



Total Tax Contribution

PricewaterhouseCoopers LLP 2006 survey
for The Hundred Group

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January 2007

1 Executive summary

Introduction

- The first Total Tax Contribution survey conducted for The Hundred Group in 2005 was a success and the results were well received by business and stakeholders, including Government.
- The survey has been repeated and extended in 2006, and data is now available for several years.
- Information has again been gathered on the total amount of all business taxes borne by Hundred Group members; the amount that a company pays that are its own tax cost.
- Additionally, information has been gathered on the total amount of business taxes collected by Hundred Group members; the taxes that a company administers on behalf of Government.
- Participation in the survey has again been extraordinarily high underlining the support of business for the concepts underlying Total Tax Contribution and the survey results.
- The purpose of the survey is again to put data in the public domain to inform the debate on what companies contribute in taxes and on the shape and development of the UK tax system.
- The survey results have been discussed with a number of interested parties, including UK Government, and are now being made widely available.
- The intention is to repeat the survey in 2007 to obtain another year of data and enable trends and changes to be further analysed and monitored. We also hope to extend the survey in 2007 to include tax compliance costs.

The PricewaterhouseCoopers LLP Total Tax Contribution Framework

- Total Tax Contribution provides a framework for companies to measure and report on the taxes they pay.
- The Framework is not tax technical and is relatively straight forward for stakeholders to understand.
- The fundamentals of the Framework are the definition of a tax and also the distinction between taxes borne and taxes collected.
- In developing the Framework, PricewaterhouseCoopers LLP (PwC) talked to many stakeholders with an interest in tax including Government, international organisations, business, investors, analysts and non-governmental organisations (NGOs).
- Total Tax Contribution provides information for all stakeholders, internal and external, on what companies contribute and informs better decision making.
- We do not see the Framework as fixed; it should evolve through dialogue to better meet the needs of stakeholders.

The 2006 survey

- This second survey was again carried out at the request of The Hundred Group, whose members mainly comprise the FTSE 100.
- Members completed an electronic questionnaire providing data on their business taxes paid and collected in their accounting year ending in the year to 31 March 2006.
- The survey covered 22 business taxes in the UK which are either borne or collected by this group of companies. The inclusion of taxes collected this year accounts for the increase from the 19 taxes covered by the 2005 survey.

- The inclusion of taxes collected shows a fuller picture of how business contributes to UK tax revenues and supports the findings from last year on the complexity of UK business taxes.
- PwC has not audited, verified or validated the data provided and is unable to make any representations or warranties with respect to the accuracy of the information contained in this report.
- The data has been anonymised and aggregated to produce the survey results.
- The high level of participation has ensured that the results show a good picture of the tax contribution by this group of companies.

Participation and provision of data

- Participation in the first survey was excellent, and has further increased for the 2006 survey with 78 Hundred Group members providing data.
- This impressive level of interest underlines the support for the survey and the importance of the information generated by it for all stakeholders.
- The quality of the data received is improved even further over last year. The coverage of both taxes borne and taxes collected by participants is very good.
- On average Hundred Group members report that they bear 9.3 business taxes and collect 4.4. This represents a significant compliance burden.

Survey results

Taxes borne

- In the 2006 survey, participants paid corporation tax of £10,829m representing 26% of Government corporation tax receipts.
- In the 2006 survey participants paid £9,956m in other taxes borne, representing 47.9% of total taxes borne.
- The pound for pound correlation between corporation tax and other business taxes borne identified in the 2005 survey is confirmed by the 2006 data.
- Employers' national insurance contribution (NIC), business rates and irrecoverable VAT continue to be the major other business taxes borne.
- Petroleum revenue tax (PRT) has joined these three as a major other tax, with more PRT being paid by the older fields in the North Sea in view of the higher oil prices.
- In the 2006 survey, the total taxes borne by participants totalled £20,785m, representing 4.5% of all Government receipts.
- A small number of companies contribute a large proportion of the total tax borne by the group. The 15 largest payers in the survey contribute 70% of the taxes borne in the 2006 survey.
- The 15 largest payers contributed over 19% of Government corporation tax receipts.
- It is also of note that two sectors in particular (banking and oil) make a significant contribution, bearing 55% of the total taxes borne.

Taxes collected

- Taxes collected total £40,078m for survey participants, representing almost double the amount of taxes borne by these companies.
- For every £1 of corporation tax paid by Hundred Group members they collect another £3.70 in taxes collected.
- The 15 largest taxes borne payers contribute 65% of the taxes collected in the 2006 survey.
- Participants collect nearly a half of all excise duties.

Total taxes borne and collected

- When taxes collected are added to taxes borne, the participants are accountable for 13% of all Government receipts.
- In 2006 PwC also surveyed a sample of FTSE 250 companies. The results of this work are consistent with the results of the Hundred Group survey.

Extrapolation to all Hundred Group members

- Extrapolating the results to make them representative for The Hundred Group as a whole suggests that corporation tax of £12,554m was paid, 30% of Government receipts for corporation tax.
- Extrapolating the other taxes borne results suggests that for The Hundred Group, £12,114m was paid. This figure is 49.1% of total tax borne.
- For total taxes borne the extrapolated figure is £24,668m representing over 5% of total Government receipts.
- For taxes collected, the extrapolated figures suggest a total collected by The Hundred Group of £48,086m. This represents over 10% of total Government receipts, and again represents almost double the amount of taxes borne by these companies.
- The extrapolated figures for taxes borne and collected by the Group amounts to £72,754m, almost 16% of all Government revenues.

Trends in taxes borne

- Through the two surveys we have data on taxes borne for three years. The trends for these years have been calculated on a like for like basis to ensure they are not distorted by higher participation in the survey or increased coverage of taxes reported.
- The increase in corporation tax for those reporting data for 2006 and 2005 is 23%. The increase over a three year period for those reporting data for 2004, 2005 and 2006, is 29%. We do not have data to compare these increases to the trend in participants UK profits.
- For PRT a 50% increase is shown between 2006 and 2005.
- Stamp duties have increased by 38%, suggesting increased transaction activity.
- The increase in taxes borne for those reporting data for 2006 and 2005 is almost 16%. The increase over a three year period for those reporting data for 2004, 2005 and 2006 is almost 22%.
- A significant element of the increases in taxes borne this year can be attributed to the impact on the oil companies of a 40% increase in average oil prices.
- The inflation increase for the year 2005 from the Consumer Price Index (CPI - the Government's preferred index) is 2.1%, while the GDP increase for the period is 4.8% (source: the Office for National Statistics).

The picture for individual participants

- In the 2006 survey we have also looked at the position for individual companies using certain measures.
- On average the burden of taxes borne by participant companies is 40% of profit before all business taxes.
- On average, participant companies paid an amount equivalent to 18.3% of their turnover in taxes borne and taxes collected.
- On average participant companies paid £15,645 in employment taxes per employee.

Future developments and use of the survey

- The survey results are being discussed with Government and other interested parties to inform the tax policy making process and in particular the debate around the competitiveness of the UK tax regime.
- With growing interest in tax from many stakeholders it is expected that tax reporting, including Total Tax Contribution and the wider impact of taxes, will develop over the next few years.
- The intention is to repeat the survey in 2007, with a possible additional focus on compliance costs.
- The Total Tax Contribution Framework translates easily to other countries. Work is underway to generate similar empirical data in Australia and other countries.
- Development of the Framework is a dynamic process. Comments and feedback on the concept and the results of this survey are welcome.

2 Introduction

- The first Total Tax Contribution survey conducted for The Hundred Group in 2005 was a success and the results were well received by business and stakeholders, including Government.
- The survey has been repeated and extended in 2006, and data is now available for several years.
- Information has again been gathered on the total amount of all business taxes borne by Hundred Group members; the amount that a company pays that are its own tax cost.
- Additionally, information has been gathered on the total amount of business taxes collected by Hundred Group members; the taxes that a company administers on behalf of Government.
- Participation in the survey has again been extraordinarily high underlining the support of business for the concepts underlying Total Tax Contribution and the survey results.
- The purpose of the survey is again to put data in the public domain to inform the debate on what companies contribute in taxes and on the shape and development of the UK tax system.
- The survey results have been discussed with a number of interested parties, including UK Government, and are now being made widely available.
- The intention is to repeat the survey in 2007 to obtain another year of data and enable trends and changes to be further analysed and monitored. We also hope to extend the survey in 2007 to include tax compliance costs.

In March 2006 The Hundred Group and PwC published the results of the first Total Tax Contribution survey. This 2005 survey was very successful generating a high level of interest from business and also from stakeholders with an interest in tax including various Government departments. The survey has now been repeated for members' accounting periods ending in the year to 31 March 2006, and the level of participation has increased.

The purpose of the survey, as for 2005, is to put data into the public domain on the business taxes paid in the UK by Hundred Group members. Our work has shown that there are around 20 business taxes in the UK which companies pay. However, there is little transparency over most of these taxes as many are embedded in other costs 'above the line' and only corporation tax and employers' NICs are usually identified in the financial statements. The purpose of the survey is to gather and provide data on all the business taxes paid, to inform the debate on what companies contribute in taxes and on the shape and development of the UK's tax system. Further details of the taxes covered in the survey are in Section 4.

The first survey in 2005 collected data on business taxes borne by Hundred Group members in their accounting years ending in the year to 31 March 2005, and also for their previous year as a comparison. The second survey in 2006 collected data on both business taxes borne and business taxes collected by Hundred Group members in their accounting years ended in the year to 31 March 2006. A cash basis and a cut off date of

31 March are used to facilitate comparison with Government receipts. In producing the survey results PwC has aggregated the data provided by Hundred Group members but has not verified, validated or audited the data. PwC cannot therefore make any representations or warranties with respect to the accuracy of the information, or the survey results.

The PwC Total Tax Contribution Framework is careful to make a distinction between taxes borne and taxes collected. Taxes borne are those which are a cost to the company, such as corporation tax, employers' NIC and irrecoverable VAT (although of course they will ultimately be passed on to customers, employees or shareholders). Taxes collected are those such as PAYE, employees' NIC and net VAT (output tax less input tax) where the company is collecting and administering taxes on behalf of Government. Further details of the framework are in Section 3 and Appendix III.

Participation in the 2006 survey has been extraordinarily good with 78 Hundred Group members providing data on the business taxes they pay, compared to 66 in the 2005 survey. This continued high level of participation underlines the support of the business community for the concepts underlying Total Tax Contribution and the output of the surveys. These participation levels also ensure high quality and representative survey results. Details of the level of participation and data provision are in Section 5.

The survey results show how large business in the UK contributes to tax receipts. In the 2006 survey, taxes borne by The Hundred Group overall represent over 5% of Government tax receipts and taxes collected more than 10%, showing that this Group makes a major contribution.

With several years' data now available, we are also able to look at the trends in taxes borne, of particular interest to some stakeholders. The results show significant increases from 2005 to 2006.

In the 2006 results we also look at how UK taxes impact business. On average Hundred Group members paid an amount equivalent to 18.3% of their UK turnover in business taxes borne and collected, and on average the burden of total taxes borne is 40% of profits before all business taxes. See Section 9 for further details.

The results of the 2006 survey reinforce and build on the results of the first survey in 2005. They are also consistent with the results of work carried out by PwC with FTSE 250 companies and can therefore be said to fairly represent the impact of tax on large business in the UK.

A full discussion of the survey results are included in Sections 6-9. These have been discussed with a number of interested parties, including HM Treasury, HM Revenue and Customs, the Department of Trade & Industry, trade associations and the Oxford University Centre for Business Taxation at the Said Business School. By the publication of this report, the results are being made available to a wider audience.

The intention is to repeat the survey in 2007 to obtain another year of data and enable further analysis and monitoring of trends and changes. We also hope to extend the survey in 2007 to include tax compliance costs. This is discussed further in Section 10.

"The vast majority of taxes in the UK are actually paid by business. These include taxes on business profit, but also several other taxes where business acts as a collecting agent on behalf of HMRC. Many of these taxes may affect decisions taken by business. This report is useful in providing data and an interesting breakdown of the relative contributions of these taxes."

*Michael Devereux, Director,
Oxford University Centre for
Business Taxation*

"The high level of participation in this second survey underlines the importance to the business community of the results which it generates. The response from Government is also very encouraging with recognition of the increasing scope and quality of the data, and now the availability of trend information. I am certain that the policy debate around UK competitiveness from the perspective of the tax system will benefit from the information generated by this exercise, and The Hundred Group is committed to repeating it in future years."

*Philip Broadley, Group Finance
Director, Prudential Plc, Chairman
of The Hundred Group*

3 The PricewaterhouseCoopers LLP Total Tax Contribution Framework

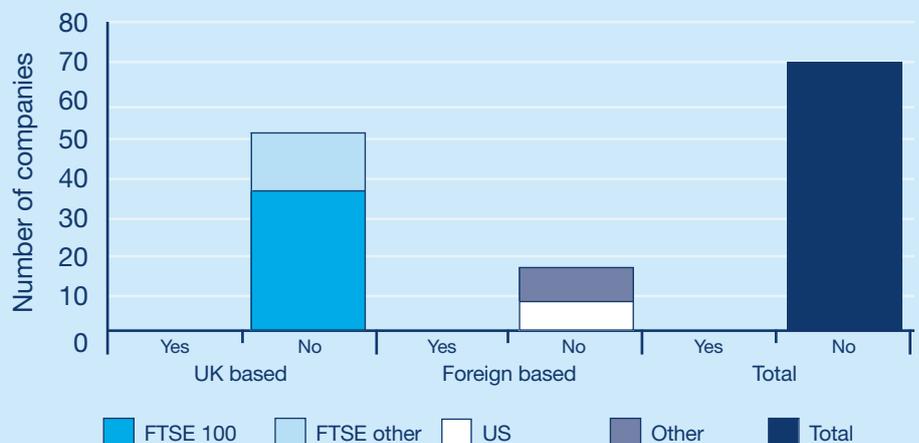
- Total Tax Contribution provides a framework for companies to measure and report on the taxes they pay.
- The Framework is not tax technical and is relatively straight forward for stakeholders to understand.
- The fundamentals of the Framework are the definition of a tax and also the distinction between taxes borne and taxes collected.
- In developing the Framework, PwC talked to many stakeholders with an interest in tax including Government, international organisations, business, investors, analysts and NGOs.
- Total Tax Contribution provides information for all stakeholders, internal and external, on what companies contribute and informs better decision making.
- We do not see the Framework as fixed; it should evolve through dialogue to better meet the needs of stakeholders.

Total Tax Contribution provides a framework for companies to measure and report on the taxes they pay. PwC developed the Framework in response to a perceived lack of transparency about what taxes companies pay. This may not be surprising since generally only corporate income tax and employers' NICs (social security) are visible in the financial statements. Companies in fact pay many other business taxes but these are often 'above the line' and embedded in other costs and thus not visible.

In a PwC poll of the views of Heads of Tax of large companies in the UK carried out in 2004, virtually all respondents felt there was a lack of understanding of their taxes among stakeholders and a majority thought that an acceptable approach for reporting this would be helpful.

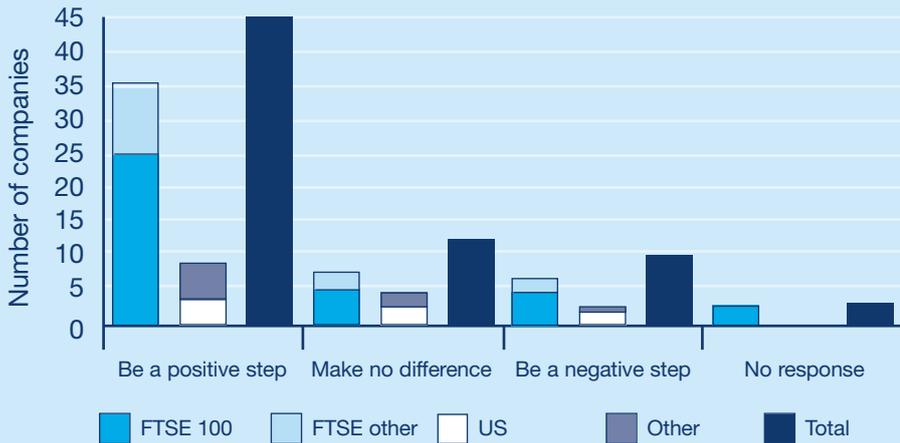
Is there a sufficient understanding amongst investors, employees and stakeholders about the company's economic contribution in taxes?

All but one of the companies (99%) felt there was insufficient understanding among investors, employees and stakeholders about the company's economic contribution in taxes. One company said they had no view on the issue.



Source: PwC poll of views of Heads of Tax December 2004. Seventy Heads of Tax participated including 36 from FTSE 100 companies.

Would the development of an accepted reporting standard for your company be a positive step, make no difference or be a negative step?



Forty five companies (64%) thought that the introduction of a reporting standard for the company's Total Tax Contribution would be a positive step. Only 10 (14%) thought it would be a negative step. Of these, three were opposed to another set of reporting rules and three were concerned about the amount of work involved. One company which felt it would be a positive step commented that it would make no difference to the view of HM Revenue & Customs in targeting planning structures it did not like.

Source: PwC poll of views of Heads of Tax December 2004. Seventy Heads of Tax participated including 36 from FTSE 100 companies.

The Total Tax Contribution Framework provides information on what taxes companies pay. It is straight forward in concept and not tax technical and therefore relatively easy for stakeholders, many of whom will have limited knowledge of the complexities of tax, to understand. By focussing on payments it provides an economic measure of what companies contribute to the public finances, as an alternative to the financial measure of the tax charge in their financial statements. The Framework is built around two simple criteria, firstly the definition of a tax and secondly the distinction between taxes which are the company's cost (the taxes borne) and taxes which the company collects.

Not all payments made by companies into the public finances will meet the definition of a tax. For example, the licence fee paid by a TV or telecoms company. These will represent a significant payment into the public finances and part of the company's economic impact in the country concerned, but will not meet our definition of a tax. A tax is a payment to Government, whether central or local, to fund social expenditure and for no return of value. The key point to note is that this involves much more than just corporate income tax on profits. Twenty two UK business taxes are covered in the 2006 Hundred Group survey, and are listed in Section 4. These include NICs which meet our definition of a tax since these payments by employers and employees are paid into the general public finances to fund social expenditure. In some countries social security payments are more akin to pension arrangements and are paid into a personal fund (Australia would be an example). In this case the payments would not meet our definition of a tax.

The second criteria is the distinction between taxes borne and taxes collected. Taxes borne are the company's immediate cost and will impact their results; for example business rates form part of property costs and insurance premium tax part of the cost of insurance. These taxes borne will of course be ultimately passed on to shareholders, employees or customers, with all the company's other costs depending on the final incidence. In the immediate term however they are paid and borne by the company and will be charged to the profit and loss account.

Taxes collected are not the company's own costs. Here the company is collecting taxes on behalf of Government from others, for example income tax under pay as you earn (PAYE) from employees. Taxes collected are administered by the company and will involve costs of compliance. Taxes collected will also have a more indirect impact on the company's results since, for example, indirect taxes collected will impact prices to customers and employee taxes the cost of labour.

An outline of the full PwC Total Tax Contribution Framework is given in Appendix III. The main focus of the Framework is the taxes borne, the taxes collected and the cost of tax compliance. It is also possible to extend the Framework into other payments to and from Government which do not meet the definition of a tax, and to more indirect impacts in respect of tax, for example subcontractor taxes if that is an important element for a particular company.

It is important to note that Total Tax Contribution is not an economic model and does not, for example, address the final incidence of taxes borne. It does however provide greater transparency over what taxes are paid by companies.

The tax environment is changing. Different types of stakeholders have become more interested in the tax paid by business and there is increasing pressure on companies to be more transparent about their tax policies and positions. In developing the Total Tax Contribution Framework we talked to many organisations with an interest in tax including Government, international organisations, business, investors, analysts and NGOs. The diagram on the next page identifies stakeholders in tax and their areas of interest. As can be seen from the diagram, stakeholders needs on tax can be in conflict and in setting its tax strategy the company has to balance the immediate measurable benefit to shareholders from sustainable tax planning with the longer term and less easy to measure reputational benefit from a wider group of stakeholders.

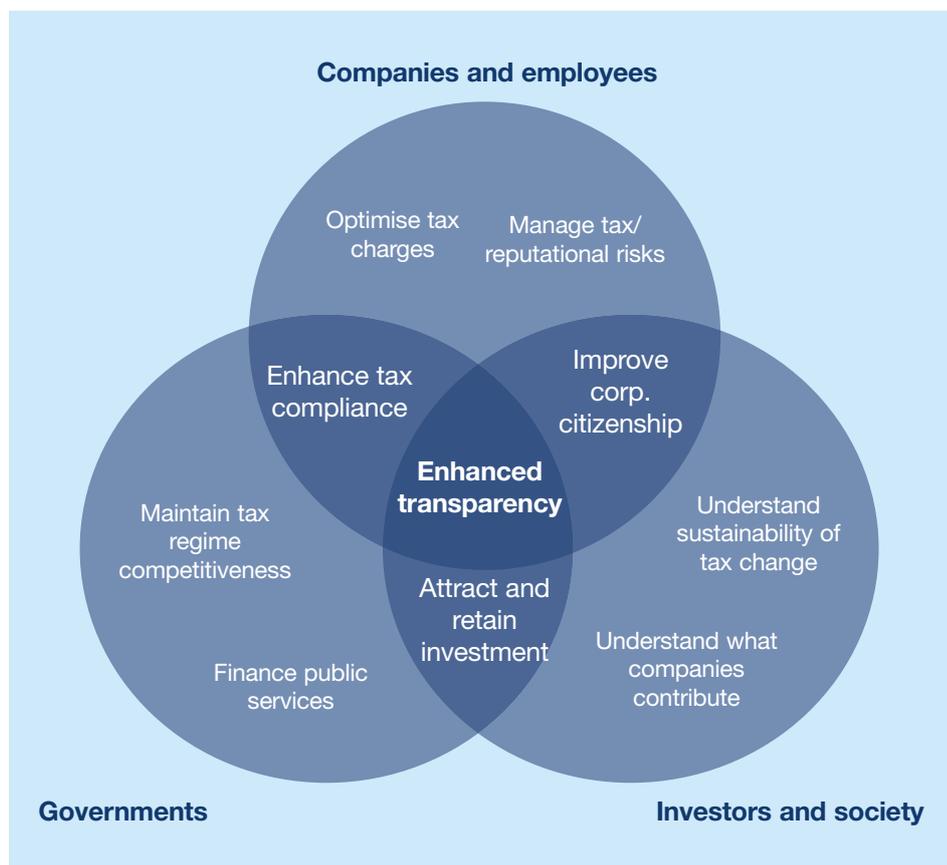
Stakeholders and tax



Note: Stakeholders in the centre of the diagram are internal to the company. Stakeholders on the outside are external.

However, we suggest that at the heart of all stakeholder needs is transparency. The diagram organises stakeholders into groupings and identifies the overlapping areas of interest. We suggest that companies need to communicate more about their approach to tax and tax risk management and about the taxes that they pay. Total Tax Contribution helps meet the need for greater transparency and provides information which is helpful to stakeholders and informs decision making.

Stakeholder needs



The PwC 2004 poll of Heads of Tax showed that few companies had accurate and comprehensive information on their tax payments. In our view every company should know the total amount of tax it pays. Total Tax Contribution provides visibility to companies' internal stakeholders on the impact of all taxes on the business and enables management to make better investment decisions. It also improves tax risk management, controls and the allocation of tax resource. As part of our surveys for The Hundred Group we have advised members to put systems in place to collect data on all their tax payments on a regular basis.

Total Tax Contribution also provides a framework for companies to communicate their tax contribution to external stakeholders. Total Tax Contribution is a measure of what companies pay into the public finances and as such may better meet the needs of some stakeholders than the tax disclosures in their financial statements. Companies may wish to report their tax contribution as part of their external communications or in the corporate responsibility report. Total Tax Contribution aligns with the guidelines on tax as part of corporate responsibility reporting.

The purpose of The Hundred Group survey is to put data into the public domain and to inform the dialogue with Government on the shape and development of the UK tax system. The data in the survey results is information which would not otherwise be readily available to Government, either from their own systems or from companies' tax returns. If applied in a number of countries it can also inform comparisons of the tax burden on business.

4 The 2006 survey

- This second survey was again carried out at the request of The Hundred Group, whose members mainly comprise the FTSE 100.
- Members completed an electronic questionnaire providing data on their business taxes paid and collected in their accounting year ending in the year to 31 March 2006.
- The survey covered 22 business taxes in the UK which are either borne or collected by this group of companies. The inclusion of taxes collected this year accounts for the increase from the 19 taxes covered by the 2005 survey.
- The inclusion of taxes collected shows a fuller picture of how business contributes to UK tax revenues and supports the findings from last year on the complexity of UK business taxes.
- PwC has not audited, verified or validated the data provided and is unable to make any representations or warranties with respect to the accuracy of the information contained in this report.
- The data has been anonymised and aggregated to produce the survey results.
- The high level of participation has ensured that the results show a good picture of the tax contribution by this group of companies.

The survey was carried out at the request of The Hundred Group of Finance Directors whose members comprise mainly the FTSE 100. A list of the companies invited to participate in the survey is included in Appendix II.

Hundred Group members were asked to complete the PwC electronic Total Tax Contribution questionnaire. The questionnaire requested data on payments of business taxes borne and collected in their accounting year ending in the year to 31 March 2006. If the member did not participate in the 2005 survey, they were also asked to provide the same data for their previous year. Seven participants provided prior year data and this has been included in the 2005 figures used to measure trends in taxes borne (see Section 8).

The survey questionnaire was sent out by Jon Symonds, Chairman of the Hundred Group Fiscal Committee to Hundred Group members Finance Directors on 9 May 2006. PwC provided an email and telephone helpline to members completing the survey. The survey closed on 1 September by which time 76 members had provided data. A further two members provided data after the survey had closed making 78 in total and their data will be included in the prior year results for the 2007 survey next year.

The 2006 survey requested data on both taxes borne and collected by Hundred Group members. These are shown in the table on the following page. The inclusion of taxes collected for the first time this year identified 12 taxes which businesses may collect on behalf of Government. This supports the contention made last year, and when added to the taxes borne, they represent significant complexity and a compliance burden.

Taxes for which data is requested	Classification in survey results	
	Borne	Collected
Direct taxes		
Corporation tax (corporate income tax)	✓	
Petroleum revenue tax	✓	
Betting and gaming duty	✓	
Stamp duty (transfer tax)	✓	
Stamp duty land tax	✓	
Stamp duty reserve tax *	✓	✓
Business rates (local property tax)	✓	
Tax deducted at source **		✓
Employment taxes		
Income tax under PAYE		✓
PAYE settlements (benefits tax)	✓	
Employers' NICs (social security)	✓	
Employees' NICs (social security) **		✓
Indirect taxes		
Net value added tax (output less input)		✓
Irrecoverable VAT **	✓	
Customs duties	✓	
Fuel excise duty *		✓
Tobacco excise duty *		✓
Alcohol excise duty *		✓
Vehicle excise duty	✓	✓
Insurance premium tax *	✓	✓
Environmental taxes		
Aggregates levy	✓	
Landfill tax *	✓	✓
Air passenger duty *	✓	✓
Climate change levy *	✓	✓
London congestion charge (road toll)	✓	
<p>* These taxes can be borne by any company for example on own consumption and in addition will be collected by companies in the appropriate industry sector.</p> <p>** These taxes are not counted separately in the total of 22 taxes, for example, employers' and employees' NICs count as one tax, as does net VAT and irrecoverable VAT.</p>		

The 2005 survey identified 19 taxes borne by business. The 2006 survey requested data on 22 taxes borne and collected by Hundred Group members. In the 2006 survey income tax withheld at source or deducted under PAYE is also included as a tax collected, and excise duties are now identified separately as fuel, tobacco and alcohol excise duties. Twenty two taxes are thus covered by the 2006 survey.

As indicated in the table, a number of taxes may be both taxes borne and tax collected. Insurance premium tax for example will be borne by most companies in relation to their own insurance policies. It will also be collected by companies in the insurance sector, as an addition to the premium charged to customers. In some cases these taxes have been included as both a tax borne and as a tax collected, for example, insurance premium tax, and in some cases only as a tax collected, for example, fuel excise duty. The treatment is indicated by a ✓ in the relevant columns in the table. In the 2006 survey, we have included such taxes as a tax borne only where the tax is separately charged to the company by the supplier, as is insurance premium tax. We have not included it where the tax is included in the purchase price but not shown separately, for example fuel excise duty. However we are aware that fuel excise duty is a significant cost for some businesses and we may include fuel excise borne in a future survey.

The 2006 survey therefore covers 18 taxes which may be borne and 12 taxes which may be collected by companies.

The inclusion of taxes collected in the 2006 survey has provided a fuller picture of how large companies contribute to UK Government receipts. The results show that the Hundred Group accounts for 16% of UK receipts of which 5.4% are taxes borne and 10.6% taxes collected. The inclusion of taxes collected this year has also improved the quality of data provided by enabling some participants to better distinguish between taxes borne and taxes collected. This has resulted in a small number of participants (five) correcting some data they provided in the 2005 survey. The corrected data has been used to measure trends in taxes borne in Section 8.

PwC provided an email and telephone help line to assist Hundred Group members in completing the Total Tax Contribution questionnaire. On receipt each questionnaire was briefly reviewed to identify any obvious errors (for example amounts entered in precise numbers rather than £000) or where the data was not in line with our expectations (for example a very large figure shown as a PAYE settlement agreement, which was more likely to be PAYE deducted at source). In each case a query was raised with the participant company and all such queries were resolved during analysis of the survey results. We would emphasise however that this review constituted a sense check only. The data provided by survey participants has not been audited, verified or validated and PwC is unable to make any representations or warranties with respect to the accuracy of the information contained in this report.

Participants in the survey were given an undertaking of confidentiality and no list of participants will be published. The data provided has been anonymised and where appropriate aggregated with data provided by other participants to obtain the survey results. The high level of participation by Hundred Group members has ensured that the survey results are high quality and show a representative picture of the contribution of this group of companies. Further information on participation is in Section 5. The companies providing data represent a majority of the membership by numbers and size and a good cross section by business sector.

5 Participation and provision of data

- Participation in the first survey was excellent, and has further increased for the 2006 survey with 78 Hundred Group members providing data.
- This impressive level of interest underlines the support for the survey and the importance of the information generated by it for all stakeholders.
- The quality of the data received is improved even further over last year. The coverage of both taxes borne and taxes collected by participants is very good.
- On average, Hundred Group members report that they bear 9.3 business taxes and collect 4.4. This represents a significant compliance burden.

Questionnaires were sent to all 120 corporate members of The Hundred Group and again the response rate has been exceptional.

The number of companies responding increased from 66 to 78 demonstrating the continued high level of interest and substantial backing for the Total Tax Contribution concept by a large part of the business community. These 78 companies represent 91% of the market capitalisation of the corporate members of The Hundred Group.



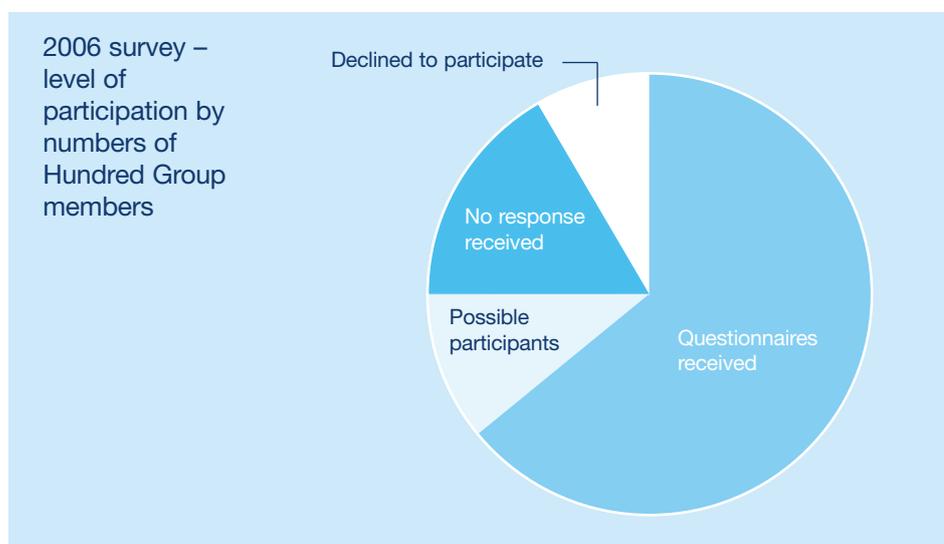
As well as representing a good cross section by size, participants also represent the full range of industry sectors.

Industry sectors represented in the survey results

Aerospace	Engineering & industrial metals	Media & entertainment	Software & computers
Banks	Food producers	Mining	Support
Beverages	Insurance	Oil & gas	Telecoms
Chemicals	Investment & speciality finance	Pharmaceuticals	Transport
Construction	Leisure & hotels	Real estate	Tobacco
Electricity		Retailers & household products	Utilities

The survey results are based on 75 of the 78 responses as two were received after the survey had closed and one relates to an accounting period ending after 31 March 2006. All such information will however be incorporated in next year's survey.

Of those companies that did not participate, 12 registered an interest but could not meet the survey deadlines. Those who declined to participate did so only on the grounds of lack of resource or difficulty with the timetable. There was no challenge to the merits of the survey.

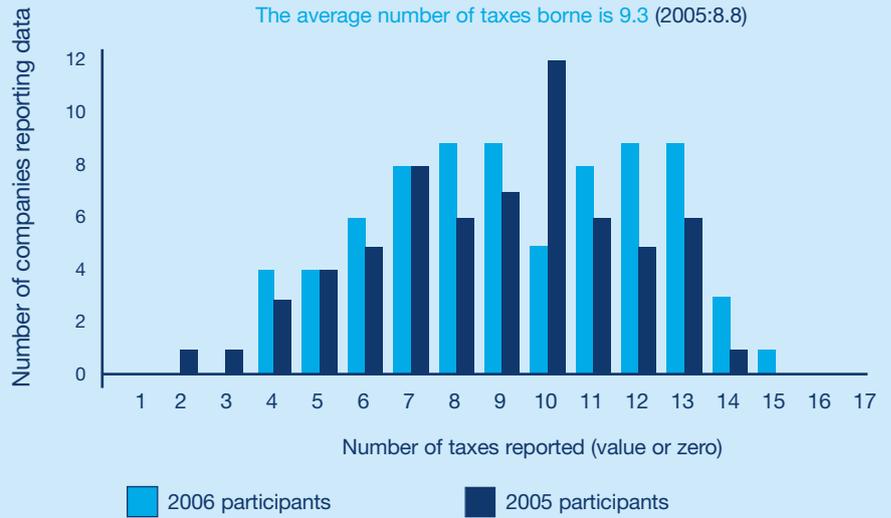


The high levels of participation ensure that the survey results are representative of The Hundred Group as a whole. The quality of reporting by participants has also further improved this, ensuring that the survey results are reliable and comprehensive.

Seven participants providing data for the first time this year also provided data for 2005 so increasing the survey participants for that year to 72, which further enhances the reliability of the trend data which is covered in Section 8.

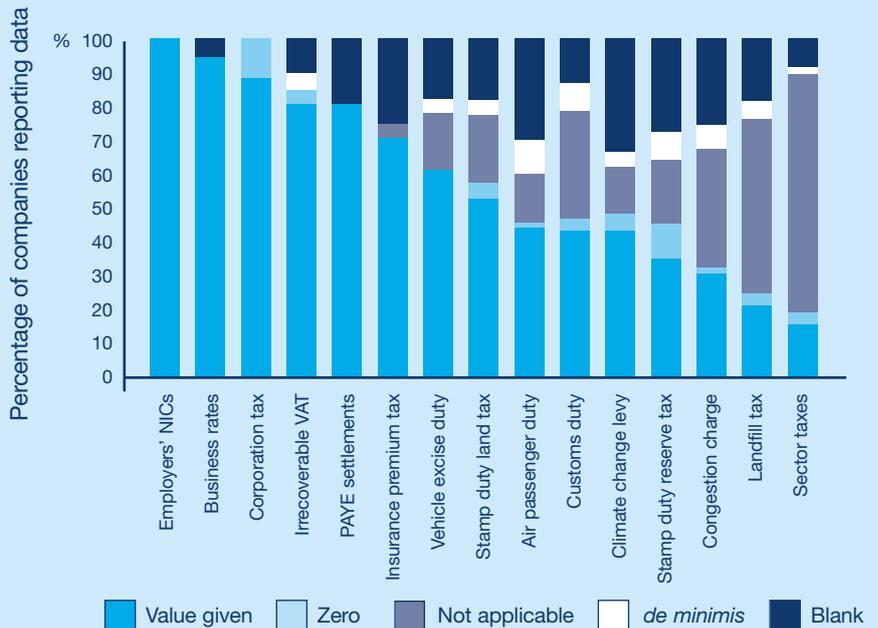
Participants were asked to provide data on all taxes that they bear or collect but were offered the use of a *de minimis* option where data is hard to find and the amounts involved are thought to be below £250,000. What is interesting to note is the limited use of this option and the increase over the 2005 survey in the number of taxes borne per participant which have been reported. The number of taxes borne reported has increased on average per participant from 8.8 in 2005 to 9.3 in 2006 again showing the additional effort which has been made to collate all relevant data.

Number of taxes borne by company

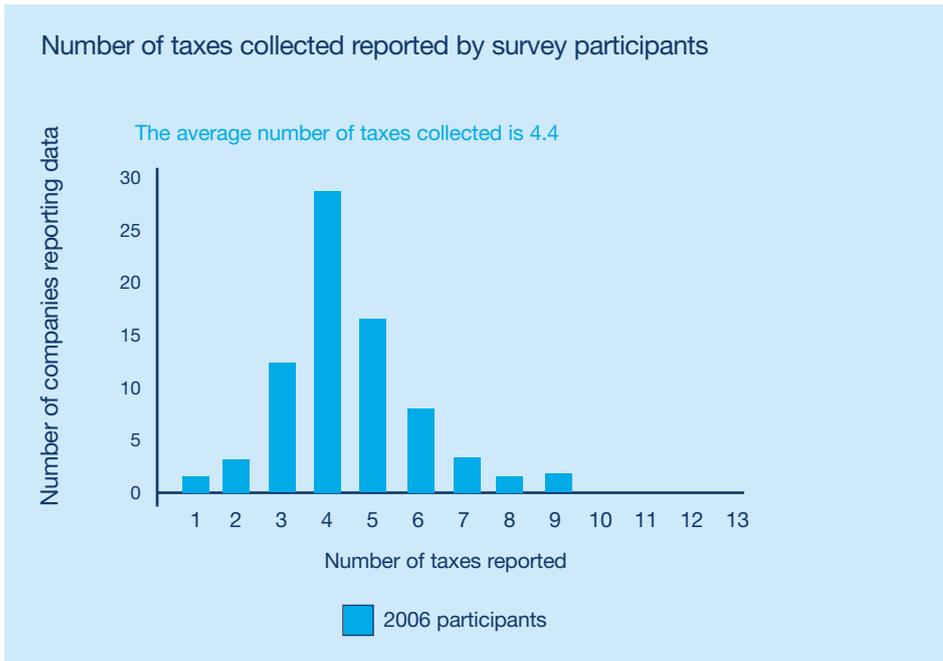


The reporting of taxes borne is summarised in the chart below. For each tax relevant to them, participants were asked to provide a value (including if this were zero) or indicate the use of the *de minimis* option. Participants were also asked to indicate if the tax was not applicable to them. In a few cases participants provided no information on a particular tax leaving it blank.

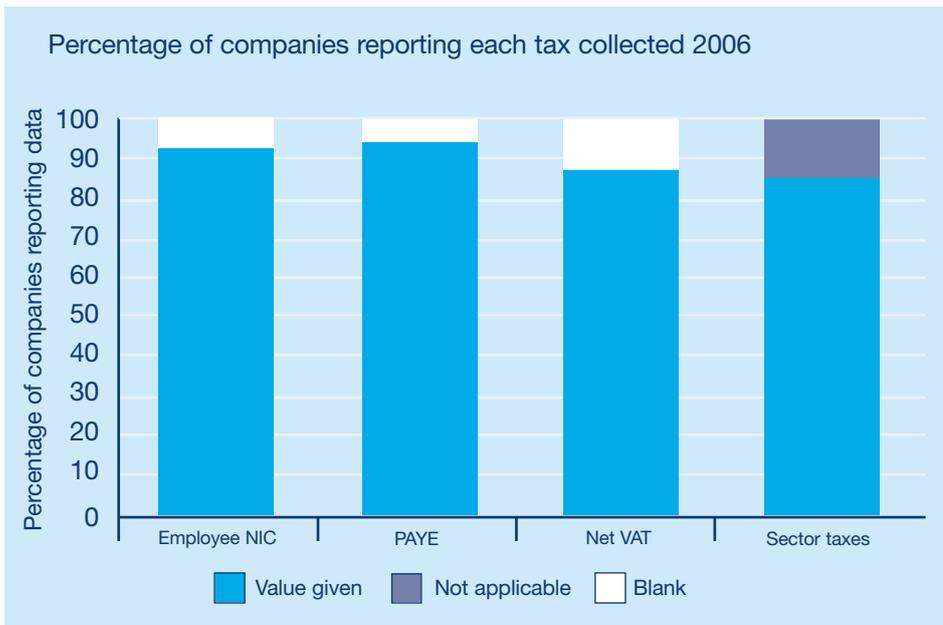
Percentage of companies reporting each tax borne



Taxes collected are included for the first time in the 2006 survey. On average participants reported 4.4 taxes collected. When added to the average of 9.3 taxes borne this represents a significance compliance burden.



The reporting of taxes collected is shown in the chart below.



As with the 2005 survey participants were advised to put in place a process to enable them to collect data on taxes borne and collected on a regular basis. As explained in Section 3, we believe companies need to have this information for management purposes. An internal process plus increased familiarity with the survey requirements has undoubtedly facilitated the data provision in 2006.

6 Survey results

Taxes borne

- In the 2006 survey, participants paid corporation tax of £10,829m representing 26% of Government corporation tax receipts.
- In the 2006 survey participants paid £9,956m in other taxes borne, representing 47.9% of total taxes borne.
- The pound for pound correlation between corporation tax and other business taxes borne identified in the 2005 survey is confirmed by the 2006 data.
- Employers' NIC, business rates and irrecoverable VAT continue to be the major other business taxes borne.
- Petroleum revenue tax (PRT) has joined these three as a major other tax, with more PRT being paid by the older fields in the North Sea in view of the higher oil prices.
- In the 2006 survey, the total taxes borne by participants totalled £20,785m, representing 4.5% of all Government receipts.
- A small number of companies contribute a large proportion of the total tax borne by the group. The 15 largest payers in the survey contribute 70% of the taxes borne in the 2006 survey.
- The 15 largest payers contributed over 19% of Government corporation tax receipts.
- It is also of note that two sectors in particular (banking and oil) make a significant contribution, bearing 55% of the total taxes borne.

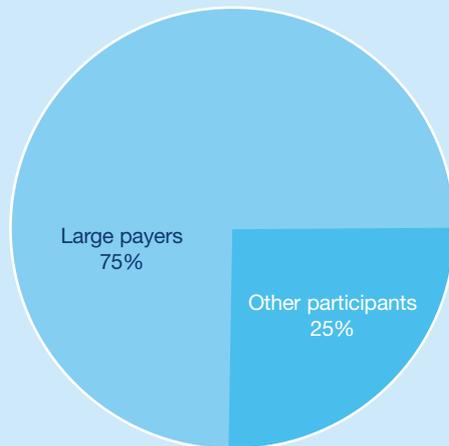
This section summarises the data on taxes borne and collected provided by Hundred Group members participating in the 2006 survey. Section 7 extrapolates these results to assess the contribution of The Hundred Group as a whole to UK Government tax receipts. Section 8 looks at the increases in taxes borne over those reported in the 2005 survey.

Corporation tax

In the 2006 survey, participants reported corporation tax paid of £10,829m which is 26% of Government corporation tax receipts.

The 15 largest payers of total taxes borne contributed 75% of the total corporation tax payments made by participants in the survey, and this equates to 19.5% of Government receipts for corporation tax.

Contribution of large payers to corporation tax payments by survey participants

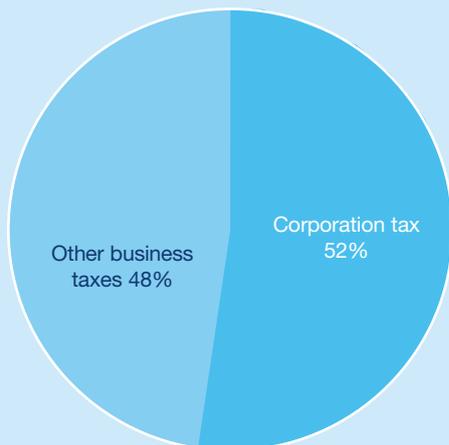


This year two industry sectors were particularly significant in generating the corporation tax reported. Survey participants in the banking and oil sectors accounted for 63% of the total.

Other business taxes borne

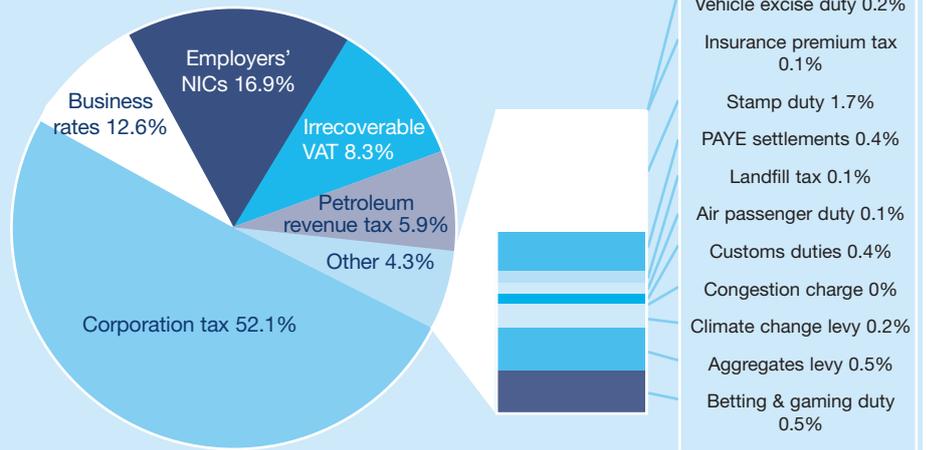
As for the first survey, the results confirm that for every £1 of corporation tax paid by Hundred Group members, they pay another £1 in other business taxes. The 2006 survey participants paid £9,956m of other business taxes compared to £10,829m of corporation tax.

Corporation tax to other business taxes borne by survey participants



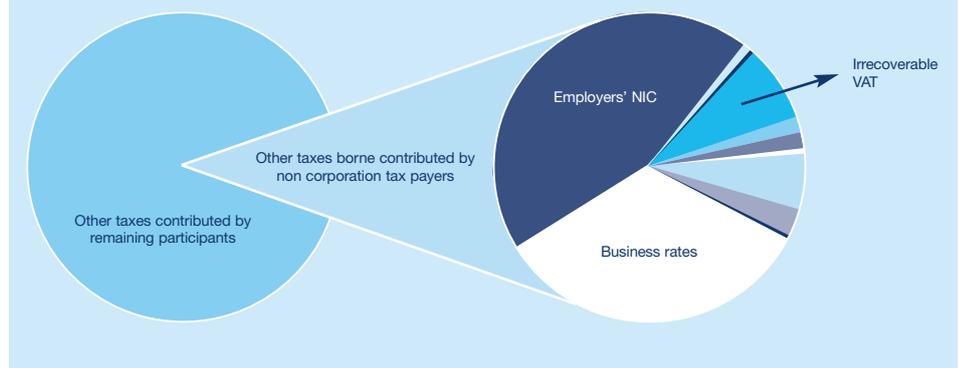
The most significant other business taxes borne continue to include employers' NICs, business rates and irrecoverable VAT. Not surprisingly this year petroleum revenue tax has also emerged as a more significant business tax. The high level of oil prices sustained during the course of the year has clearly been a major contributing factor to this position. The proportion of the total Government PRT receipts generated by The Hundred Group survey participants is 61%.

Taxes borne by survey participants in 2006 – by percentage



Sixteen survey participants did not pay any corporation tax in the year. This represents 21% of the survey participants (as compared to 21% in 2005). The main reasons for this were commercial losses in the year, use of tax losses and tax refunds for previous years. However these participants still paid other business taxes since the base for most of these other taxes is not profitability. Employers' NIC is driven by the wages and salaries bill and so on.

Other taxes borne contributed by non corporation tax payers



Total taxes borne

The total taxes borne by Hundred Group members participating in the 2006 survey total £20,785m which is 4.5% of Government receipts. The table on the following page shows the detailed breakdown of the taxes reported and how each tax compares to Government receipts.

Taxes borne 2006 – by amount

£Million		2006 Taxes borne	2005/06 Government receipts*	% of tax receipt
Direct taxes	Corporate income tax	10,829	41,900	25.8%
	Business rates	2,617	19,900	13.2%
	Stamp duty, stamp duty land tax, stamp duty reserve tax	356	10,900	
	Petroleum revenue tax	1,216	2,000	60.8%
	Betting and gaming duty	113	1,400	
Employment taxes	PAYE settlements	90	130,500	
	Employers' national insurance contributions**	3,509	85,500	4.1%
Indirect taxes	Irrecoverable VAT	1,717	72,900	
	Customs duties	93	2,300	
	Vehicle excise duty	32	5,000	
	Insurance premium tax	25	2,300	
Environmental taxes	Landfill tax	15	700	
	Air passenger duty	13	900	
	Congestion charge	4		
	Climate change levy	51	700	
	Aggregates levy	107	300	35.7%
	Other receipts***		79,800	
TOTAL		20,785	457,000	4.5%

Includes those 75 companies providing data for 2006.

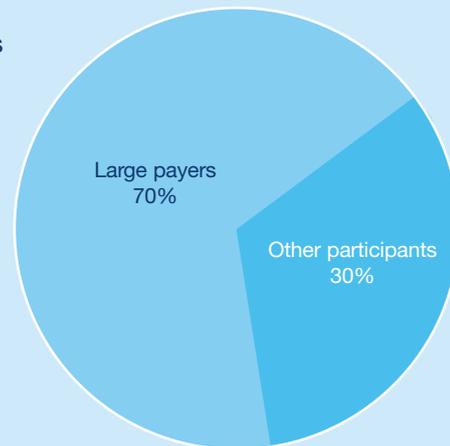
* From 2006 Pre-Budget Report published by HM Treasury.

** Government receipts figure includes employee national insurance contributions. It is thought that employers' NIC is 58% of the total. If this is the case, participants contributed 7.1% of employers' NIC.

*** Includes capital gains tax, inheritance tax, excise duties, council tax, other taxes and royalties.

Again it is interesting to note that the 15 largest taxes borne payers account for 70% of the total taxes borne by all companies participating in the 2006 survey.

Contribution of large payers to total business taxes borne by survey participants



Taxes collected

- Taxes collected total £40,078m for survey participants, representing almost double the amount of taxes borne by these companies.
- For every £1 of corporation tax paid by Hundred Group members they collect another £3.70 in taxes collected.
- The 15 largest taxes borne payers contribute 65% of the taxes collected in the 2006 survey.
- Participants collect nearly a half of all excise duties.

This year for the first time the survey results include data on taxes collected by Hundred Group members. Taxes collected by survey participants totalled £40,078m. The details of these taxes collected are shown in the table opposite which also compares the total for each tax with Government tax receipts.

Taxes collected 2006 – by amount

£Million		2006 Taxes collected	2005/06 Government receipts*	% of tax receipt
Direct taxes	Tax deducted at source	1,758		
	Stamp duty reserve tax	3	10,900	0%
Employment taxes	PAYE	8,304	130,500	6.4%
	Employees' NIC**	2,122	85,500	2.5%
Indirect taxes	Net VAT	8,098	72,900	11.1%
	Fuel duties	11,947	23,400	51.1%
	Tobacco duties	5,002	8,000	62.5%
	Alcohol duties	1,866	7,800	23.9%
	Insurance premium tax	647	2,300	28.1%
Environmental taxes	Landfill tax	118	700	16.9%
	Climate change levy	209	700	29.9%
	Air passenger duty	4	900	0.4%
	Other***	-	113,400	
TOTAL		40,078	457,000	8.8%

Includes those 72 companies providing data on taxes collected for 2006.

* From 2006 Pre-Budget Report published by HM Treasury.

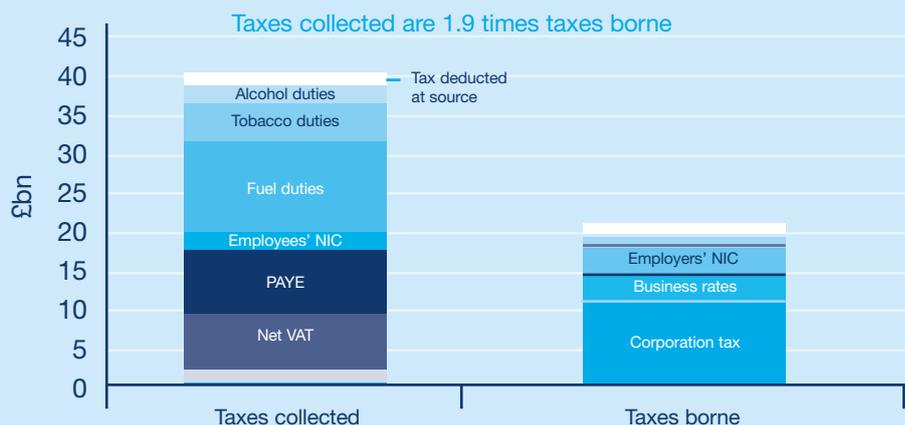
** Government receipts figure includes employer national insurance contributions. It is thought that employees' NIC is 42% of the total. If this is the case, participants collected 5.9% of employees' NIC.

*** Includes capital gains tax, inheritance tax, council tax, other taxes and royalties.

The results show that for every £1 of corporation tax paid by Hundred Group members, they collect another £3.70 in taxes collected. Another interesting ratio in this respect is that the taxes collected are 1.9 times more than taxes borne.

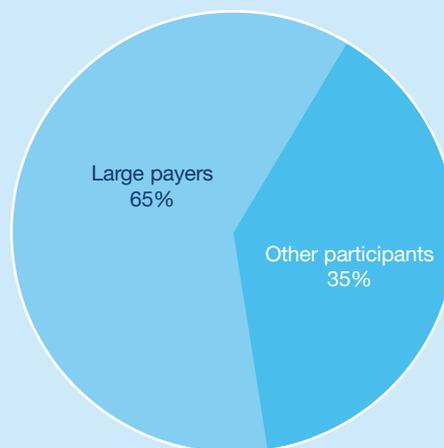
The chart overleaf shows the relative amounts.

Total taxes collected to taxes borne for survey participants in 2006



The 15 largest payers of taxes borne in the survey contribute 65% of the survey total for taxes collected (and 70% of taxes borne).

Contribution of large payers to taxes collected by survey participants



Excise duties represent a significant part of taxes collected. The table below shows that survey participants are collecting nearly a half of total Government excise receipts.

Excise taxes collected 2006 – by amount

£Million	Taxes collected	2005/06 Government receipts*	% of tax receipt
Fuel duty	11,947	23,400	51.1%
Alcohol duty	1,866	7,800	23.9%
Tobacco duty	5,002	8,000	62.5%
TOTAL	18,815	39,200	48.0%

*From 2006 Pre-Budget Report published by HM Treasury

The survey participants also collected a significant percentage of some other indirect and environmental taxes, for example 28% of insurance premium tax and 30% of climate change levy.

Total taxes borne and collected

- When taxes collected are added to taxes borne, the participants are accountable for 13% of all Government receipts.
- In 2006 PwC also surveyed a sample of FTSE 250 companies. The results of this work are consistent with the results of the Hundred Group survey.

As already mentioned, the Total Tax Contribution Framework draws a distinction between taxes borne and taxes collected. Taxes borne are a cost to the company although they will ultimately be passed on with other costs, to shareholders, employees or customers. Taxes collected are not the company's own cost but represent a management and compliance issue.

However, it is interesting to note that the participants in the survey are accountable (in taxes borne and collected) for 13% of Government tax receipts.

Survey results 2006 – by amount

		£m
Taxes borne	Corporation tax	10,829
	Other business taxes	9,956
		20,785
Taxes collected		40,078

In 2006, PwC also carried out a Total Tax Contribution survey on a sample of companies in the FTSE 250. Twenty five companies participated in the sample representing a good spread of the FTSE 250 by size and market sector. The results for this sample of companies are broadly consistent with the findings of the Hundred Group survey. Corporation tax represented 51% of the total taxes borne, thus bearing out the finding of the Hundred Group work that for every £1 of corporation tax paid, another £1 is paid in other taxes borne. The results for the FTSE 250 sample showed taxes collected as 1.6 times taxes borne as compared to 1.9 for The Hundred Group.

7 Extrapolation to all Hundred Group members

- Extrapolating the results to make them representative for The Hundred Group as a whole suggests that corporation tax of £12,554m was paid, 30% of Government receipts for corporation tax.
- Extrapolating the other taxes borne results suggests that for The Hundred Group, £12,114m was paid. This figure is 49.1% of total tax borne.
- For total taxes borne the extrapolated figure is £24,668m representing over 5% of total Government receipts.
- For taxes collected the extrapolated figures suggests a total collected by The Hundred Group of £48,086m. This represents over 10% of total Government receipts, and again represents almost double the amount of taxes borne by these companies.
- The extrapolated figure for taxes borne and collected by the Group amounts to £72,754m, almost 16% of all Government revenues.

This section shows the results of extrapolating the survey results to cover all of The Hundred Group members.

The extrapolated results have however only been used in a limited way. The level of participation in the survey is considered to be so good that the actual results based on data received are robust enough to be representative of The Hundred Group as a whole without the need for extrapolation. The only purpose for which extrapolated results are used is to establish the percentage of total Government tax receipts accounted for by taxes borne and taxes collected by The Hundred Group as a whole. Extrapolated results are not being used for any other purpose.

An extrapolation methodology has been applied in the following two areas:

- 1 For Hundred Group members who did not participate in the survey, to extrapolate both their taxes borne and taxes collected.
- 2 For Hundred Group members that did participate in the survey, to extrapolate the amounts of any significant taxes borne or collected by them for which they did not provide data. This extrapolation was only carried out for survey participants who were either in the FTSE 20 as at 31 March 2006 or one of the 15 largest payers of taxes borne.

In both of the extrapolation areas referred to above, extrapolation was carried out on an individual company basis. For Hundred Group members who did not participate in the survey, extrapolation of both their taxes borne and taxes collected was based on the corporation tax paid by the company as estimated from the information in their annual report. Where it appeared from their annual reports that no corporation tax was paid or no data was available no extrapolation was carried out and no results included for the company. Extrapolation was therefore carried out for 31 Hundred Group members who did not participate in the survey. Extrapolation was not carried out for the remaining 14 Hundred Group members.

For those companies who did pay corporation tax based on public data, the other business taxes borne were extrapolated using the ratio of corporation tax borne to total taxes borne for survey participants in the same or a similar industry sector. Their taxes collected were extrapolated using the ratio of taxes borne to taxes collected for the same group of survey participants. This approach was sense checked on a sample of participants to compare extrapolated to actual data and was proved to be reasonable.

The survey results show that a relatively small number of participants contribute a significant amount of the survey totals. It was therefore felt appropriate to extrapolate the amount of certain taxes which were missing from the data provided by certain of the survey participants. As above, this extrapolation was restricted to the more significant of the taxes borne and collected as shown by the survey results. The relevant taxes and number of extrapolations for each are shown in the table below. Extrapolation was carried out on a tax by tax basis for each participant using a ratio for participants in the same or a similar industry sector. The ratios are also shown in the table. Again the extrapolation approach was sense checked on a sample of participants to compare extrapolated to actual data and was shown to be reasonable.

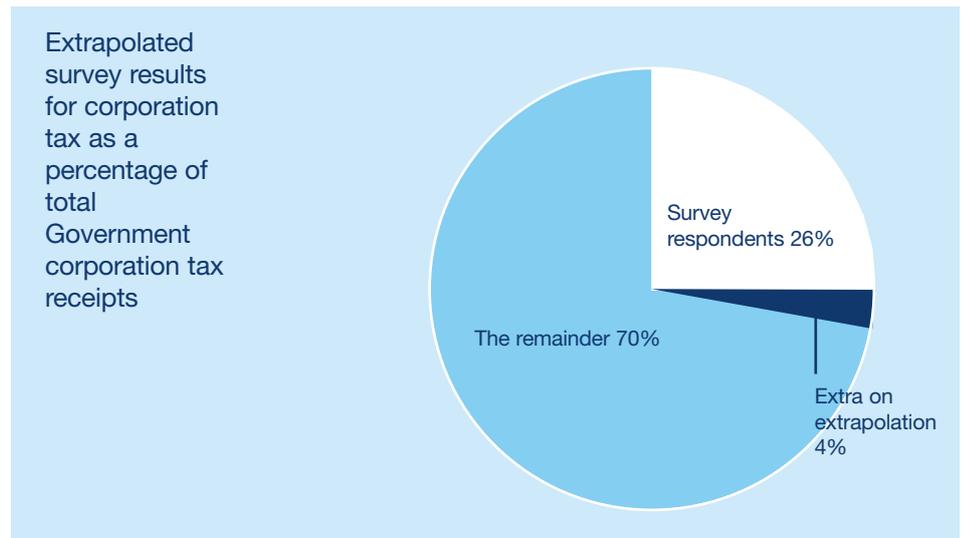
	Tax	Number of extrapolations carried out	Extrapolation ratio
Taxes borne	Business rates	2	Business rates to corporation tax borne
Taxes collected	Net VAT	3	Net VAT to turnover
	PAYE	2	PAYE to the number of employees
	Employees' NICs	2	Employees' NIC to the number of employees

The extrapolation approach is considered to be reasonable and does not overestimate the Total Tax Contribution of The Hundred Group.

The extrapolated survey results are shown in the table below.

	Data from survey participants	Extrapolated Hundred Group membership
	£m	£m
Corporation tax	10,829	12,554
Other taxes borne	9,956	12,114
Taxes collected	40,078	48,086

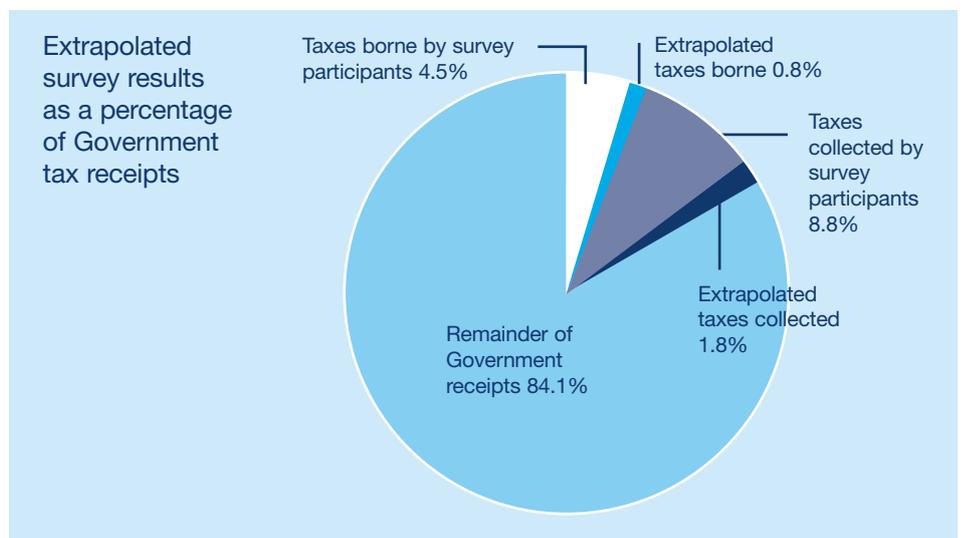
The chart shows the extrapolated survey results as a percentage of Government receipts. Extrapolated corporation tax amounts to £12,554m and accounts for 30% of Government corporation tax receipts.



For total taxes borne the extrapolated amount is £24,668m and represents more than 5% of total Government tax receipts.

For taxes collected the extrapolated figures show a total of £48,086m representing over 10% of all Government tax receipts.

The extrapolated figures for taxes borne and collected by Hundred Group members overall therefore suggest that this group of companies accounts for almost 16% of all Government tax receipts.



8 Trends in taxes borne

- Through the two surveys we have data on taxes borne for three years. The trends for the years have been calculated on a like for like basis to ensure they are not distorted by higher participation in the survey or increased coverage of taxes reported.
- The increase in corporation tax for those reporting data for 2006 and 2005 is 23%. The increase over a three year period for those reporting data for 2004, 2005 and 2006, is 29%. We do not have the data to compare these increases to the trends in participants UK profits.
- For PRT a 50% increase is shown between 2006 and 2005.
- Stamp duties have increased by 38% from 2005 to 2006, suggesting increased transaction activity.
- The increase in total taxes borne for those reporting data for 2006 and 2005 is almost 16%. The increase over a three year period for those reporting data for 2004, 2005 and 2006 is almost 22%.
- A significant element of the increases in taxes borne this year can be attributed to the impact on the oil companies of a 40% increase in average oil prices.
- The inflation increase for the year 2005, from the Consumer Price Index (CPI - the Government's preferred index) is 2.1%, while the GDP increase for the period is 4.8% (source: the Office for National Statistics).

In the 2005 survey Hundred Group members were asked to supply data on their taxes borne in their accounting year ended in the year to 31 March 2005 with the prior year as a comparison. In the 2006 survey members were asked to provide data on their taxes borne and collected in their accounting period ended in the year to 31 March 2006. Through the two surveys we now have data for three years on taxes borne and are able to look at the trends in amounts paid over this period of years. We currently only have data on taxes collected for one year and are not therefore able to look at trends in taxes collected. We hope to collect a further year's data in the 2007 survey and look forward to having similar trend data available for taxes collected.

Data periods	
2004	A participants accounting period ended in the year to 31 March 2004 and reported in the 2005 survey
2005	A participants accounting period ended in the year to 31 March 2005 and reported in the 2005 survey
2006	A participants accounting period ended in the year to 31 March 2006 and reported in the 2006 survey

In analysing the data for taxes borne we have been careful to measure trends on a like for like basis. This is to ensure that we reflect movements in the taxes themselves rather than a change in the number of companies reporting data or a change in the number of taxes that companies have reported. To ensure that these potential distortions are excluded from the trend results, only those participants providing data for all relevant periods have been included, and only those taxes for which participants have included data for all relevant periods have been included in the results.

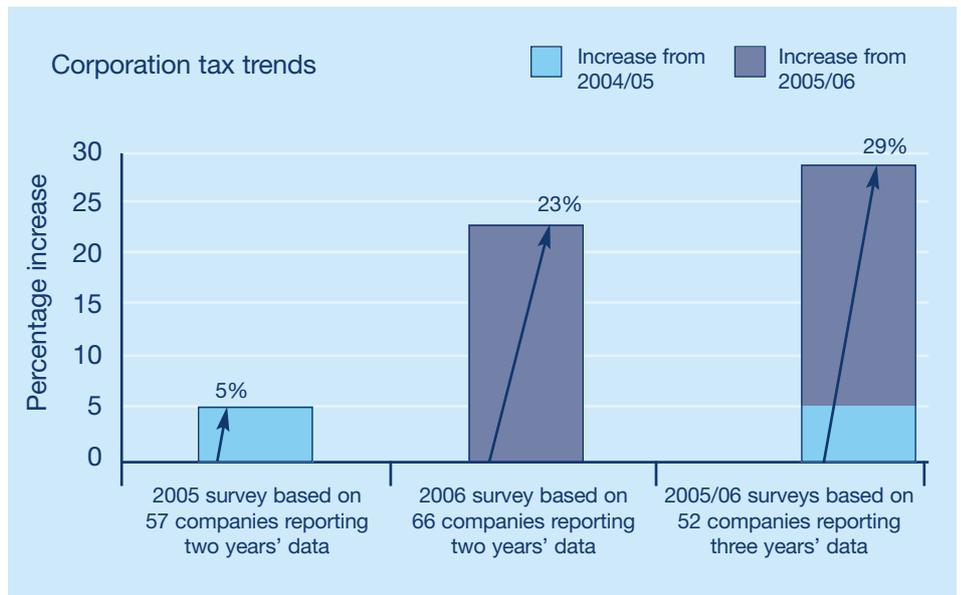
There are substantial increases in total taxes borne by Hundred Group members from 2004 to 2006 with the majority of this increase arising between 2005 and 2006. The following tables show the trends in detail over a two year (2005 to 2006) and three year (2004 – 2006) period. For 2005 to 2006, the table also compares the trends to trends in Government receipts for these taxes.

Taxes borne 2006 and 2005					
£'000		2006 Taxes borne	2005 Taxes borne	Trends	Trends in Government receipt
Direct taxes	Corporation tax	10,384,344	8,460,973	22.7%	24.7%
	Business rates	2,028,389	1,878,862	8.0%	6.4%
	Stamp duty	253,514	184,118	37.7%	21.1%
	Petroleum revenue tax	1,190,857	791,667	50.4%	53.8%
	Betting and gaming duty	108,572	104,764	3.6%	0%
Employment taxes	PAYE settlements	56,766	71,488	-20.6%	6.2%
	Employers' NIC	3,189,310	3,116,168	2.3%	9.3%
Indirect taxes	Irrecoverable VAT	1,589,889	1,634,240	-2.7%	-0.1%
	Customs duties	52,262	47,118	10.9%	4.5%
	Vehicle excise duty	32,893	33,310	-1.2%	6.4%
	Insurance premium tax	16,671	19,702	-15.4%	-4.2%
Environmental taxes	Landfill tax	4,492	4,088	9.9%	0.0%
	Air passenger duty	10,004	7,548	32.5%	0.0%
	Congestion charge	4,307	1,467	193.7%	
	Climate change levy	39,596	42,442	-6.7%	-12.5%
	Aggregates levy	63,293	63,800	-0.8%	0.0%
TOTAL		19,025,159	16,461,755	15.6%	7.2%

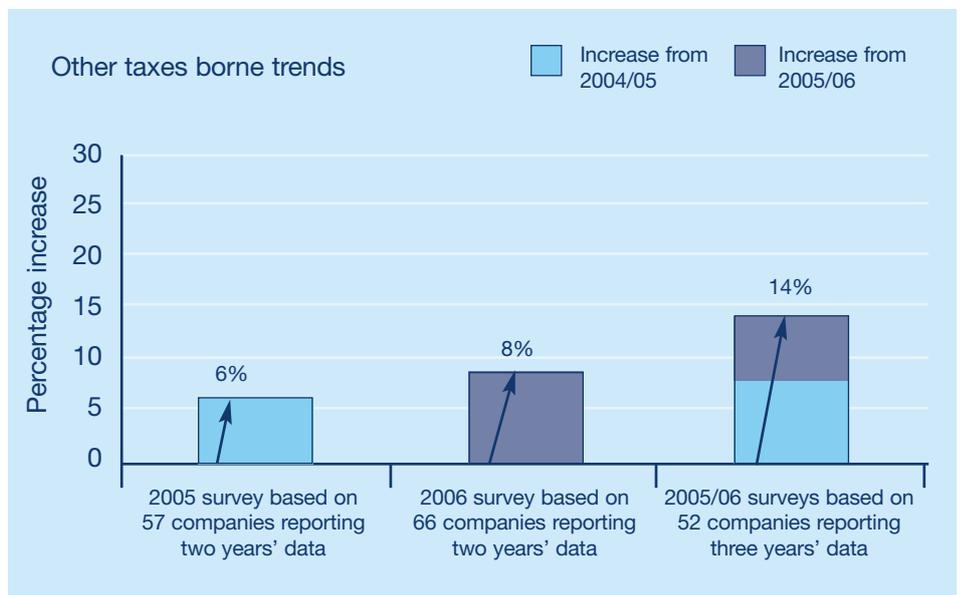
Taxes borne 2006, 2005 and 2004							
£'000		2006 Taxes borne	2005 Taxes borne	2004 Taxes borne	Trends		
					2005/06	2004/05	2004/06
Direct taxes	Corporation tax	7,247,875	5,947,208	5,640,081	21.9%	5.4%	28.5%
	Stamp duty	220,710	137,444	110,309	60.6%	24.6%	100.1%
	Business rates	1,326,524	1,253,982	1,173,810	5.8%	6.8%	13.0%
	Petroleum revenue tax	963,857	612,667	639,556	57.3%	-4.2%	50.7%
	Betting and gaming duty	108,572	104,764	86,687	3.6%	20.9%	25.3%
Employment taxes	PAYE settlements	50,915	69,720	65,824	-27.0%	5.9%	-22.7%
	Employers' NIC	2,073,652	2,065,822	2,009,389	0.4%	2.8%	3.2%
Indirect taxes	Irrecoverable VAT	1,148,589	1,237,709	1,081,778	-7.2%	14.4%	6.2%
	Customs duties	48,195	39,351	30,661	22.5%	28.3%	57.2%
	Vehicle excise duty	15,865	23,871	16,399	-33.5%	45.6%	-3.3%
	Insurance premium tax	16,432	18,760	22,942	-12.4%	-18.2%	-28.4%
Environmental taxes	Landfill tax	2,919	2,645	3,012	10.4%	-12.2%	-3.1%
	Air passenger duty	8,242	5,938	5,270	38.8%	12.7%	56.4%
	Congestion charge	2,291	459	374	399.1%	22.8%	512.6%
	Climate change levy	14,778	17,067	17,139	-13.4%	-0.4%	-13.8%
	Aggregates levy	800	800	800	0.0%	0.0%	0.0%
TOTAL		13,250,216	11,538,207	10,904,031	14.8%	5.8%	21.5%

The increase in corporation tax payments for those companies participating in both the 2005 and 2006 surveys is almost 23%. This is broadly in line with the trend in Government receipts. Ideally this trend should be measured against the trend in UK corporate profitability since broadly speaking corporation tax payments are driven by profitability although the drivers for other taxes borne will be different, (e.g. pay levels for employment taxes). No information is however available on the trend in UK profits for these companies. The increase in their global profits as taken from their financial statements is 11%.

The increase in corporation tax payments for those companies providing data for 2006, 2005 and 2004 is 29% over the three year period.



The trend in other taxes borne for those companies participating in both the 2005 and 2006 surveys is 8% with an increase for the three year period from 2004 to 2006 of 14%.



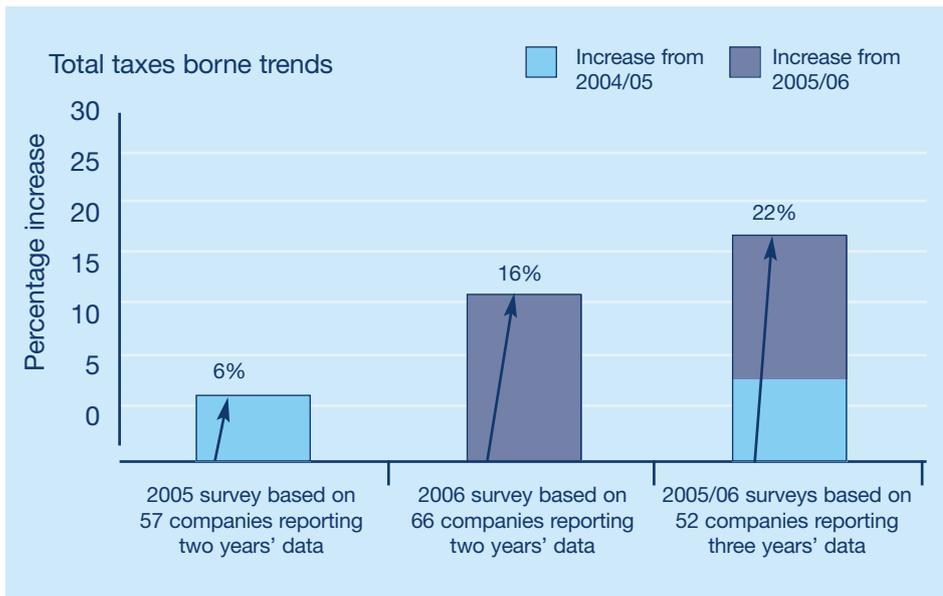
Of note is the significant increase in petroleum revenue tax (50%) which compares to an increase in Government receipts of 54% and which can be attributed to the substantial increase in oil prices for the period (40%). Corporation tax paid by participants who are oil companies has increased by 64% between 2005 and 2006.

The 38% increase in stamp duties could perhaps be attributed to an increase in transaction activity but we have no data to support this. The trend in Government stamp duties receipts was 21%.

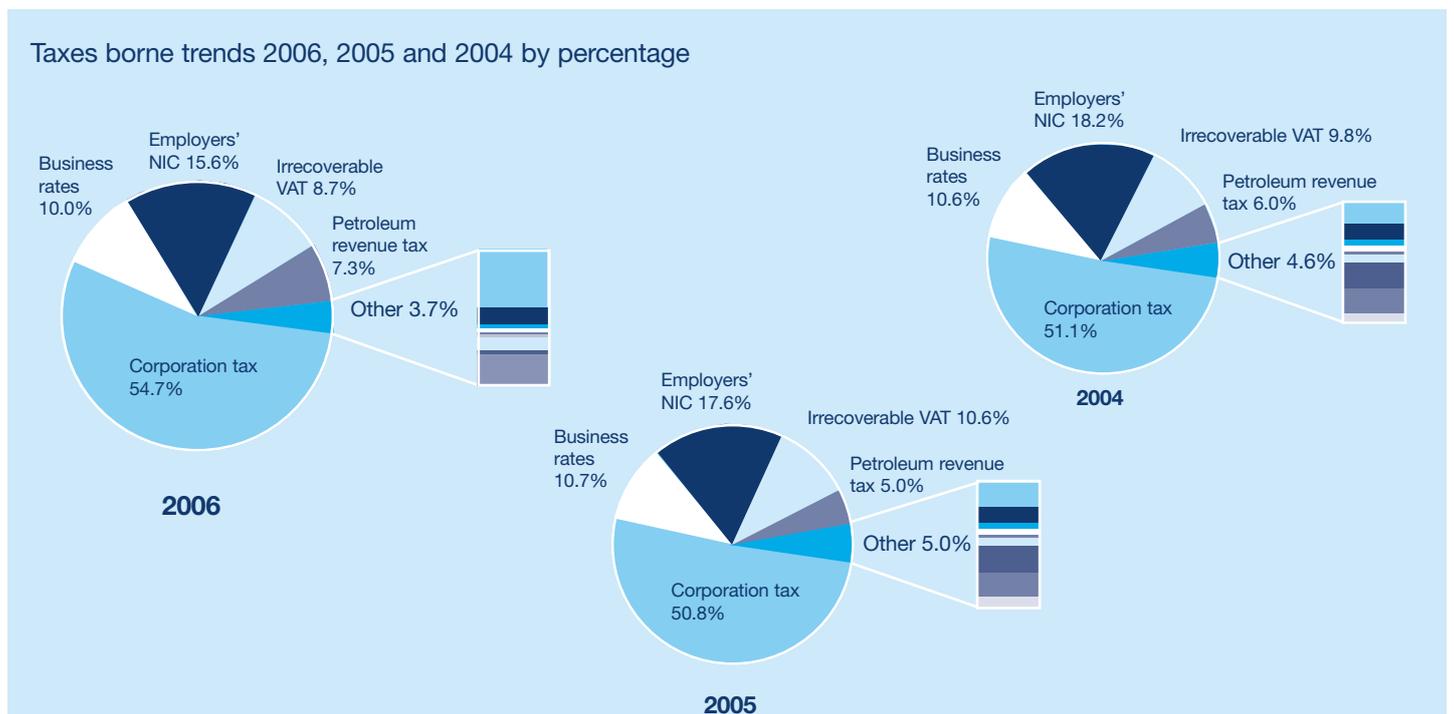
The large increase in the London congestion charge may be due to the increase from £5 to £8 in July 2005. It may also reflect better capture of this cost by companies reporting data but again we have no evidence to support this.

The trend in total taxes borne shows an increase of 16% from 2005 to 2006 which is well in excess of the inflation increase for the year 2005 of 2.1% using CPI, the Government preferred index and the increase in GDP of 4.8% (source: the Office for National Statistics).

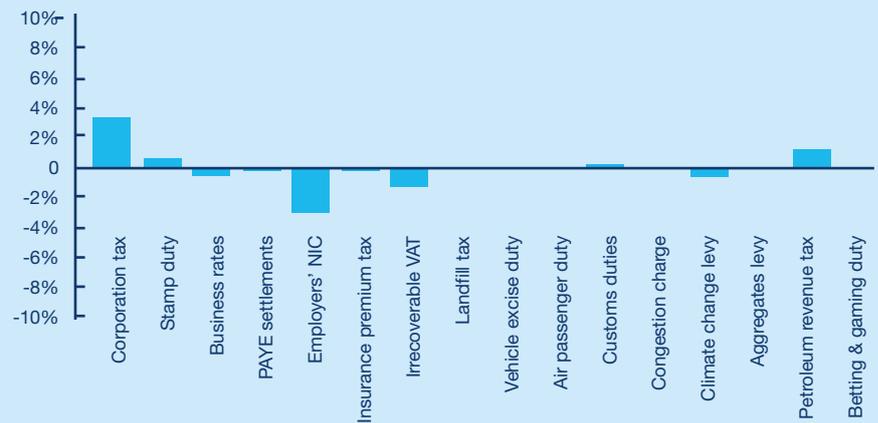
The increase is 22% for the three years from 2004 to 2006.



What we have looked at so far have been the trends in taxes borne both in absolute numbers and in percentage increases/decreases. It is also relevant to look at the relative significance of taxes borne. The chart below looks at each tax borne as a percentage of total taxes borne over the three year period. Again, only those taxes on which companies reported data for all three years have been included.



Percentage increase/decrease in proportion of tax borne from 2005 to 2006



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

Of significance here is that corporation tax and petroleum revenue tax have increased as a percentage of the whole, from 51.4% to 54.6% for corporation tax and from 4.8% to 6.3% for PRT. The compensating reducing percentages are largely seen in business rates, employers' NICs, and irrecoverable VAT.

9 The picture for individual participants

- In the 2006 survey we have also looked at the position for individual companies using certain measures.
- On average the burden of taxes borne by participant companies is 40% of profit before all business taxes.
- On average, participant companies paid an amount equivalent to 18.3% of their turnover in taxes borne and taxes collected.
- On average participant companies paid £15,645 in employment taxes per employee.

The 2005 and 2006 surveys provide information on taxes paid by large UK based business and the contribution of Hundred Group members to UK tax receipts. In the 2006 survey we have also been able to look at the impact of tax on business. In addition to data on taxes borne and collected, participants were asked to provide information to indicate the size of their UK business and to put their tax payments into context. The information and how it has been used in analysing the figures is set out in the table below.

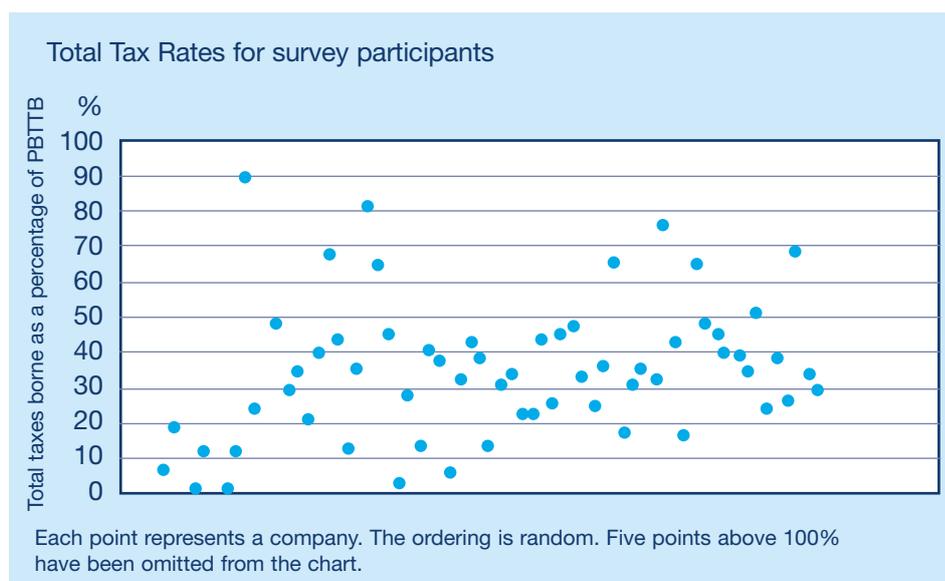
Data requested	Use in analysing participants data
UK accounting profit before corporation tax	Total Tax Rate (all taxes borne as a percentage of profit before all taxes borne)
UK turnover	Taxes borne and collected as a percentage of turnover
Number of UK employees	Employment taxes borne and collected per employee

It is important to appreciate that this data provided by some participants, particularly for UK accounting profit before tax, may involve a degree of estimation or allocation. This is because there is no requirement to consolidate profit before tax at a UK country level, either for financial reporting or tax purposes. The figures may therefore only have been required for the purposes of the Hundred Group Total Tax Contribution survey.

The Total Tax Rate (TTR) is a measure of the burden of all taxes borne on a particular business. In the calculation, the numerator is the total of all business taxes borne (total taxes borne) and the denominator is the profit before all business taxes borne (PBTTB). It is important to note that the profit figure used in the calculation (PBTTB) is not the traditional figure found in the financial statements of the company, the profit before tax figure (PBT). As many of the taxes borne are deductible in calculating PBT they must be added back to generate a profit before all business taxes (PBTTB) to be the denominator in the calculation. In comparing the TTR with the statutory corporation tax rate therefore it must be remembered that the element of the TTR which represents corporation tax will always be below 30%. In the example calculation below, the TTR is 46% of which 23% represents corporation tax and 23% other business taxes borne.

Total Tax Rate			
An example calculation			
Profit before total taxes borne (PBTTB)	130	CT/PBT (30/100)	30%
Other taxes borne	(30)	CT/PBTTB (30/130)	23%
Profit before tax (PBT)	100	TTR (60/130)	46%
Corporation tax (CT)	(30)		
Profit after tax	70		

A Total Tax Rate calculation was carried out for Hundred Group members providing data on taxes borne and the results are shown in the chart below.

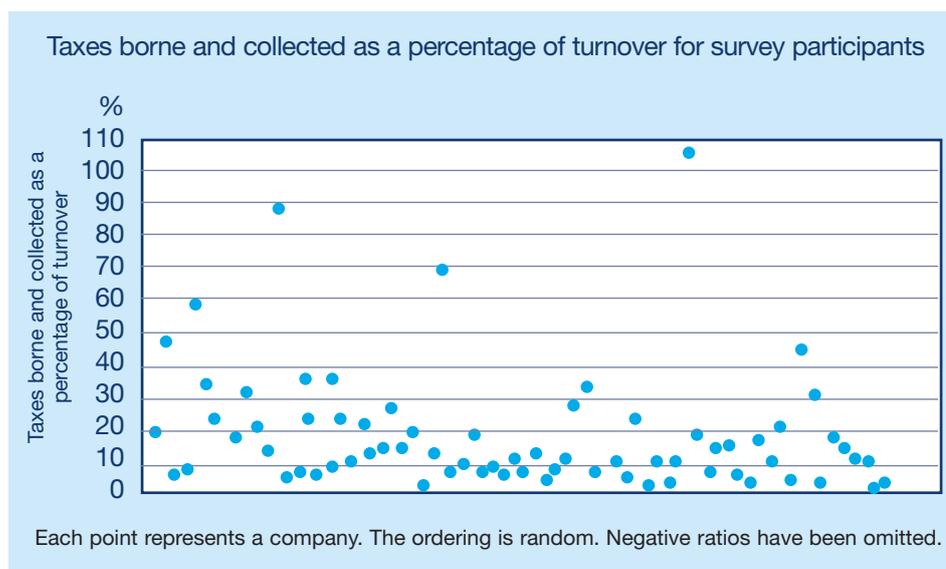


No calculation was included for eight companies with a loss before total taxes borne as the total tax rate is not an appropriate measure in these circumstances.

The mean average total tax rate for companies included is 40.5%. So, on average for this group of companies, their total taxes borne represent 40.5% of profits before total taxes borne (PBTTB). The range for individual companies is 1.8% to 145%. Those companies with a very high percentage will generally have a loss before corporation tax but a profit before total taxes borne.

We have considered whether taxes borne could be expressed as a percentage of profit before corporation tax (PBT) rather than profit before all taxes borne (PBTTB). In favour is that this measure may be easier to understand and relates better to data in a company's financial statements. However it also overstates the tax burden, since many of the other taxes borne are deductible in computing corporation tax (using this calculation, the mean average for our group of companies would rise from 40.5% to 62.5%). For this reason we have rejected it and consider the calculation of Total Tax Rate used (total taxes borne to profit before all business taxes borne) is a more realistic measure of the burden of business taxes borne.

Taxes borne and collected as a percentage of turnover is a measure of what a company contributes to Government tax receipts. Here we have taken a simple calculation with taxes borne and collected as the numerator and UK turnover as the denominator. We have not adjusted turnover for VAT collected which is not reflected in turnover. The results are shown in the chart below.



The mean average for taxes borne and collected as a percentage of turnover for companies participating in the survey is 18.3% of which 5.9% represents taxes borne and 12.4% taxes collected. The range is shown in the table below.

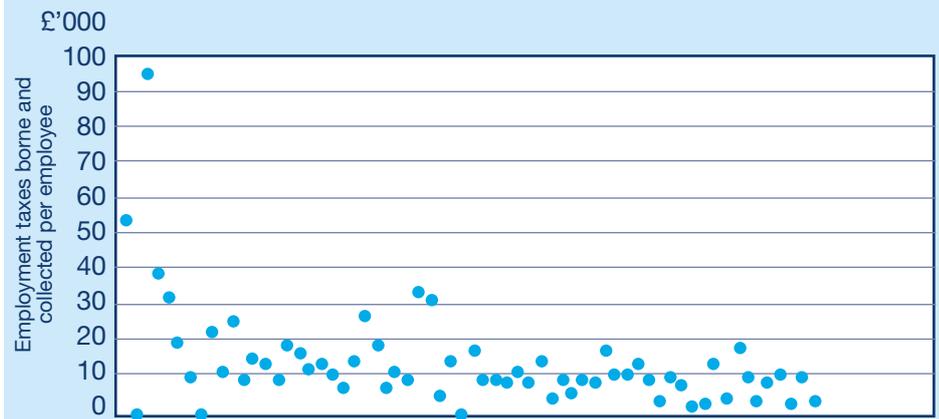
Taxes borne and collected as a percentage of turnover	Total	Taxes borne	Taxes collected
Mean average for participants	18.3%	5.9%	12.4%
Range for participants	-4% to 105%	0.4% to 27%	-4% to 105%

Negative ratios as a result of VAT refunds

The companies with the very high percentages are collectors of excise duty.

The final measure we have considered is employment taxes borne and collected per employee. This measure may be useful in considering the multiplier effect in taxes of jobs created by UK business. In this calculation employment taxes borne and collected are the numerator and the number of employees the denominator. Employment taxes borne are taken as employers' NICs and PAYE settlement agreements. Employment taxes collected are income tax deducted at source under PAYE and employees' NICs. The results are shown in the chart below. Participants in the survey employed around 5% of the total UK workforce.

Employment taxes borne and collected per employee for survey participants



Each point represents a company. The ordering is random.

The mean average is £15,645 of which £3,904 represents taxes borne and £11,741 represents taxes collected. The range is shown in the table below.

Employment taxes borne and collected per employee	Total	Taxes borne	Taxes collected
Mean average for participants	£15,645	£3,904	£11,741
Range for participants	£3,221 to £93,949	£48 to £19,045	£2,329 to £74,904

10 Future development and use of the survey

- The survey results are being discussed with Government and other interested parties to inform the tax policy making process and in particular the debate around the competitiveness of the UK tax regime.
- With growing interest in tax from many stakeholders it is expected that tax reporting, including Total Tax Contribution and the wider impact of taxes, will develop over the next few years.
- The intention is to repeat the survey in 2007, with a possible additional focus on compliance costs.
- The Total Tax Contribution Framework translates easily to other countries. Work is underway to generate similar empirical data in Australia and other countries.
- Development of the Framework is a dynamic process. Comments and feedback on the concept and the results of this survey are welcome.

An important use of the Total Tax Contribution Framework is to improve transparency, and to inform the debate around tax policy. As for last year it is important that the findings of the survey are widely communicated.

The communication process this year has again involved discussions with Government departments and other organisations. There is strong interest in both the results of this survey and in the Total Tax Contribution concept generally. The Framework generates empirical data that is not otherwise available and which is helpful to inform the tax policy making process, and in particular the debate around the competitiveness of the UK fiscal regime.

Section 5 of this report shows that participation in the survey this year has again been excellent. By completing the Total Tax Contribution questionnaire, the participants now have robust data on an individual company basis which gives them the opportunity to improve their reporting of tax information. This is something which PwC firmly supports and is wholly consistent with initiatives such as the Global Reporting Initiative and the Extractive Industry Transparency Initiative, and the position of organisations such as the Organisation for Economic Co-operation and Development (OECD) which supports high standards of transparency and effective exchange of information on tax matters. In today's world there is a gap between accounting standards requirements and the expectation and needs of the various stakeholders. The opportunity that the Total Tax Contribution Framework offers is the generation of standardised data that can be reported on a regular basis, and which meets the needs of those interested stakeholders.

The annual PwC Building Public Trust Awards reward excellence in corporate reporting. In 2006, for the first time, the award categories included an award for Tax Reporting which was won by AstraZeneca PLC, who were selected out of a total of 40 FTSE company nominations. The tax award will be made again next year, and we anticipate that tax reporting, including Total Tax Contribution and the wider impact of tax on stakeholders, will develop over the next few years.

The intention is to repeat the Total Tax Contribution survey for The Hundred Group again for 2007. We will continue to enhance the survey both in terms of the questions asked and the extent of data requested. This year, in addition to taxes borne, the survey generated data on taxes collected. The most consistent request now made by stakeholders is for data relating to compliance costs. This is important in the debate around complexity of the tax regime, and it will help illustrate the time and effort that is required by the country's largest companies in complying with tax legislation.

“The Total Tax Contribution Framework and methodology provides a good consistent methodology to compare tax regimes around the world. This enhances transparency to the benefit of both Governments and Business. The Framework allows businesses to better understand and manage their taxes. It also provides Government with information to help design the reform of complex tax systems.”

Caralee McLeish, Program Manager, Doing Business Project, World Bank Group

With the repeat of the survey next year it is therefore hoped to extend the survey to ask for data on compliance costs. We are currently considering how this might be achieved and would welcome views. The intention would be to collect data on the cost of compliance for both taxes borne and taxes collected. This might include both the cost of internal staff that spend time on compliance and the cost of external advisers or other resource. Difficulties include that tax staff will only spend a proportion of their time on compliance and that many of the business taxes will be dealt with outside the tax department. It may be appropriate to specify a list of compliance activities and ask participants to estimate the time spent on each. It might then be possible to translate the time spent into a monetised cost. It is important that any methodology be consistent with the Standard Cost Method already used in several countries including the UK to measure the cost of complying with Government regulation.

Until this year most of our work on the Total Tax Contribution Framework has been in the UK. However during the course of 2006 the Framework has been actively considered for use in other countries around the world. What has been interesting is the ease with which the Framework can be applied to the taxes in other countries, demonstrating that the concept is transferable and that it offers the ability to compare and to benchmark the Total Tax Contribution between countries as well as between companies.

The PwC firm in Australia has now completed a major Total Tax Contribution survey showing that there are over 50 business taxes at federal, state and local level. Further studies are anticipated in other European countries and are expected to demonstrate similar complexity. The increasing availability of empirical data on tax payments in countries around the world will be a major step forward in understanding and comparing how companies contribute to the public finances of the numerous regimes in which they operate.

In 2006 PwC has also worked with the World Bank Group to review the ease of paying taxes in 175 countries worldwide as part of the World Bank *Doing Business 2007* project. The findings are based on a survey using a case study of a standard modest sized company. Last year (in *Doing Business 2006*) differences were noted between the methodology used by the Bank and that of the PricewaterhouseCoopers' Framework. This year (in the *Doing Business 2007* survey) the World Bank has adopted the PricewaterhouseCoopers Total Tax Contribution Framework methodology for the calculation of a Total Tax Rate for each country. The output has been very interesting and is actively being used by the World Bank to inform its reform agenda, and specifically the pursuit of an economic win:win scenario on tax for governments and business and more generally, to deal with poor governance, corruption and poverty.

Appreciation of the Total Tax Contribution concept is gaining momentum. It is becoming more widely accepted as a robust measure of taxes contributed by companies to national treasuries and as a means of improving companies' focus on the risks and management of all taxes. As mentioned, the development of the framework is a dynamic process. The Framework has the potential to cover five areas; taxes borne, taxes collected, tax compliance costs, other payments to and from Government and indirect economic impacts. Comments and feedback on the concept and the results of this survey are therefore welcomed to ensure that the usefulness of the output is optimised.

Appendices

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Appendix I

Letter from Jon Symonds dated 9 May 2006

Jon Symonds
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The Hundred Group
of Finance Directors
Chairman
Philip Broadley

9 May 2006

Dear Member

Tax Contribution Survey II

Further to the success of the first 100 Group Total Taxation Contribution Survey (nearly a 70% response rate), I am writing to request your continued participation in the annual collection of tax data through the PWC questionnaire attached.

The benefits of this information are already apparent from the discussions with HM Treasury and HMRC as the data provides detailed facts concerning the tax contribution of large corporates upon which to build consensus on positive action for policy and administrative change.

This year's questionnaire covers 2005 only but has been extended in scope to cover additional details regarding UK profits, UK interest expense and taxes collected on behalf of government. These additional data sets better present the full economic impact of large corporates in the UK and will inform ongoing discussions regarding options for change to the treatment of foreign profits, the administrative burden on large corporates and overall competitiveness of the UK regime. As for last year the data will of course remain confidential and will only be presented in anonymised and aggregate form.

The data collected will also be forwarded in anonymised form to the Oxford University Centre for Business Tax for use by them in their research programme.

Attached is an electronic survey prepared by PWC and the Fiscal Committee. I should be grateful if you would facilitate its completion and submission to Mathan Arulvel at PWC by end of June. Mathan's details are included on the front page of the questionnaire.

I look forward to another high response rate in order to be well positioned to communicate the contribution made by large UK corporates and to support the proposals we have for change.

Yours sincerely

J R SYMONDS

cc: Philip Broadley



The Hundred Group
TTC question...

Appendix II

The Hundred Group membership

3i Group Plc	George Wimpey Plc	Royal Bank of Scotland Group Plc
Abbey National Plc	GKN Plc	Reckitt Benckiser Plc
Associated British Foods Plc	GlaxoSmithKline Plc	Reed Elsevier Group Plc
Alliance & Leicester Plc	GUS Plc	Rentokil Initial Plc
Alliance Unichem Plc	Hammerson Plc	Rexam Plc
Anglo American Plc	Hanson Plc	Reuters Group Plc
AstraZeneca Plc	Hays Plc	Rio Tinto Plc
Aviva Plc	HBOS Plc	Rolls-Royce Plc
BAA Plc	HSBC Holdings Plc	Royal & Sun Alliance Insurance Group Plc
BAE Systems	HSBCIB	SAB Miller Plc
Barclays Capital Plc	Intercontinental Hotels Group Plc	Sage Group Plc
Barratt Developments Plc	ICAP Plc	Schroders Plc
British American Tobacco Plc	Imperial Chemical Industries Plc	Scottish & Newcastle
British Broadcasting Corporation	Imperial Tobacco Group Plc	Scottish & Southern Energy Plc
Bradford & Bingley Plc	International Power Plc	Scottish Power Plc
BG Group	ITV Plc	Shell International Ltd
BHP Billiton Ltd	J Sainsbury Plc	Shire Pharmaceuticals Group Plc
BOC Group Plc	Johnson Matthey Plc	Slough Estates Plc
Boots Plc	Kelda Group Plc	Smith & Nephew Plc
BP Plc	Kingfisher Plc	Smiths Group Plc
British Airways Plc	Ladbrokes Plc	Severn Trent Plc
British Land Company Plc	Land Securities Group Plc	Standard Chartered Bank
British Sky Broadcasting Plc	Legal and General Group Plc	Standard Life Plc
BT Group Plc	Liberty International Plc	Stora Enso International Ltd
Bunzl Plc	Lloyds TSB Group Plc	Tate & Lyle Plc
Cairn Energy Plc	Logica CMG	Taylor Woodrow
Centrica Plc	London Stock Exchange	Tomkins Plc
Compass Group Plc	Maisha Plc	Tesco Plc
Corus Group Plc	Man Group Plc	Unilever Plc
Carphone Warehouse Plc	Marks & Spencer Plc	United Business Media Plc
Cable & Wireless Plc	MISYS Plc	United Utilities Plc
Cadbury Schweppes Plc	mmO2 Plc	Virgin Group Ltd
Corporation of Lloyds	Nationwide Building Society	Vodafone Group Plc
Diageo Plc	Next Group Plc	Whitbread Plc
Dixons Group Plc	National Grid Transco Plc	William Hill
Daily Mail and General Trust Plc	Northern Rock Plc	Wolseley Plc
EMAP Plc	Old Mutual Group	WPP Group Plc
EMI Group Plc	Pearson Plc	Yell group Plc
ExxonMobil International Ltd	Persimmon Plc	
Friends Provident Plc	P&O Group	
Gallaher Group Plc	Prudential Plc	

The PricewaterhouseCoopers LLP Total Tax Contribution Framework

Total Tax Contribution framework

Improving reporting and understanding of the impact of tax on business*



The amount of tax paid by large companies is coming under increasing public scrutiny. But often the only information in the public domain is that on corporation tax in the financial statements. This simply does not give a proper picture of a business's contribution to tax revenues.

PricewaterhouseCoopers has developed a framework for reporting a company's Total Tax Contribution, which we believe is a better measure of the company's economic contribution in taxes. It is, we believe, an important component of transparency and better reporting. Our suggested Total Tax Contribution framework is below. But we think that companies also need to consider saying more in their published statements about their tax policies: their approach to tax and how they manage tax risk.

Business taxes borne

Business taxes paid by the company and charged to its profit and loss account, or to capital, will be the core disclosure in its Total Tax Contribution. Analysing between impacts on capital/people/product is suggested to link to corporate responsibility. Companies may want to consider what the appropriate benchmark measurements might be. Companies need to ensure that their tax strategy and tax risk management procedures encompass all taxes borne.

Business taxes borne		
Capital	Corporation tax	x
	Irrecoverable VAT	x
	Business rates	x
	Other (1)	x
	Employer's NICs	x
People	Employer's NICs	x
	Customs duties	x
	Excise duties (2)	x
Product	Excise duties (2)	x
	Other (3)	x
	Total	x

- Corporate tax
- Employer's NICs
- Business rates
- Irrec VAT
- Other (identify any significant taxes separately)

Diagram is illustrative only

Benchmarks

- total taxes paid as % PBT
- total taxes paid as % revenues
- total taxes per employee
- other industry related benchmarks

(1) could include PRT, stamp duties, air passenger duty (own travel), IPT (own policies)
 (2) goods for own consumption
 (3) could include betting taxes, vehicle excise duties, landfill tax, aggregates levy, climate change levy.

The company will need to decide whether to show global figures or whether to break down totals by the major territories in which it has activities.

Total Tax Contribution

As well as reporting its business taxes borne, a company may wish to consider wider reporting of its economic impact in respect of taxes.

Tax compliance costs

Tax compliance costs are a cost to the company. These arise both from the company's own compliance but more importantly from the work done by the company in collecting taxes on behalf of the Government. These latter compliance costs could be said to defray costs from the public finances and therefore form part of the company's Total Tax Contribution. Consideration should be given to monitoring these costs and possibly disclosing them.

Tax compliance costs

People costs	Salary/related costs	x
	Time proportion	x
System costs	Design/changes	x
External costs		x
Total (4)		x

(4) Compliance costs will be offset by cash flow benefits from taxes collected.

Business taxes collected

Business taxes collected are not a cost charged to a company's profit and loss account and are not therefore part of the company's main Total Tax Contribution in the PwC framework. However, business taxes collected contribute to the company's wider economic impact and there is merit in including these in wider reporting of the company's economic contribution in respect of taxes. It is also vital that business taxes collected are managed effectively as they impact prices.

Business taxes collected

People	PAYE	x
	Employees' NICs	x
Product	VAT	x
	Industry specific (5)	x
	Total	x

(5) could include, for example, excise duties for producers, air passenger duty for airlines/airports, insurance premium tax for insurers and interest withholdings for banks.

Other payments

Other payments to and from Government will not be, strictly speaking, taxes. Nevertheless if they are significant, it may be appropriate to highlight them in the company's wider reporting of its impact in respect of contributions to the economy.

Other payments to and from Government

Payments for value (6)	x
Grants or subsidies	x

(6) An example will be fees for a licence to broadcast

Indirect economic impacts

There are also indirect economic impacts arising from the company's commercial activities. For example suppliers' and contractors' tax payments could be said to relate to the company's purchase of supplies and services. Again these do not form part of the company's Total Tax Contribution but in some circumstances companies could wish to include them as part of wider reporting of its economic impact in respect of taxes.

Indirect economic impacts

Suppliers' taxes	x
Contractors' taxes	x

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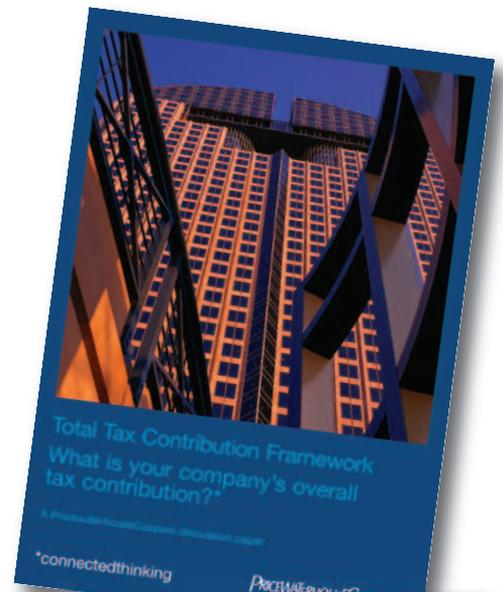
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Appendix IV

Total Tax Contribution - PwC publications

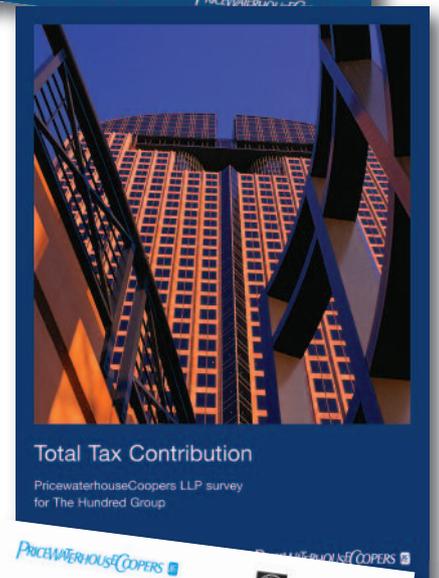
Total Tax Contribution Framework: What is your company's overall tax contribution?

Published: April 2005



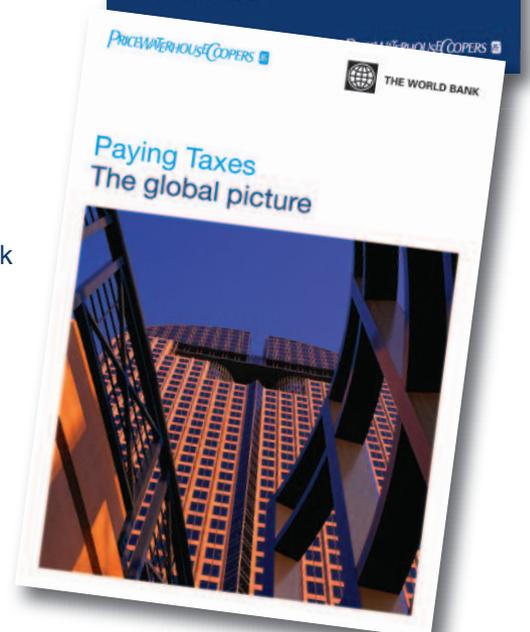
Total Tax Contribution PricewaterhouseCoopers LLP 2005 survey for The Hundred Group

Published: March 2006



Paying taxes The global picture

Published jointly with the World Bank Group: November 2006



Appendix V

PwC team contact details

If you would like further information about this report, please contact:

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 2004 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.

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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.

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