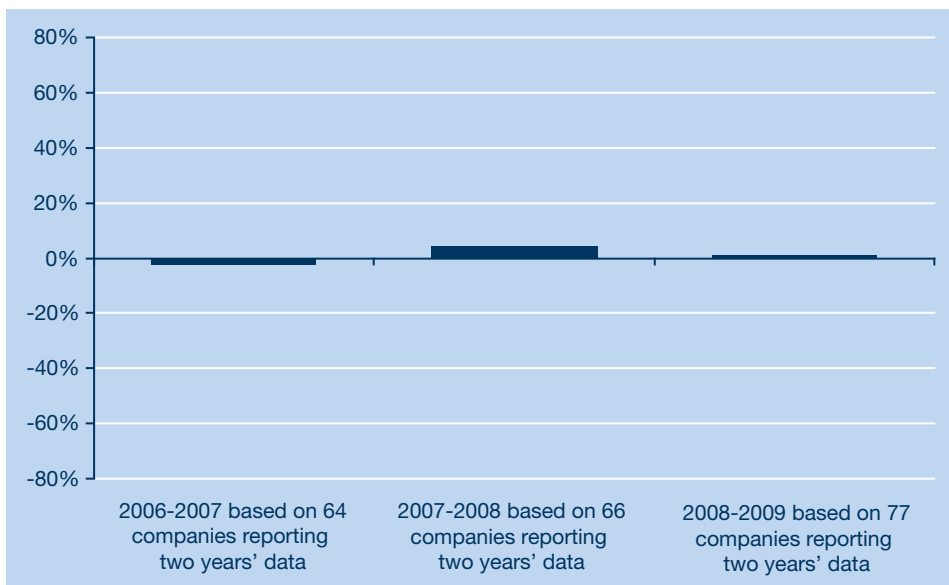


Figure 18: Trends in taxes collected 2006 to 2009

Taxes collected rose by 1.0% between 2008 and 2009.



8. The Total Tax Rate

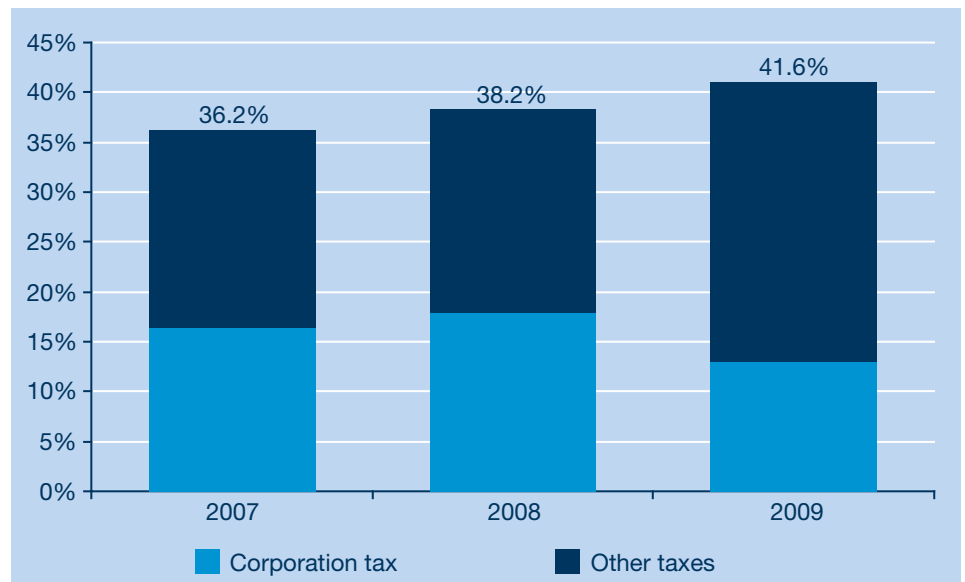
The PwC TTC Framework uses the Total Tax Rate (TTR) as an indicator of the cost of all taxes borne. The calculation is total taxes borne (corporation tax plus other taxes borne) as a percentage of profit before total taxes borne. Taxes borne (for example, business rates and employees' NIC) deductible in computing the profit before corporation tax are added back to arrive at a profit before total taxes borne.

“As profits have fallen in the last two surveys, Total Tax Rates have increased.”

The average TTR for The Hundred Group members in 2009 was 146.4%. The range of results was from 0.2% to 3861.6%. Six of The Hundred Group members participating had a TTR above 100% – that is, their total taxes borne were larger than their profit before all these taxes. Excluding these very high results gives an average TTR of 41.6%.

As profits have fallen in the last two surveys, TTRs have increased. This is because, unlike corporation tax, payments of other taxes borne do not fall with declining profitability and thus become relatively more expensive. For Hundred Group members, profits fell between 2007 and 2008; and by even more between 2008 and 2009. At the same time, the average TTR increased from 36.2% in 2007 to 38.2% in 2008, and to 41.6% in 2009. An impact of the downturn is therefore an increased tax cost for The Hundred Group members.

Figure 19: Total Tax Rates for survey participants – 2009, 2008, 2007



9. International comparisons

The PwC TTC Framework is used internationally and surveys with leading business organisations have 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, India, The Netherlands, South Africa, Switzerland and the US.⁷ It should be noted however that the periods covered can vary by country.

The UK has quite a centralised tax system. Of the 22 UK taxes borne and collected by companies, all are levied by central UK government and administered by HM Revenue & Customs, apart from business rates (local government) and vehicle excise duty (administered by the Vehicle Licensing Office). In countries where taxes are also levied at the state and local levels, the number of taxes can be more numerous. In Switzerland there are 49 different taxes paid by companies; in Belgium 78; and in the US they are too numerous to count. The US has 30 different federal taxes and over 1,100 state taxes. In addition, there are more than 89,000 local municipalities and other entities with the right to levy taxes.

Less centralised tax systems can result in a higher number of taxes for companies to administer. Participants in the Belgian survey paid an average of 10.1 taxes borne and 5.5 collected; compared to 9.7 borne and 4.3 collected in the UK. These figures were considerably higher in the US and Swiss results; 16.3 taxes borne and 9.6 collected in the US, and 18.0 borne and 10.0 collected in Switzerland.

The cost of all taxes borne in the UK ranks high in this peer group of countries. The UK has the highest average TTR apart from the US and Belgium. The US has a higher percentage attributable to corporate income tax: the statutory rate in the US is 35% compared to 28% in the UK (reduced from 30% on 1 April 2008). However, in the US, state corporate income tax needs to be added to this and varies from state to state. In Belgium, higher employer social contributions increase the rate.

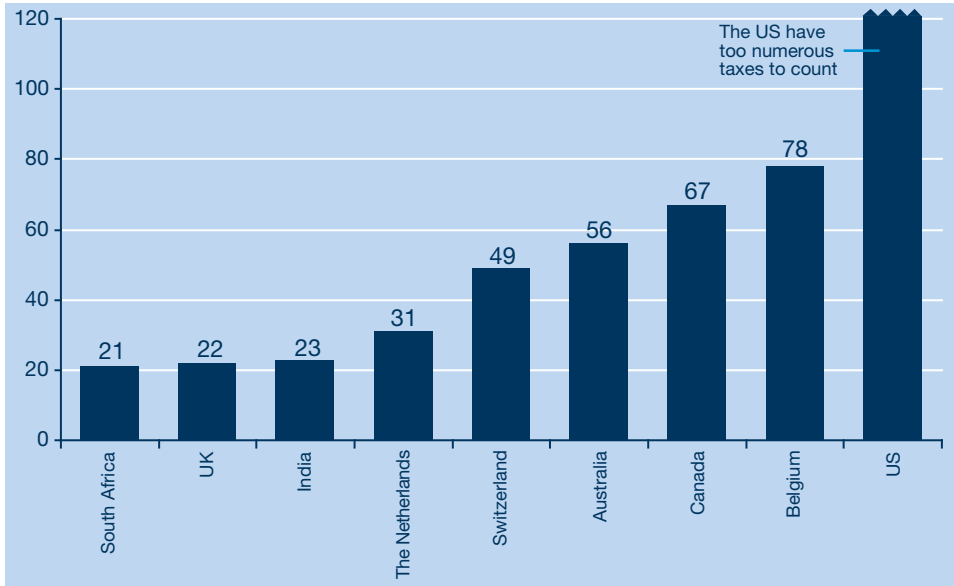
The TTC Framework also measures the cost of tax compliance for business across all the different taxes borne and collected. The cost of compliance has also been measured in four countries so far in addition to the UK – Australia, South Africa, Switzerland and the US.

In the UK the cost of tax compliance is equivalent on average to an extra 1.6% on the total bill for all taxes borne. It compares to 1.3% in Switzerland, 1.7% in the US and 2.9% in Australia. It should be emphasised that the cost is measured here in relation to the size of tax payments. The level of resource needed on average in the US is much larger than the UK (44 full-time equivalent staff compared to 13), but the average size of taxes borne for large US companies operating across the US is much bigger. The resource required in Australia (seven full-time staff on average) is lower than in the UK, but tax payments are also smaller.

“In the UK the cost of tax compliance is equivalent on average to an extra 1.6% on the total bill for all taxes borne.”

In the UK, the cost of compliance for corporation tax for The Hundred Group members represents on average 1.7% of their corporation tax bill. This is a higher percentage than had previously been thought for large companies. Comparable figures are available for two other countries – Australia and South Africa – and the results show consistency (1.6% in Australia and 1.7% in South Africa).

Figure 20: Comparison of the number of taxes paid by companies in each country



The chart shows the number of different taxes either borne or collected by companies in each country.

Figure 21: Comparison of the average number of taxes borne and collected by companies in each country

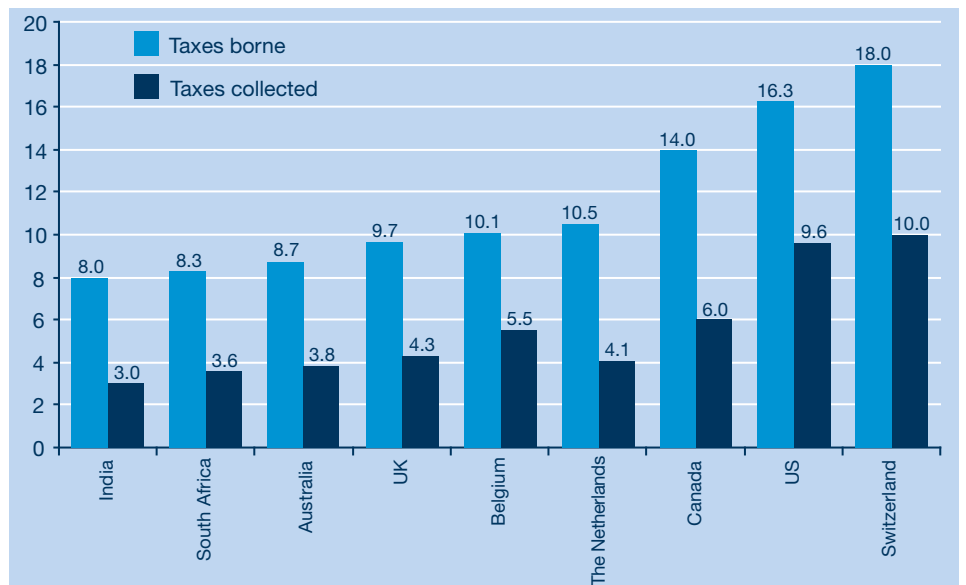


Chart shows the average number of taxes borne and collected by companies in each country.

Figure 22: Comparison of the average Total Tax Rate

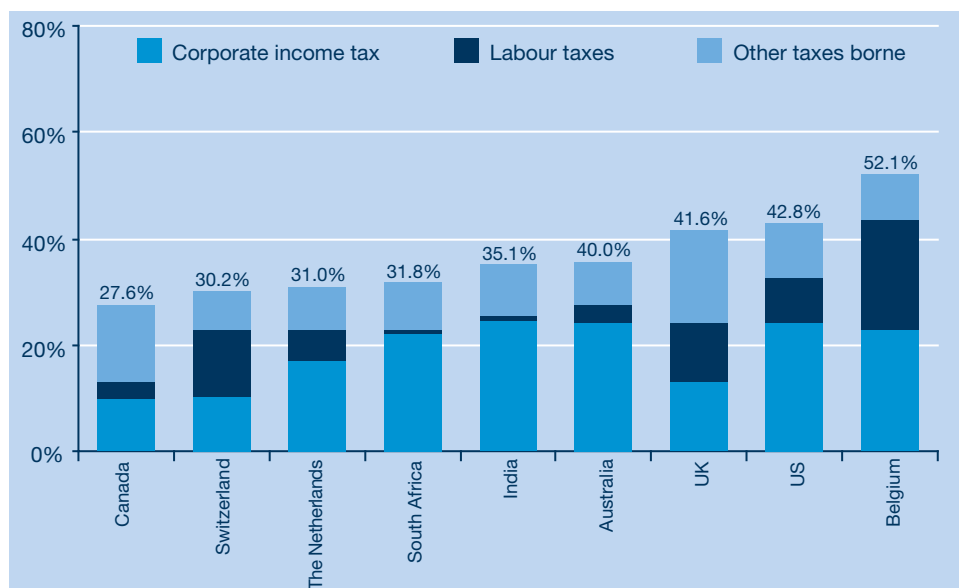
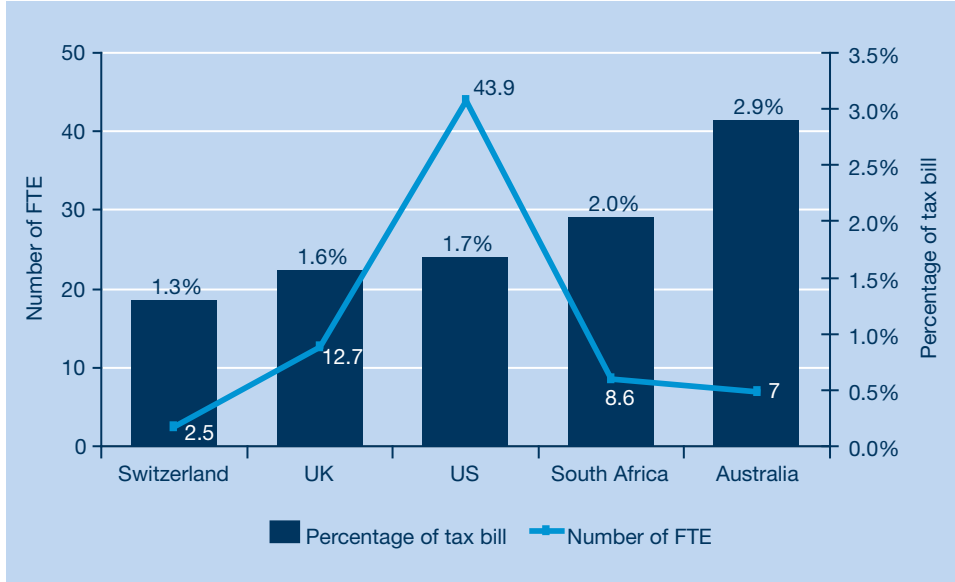


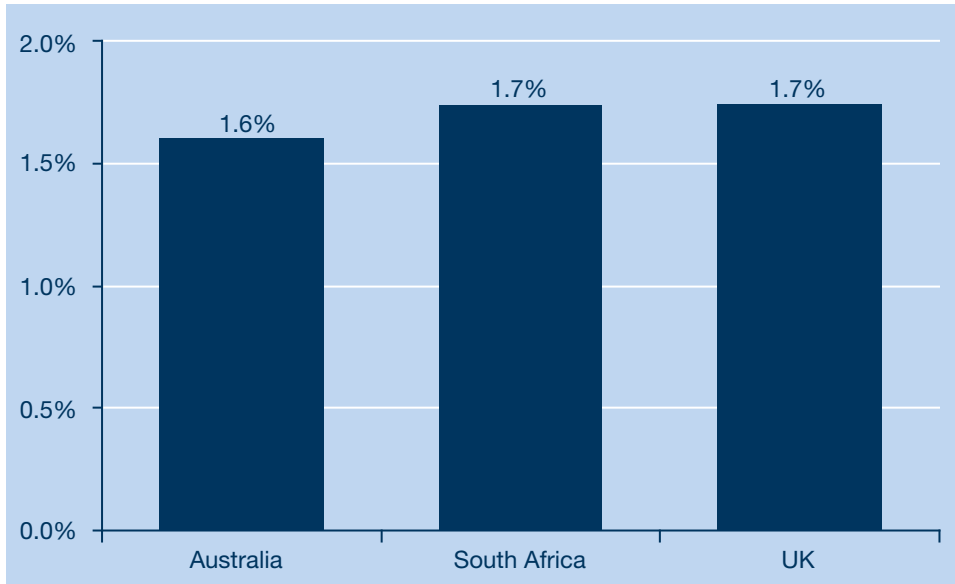
Chart shows the mean average TTR in each country split by corporate income tax, labour taxes and other taxes borne.

Figure 23: Comparison of the average cost of tax compliance



The chart shows the survey results for the mean average; 1 – number of full-time equivalent (FTE) staff on tax compliance; and 2 – cost of tax compliance as a percentage of total taxes borne for participants in the UK, US, South Africa, Switzerland and Australia. No data is available at present for other countries.

Figure 24: Comparison of the average corporate income tax compliance cost as a percentage of the corporate income tax borne



10. How companies are using their Total Tax Contribution data

After five years of these surveys, the PwC TTC Framework is now a well understood and accepted approach to measuring the impact of the tax system on business. The Hundred Group members who participate in the surveys receive an individual report on their own TTC; and they use this information about their own tax affairs in many different ways.

In the 2009 survey, we asked participants to indicate how they use their own TTC data and over three quarters (77%) provided this information. Of these, 83% told us they do use their own TTC data, often in multiple ways. 17% indicated that they do not use their individual TTC data.

The most popular use of the data is to highlight within the company the importance of other taxes as well as corporation tax. Nearly half of those responding (48%) said they use their TTC data in this way. 41% of respondents share their TTC report with others in the company, such as their corporate responsibility, corporate reporting or external relations colleagues; and 39% use it to brief their Board on UK taxes.

Around a quarter of the companies (24%) also use their TTC data in managing their taxes – in their tax strategy and planning, or tax risk management. 21% use it in the management of the tax function; 20% to benchmark against industry peers; and 18% in identifying tax efficiencies.

Participants also use their TTC report to share data with stakeholders external to the company. Over a quarter (27%) are using it in discussion with HMRC and their customer relationship manager about their tax affairs; or to lobby government for tax changes (26%). 11% are using it in commercial discussions with government (for regulated industries or where government is a customer). 11% use their TTC data in media releases or other communications to show their positive economic contribution; 9% in their external relations generally; and 9% include it in their corporate reporting (in either their financial statements or corporate responsibility report).

In addition to these main uses, smaller numbers of participants told us they use their data in other ways. These include in analyst briefings (5%) and in preparing for the new Senior Accounting Officer sign-off requirements (3%).

“The most popular use of the data is to highlight within the company the importance of other taxes as well as corporation tax.”

Figure 25: How companies are using their TTC data

To highlight internally the importance of other taxes, as well as corporation tax.	48%
To share with others in the company, such as our corporate responsibility, corporate reporting or external relations colleagues.	41%
To brief the Board on UK taxes.	39%
In our discussions with HMRC/our client relationship manager about our tax affairs.	27%
To lobby for tax changes, either on our own or as part of a trade association/business group.	26%
In commercial discussions with government (for regulated industries or where government is a customer).	11%
In tax strategy and planning, or in tax risk management.	24%
In the management of our tax function.	21%
Benchmarking against our industry peers.	20%
In identifying areas/taxes for efficiency/cash savings.	18%
In media releases or other communications with stakeholders to show our positive economic contribution.	11%
Included in our corporate reporting (either financial statements or corporate responsibility/sustainability report).	9%
In our PR/external relations generally.	9%

Table shows percentage of respondents.

11. Who has primary responsibility for each tax?

Previous surveys have collected data from participants on their cost of complying with the UK tax system. In last year's publication, we reported that on average these companies need the equivalent of 12.7 full-time employees to work on UK tax compliance. 58% of these are within the in-house specialist tax department and 42% are in the 'shadow tax department' – those outside the tax department (e.g. finance or payroll) who play a role in tax compliance.

In the 2009 survey, we asked the question "who has primary responsibility for each tax that you pay?". Participants were asked whether this responsibility lay with (1) the in-house central tax department (2) the shadow tax department or (3) external advisers providing compliance services. 78 of the 86 participants provided this information. The results show that while the central tax department plays the key role in some taxes, the shadow tax department is more often responsible for many others. External service providers play a role in some taxes. More worryingly perhaps, is that for some taxes a percentage of participants were not able to say who has the primary responsibility and left this part of the questionnaire blank.

Employment taxes (borne and collected) are the largest taxes paid by this group of participants in the survey. For 15% of participants these taxes are the responsibility of the central tax department, for 67% the shadow tax department, and for 6% external advisers. Excise duties are the next largest, with the central tax department having primary responsibility for 40% of participants and the shadow tax department for 47%. Central tax departments play the key role in the next two largest taxes – VAT 74% and corporation tax 100%. The next two largest taxes are tax deducted at source and business rates, which have higher percentages of participants leaving this part of the questionnaire blank. For tax deducted at source, the central tax department has primary responsibility for 51% of participants, the shadow tax department for 20%, and 29% did not give a response. For business rates the figures were, central tax department 7%, shadow tax department 66%, external service providers 3%, and no data provided 24%.

Figure 26: Who has primary responsibility for each tax?

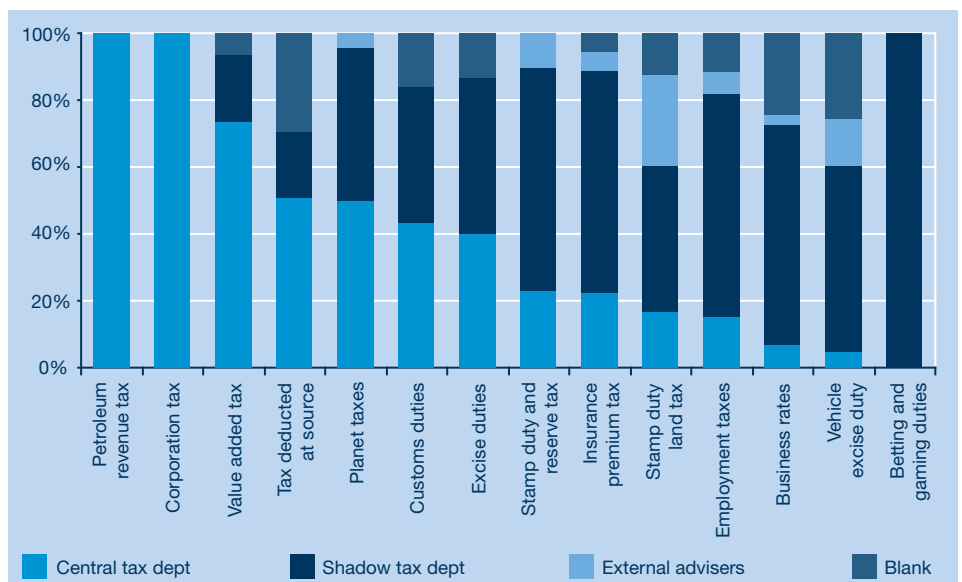
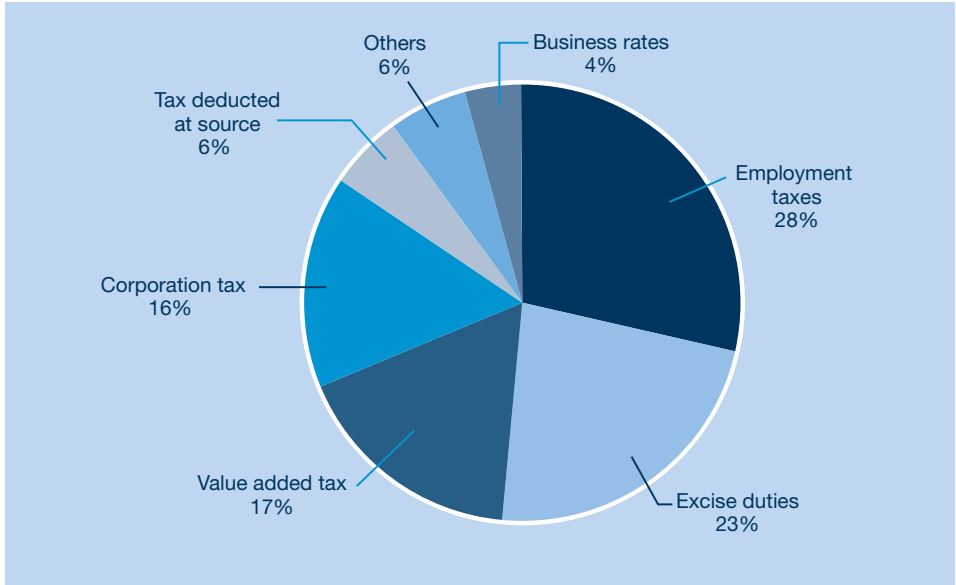


Figure 27: Total Tax Contribution for participants providing data on primary responsibility for each tax – by percentage



“The results show that while the central tax department plays the key role in some taxes, the shadow tax department is more often responsible for many others.”

Appendix I

List of UK taxes borne and collected by companies

UK taxes	Tax borne	Tax collected
Taxes on profits (profit taxes)		
Corporation tax	✓	
Tax deducted at source		✓
Petroleum revenue tax	✓	
Betting and gaming duty	✓	
Taxes on property (property taxes)		
Business rates	✓	
Stamp duty land tax	✓	
Stamp duty	✓	
Stamp duty reserve tax	✓	✓
Taxes on employment (people taxes)		
Income tax under PAYE		✓
PSAs (tax on benefits)	✓	
Employees national insurance contributions		✓
Employers national insurance contributions	✓	
Taxes on consumption (product taxes)		
Net VAT		✓
Irrecoverable VAT	✓	
Customs duties	✓	
Fuel duty		✓
Alcohol duty		✓
Tobacco duty		✓
Insurance premium tax	✓	✓
Environmental taxes (planet taxes)		
Vehicle excise duty	✓	
Landfill tax	✓	✓
Air passenger duty	✓	✓
Congestion charge	✓	
Climate change levy	✓	✓
Aggregates levy	✓	

Appendix II

Taxes borne and collected reported by The Hundred Group participants in the 2009 survey

Taxes borne	2009	% of tax receipts*
Taxes on profits (profit taxes)		
Corporation tax	9,568,123,410	22.2%
Petroleum revenue tax	1,377,025,669	53.0%
Betting and gaming duty	99,964,948	6.7%
Taxes on property (property taxes)		
Business rates	3,147,737,136	13.7%
Stamp duty land tax**	114,744,789	2.0%
Stamp duty	63,590,626	3.9%
Stamp duty reserve tax**	25,516,032	
Taxes on employment (people taxes)		
PSAs (tax on benefits)	133,628,004	0.1%
Employers NIC***	4,644,409,191	10.7%
Taxes on consumption (product taxes)		
Irrecoverable VAT	2,052,097,812	2.6%
Insurance premium tax	30,843,239	1.3%
Customs duties	237,381,586	8.8%
Environmental taxes (planet taxes)		
Vehicle excise duty	79,073,180	1.4%
Landfill tax	17,086,589	1.7%
Aggregates levy	63,523,041	21.2%
Climate change levy	55,989,135	8.0%
Air passenger duty	27,244,611	1.4%
Congestion charge	1,114,031	-
Total	21,739,093,028	4.3%

* From Pre-Budget Report December 2009 published by HM Treasury.

** The split between SDLT and SDRT/stamp duty is from the UK Statistics Authority.

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

Taxes collected	2009	% of tax receipts
Taxes on profits (profit taxes)		
Tax deducted at source	3,322,241,912	7.7%
Taxes on property (property taxes)		
Stamp duty reserve tax	110,798,458	4.9%
Taxes on employment (people taxes)		
PAYE	9,854,903,250	6.7%
Employees NIC	2,564,172,383	4.8%
Taxes on consumption (product taxes)		
Net VAT	5,668,391,740	7.2%
Insurance premium tax	567,507,312	24.7%
Fuel duty	11,764,801,315	47.8%
Tobacco duty	550,000,000	6.7%
Alcohol duty	2,021,257,480	23.8%
Environmental taxes (planet taxes)		
Landfill tax	135,775,079	13.6%
Climate Change Levy	227,598,139	32.5%
Air passenger duty	465,766,545	24.5%
Total	37,253,213,612	7.3%

Appendix III

Membership of The Hundred Group

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

Appendix IV

PwC team contact details



Susan Symons

+44 (0) 20 7804 6744
susan.symons@uk.pwc.com

Susan Symons is a senior tax partner based in London with 39 years experience. Prior to joining Price Waterhouse she spent 16 years with The Inland Revenue in the UK.

Susan was instrumental in the development of the PwC Total Tax Contribution Framework and leads our work on TTC globally, engaging with clients and governments on how tax systems impact on business and on what companies contribute to the public finances. She also leads the PwC team working with the World Bank on the Paying Taxes indicator as part of their Doing Business project.

Susan works with leading clients and runs a programme for UK Tax Directors engaging with opinion makers to discuss the strategic factors driving tax and the constantly changing tax rules and regulations.



Neville Howlett

+44 (0) 20 7212 7964
Neville.p.howlett@uk.pwc.com

Neville Howlett is the external relations director for PwC's UK tax practice. Before rejoining PwC in 2005, he worked within the Oil & Gas industry on tax and other government-related issues for almost 16 years. Neville applies his expertise and experience to a number of issues and projects which affect the firm and its clients, helping to develop strong links with parliamentarians and officials within government. He is involved in developing tax research projects and disseminating the results, and leads various pieces of work in connection with the PwC Total Tax Contribution Framework and the Paying Taxes study with the World Bank Group.



Janet Kerr

+44 (0) 20 7804 7134
janet.kerr@uk.pwc.com

Janet Kerr is a senior manager in the tax practice and the primary point of contact in terms of TTC data collection and analysis. Janet has experience in both tax and audit in PwC and has a wealth of knowledge in conducting the TTC analysis and surveys, both in the UK and globally. She has been a member of the TTC team since the initial development of the Framework and has worked with many companies to help them collect and analyse their TTC data. She also reviews companies' tax strategies, benchmarking their tax ratios and deals with shareholder analysis.

Appendix V

Recent PwC Total Tax Contribution publications

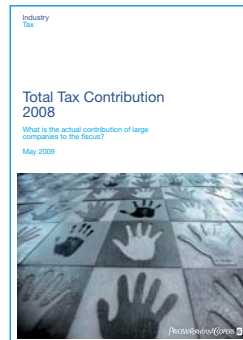
All publications can be found at: www.pwc.co.uk/totaltaxcontribution.



What is your company's Total Tax Contribution?

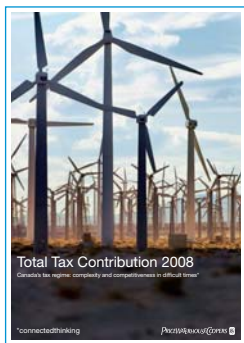
2008 survey results
PricewaterhouseCoopers
survey in Australia

Published March 2009



Total Tax Contribution: What is the actual contribution of large companies to the fiscus in South Africa

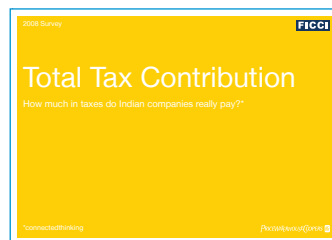
Published May 2009



Total Tax Contribution Canada's Tax regime: complexity and competitiveness in difficult times

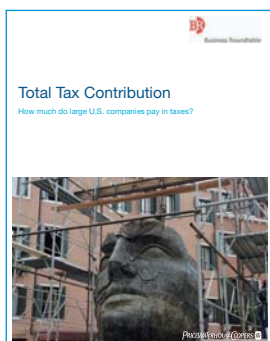
PricewaterhouseCoopers
survey for Canadian Council
of CEO's

Published May 2009



Total Tax Contribution: How much in taxes do Indian companies really pay?

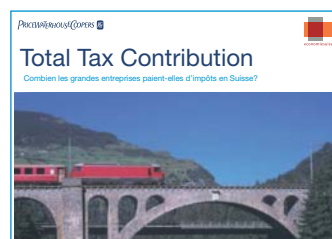
Published March 2009



Total Tax Contribution How much do large U.S. companies pay in taxes?*

PricewaterhouseCoopers
survey in the US

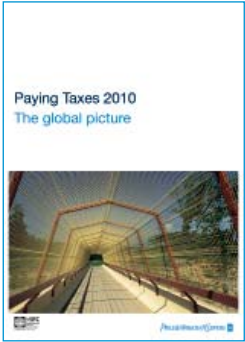
Published February 2009



Total Tax Contribution

How much income tax do
large companies pay in
Switzerland?

Published September 2009



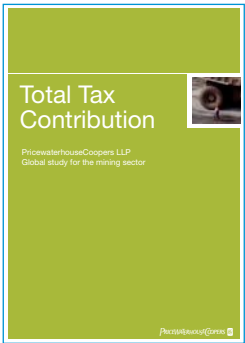
Paying Taxes 2010: The Global Picture

Published jointly with the World Bank November 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

PricewaterhouseCoopers LLP Global study for the mining sector

Published January 2009

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