The Total Tax Contribution framework

Tax takes a step towards sustainability

TTC Framework Book

Third edition - 2021

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Welcome to the third edition of the Total Tax Contribution framework

In 2005, we published a discussion paper

"The Total Tax Contribution Framework: What is your overall contribution in taxes?"

which was intended to contribute to the emerging debate on the amount of tax paid by the largest companies in the world.

Since the framework was first developed, public scrutiny over the taxes paid by large companies has increased. With the global financial crisis and the COVID-19 pandemic, we have experienced two large-scale economic crises in a little over a decade that have put significant pressure on the public finances. As deficits grow and governments respond with tax rises, stakeholders are asking for greater transparency over the tax affairs of large business.

In this context, a broader question is emerging, which is the fundamental role of business in society. Historically, the focus of business - particularly in the US and in the UK - has been to create returns for the providers of capital, such as dividends for shareholders. In the current climate, some stakeholders are expecting companies to do more to help tackle issues such as climate change and societal inequalities. This has prompted the rise of the Environmental, Social and Governance (ESG) agenda, a current focus of many boards, CSOs, investors and other stakeholders.

Why is ESG relevant to tax and Total Tax Contribution? In paying tax, a company makes a contribution to the public finances around the world. It is an element of a company's corporate responsibility, but much of the focus is on corporate income tax, which is only part of the picture. Communicating details of a company's full contribution from all taxes, including people taxes, product taxes, property taxes and planet taxes can help to provide visibility over the broad contribution in all taxes. It is a key element of the ESG agenda.

PwC[1] developed the Total Tax Contribution framework in 2005, with the objective of helping companies to measure and communicate their total contribution to the public finances. A narrow focus on corporate income tax and the complexity around allowances, reliefs, provisions and deferred taxation, has contributed to a lack of understanding and an erosion of public trust in the tax system and the contribution that companies make. To address this, the Total Tax Contribution framework was designed to be comprehensive, easy to understand and applicable around the world.

[1]PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

The phrase 'Total Tax Contribution' has entered common tax language. The concept is well understood, well recognised and is being adopted by an increasing number of organisations.

Along with greater scrutiny and increased stakeholder interest on ESG, and tax as a part of ESG, there have been significant developments in tax reporting initiatives and regulation in recent years. Supranational bodies, such as the European Union (EU) and Organisation for Economic Co-operation and Development (OECD) have acted to introduce new regulations requiring the mandatory reporting of corporate income tax and other financial information on a country by country basis. The International Business Council of the World Economic Forum has developed a new and broader tax ESG metric, based on Total Tax Contribution, and the Global Reporting Initiative has issued a tax standard.

A key challenge for tax directors in the current environment is to consider how to respond to this changing landscape and to ensure that their tax affairs are properly understood, bearing in mind the information that they may be required to put in the public domain. The focus of much of the interest in the taxes paid by large companies has been on their corporate income taxes, and companies increasingly are being asked to explain how the taxes on profits that they pay relate to their commercial footprint.We pointed out in the original 2005 report, and in the subsequent (2015) update, that there was little information in the public domain about exactly what taxes companies pay and how much they pay in addition to profit taxes. Accounting standards require only the disclosure of taxes on business profits.

In 2005 with the help of large business we developed The Total Tax Contribution Framework. This looks at all of the taxes a company pays with a view to helping companies to communicate more fully the total contribution that they make to the government tax revenues. This Framework helps to provide robust information that improves understanding and informs the debate around tax transparency. Our experience is that governments also find the total tax information that we are able to generate through the Framework useful in providing another perspective on corporate taxation.

The phrase 'Total Tax Contribution' has entered common tax language. The concept is well understood, is well recognised and is being adopted by an increasing number of organisations. As its reach has extended, we felt that an update to the Framework would be helpful to provide guidance for companies extracting and communicating their Total Tax Contribution.

In this publication we revisit how the methodology has developed and matured, we address some of the questions and problems that have been raised over the years and we look at what companies need to think about when considering a Total Tax Contribution project. We look at how companies around the world have been using the concept, and in some cases including it in an assessment of their wider economic, social and environmental impact on the economies in which they operate.

We hope that you find this update useful. As more companies and institutions use the methodology, new issues will arise and so we welcome feedback and comments to help us ensure that the methodology continues to be robust and a helpful addition to tax transparency.

Contents

Executive summary

In this report we revisit the Total Tax Contribution Framework and methodology more than fifteen years after our original 2005 paper was published. We explore how the Framework can help companies respond to the focus on environmental, social and governance issues in the current environment, look at some practical considerations around data collection and reporting, and tackle some of the common questions that we have seen raised about the Framework and how the methodology is applied.

The changing tax landscape

In the aftermath of the pandemic, the debate about corporate taxes has intensified to the extent that today the tax paid by the world's largest companies is a very emotive subject and is often misunderstood.

Increasing pressures on government tax revenues and increasing interest in the tax affairs from a wide range of stakeholders have prompted action from supranational bodies (EU, OECD, G7, G20) on tax transparency from large business. One outcome is the development of country by country tax reporting, a requirement for disclosure of corporate income tax paid in each country of operation. Proposals in the EU are expected to become mandatory in the next five years. A bill was presented to the US congress too. These public disclosures are focused on corporate income tax and Total Tax Contribution can be helpful in broadening the debate to all the taxes paid by business.

Corporate income tax (CIT) is often a relatively small part of the total contribution. Our joint publication with the World Bank on 'Paying Taxes' is good evidence for this showing that over the last decade, the biggest component of the global Total Tax Rate (i.e. the proportions of all taxes borne in relation to profits) has moved from profit taxes to labour taxes. Our Total Tax Contribution work with The 100 Group in the UK shows a similar trend, where the cut in UK corporation tax rates from 30% in 2005 to 19% in 2020 has meant that, combined with the impact of the financial crisis over this period, corporation tax paid by the largest 100 companies in the UK has fallen in absolute terms and not just as a share of TTC. In 2005, for every £1 of corporation tax there was £1 of other taxes borne. In 2020, the survey showed that there was £2.89 of other taxes borne for every £1 of corporation tax. The message that CIT is only part of the picture is true worldwide. On average, for OECD countries, taxes on corporate income are only 10% of total tax revenues. Thus the Total Tax Contribution concept is as important for governments as it is for companies.

This is not to say that CIT is not important. In developing economies, in particular, it accounts for a higher proportion of total tax revenues.

Total Tax Contribution is potentially one of the tools that can help companies tell their own story, which may not be fully explained by mandatory rules.

The Total Tax Contribution Framework

The Total Tax Contribution Framework provides information on all the taxes companies pay. It is straightforward in concept, not tax technical, and therefore relatively easy for stakeholders to understand, many of whom will have limited knowledge of the complexities of tax. It's a universal framework that can be applied in any tax regime.

By focusing on cash payments, Total Tax Contribution provides a simple measure of companies' contribution to government tax revenues.

The Framework is built around two essential criteria: the definition of a tax and the distinction between taxes that are a company's cost (taxes borne) and taxes that the company collects on behalf of the government (taxes collected). Although we use the term 'taxes borne' we are clear that this is not an economic model and does not consider the final incidence of taxes.
A flow chart (see figure 5), starting with the OECD definition of a tax, can help to identify taxes, and categorise them as taxes borne, taxes collected or as other payments to government.

In addition, the Framework identifies five tax bases under which taxes borne and collected can be categorised: profit, people, product, property and planet (environmental) taxes, making cross border consolidation and comparison easier. As all payments made by companies to government do not necessarily meet the definition of a tax, the framework has the capability to capture 'other payments' to government, for example the licence fee paid by a mining company for a licence to operate.

The Total Tax Contribution Framework: some common questions

As The Total Tax Contribution Framework has developed over the past decade, questions have inevitably been raised about the treatment of particular payments to governments.

We have identified fifteen common questions such as:

'Is excise duty a tax borne or a tax collected?'

'How should I treat a VAT refund?'

'Should I include gross or net VAT?'

'How should I calculate the Total Tax Contribution of joint ventures?'

'Are social security payments a tax?'

We explain our approach in dealing with these issues. We acknowledge that there are potentially other areas of uncertainty and encourage people to raise further queries for discussion.

What should I think about when collecting my Total Tax Contribution data?

Collecting Total Tax Contribution data often involves many countries, companies and individuals, and the data required is often not routinely collected. This presents a number of risks in terms of the controls and checks which are available to verify the data collected. Following a defined process can help to manage those risks, including a well-defined scope, a tailored data collection template (with definitions and examples) and sense checking of the data during analysis.

For deeper insights, Total Tax Contribution data can be put into the context of profits (Total Tax Rate), revenues, number of employees, wages and value distributed by the company. Any process designed to collect Total Tax Contribution should therefore include these data.

It's also important to consider whether to assure the data and the available technology solutions which could help to minimise the impact of data collection on the business in terms of time and cost, particularly if this is to be an annual project.

How are companies using their Total Tax Contribution data?

Our research shows that companies are using Total Tax Contribution data for a wide range of purposes, from internal communication including briefing the board and sustainability reporting, better management and implementation of their tax strategy, to providing robust support for external communication and ensuring that their tax position is properly understood.

Total Tax Contribution often forms part of companies' communication strategy around tax. In the aftermath of the pandemic, with pressure increasing on large companies to explain their tax affairs, more companies have used Total Tax Contribution as a basis for explaining and disclosing the different types of tax they pay and how much they pay in each country.

Increasingly, companies are telling a far wider story in their annual reports (and other publications) than purely a financial one. Total Tax Contribution forms an important part of greater transparency, and companies are linking their tax contribution to their economic, environmental and social impact to explain the total impact of their activities in the countries where they operate.

A review of disclosures

At the request of companies considering Total Tax Contribution disclosure for the first time, we've included a summary of different approaches we've seen. Total Tax Contribution disclosures were found in standalone tax reports, sustainability reports or in the front half of the annual report. Some disclosures highlighted the contribution by country and others by tax, depending on the message to be communicated.

Consistency is essential

The Total Tax Contribution Framework has a relevance today that could not have been foreseen in 2005. In the intervening years, the Framework has been developed as a voluntary framework. As the debate around company taxes continues to gather momentum, it's important that disclosures are made on a consistent basis.

The PwC Tax Transparency website[2] contains a summary of frequently asked questions on Total Tax Contribution together with our suggested approach and contact details if you have further questions. We'll continue to update the frequently asked questions and in that way, the voluntary Framework will develop faster, in a coordinated way, using the combined knowledge, experience and vision of the leaders in tax reporting around the world.

[2] Available at https://www.pwc.com/gx/en/services/tax/publications/total-tax-contribution-framework.html.

The changing tax landscape

The 2005 discussion paper

Our first paper, The Total Tax **Contribution Framework: What is your overall contribution in taxes?,** was published in the UK in 2005. The aim of the paper was to stimulate an informed debate regarding the tax contribution made by companies and it considered the advantages and disadvantages of greater transparency. It was prepared at a time when businesses were starting to see increased scrutiny and public debate over their tax payments.

The paper explained that while interest in the level of taxes paid by companies was increasing, there was a general lack of understanding about the range of taxes paid. It was developed together with large businesses, introducing the concept of The Total Tax Contribution Framework: the total of all taxes paid to governments.

Total Tax Contribution around the world and on the board agenda

The Framework has been used and applied in many countries. PwC has carried out Total Tax Contribution calculations in 190 countries as part of The Paying Taxes indicator[3] within the World Bank Doing Business project and we have worked with companies in different sectors in many countries as part of a global Total Tax Contribution exercise. TTC studies have been carried out in different countries and these reports provide an insight into the taxes paid by large business in those countries.

With the current focus on ESG, the debate about corporate taxes has intensified so that today the subject of the taxes paid by the world's largest companies has become one of the most emotive issues that they have to address and one which is also frequently misunderstood.

Nearly three quarters (72%) of CEOs are concerned about tax policy uncertainty and unpredictability, according to our 24th Annual CEO Survey[4]. This doubtless owes much to the impact of the pandemic on public finances. Many governments have already begun a wide-ranging consultation processes both internally and with various stakeholders in an attempt to identify particular industries or sectors where increasing existing taxes or levying new taxes will be perceived as more palatable and justifiable to the wider public.

In this environment, communicating your contribution to the public finances through a broad range of taxes can help to inform the debate over a company's contribution.

72%

Our 24th annual CEO survey showed 72% of CEOs are concerned about tax policy uncertainty.

[3] Paying Taxes 2020, available at https://www.pwc.com/gx/en/services/tax/publications/paying-taxes-2020.html.
[4] 24th Annual CEO Survey - UK CEOs plan a 'no regrets' recovery, available at: https://www.pwc.co.uk/ceo-survey.html.

The changing profile of tax regimes

Over the last fifteen years, the profile of taxes in many countries around the world has changed reflecting policy changes implemented by governments. A central reason for developing The Total Tax Contribution Framework was to show that corporate income tax – the most visible of business taxes by virtue of the fact that it is the one company tax which is consistently disclosed in financial statements – accounted for only part of the taxes paid by businesses. Taking the UK as an example[5], Total Tax Contribution studies showed that, in 2005, for every £1 paid in corporation tax by the UK 100 Group (broadly the 100 largest listed UK companies), a further £1 was borne in other business taxes.

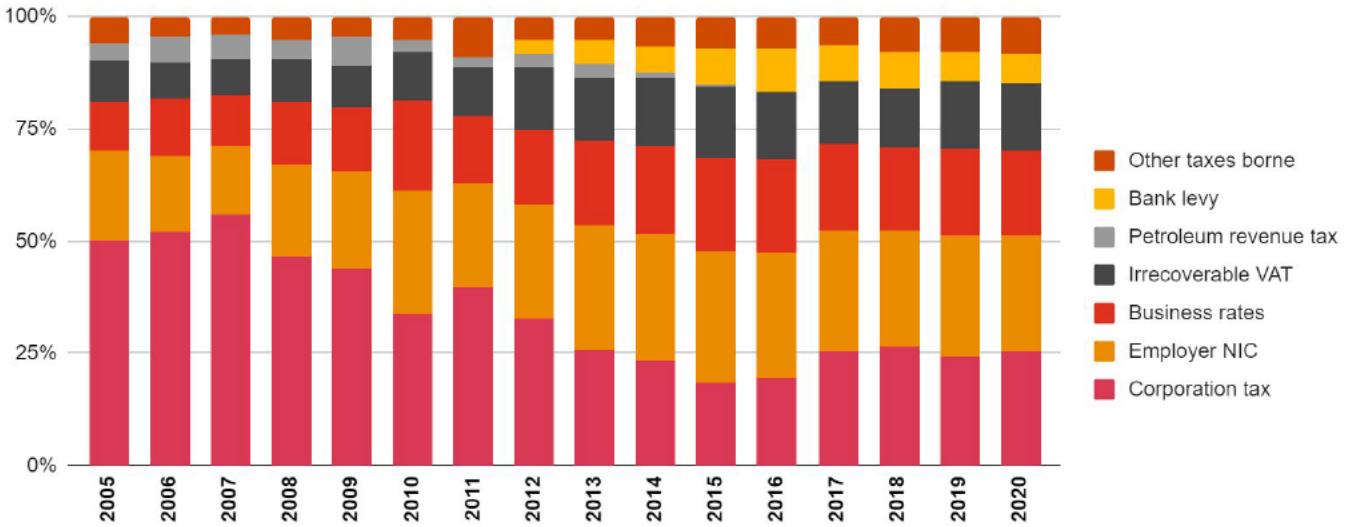
Since then, corporation tax rates in the UK have been steadily reduced, falling from 30% in 2005 to 19% in 2020.

The cut in UK corporation tax rates combined with the impact of the financial crisis meant that between 2005 and 2015, corporation tax paid by the largest 100 companies in the UK fell. At the same time, over the same period, other taxes borne by the 100 Group increased by 78%. By 2015 this meant that the 100 Group members paid £4.46 in other business taxes for every £1 they paid in corporation tax; employers' National Insurance Contributions became their largest tax borne as shown in Figure 1.

In the future, we might expect to see environmental taxes taking a greater percentage of the total, together with other taxes on the digital economy.

The UK is by no means alone when it comes to changing the profile of its taxes, with the **Paying Taxes** 2021 study showing a drop in the global average for profit taxes. The study also shows corporate income tax now accounts for only 40% of the Total Tax Rate for the case study company; social security contributions account for a similar percentage. In the same study corporate income taxes accounted for only 33% of the compliance time and 12% of the number of payments.

Figure 1: Taxes borne profile in the UK 2005 – 2020



Source: PwC analysis.

[5] 2020 Total Tax Contribution survey for the 100 Group – Stability in uncertain times, available at https://www.pwc.co.uk/services/tax/total-tax-contribution-100-group.html.

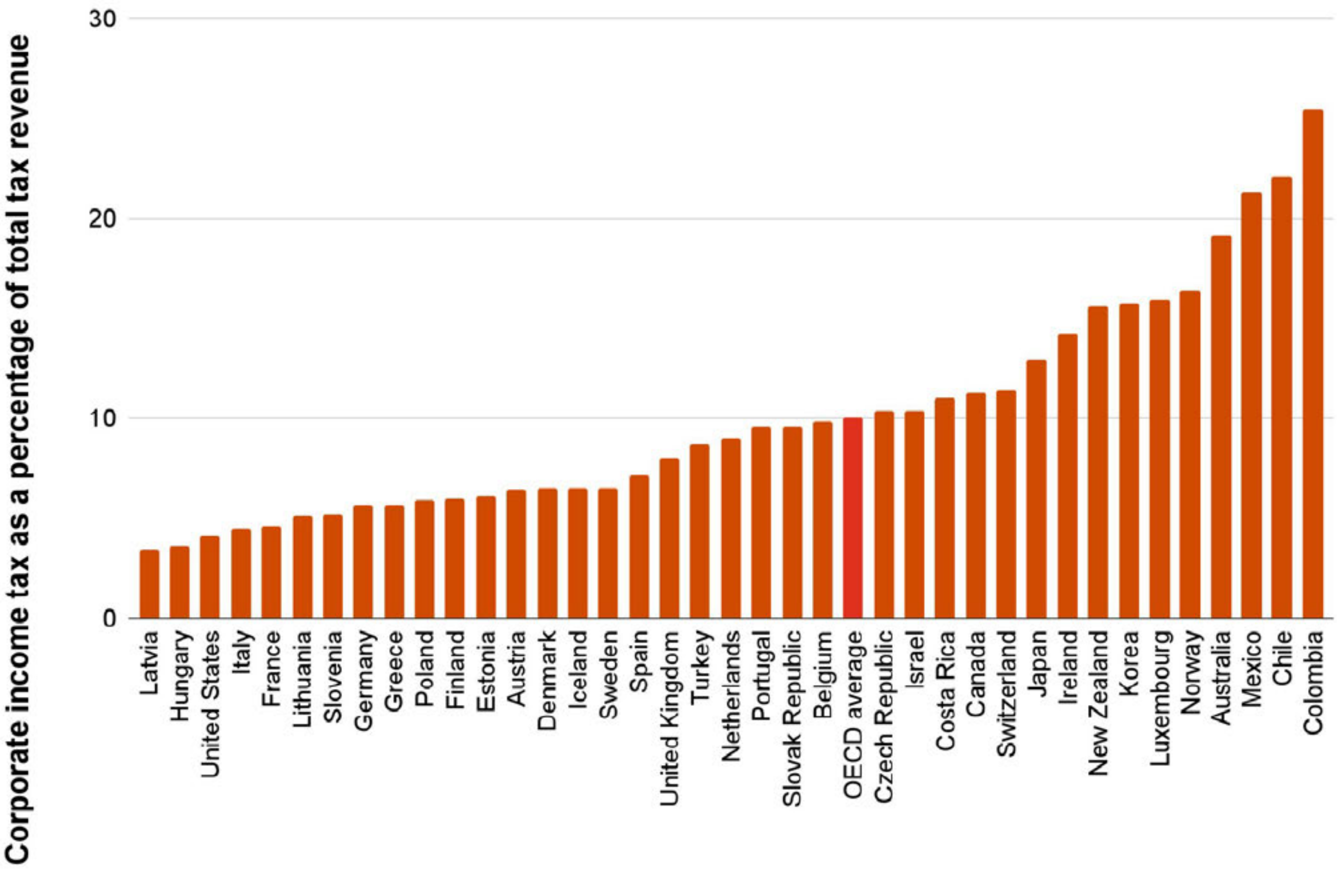
> **'Corporate income tax is only part of the picture when looking at the contribution made by businesses to public finances. This is important for governments when considering the reforms which it feels are necessary for the tax system. And for companies the challenge is to have a better understanding of the full extent of their contribution to the economy in which they operate and an ability to improve the way they communicate on tax.'**
>
> – Paying Taxes

Information generated by the OECD also shows that on average taxes on corporate income now account for only 10% of total tax revenues. Figure 2 shows that the individual ratios range from 3.4% in Latvia to 25.5% in Colombia.

So public interest in the taxes paid by large corporations has increased at a time when the headline rates of corporate income tax (the figure most often quoted by observers) have decreased, while the trend is for the taxes borne by companies to be increasingly not based on profit.

As a consequence, there is a need for companies not only to explain more fully their commercial footprint which drives the profit taxes that they pay, but also to find a clear and simple way of explaining their full economic contribution in taxes; The Total Tax Contribution Framework provides a way to do this.

Figure 2: Corporate income tax as a percentage of total tax revenues 2018



Source: OECD.

Increasing disclosure requirements: Country by country reporting

In the aftermath of the pandemic, increasing pressures on government tax revenues have resulted in actions from a number of supranational bodies (including the EU, OECD, G7, G20) to improve tax transparency from large business. One outcome is the development of what is broadly referred to as country by country tax reporting, a requirement for disclosure of corporate income tax paid and certain other related financial information for each country of operation. Other bodies have also provided voluntary frameworks for tax reporting.

The timeline below shows the accelerating pace of change in the tax transparency landscape. Early developments were focused on country-by-country reporting and targeted at the extractive and financial services sectors. More recent developments are applicable to all sectors and have more narrative content, such as a company's approach to tax and governance over tax

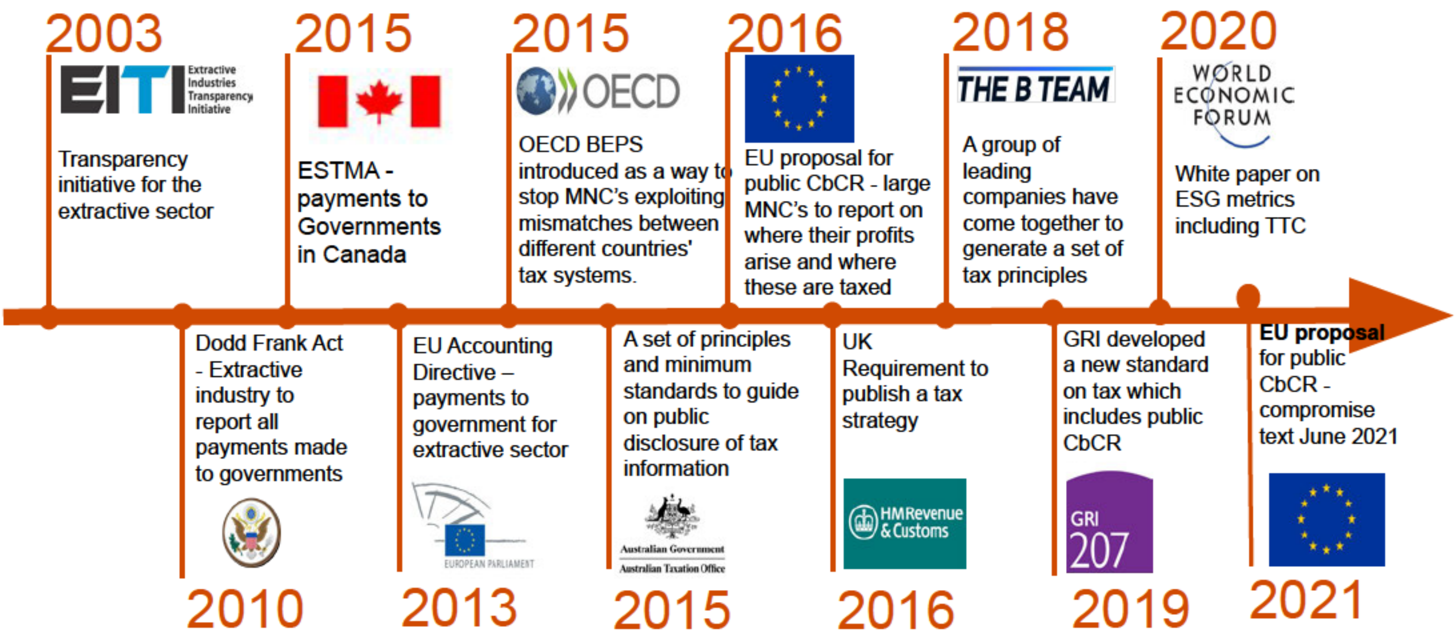
There are costs and potential risks attached to increasing tax disclosure: the cost of collating the information, which may not be collected in the normal course of business; the risk that commercially sensitive information could be revealed; and the risk that disclosures could be misunderstood, misused or misinterpreted.

But the direction of travel is clear and the requirements around tax disclosure are likely to increase in the future. A number of companies, rather than waiting for these to be implemented, are already exploring tax disclosure and communication in a way that best explains their own circumstances and tells their own story.

The final point in the timeline (2021) is the EU proposals for public country-by-country reporting. These public disclosures are focused on corporate income tax and, in developing their response to these requirements, some companies are putting their tax payments in context of their broader contribution to the public finances. Total Tax Contribution is an additional tool to consider which can help companies tell their own story rather than relying solely on mandatory rules which may not show the full picture.

The International Business Council of the World Economic Forum included Total Tax Contribution as a tax metric to be widely used in its paper 'Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation' which was launched in September 2020. The paper proposes a common, core set of metrics for ESG reporting. There is a tax metric which is the taxes borne element of the Total Tax Contribution methodology with an expanded metric including the options of including the taxes collected element of TTC and/or geographic analysis of that data.

Figure 3: A summary of existing and proposed transparency initiatives including country by country tax regimes



The Total Tax Contribution Framework

What do we mean by Total Tax Contribution?

The Total Tax Contribution Framework provides information on all the taxes companies pay. Figure 4 gives an idea of how many different taxes exist in some of the territories where we have undertaken Total Tax Contribution country studies. The Framework is straightforward in concept, not tax technical and therefore relatively easy for stakeholders, many of whom will have limited knowledge of tax complexities, to understand. It's a universal Framework that can be applied to any tax regime. By focusing on cash payments, Total Tax Contribution provides a measure of companies' contributions to government tax revenues.

The Framework is built around two essential criteria: the definition of a tax and the distinction between taxes that are the company's cost (taxes borne) and taxes that the company collects on behalf of the government (taxes collected). The Framework can also extend to cover 'other payments' to government, and the costs of compliance.

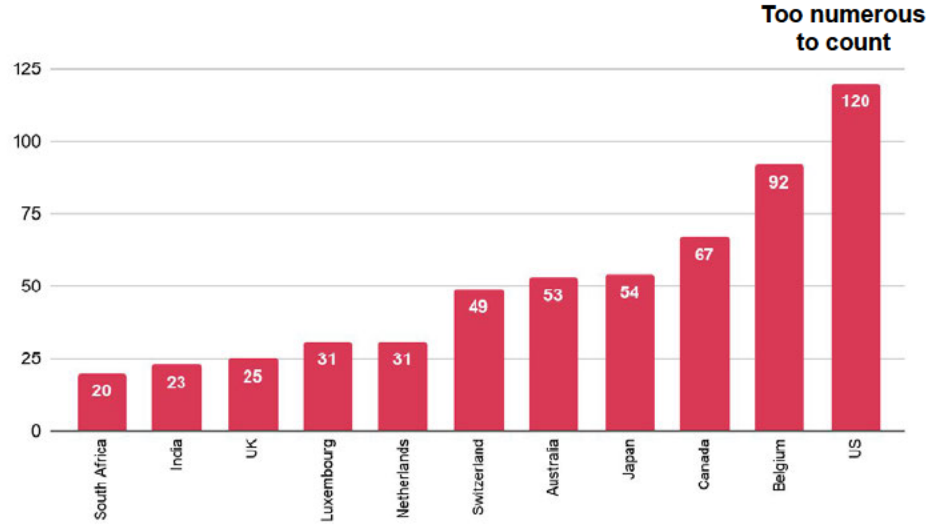
A tax is a payment to government, at any level (federal, state or local) which is mandatory, for no return of value, including amounts paid to a company that is collecting the tax.

What is a tax?

Typically, companies make a range of payments to government, from labour taxes and social security contributions to business property rates, fuel duties, VAT and other sales taxes, and sector-specific taxes such as those levied on the extractive and banking industries. Is every payment to government a tax? There are many payments that a company may make to government that could fit the general working definition of a tax, but not all these payments are labelled as taxes and are therefore not readily recognised as being taxes.

Under the Total Tax Contribution methodology, the starting point for defining a tax is the OECD's classification[6], defining tax as a 'compulsory, unrequited payment to general government'. Any payments which result in a return of value to the company, or payments for a right or asset which is used in the business, are included in the Framework under a different heading. Arguably, any individual or company receives something in return for all taxes (usually in the form of public services), but the benefits provided by government to taxpayers are not normally in proportion to the payment – for example, where the charge is very much greater than the cost of providing a service or the payer of the levy is not the recipient of the benefit.

Figure 4: Number of taxes paid by companies in a number of countries (borne and collected)



Source: based on PwC Total Tax Contribution surveys of large businesses in the countries shown between 2005 and 2020.

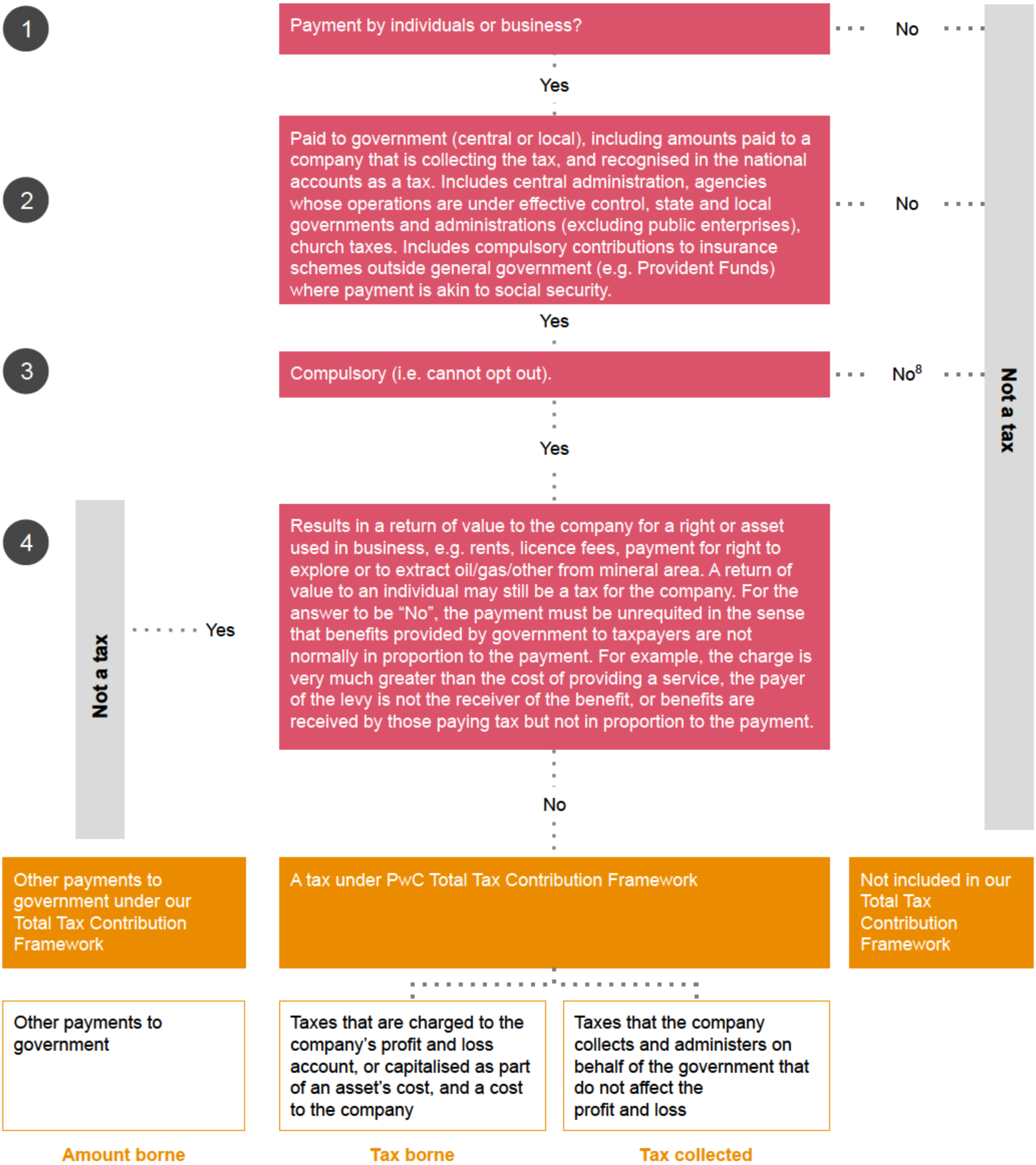
Based on the OECD classification, under The Total Tax Contribution Framework definition:

- A tax is a payment by an individual or business, paid to federal, state or local government, including amounts paid through an agent. This includes central administration agencies whose operations are under effective control, state and local governments and administrations (excluding public enterprises), and church taxes. It excludes non-government bodies, welfare agencies, social insurance that falls outside general government and payments to trade unions (see page 17 for more details).
- A tax is compulsory – you can't opt out.
- A tax does not result in a return of value to the company for a right or asset used in the business, such as rents or licence fees, although a payment resulting in a return of value to an individual may still be a tax for the company.
- A payment for the right to explore for or extract oil, gas or other minerals is not a tax.
- A tax is unrequited in the sense that benefits provided by government to taxpayers are not normally in proportion to the payment[2].
- Fines and penalties relating to a tax offence are a not a tax under the OECD classification but should be recorded under 'other payments to governments'[7].

[6] Can be found at: https://www.oecd.org/tax/tax-policy/oecd-classification-taxes-interpretative-guide.pdf.

[7] But a company may make a payment to government for an asset and it's important to provide visibility over these payments. So while not a tax, we classify these payments under The Total Tax Contribution Framework as 'other payments to government'. Common examples include payments made by extractive companies for the right to mine land and payments made by telecoms companies for network rights.

Figure 5 – Is it a tax?[8]



[8] This decision tree will help you identify tax payments in most cases. It is a challenge, however, to fit the complexities of the tax legislation into this simplified format. Please consider this model as general guidance.

As Figure 5 shows, not all payments made by companies to government will meet the definition of a tax – for example, fees paid by mining companies for the right to extract minerals, or the licence fee paid by a telecoms company for a licence to operate. These payments may be significant, but both give a return of value (the right to exploit/broadcast) and so are not taxes. Instead they are classified as 'Other payments to government'.

The Total Tax Contribution Framework incorporates these other payments but differentiates between these and taxes.

What's the difference between a tax borne and tax collected?

The second criterion is the distinction between what we term 'taxes borne' and 'taxes collected' which is an important distinction.

Taxes borne are a direct cost to the company, which impact the financial results; for example, business rates form part of property costs and insurance premium tax is part of the cost of insurance. It's important to note however that The Total Tax Contribution Framework is not an economic model; while we categorise taxes as borne and collected, this does not align with economic incidence. Taxes borne will ultimately be passed on to shareholders, employees or customers, with all of the company's other costs, depending on the final incidence.

Taxes collected are not the company's own costs. Here the company is collecting taxes from others, on behalf of government, for example, income taxes collected from employees under a payroll system. Some taxes appear both as taxes borne and taxes collected either from their nature (for example, VAT – irrecoverable VAT is a tax borne and net VAT a tax collected) or from their incidence (for example, insurance premium tax on a company's own insurance cover is a tax borne whereas the collection of insurance premium tax by insurance companies is a tax collected).

Taxes collected are administered by the company and will involve costs of compliance. They will also have an indirect impact on the company's results since, for example, indirect taxes collected are expected to affect prices charged to customers and employee taxes affect the cost of labour.

Taxes collected are an important part of the measure of the contribution made by the company to the government revenues; for every job created by the company, it collects employment taxes from wages paid, and for certain sales made by the company production taxes are collected from the customer. Examples of the profile of taxes borne and collected by the largest companies in Europe are shown in Figures 6 and 7 on the next page.

The Total Tax Contribution Framework incorporates the cost of compliance, and although this is more difficult to measure than tax payments themselves, the critical role of MNEs in ensuring the accurate and timely collection of those taxes on behalf of the governments should not be underestimated.

Combining all of these various components together to produce a Total Tax Contribution is not an easy task, but the result is a far clearer picture of how much a company contributes to the government revenues in taxes and in other ways. It is a more useful basis of analysis than a simple comparison of headline tax rates when it comes to comparing individual companies, industry sectors and different jurisdictions.

The five tax bases

Total Tax Contribution has been used by companies in different countries.

Since taxes have different names in different countries, we identified five tax bases, aligned to the OECD, under which taxes borne and collected can be categorised – 'the five Ps' as we have called them:

Profit taxes

These include taxes on company profits that are borne (such as corporate income tax) and collected (such as withholding tax on payments to third parties).

People taxes

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

Product taxes

Indirect taxes on the production, consumption and sale of goods and services, including VAT and sales tax, customs duties, insurance premium tax and alcohol and tobacco duties.

Property taxes

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

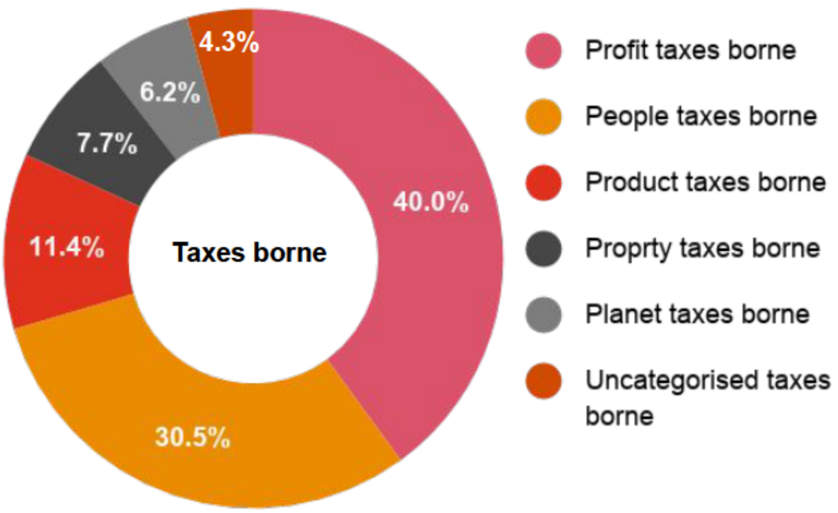
Planet taxes

Taxes and duties levied on energy products (including vehicle fuels); motor vehicles and transport services; and on the supply, use or consumption of goods and services that are considered to be harmful to the environment, as well as management of waste, noise, water, land, soil, forests, biodiversity, wildlife and fish stocks.

A survey carried out by PwC for the EBTF of the Total Tax Contribution of the largest companies in Europe shows the proportion of taxes borne and collected by percentage:

Figure 6:

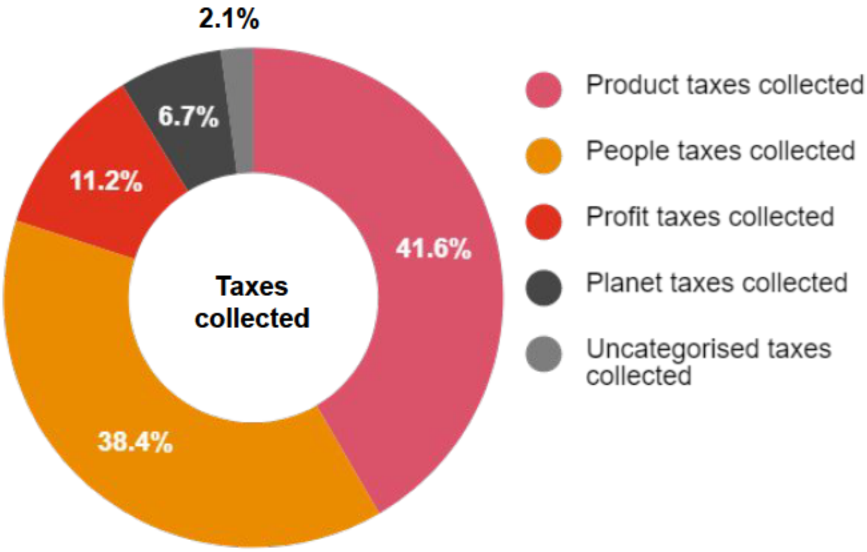
Taxes borne by participants in the Total Tax Contribution survey carried out for the EBTF[9]



Source: PwC analysis.

Figure 7:

Taxes collected by participants in the Total Tax Contribution survey carried out for the EBTF



Source: PwC analysis.

[9] Total Tax Contribution - A study of the largest companies headquartered in Europe: second edition, available at https://ebtforum.org/wp-content/uploads/2020/12/Total-tax-contribution-A-study-of-the-largest-companies-in-the-EU-and-EFTA-2020-Report-2.pdf.

The Total Tax Contribution Framework

Some common questions

As The Total Tax Contribution Framework has been developed and used over the past decade, questions have inevitably been raised about the treatment of particular payments to governments.

In this section we discuss the difficult and contentious areas that we have addressed and the view that we have taken on these areas.

The PwC Tax Transparency website contains a summary of frequently asked questions on Total Tax Contribution together with our suggested approach and contact details if you have further questions.

Is excise duty a tax borne or a tax collected?

The distinction between a tax borne and a tax collected is not always clear and excise duty is a prime example.

It is levied on production rather than consumption, so it's for producers to decide how much of the tax is passed on to the consumer. While in theory there's no direct correlation between an increase in excise duty and the price paid by the consumer, the duty is often passed on to the consumer.

But how should this be treated under the Framework where the legal liability for the tax lies with one entity (the producer) but the person usually bearing the tax is different (the consumer)? The purpose of the Framework is to help companies communicate their contribution to the tax revenues in a straightforward way. Without consumption, there would be no production and no duty paid. So we take the approach that the duty is borne by the company (or individual) consuming the goods, and the duty is collected by the company producing the goods irrespective of where the legal obligation for the tax lies.

Fuel duty is not separately identified on my invoice, should I include it?

For the end user, fuel duty is a tax borne, and for some sectors, e.g. retailers moving goods using the road network, can be sizeable. The fuel is purchased with duty included in the price and is a cost to the business. Since the tax is not separately identified on the invoice, it must be estimated from the quantity of fuel purchased and the duty price per litre. For the producer, this is a tax collected as it leaves the refinery.

How do I treat duty on goods purchased for resale with 'duty paid'?

In some instances, goods may be purchased for resale with 'duty paid'. For example, retailers may purchase alcohol for resale with the duty included in the price. This duty should not be included in the retailer's Total Tax Contribution, instead it will be a tax collected for the producer and a tax borne for the end consumer. Where alcohol duty is refunded to the producer/importer and paid by the retailer, we treat the excise duty as a tax collected by the retailer.

Is air passenger duty (airline tax) the amount identified as 'tax' on my airline ticket?

Air passenger duty is often a difficult tax to quantify. Amounts classified as taxes on an airline ticket may include airport charges (not paid to government) and it may be necessary to extract the company flight records and apply the relevant rate of air passenger duty to each flight depending on the destination and class of travel. For the airline, this is a tax collected and for the consumer, a tax borne.

Why other payments for government are a separate category?

Royalties, licence fees, planning permission and permits should be included in other payments to government to highlight that these payments were made to governments in their role as the landowner rather than as the taxing authority.

Should I include gross or net VAT? What if my net VAT is a refund position?

Companies should account for VAT on their value added (i.e. output VAT less input VAT) so net VAT is treated as a tax collected. That said, if output VAT is less than input VAT (perhaps due to exports or zero rated supplies) the company will be in a refund position. But the VAT refund is a repayment of tax already paid, so it should not be included in the Total Tax Contribution (companies tend to highlight and note the refund separately, particularly in countries where the refund is not made for some time).

When is VAT a tax borne?

If all input VAT is fully recoverable through the supply chain there's no VAT borne until the final consumer pays it. But if the VAT 'sticks' in the supply chain and is irrecoverable at any point, it's not passed on and we treat it as a tax borne at that stage.

Are social security contributions a tax?

Pension and social security payments can be a tricky area because different countries have different systems and structures. In the UK, national insurance contributions are paid into the central finances and used to fund social expenditure and so are treated as a tax. In India, while payroll taxes are paid to the government, all other deductions from employee wages and salaries are paid into the employee provident fund. In our view, payments made into general government funds, such as national insurance in the UK, should be counted as taxes. But provident fund payments in India are effectively pension arrangements that are paid into a personal employee fund and are not part of the government tax receipts, so don't count as a tax. A similar situation arises in Australia where superannuation guarantee payments are not made to the federal government but are compulsory payments made on behalf of employees.

Are social security contributions a tax? (cont'd)

However, the payments in India and Australia are akin to social security payments in other countries. Therefore when collecting Total Tax Contribution data on a global basis, it is important to collect these payments to allow for comparison on a like for like basis between countries.

How should I consider US Sales and Use Taxes?

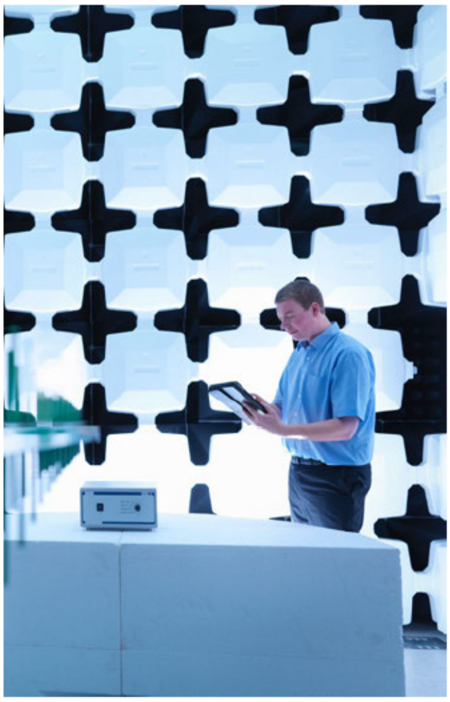
General retail sales tax is a product tax collected. If the tax concerns the 'consumer use tax' or 'compensating use tax' it would be a product tax borne.

How should I treat dividends paid to government?

Dividends are sometimes paid to governments by mining companies operating in that country. The dividends are paid to reflect the fact that valuable resource is being extracted from the country and should be treated as an 'other payment to government'.

Should I include in my TTC figure the property taxes which are due on rented space?

Property taxes paid on rented facilities should be included only if the tax is paid by the tenant to the tax authority. If the property tax is paid by the owner of the property, it is a tax borne by the owner of the property.



How should mining taxes be treated?

Mining taxes can be levied in a number of different ways and when including them under The Total Tax Contribution Framework it is important to consider whether the government has levied the tax in its capacity as a landowner or taxing authority. If the former, e.g. the payment is levied on production, then the payment should be treated as 'other payments to government', since there is a return of value (the ore) for this payment. If the latter, e.g. the payment is levied on profits, then it should be treated as a tax.

Are payments under the EU emissions trading scheme a tax?

The emissions trading scheme places a cap on the CO2 emitted by businesses within the EU, but has also created a market – and a market price – for carbon allowances. Unused allowances (one per tonne of CO2 emitted) can be bought and sold in auctions managed by government or on the secondary market. Allowances purchased at a government auction are a payment by a company to government which would meet the definition of a tax, but allowances purchased on the secondary market would not be considered a tax (although the company may wish to highlight these payments).

How should I calculate the Total Tax Contribution of joint ventures?

Treatment of joint ventures (JVs) may differ between companies, but the treatment should be clearly explained. One option, if a JV is managed or controlled by a company or group, is to include 100% of its taxes in the Total Tax Contribution figures for that company or group. Our rationale is that if a group manages or controls a JV, it can be argued that the taxes are generated by its activity. On a practical level, the group will also have access to the books of the JV and therefore the tax data. Using this approach, 0% of the Total Tax Contribution of a non-controlled JV should be included, although all parties may want to include a note detailing the contribution of the minority interest.

An alternative treatment to consider is to include all JVs in the calculation, even if the ownership is below 51% – but only to include a portion of their taxes at a rate that corresponds to the ownership interest.

The accounting treatment of the JV should be used to guide the approach taken so that, when preparing key indicators, for example based on Total Tax Contribution and profit, the same percentage is used in both measures.

Whichever approach is used, it's important to explain clearly the basis for the calculation.

Should PIS and COFINS taxes paid in Brazil be considered as taxes borne or collected?

PIS and COFINS have different methods of calculation depending on the transaction and taxpayer. PIS/COFINS under the non-cumulative regime are calculated similarly to VAT being, therefore, taxes collected.

PIS/COFINS under the cumulative method, on the other hand, are product taxes borne. These are revenue based taxes which do not generate credits and are calculated on specific types of services (e.g. telecommunication, education and technology services). These are a product taxes borne.

A third category in which PIS and COFINS are paid would be imports. We would recommend reporting these as part of Customs Duties and Excise Taxes.

Should corporate tax payments that are due but not paid, and additional payments made to settle a previous year's account, be included in the Total Tax Contribution?

The Framework is designed to be easy for a non-tax expert to understand. For this reason tax payments are included on a cash basis; there are no provisions or accruals. A company's Total Tax Contribution is a measure of the contribution it has made to the government tax revenues in the year and is a measure of cash payments made during the year, not in respect of the year. Generally, there's a reasonable match between taxes accrued and taxes paid, but as this is not always the case with corporate income tax, this should be clearly explained in any disclosure of the numbers. Any additional tax payments relating to previous years should be included in the Total Tax Contribution.

Some companies have included a reconciliation between corporate income tax paid and accrued to explain to the user why the two measures differ. With the introduction of country by country tax reporting for some sectors on a tax paid basis, this type of reconciliation is becoming more common.

Should I include a rebate that I've received from the government in the Total Tax Contribution although it was received five years after it was paid?

We always recommend a prudent approach to Total Tax Contribution, so there's no case for the numbers to be challenged. If anything, this often means that the contribution is understated. In the case of a rebate, it's important to know whether the payment was treated as part of the Total Tax Contribution in the past. If so, the rebate should be included in the Total Tax Contribution when received, even if the payment and refund occurred in different periods.

How should withholding tax be treated?

Withholding tax deducted from payments made by the company to third parties (e.g. on cross border payments) should be treated as a tax collected.

Withholding tax deducted from intra-group payments are ultimately borne by the Group at a consolidated level. As a result, we suggest treating these as a tax borne in the country where the payment was made.

We suggest that withholding tax suffered on payments received from third parties (i.e. where the payment is received net of withholding tax) be included as taxes borne on profit by the recipient of the income. While the tax has not been paid in that country, this treatment is consistent with country-by-country reporting under OECD BEPS. Consistency is important to avoid introducing further complexity and a need for reconciliation into the disclosures. If amounts are significant, we suggest highlighting in a note to explain the treatment and amount involved. Although no payment has been made by the receiving company to the government, exclusion from the total could present a misleading picture particularly where the tax deducted is substantial.

What should I think about when collecting my Total Tax Contribution data?

After 15 years of experience, what could we highlight as the basic elements of the process required to prepare your Total Tax Contribution?

Scoping	Data collection	Analysis of data	Project report
Design a bespoke data collection exercise which meets the aims of the project and has minimal impact on the business.	Implement an effective process for collecting total tax contribution data which is user friendly and has business buy in.	Produce data output reports summarising Total Tax Contribution and performance indicators. Carry out a 'reasonableness review'.	Determine key results and messages and identify how output can add value.
• Agree the objectives of the project • Identify the time periods to be covered • Agree the geographical scope of the project • Identify the taxes and other data that will be included • Design the data collection request template	• Set up the data collection team(s) • Brief the team and begin data collection • Collect data requests and return them for analysis • Run a helpline for queries	• Construction of the data store • Data cleansing, in order that analysis can be carried out more efficiently and accurately • Creation of analysis tools • Data output report, summarising the Total Tax Contribution • Reasonableness review of Total Tax Contribution data	• Review the output and findings of the analysis • Decide on the important messages that should be highlighted in the internal and potentially external disclosures • Benchmarking against other publicly available Total Tax Contribution disclosures • Consider audit and assurance.
It's important to focus at the outset on the project on the objectives and the expected uses of the output, to ensure that relevant data is collected. The project should be designed to cause minimal disruption to the business. Collecting data on a targeted basis may be appropriate in the first year.	It's important for the project to have senior-level sponsorship within the company to ensure the right focus on the data request and for there to be sufficient support for the users as they complete the template.	It's important to identify misunderstandings in completion of the data collection template, omissions of significant taxes in countries and errors in treatment of individual taxes to ensure quality outputs.	It's important to identify which performance indicators and messages best meet the objectives of the project.

How to mitigate the risks

Collecting Total Tax Contribution data often involves many countries, companies and individuals, and data that are not necessarily routinely collected, generating a number of risks. When collecting data for the first time, we'd recommend a manual exercise, that is, one using electronic spreadsheets rather than an automated solution, to create a good baseline which can be built upon in future years.

It's important in the first year to understand what data is being requested and to record the source of the data. For many companies, it will require timely contributions from many parts of the business, which is why senior sponsorship is crucial. A Total Tax Contribution project will evolve from year to year so that once a baseline has been established, thought can be given to how to automate the process and to gain further assurance over the data extracted.

The data collection template and teams

The data collected should be consistent and accurate. Using a standard template (together with comprehensive definitions, instructions and examples), completed by each jurisdiction, is the most efficient method to initially achieve this. Development of this template is the critical first stage of the project, when decisions are made on which taxes and countries should be included – it may not be feasible to collect data on every tax in every country. The template should be user-friendly and concise, but contain enough explanation and examples to help personnel in each country complete the request and include all the relevant taxes that need to be measured to secure a fair reflection of the Total Tax Contribution made.

Companies often use data collection teams, who need to receive training and guidance documentation about the process and the methodology.

Ideally, there should be a central point of coordination in each country (or operation) for the data collection process, and the sources of data should be recorded so that queries can be efficiently addressed later.

As well as showing the taxes borne by geography and type of tax, the output may also contain performance indicators such as the Total Tax Rate (see next page for an explanation), employment taxes per employee or Total Tax Contribution per unit of production. Total Tax Contribution can also be put in the context of external measures, such as country GDP or tax revenues.

The output and putting the data in context

In addition to pulling together and disclosing absolute numbers for taxes borne and tax collected there are a number of indicators that can be considered to put the data into context. These indicators, particularly trends in the indicators over time, can provide additional insight into the data.

The Total Tax Rate

The Total Tax Rate is a measure of the burden of all taxes borne by 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). An example of the Total Tax Rate calculation is illustrated in Figure 8.

The profit figure used in the Total Tax Rate 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 borne (PBTTB) to give the denominator in the calculation.

The corporate income tax element of the Total Tax Rate should not be confused with the effective tax rate. The two measures are not comparable since they each have a different denominator. The corporate income tax element of the Total Tax Rate will be lower than the effective tax rate since the denominator is larger as shown in Figure 8.

Figure 8: Total Tax Rate calculation

Items	£	Reference
A. Profit before total taxes borne (PBTTB)	40	
B. Other business taxes borne	6	
C. Profit before tax (PBT)	34	(A)-(B)
D. Book-to-tax adjustments	(10)	
E. Taxable profit	24	(C)+(D)
F. Statutory corporate income tax rate	25.0%	
G. Corporate income tax charge	6	(E)x(F)
H. Adjustments due to payments on account	2	
I. Corporate income tax paid	8	(G)+(H)
J. Total taxes borne	14	(B)+(I)
K. Total Tax Rate	35.0%	(J)/(A)
L. Element of Total Tax Rate relating to corporate income tax	20.0%	(I)/(A)
M. Effective tax rate (expressed as a % of PBT)	17.6%	(G)/(C)

Assumptions:

- Profit before total taxes borne £40
- Total Tax Contribution £14
- Book-to-tax adjustments (£10)
- Statutory corporate income tax rate 25%
- For every £1 of corporate income tax paid, there is another £0.75 of other business taxes paid.

Taxes borne and collected as a percentage of turnover

Taxes borne and collected as a percentage of turnover is a measure of the burden of tax compared to revenues. It is a simple calculation with taxes borne and collected as the numerator and turnover as the denominator.

Employment taxes borne and collected per employee

A third measure is employment taxes borne and collected per employee. Stakeholders are interested in this measure when considering the wider economic impact of a business. In this calculation, employment taxes borne and collected are the numerator and the number of employees the denominator.

Value distributed

A final measure is to look at the value distributed by the company, in wages and salaries (to employees),

interest paid on financing (to lenders), dividends (to shareholders) and taxes borne and collected (to government). Total Tax Contribution is frequently a substantial element of the total.

Providing confidence in the numbers – assurance

As companies consider external communication of Total Tax Contribution data, we are seeing a desire for assurance over this data, often in the form of an internal rather than an external report. This assurance is being driven in certain cases because it is mandatory to have assurance around the numbers (Capital Requirements Directive IV), but also to provide some additional comfort where the numbers are being communicated externally and are potentially high profile.

As part of the assurance process, a series of questions on governance and controls can be incorporated. Amongst other things, these can cover:

- Are any types of tax payments excluded from the calculation and if so, why?
- Has a materiality threshold been applied?
- How strong are the central controls?
- Is there group-wide guidance on Total Tax Contribution and if so, has it been enforced?
- What local controls are in place?
- How are uncertainties around payments addressed?
- Is there documentary evidence to back up the data?
- What records of payments are kept?
- Are any revisions properly logged?

Assurance can be provided alongside other non-financial assurance and can be integrated into sustainability and corporate responsibility assurance reports. There are several levels of assurance that can be provided, depending on the level of comfort needed and the extent to which the assurance opinion will be made public.

The main categories of assurance are:

- Agreed upon procedures, where management defines the scope of the work, specific aspects of the data are tested and the output is a private report to management.
- Internal assurance, which involves understanding and testing the controls and governance around collecting the Total Tax Contribution data. The output is a private management report, highlighting weaknesses and recommending actions to address them.
- Public assurance, which comprises two phases, a readiness review followed by limited or reasonable assurance engagement. The output is a publicly available assurance report.

Technology solutions

One of the indications of a more widespread use of Total Tax Contribution reporting can be seen in the increased demand from companies for packages that collect and collate Total Tax Contribution data, either to work in conjunction with their existing systems or as a standalone package. Technology solutions can also be helpful to ensure compliance with the mandatory country by country tax reporting rules.

These packages fall into three broad categories:

1 Standardised

Standardised and relatively basic tax packages designed to gather, consolidate and report Total Tax Contribution data, often used by companies where their current systems cannot deal with Total Tax Contribution reporting. These types of packages are based around an automated consolidation engine that provides data for each country.

2 Control-based

Control-based systems, which are designed to monitor the data collection and reporting process, ideal for larger groups with operations in multiple jurisdictions.

These can be used in conjunction with other tax packages and include

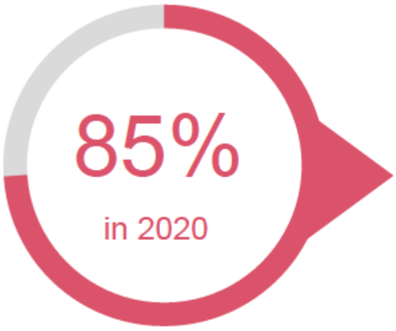
customisable forms that allow for fast and efficient collection of both qualitative and quantitative data.

3 Sophisticated

More sophisticated packages that can cope with large-scale extraction and analysis of transactional data. These are particularly useful in analysing transactions to reveal or estimate 'hidden' taxes or levies that should form part of the Total Tax Contribution calculation. These packages provide the most complete and accurate Total Tax Contribution result, and allow for a transparent (and auditable) review of all decisions and calculations.

How are companies using their Total Tax Contribution data?

The Total Tax Contribution Framework can help companies explain the full extent of the contribution that they make in a particular country and globally. It's being used by policymakers and companies to understand all the taxes in different countries. It's becoming part of common tax language as more companies look to explain the full extent of the contribution that they make around the world, rather than relying on the statutory information that is published in their financial reports.



The most popular use of the data was for internal communications, with 85% in 2020 saying they shared the information internally among departments responsible for corporate responsibility, corporate reporting and those responsible for external relations[5].

What are companies using Total Tax Contribution data for?

In our work on Total Tax Contribution globally we've seen companies use the data collected for a wide range of purposes, from internal communication, including briefing the board, better management and implementation of their tax strategy, to providing robust support for external communication and ensuring that their tax position is properly understood.

As pressure on large companies to explain their tax affairs has increased, more have used the data as a basis for explaining and disclosing the taxes they pay in each country, as well as their wider economic contribution.

From 2010 to 2020, the use of Total Tax Contribution data in corporate reporting (either financial statements or corporate responsibility or sustainability reports) has increased more than 275%.

Some of the clearest evidence of how companies use Total Tax Contribution information comes from our annual survey of the tax contribution of The 100 Group in the UK[10]. Each member of the Group that participates in our survey (there were 97 participants in the 2020 survey) receives an individual report on its Total Tax Contribution, detailing all of the taxes borne and collected and the wider contribution made by its company. Each year, we ask participants how they use these reports.

As can be seen in Figure 9, the most popular use of the data was for internal communications, with 85% in 2020 saying they shared the information internally among departments responsible for corporate responsibility, corporate reporting and those responsible for external relations.

82% said they used the report to brief the Board on UK taxes, and 72% said they used the information to highlight the importance of taxes other than corporation tax.

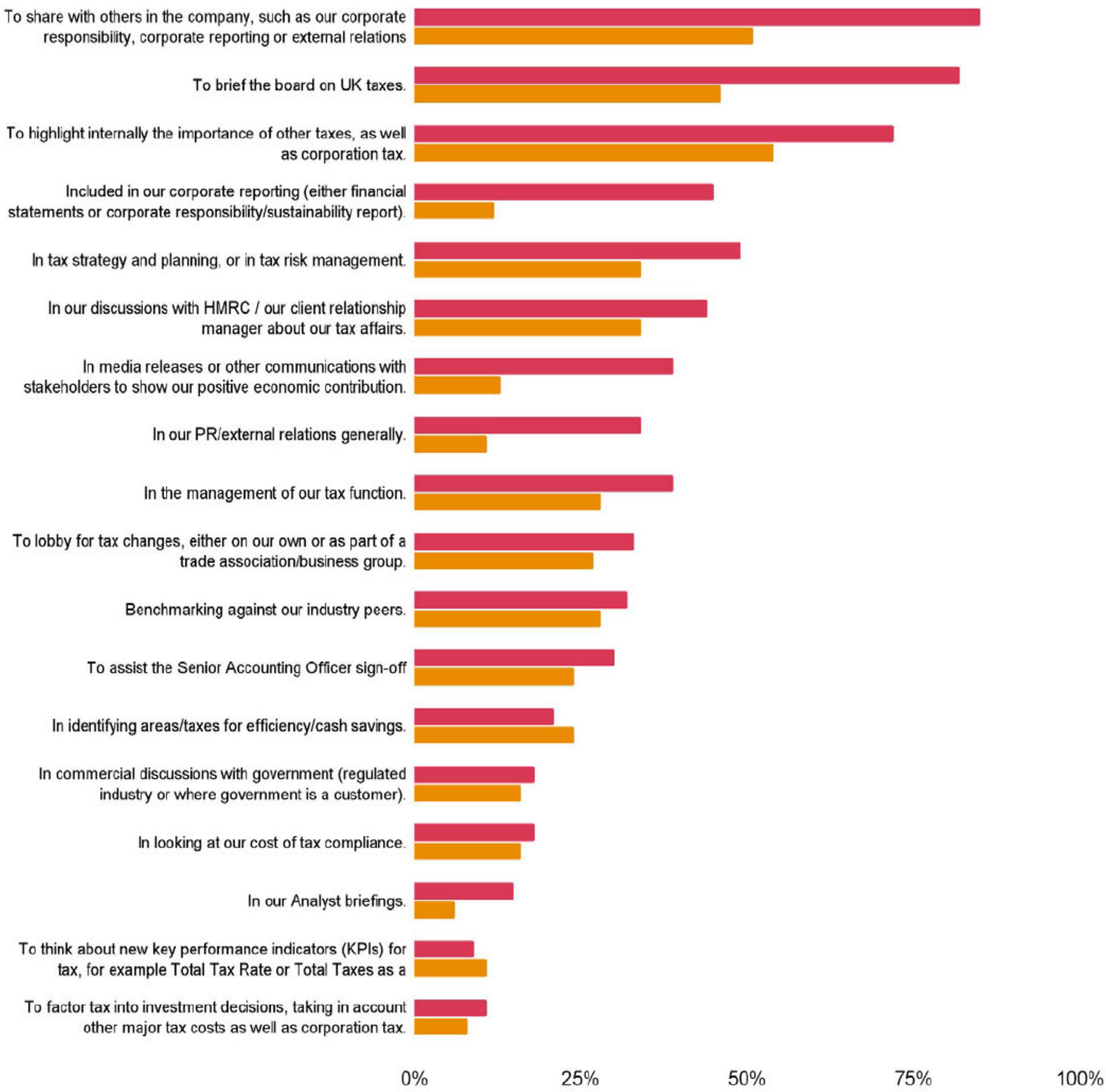
Externally, companies used the data in their discussions with the tax authorities and government. 33% said they used the information to discuss tax changes either on their own or as part of a trade association or business group. 49% said they used the information as part of their tax strategy or risk management.

The biggest trend in recent years is in companies using Total Tax Contribution information as part of their wider public relations agenda. 39% of participants in 2020 said they used the information in media releases or other external communications to explain the company's contribution and 45% said they use the information for corporate reporting purposes.

We expect to see these trends continue as the pressure for greater transparency and disclosure continues and as companies seek to explain their tax contribution to a wider audience.

[10] 2020 Total Tax Contribution survey for the 100 Group – Stability in uncertain times, available at https://www.pwc.co.uk/services/tax/total-tax-contribution-100-group.html.

Figure 9: How companies are using their Total Tax Contribution data



Data based on 2020 Total Tax Contribution survey for The 100 Group. Chart shows percentage of companies using the data as described. 2020 data in red, 2010 data in orange

Total Tax Contribution as part of a communication strategy around tax

Tax issues, including the degree of transparency in public reporting, need to be considered more seriously and communicated more carefully within an organisation than ever. In the years since the concept of Total Tax Contribution was first introduced, companies have seen the value of better communication around tax. This is particularly true of sectors and companies which are subject to intense stakeholder attention, such as the extractive and financial services sectors. It is also more generally true in the current climate where any company can face difficult questions about its tax affairs if not properly managed and time is not taken to fully explain the tax contribution made.

Companies are increasingly developing communication strategies around tax. The adopted strategy will vary by business and consider the extent to which a company makes voluntary external disclosures around tax. Total Tax Contribution is often an integral part of this.

> "Tax is an integral element of our overall corporate social responsibility. We believe it is good practice to voluntarily disclose information about our tax management and our tax contributions."
>
> Nestlé[11]

The Tax Transparency Framework

While for some companies there will be good reasons for disclosing additional voluntary information on tax such as Total Tax Contribution, this will not be the case for every company.

We suggest, however, that every company needs a communication strategy or an ESG Tax strategy, and Total Tax Contribution might be part of that.
The question of exactly what to disclose is essentially organisation-specific, but it was clear from an early stage that companies were looking for guidance on the extent and type of tax disclosures they could make.

As a result we developed a suggested framework for tax disclosures, following discussions with FTSE 350 companies in the UK and various stakeholder groups, including governments, investors, analysts and civil society organisations.

The Tax Transparency Framework highlights the elements that we believe should be considered for inclusion in transparent tax reporting. It focuses on narrative disclosures, the avoidance of technical terms and the use of clear language in order to make tax understandable to all readers.

The Framework also suggests disclosures that could be provided under the four broad topics most frequently raised by stakeholders: a discussion of tax strategy; tax risk management; tax numbers and performance; and the wider impact of tax, including the Total Tax Contribution (see figure below).

1 Tax strategy and risk management

- Discussion of tax objectives and strategy.
- Disclosure of policies in key areas for the business, for example, tax havens, incentives and transfer pricing.

2 Tax numbers and performance

- How the tax strategy and function are managed and who has responsibility for governance and oversight.
- Discussion of material tax risks.

3 Tax numbers and performance

- Clear reconciliation of the tax charge to the statutory rate.
- Discussion of cash tax payments and how they relate to the tax charge.
- Forward-looking measures for tax, such as an indication of the future direction of the company tax rate.

4 Total Tax Contribution and the wider impact of tax

- Show how tax impacts wider business strategy and company results.
- Discussion of advocacy activities on tax.
- The impact of tax on shareholder value.
- Communication of the economic contribution of all taxes paid.

[11] Nestlé: Taxation, available at https://www.nestle.com/csv/what-is-csv/taxation.

[12] Tax Transparency: A new reporting landscape, available at https://www.pwc.co.uk/services/tax/insights/building-public-trust-through-tax-reporting.html.

Connecting tax with other areas of the business – Total Impact Measurement and Management

In the current climate, some stakeholders are expecting companies to do more to help tackle issues such as climate change and societal inequalities. This has prompted the rise of the Environmental, Social and Governance (ESG) agenda, a current focus of many boards, CSOs, investors and other stakeholders.

Increasingly, companies are telling a far wider story in their annual reports (and other publications) than purely a financial one.

This is creating a momentum behind integrated reporting, the aim of which is to produce reports that are more strategic in nature than the current focus on financial information.

Providing information on tax strategy and on the economic contribution of the business fits with this idea. We expect to see, over time, tax reporting focusing more on risk, strategy and the overall contribution that taxes paid by companies make to the economies in which they operate.

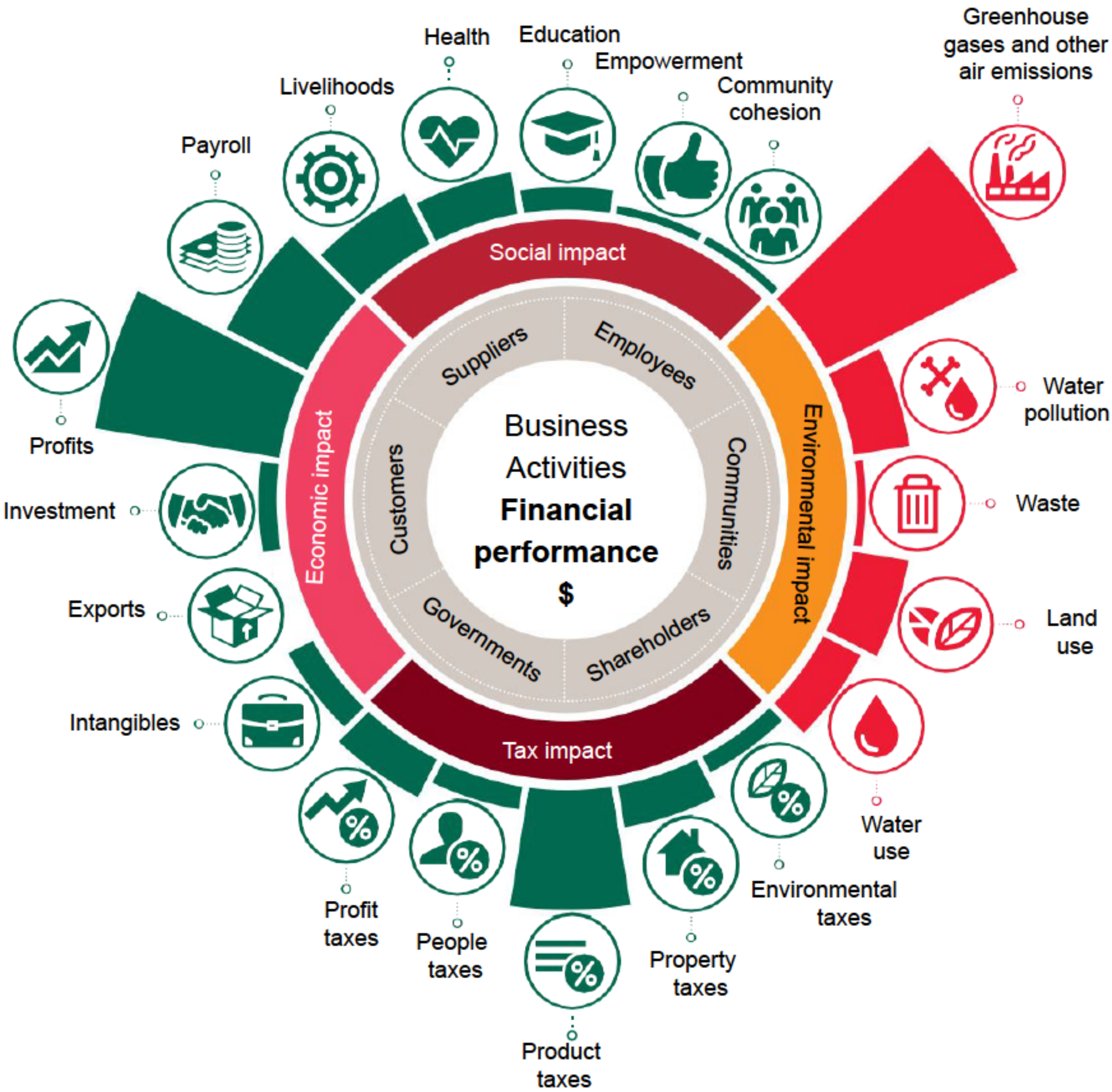
All businesses have an impact on society that goes far beyond the returns they make for shareholders and the economic contribution they make – through the use of natural resources, the employment benefits they bring and the effect they might have on local communities. Some of these are positive and some are negative and not all can be assessed through conventional measurement techniques.

PwC has developed a new way to evaluate the impact of business on society, known as Total Impact Measurement and Management (TIMM)[13].

The TIMM Framework brings together measures of a business's impact in four areas: social impact, environmental impact, economic impact, and tax impact (see Figure 10). The tax impact is measured through a Total Tax Contribution approach, which assesses the taxes borne and collected under the five tax bases identified by the framework.

TIMM provides the complete perspective on business impact, allowing companies to properly assess the consequences of their decisions on all stakeholders, and to evaluate and compare strategies and investment choices.

Figure 10: Total Impact Measurement and Management



[13] Measuring and managing total impact: A new language for business decisions, available at https://www.pwc.com/gx/en/services/sustainability/total-impact-measurement-management.html.

A review of disclosures

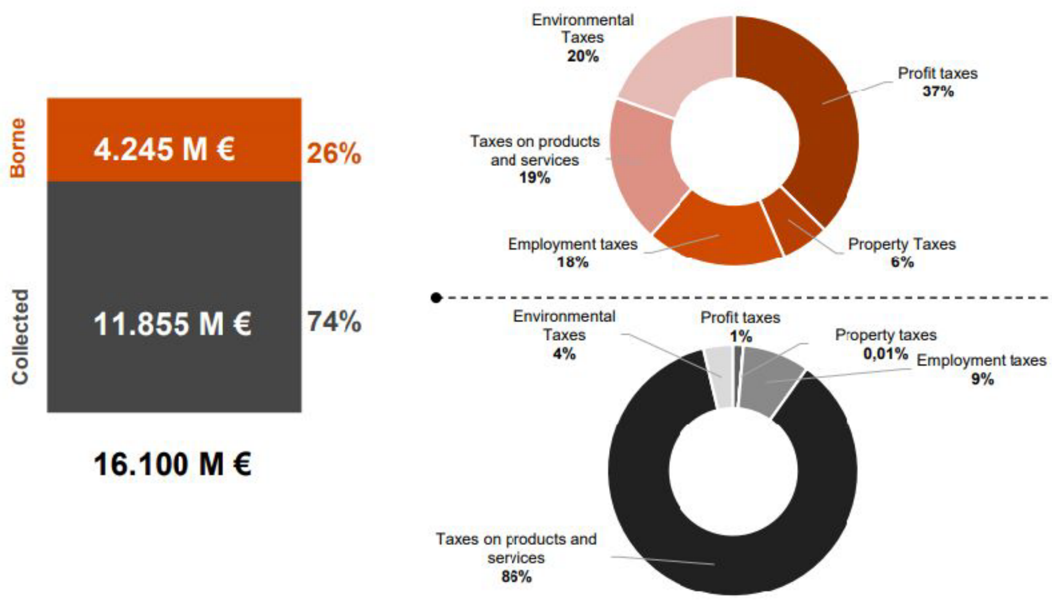
At the request of companies thinking about disclosing Total Tax Contribution for the first time, we have summarised how Total Tax Contribution disclosures have been made by some of the largest companies.

Total Tax Contribution disclosures are found in a variety of places. Some companies disclose Total Tax Contribution data in the front half of their annual reports, before the financial statements. Data in this section of the annual report is not subject to the statutory audit performed on the financial statements, but will instead be checked for consistency with the financial statements.

Many companies analyse their Total Tax Contribution into taxes borne and collected. There is often further analysis of Total Tax Contribution, either by type of tax or by geography. Some companies show the different types of taxes they are subject to and in addition showed in which country or region the taxes were paid. There are a range of disclosures, each designed to suit a company's own requirements and communicate their own story.

Some different types of disclosure are illustrated below:

Enel[14] discloses the breakdown of taxes paid and collected by type of tax.



Taxes borne

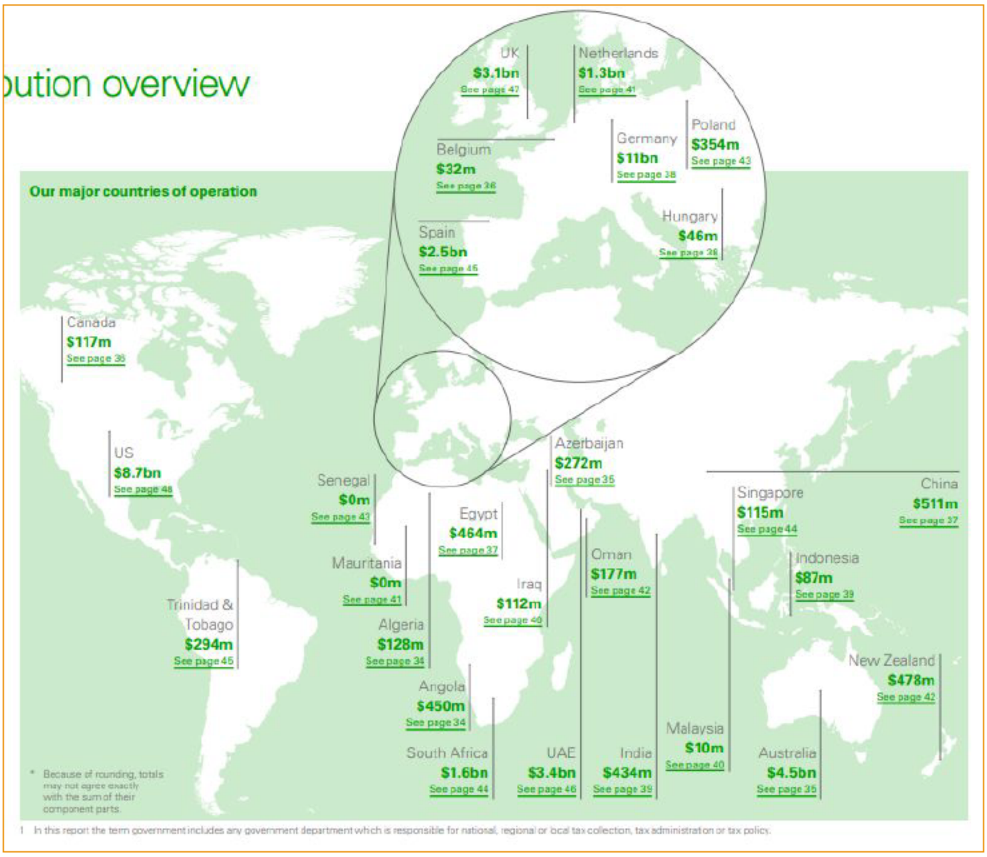
The **taxes borne** paid by Enel in 2020 amounted to **4.245 million euros**. The main component is related to **profit taxes**, which represent **37%** of the total taxes borne. **Environmental taxes** and **taxes on products and services** account for **20%** and **19%** of the total taxes borne, respectively.

Taxes Collected

The **taxes collected** paid by Enel in 2020 amounted to **11.855 million euros**. Taxes on products and services (mainly related to VAT) represent **86%** of taxes collected. The high incidence of such taxes compared to other categories is due due to the specific nature of the activity and the high volume of business generated by Enel, especially in Italy, Spain and Brazil.

[14] Tax Transparency Report Enel Group - May 2021, available at https://www.enel.com/content/dam/enel-com/documenti/investitori/sosten bilita/2020/tax-transparency-report-2020_en.pdf

BP[15] discloses the breakdown of their Total Tax Contribution in their largest countries of operation.



Swiss Re[16] discloses Total Tax Contribution data alongside Country-by-country data which is focused on corporate income tax

Country	Total Taxes Administered	Taxes Borne	Taxes Collected	Income Tax Paid	Income Tax Accrued	FTE
Switzerland	1 162	265	897	91	145	3 324
United States	137	(18)	155	(48)	90	2 326
Singapore	20	9	11	6	1	314
Australia	147	15	132	(2)	(4)	250
Germany	119	60	59	47	19	406
United Kingdom	389	209	180	164	50	824
Luxembourg	(14)	(17)	3	(21)	4	48
South Korea	9	8	1	4	2	43
Canada	15	0	15	(4)	15	225
Hong Kong	17	15	2	10	14	249
Ireland	7	1	6	1	5	14
Israel	(5)	(6)	1	(6)	10	19
China	177	31	146	6	0	360
Netherlands	9	1	8	(4)	5	123
France	59	49	10	35	1	91
South Africa	22	1	21	1	1	108
Slovakia	35	19	16	0	2	1 572
India	80	24	56	15	2	1 410
Japan	50	46	4	42	43	97
Spain	8	5	3	3	12	38
Italy	40	22	18	17	9	112
Brazil	18	10	8	1	(1)	299
Other	*76*	*41*	*35*	*9*	*7*	*634*
Total	**2 577**	**789**	**1 787**	**368**	**433**	**12 886**

[15] BP - our tax report 2019, available at https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/group-reports/our-tax-report-2019.pdf.

[16] Swiss Re:Tax Transparency Report 2020, available at https://www.swissre.com/dam/jcr:be28d0c7-195e-4e09-bb94-231e65eaffa6/swiss-re-tax-transparency-report-2020.pdf.

Conclusion

This paper seeks to build on our previous discussion papers on Total Tax Contribution, to explain how the methodology has developed and matured, to show how companies around the world are using it, to show how it connects tax with other parts of the business, and to address some of the questions and issues that have been raised over the years.

Total Tax Contribution has a relevance today that could not have been foreseen in 2005. In the aftermath of the pandemic, as stakeholders seek to understand the contribution that large business makes to society, Total Tax Contribution is one way that helps companies to articulate their contribution to the public finances.

Since 2005, it has been developed as a voluntary framework. As the debate around company taxes continues to escalate, it's important that disclosures are based on a framework that is consistently applied. There's little to be gained from a voluntary framework if everyone takes a different path and the output is not comparable.

We are developing a website where questions about the Framework can be shared. That way, the voluntary framework will develop faster, in a coordinated way, using the combined knowledge, experience and vision of the leaders in tax reporting around the world.

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http://www.pwc.com/totaltaxcontribution

Appendix
Glossary

Other payments to government

These are payments made to government for the return of value to the company for a right or asset used in business or for the right to explore or to extract oil, gas and other minerals from land. This includes mining levies, royalties and licence fees etc.

People taxes

People taxes include all taxes and social contributions in relation to the employment of staff, including both employment taxes and contributions which are borne by the company and those which are the cost of the employee but administered by the employer deductions through the payroll.

Planet taxes

Planet taxes include taxes and duties levied on the supply, production, use or consumption of goods or services which are potentially harmful to the environment, including:

- Taxes and duties which are borne by companies in relation to their own consumption of goods and services, notwithstanding that these may be paid to the supplier of the goods or services, rather than directly to government;
- Taxes and duties charged on and collected by the companies supplying these goods and services to their customers.

Product taxes

Product taxes include taxes and duties levied on the production, sale or use of goods and services, including taxes and duties levied on international trade and transactions, including:

- Taxes and duties which are borne by companies in relation to their own consumption of goods and services, notwithstanding that these may be paid to the supplier of the goods or services, rather than directly to government;
- Taxes and duties charged on and collected by companies on the sale of goods and services to their customers.

Profit taxes

Profit taxes include taxes levied on income, profits or capital gains, including:

- Corporate income taxes which are borne by companies and which may be levied at the federal, state or local level;
- Income taxes collected by companies by withholding tax at source on payments such as interest and royalties.

Property taxes

Property taxes include taxes levied on the acquisition, disposal, ownership or use of tangible and intangible property.

Property taxes will be borne by all companies in relation to their own or leased properties or transactions. In some cases companies may also collect property taxes and pay these over to government.

Taxes borne

Taxes borne are a cost of business and affect the financial results.

Taxes collected

Taxes collected are not a direct cost of business, but are collected on behalf of government from others. Taxes collected are administered by enterprises and involve costs of compliance.

Total Tax Contribution

Total of taxes borne and taxes collected.

Total Tax Rate

Compares the total of all taxes borne with the profit before all taxes borne.

Value distribution

A measure of the value distributed by the company in net wages, taxes borne and collected and profits retained in the business (for dividends and reinvestment).

We have carried out Total Tax Contribution studies in a number of countries, working with large businesses to inform the debate over taxes paid in those countries.

While these are published studies, our Total Tax Contribution work extends to many other countries around the world.

Australia	**Japan**	**USA**	**Belgium**
Luxembourg	**Switzerland**	**India**	**South Africa**
Canada	**Spain**	**Kenya**	

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