Total Tax Contribution

A study of the largest companies in the EU and EFTA

www.ebtforum.org

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The European Business Tax Forum (EBTF) was formed in 2017 in response to the public debate around taxes paid by large companies. Founding members welcomed this debate but were concerned that it often lacked the data and analysis needed to inform the discussion. The EBTF was set up to address this lack of information, by undertaking research and publishing reports to enable a more informed dialogue, and discussing these publications with relevant stakeholders. Member companies are based in the EU and EFTA and share a common belief in responsible tax practices and tax transparency. To find out more, please visit us at www.ebtforum.org
Welcome to the EBTF’s first survey of the Total Tax Contribution of large multinational companies based in the EU and EFTA.

We live in a time of unprecedented lack of trust in business. Stakeholders – including politicians and policymakers, civil society, and the general public – are involved in an ongoing debate around how companies should contribute to society, including how, and how much, they should be taxed. There is a widely held belief that business is not contributing sufficiently to society – that companies are not paying their ‘fair share’ of tax.

This discussion is important – but it is hampered by a lack of available data. The belief that ‘big business’ does not contribute enough is typically based on a narrow view which includes corporate tax (the only tax paid by companies which is easily visible in their published financial statements) but leaves out all the other taxes that companies pay or collect, and which arise as a result of their economic activity. With such little information available it is all too easy to make business a scapegoat for all manner of economic problems.

At the EBTF, we welcome the debate – but believe that it must be better-informed if it is to reach useful conclusions, and ultimately help rebuild trust in business. Our purpose is to produce reports that address this issue. To that end, we are publishing this survey, which aims to provide meaningful data on the contribution that large businesses make to the societies in which they operate.

Forty-one of the largest companies based in the EU and EFTA provided data on the taxes they paid (a direct cost to them), and those they collected (on behalf of governments, as a result of their economic activity), across the EU and EFTA in 2018. PwC collected, anonymised, aggregated and analysed the data for presentation in this report.

The results are compelling: the 41 companies contributed tax of €198.2bn, comprising €52.3bn taxes borne and €145.9bn collected on behalf of governments; this total is significantly higher than the 2019 EU and EFTA budgets combined. Corporate income taxes represented a small portion of the total – less than half of taxes borne and only 11% of the group’s Total Tax Contribution. The group of companies generated employment for 1.6 million people, or 0.7% of the total EU/EFTA workforce.

These findings are based on robust data from some of Europe’s largest companies. We hope to extend the report in future years, increasing the number of participants and examining the changing profile of taxes year-on-year. We also expect that, as companies become more familiar with the TTC methodology, we will be able to eliminate the slight underreporting present in this year’s report.

Finally, we thank the companies who have participated in this project and enabled us to produce a report which we believe makes a meaningful contribution to the critical ‘fair share’ debate. We look forward to discussing this report and its implications with policymakers, civil society, business groups and the media.

Ali Conway
Chair of the EBTF
Key results

The amount of corporate income tax paid by large companies is coming under increasing scrutiny and public debate but companies pay many other business taxes which also contribute to the public finances.

To put this into context, the total is higher than the 2019 EU and EFTA budgets combined of €165.8bn and represents €2.66 in every €100 of total government receipts in the EU and EFTA.

The Total Tax Contribution of 41 of the largest companies based in the EU/EFTA is €198.2bn comprising

- Taxes borne: €52.3bn
- Taxes collected: €145.9bn

In addition to taxes on profits, the study collected data on four other tax bases, people, product, property and planet. For every €1 of corporate income taxes, there is another €1.41 of other taxes borne and €6.72 of taxes collected.

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1. The Total Tax Contribution of a company combines corporate income tax and other relevant business taxes. It draws a distinction between business taxes borne by the company itself and business taxes collected on behalf of governments from employees, customers, etc.
This group of companies generated employment for 1.6 million people and contributed employment taxes borne and collected of €27,420 per employee. Government is the largest beneficiary of value distributed by study participants, representing almost half of the total at 49.5%. Value distributed includes amounts distributed to employees in wages of 21.0% and to shareholders in dividends or retained in the business for reinvestment of 29.5%.

The total tax rate (i.e. the proportion of total taxes borne in relation to profits before all taxes borne) is 36.7%.

We hope that this study can be used to facilitate dialogue with governments and other stakeholders by raising awareness of all taxes borne and collected by large businesses.
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The purpose of the study is to raise awareness and aid understanding of the contribution of large business in taxes in the EU/EFTA.

External environment and the context for the study

The tax landscape is changing. There is a lack of trust in large business and a concern that globalisation has benefited large companies rather than the population at large. That concern is particularly acute around the taxes paid by the largest companies. As governments in the EU and EFTA strive to balance the need to raise revenues with the desire for a tax regime that attracts and retains business and encourages it to grow, a broad range of stakeholders is asking whether companies are paying their ‘fair share of tax’.

There is limited data to inform the debate on the contribution of large business in taxes. Corporate income tax is the most visible tax when it comes to financial reporting. It is a separate line in the income and cash flow statements and is the subject of separate notes to the financial statements. It is also the tax that is the most difficult to allocate between taxing jurisdictions, as demonstrated by the OECD’s BEPS5 (Business Erosion and Profit Shifting) project. It is often a relatively small percentage of total revenue receipts; on average, for the 32 EU/EFTA6 countries, corporate income tax is 8.2%7 of total revenue receipts in each country.

Companies pay many taxes in addition to corporate income tax, but there is little visibility over these other business taxes. In order to collect evidence-based data to help inform the debate, the EBTF, a group of large EU/EFTA-based multinational companies, developed an initiative to assess the Total Tax Contribution (TTC)8. The Total Tax Contribution of a company combines corporate income tax and other relevant business taxes. It draws a distinction between business taxes borne by the company itself and business taxes collected on behalf of governments from employees, customers, etc.

The purpose of the study is to contribute to a robust database, collected in accordance with an established framework, to raise awareness and aid understanding of the contribution of large business in taxes in the EU/EFTA.

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5 http://www.oecd.org/tax/beps/beps-actions/
6 The EU/EFTA comprises 32 countries in the European Union and the European Free Trade Association. For full list of countries, please refer to appendix 4.
8 The Total Tax Contribution of a company combines corporate income tax and other relevant business taxes. It draws a distinction between business taxes borne by the company itself and business taxes collected on behalf of governments from employees, customers, etc.
The EBTF has enlisted PwC to work with companies to help with the identification, extraction and analysis of the TTC data due to their experience in this area. The framework is straightforward in concept, not tax technical and therefore relatively easy for stakeholders to understand.

An outline of the Total Tax Contribution framework

The EBTF has enlisted PwC to work with companies to help with the identification, extraction and analysis of the TTC data due to their experience in the TTC framework. This framework is straightforward in concept, not tax technical and therefore relatively easy for stakeholders, some of whom may have limited knowledge of tax complexities, to understand. It is a universal framework that can be applied to any tax regime. By focusing on cash payments, TTC provides a measure of companies’ contributions to government tax revenues. Many companies use the TTC framework as a means of communicating their contribution to the public finances.

PwC worked with large business and other stakeholders to develop the TTC framework over 10 years ago and this study uses the PwC Total Tax Contribution methodology⁹, which looks at all the different taxes that companies pay and administer. It covers the five ‘tax bases’ and includes corporate income tax, other taxes on profit, taxes on people, taxes on property, taxes on products and planet (environmental) taxes.

The Total Tax Contribution methodology makes a clear distinction between taxes borne and taxes collected. Taxes borne are a direct cost of the company, which impact the financial results. Taxes collected are administered and collected on behalf of government. The study reports on both taxes borne and taxes collected. A recent OECD paper¹⁰ noted that business’ tax remittance role has thus far received little analytical attention and it is hoped that this study goes some way to providing robust data to inform that debate.

It is important to note however that the Total Tax Contribution framework is not an economic model. While taxes are categorised as taxes borne and collected, this does not always 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. In addition, the study does not create a macro-economic picture of taxes paid. The purpose of the framework is to help companies communicate their contribution to the public finances. Further details on the framework and common questions are included in appendix 3.

The results provide information that would not otherwise be in the public domain, since this is not information the companies are required to disclose in their financial reports. This is the first study covering the EU/EFTA using the TTC methodology. The results are a measure of cash taxes paid and the data relates to payments to the public finances in the EU/EFTA.

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⁹ https://www.pwc.com/gx/en/services/tax/publications/total-tax-contribution-framework.html
The scope of the study

The EBTF, a group of large multinational companies based in the EU/EFTA, directed this initiative. See appendix 1 for more info on EBTF members supporting the project.

We invited 130 of the largest companies in the EU/EFTA, measured by market capitalisation and revenue\(^\text{11}\) to participate. The study attracted strong interest with over half of the invited companies attending a web conference to find out more about the study. Forty-one companies took part in the survey and we encourage more companies to join this initiative.

We collected TTC data on participants’ tax payments in the EU/EFTA for accounting periods ending in the year to 31 December 2018. The countries selected by each company to provide Total Tax Contribution data cover, on average, 95.8% and 93.7% of the turnover and the number of full-time equivalent employees of their EU/EFTA operations, respectively. The scope of the study was restricted to operations in EU/EFTA in the first year to ensure that the project was achievable in a reasonable time frame. We intend to repeat the study in future years, extending it to include other territories.

Confidentiality of data

PwC’s role was to act as a ‘black box’ for the confidential study data. PwC has anonymised and aggregated the data provided by participants to produce the study results. PwC has not verified, validated or audited the data and cannot, therefore, give any undertaking as to the accuracy of the study results.

\(^{11}\) Data on market capitalisation and revenue provided by Eikon, Refinitiv.
The Total Tax Contribution of these companies was €198.2bn comprising €52.3bn in taxes borne and €145.9bn in taxes collected.

**Total Tax Contribution**

Forty-one large multinational companies based in the EU/EFTA region participated in the study, providing data on taxes borne and collected for their accounting period ending in the year to 31 December 2018.

The Total Tax Contribution of these companies was €198.2bn comprising €52.3bn in taxes borne and €145.9bn in taxes collected. Figure 1 shows that taxes borne represent 26.4% and taxes collected represent 73.6% of the total. Taxes collected represent a responsibility for companies and, of the total, 35.1% is from people taxes collected, highlighting the value of jobs created by large business.

**Figure 1: Taxes borne and collected**

Total Tax Contribution profile (in EUR)

26.4%  73.6%

Taxes borne, 52.3bn  Taxes collected, 145.9bn
Putting the figures into context

We have provided some context for the contribution of €198.2bn. It:

- is higher than the 2019 EU and EFTA budgets combined of €165.8bn\(^\text{12}\), contributed by member states to finance policies carried out in the EU and EFTA;
- represents €2.66 in every €100 of total government receipts\(^\text{13}\) in the EU and EFTA;
- represents approximately €376\(^\text{14}\) for every person currently living in the EU and EFTA; and
- represents around 1.3% of the EU-28’s gross national income\(^\text{15}\).

Understanding the scope of the data collection

Data was provided by 41 large multinational corporations. Participants’ previous experience with Total Tax Contribution varied. Some participants had already published TTC data as part of their voluntary tax disclosures and agreed that their data could be used in the study. Others collected TTC data internally and were able to provide a database of TTC data for inclusion in the study. Half of the participants completed templates structured around the five tax bases and taxes borne/collection which had been designed for the study. In a small number of cases, data was not categorised by tax base, and we have described this data as ‘uncategorised’.

Many participants made a significant effort to supply the necessary data. As a consequence, there is a good bank of data to support the results. It is of note however, that some participants did not supply data on all taxes and consequently the survey results are under-stated. We anticipate that the quality of data will further improve if the survey is repeated next year, when there will be an increased familiarity with how the framework operates.

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\(^{15}\) http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_ppandlang=en
There is a good bank of data to support the results.

Data were provided by companies in the following sectors:

- Banking
- Manufacturing
- Chemicals
- Media and Entertainment
- Consumer Goods
- Oil and Gas
- Electronics
- Pharmaceuticals
- Energy and Utilities
- Retailers
- Extractives
- Support services
- Insurance
- Telecommunications

and paying and collecting taxes in the following countries:

1. Austria
2. Belgium
3. Bulgaria
4. Croatia
5. Cyprus
6. Czech Republic
7. Denmark
8. Estonia
9. Finland
10. France
11. Germany
12. Greece
13. Hungary
14. Iceland
15. Ireland
16. Italy
17. Latvia
18. Liechtenstein
19. Lithuania
20. Luxembourg
21. Malta
22. Netherlands
23. Norway
24. Poland
25. Portugal
26. Romania
27. Slovakia
28. Slovenia
29. Spain
30. Sweden
31. Switzerland
32. United Kingdom
A challenge when collecting Total Tax Contribution data is how to combine data collected under different national tax systems. The TTC framework draws on the OECD classification of tax bases\(^\text{16}\) and is structured around five different tax bases as shown in figure 2.

**Figure 2: The five tax bases**

We also collected data on other payments and contributions to government which are not taxes but are payments to governments. These payments bring a return of value to the company and were not included in the TTC amount of €198.2bn. For a detailed breakdown, please refer to appendix 2.
The profile of taxes borne

Taxes borne are a cost for business and therefore directly affect companies’ profits. Figure 3 shows the profile of taxes borne reported by survey participants. For every €1 of profit taxes borne, there is a further €1.41 of other business taxes borne.

Figure 3: The profile of taxes borne by study participants

Source: Survey participants. Chart shows average result.
The profile of taxes collected

Taxes are collected from customers and employees by companies on behalf of governments. Figure 4 shows that product taxes make up a significant element of taxes collected, reflecting the duties collected by participating companies. For every €1 of profit tax borne, there is a further €6.72 in other taxes collected.

Figure 4: The profile of taxes collected for study participants

Source: Survey participants. Chart shows average result.
The purpose of this study is to raise awareness of the broad range of taxes that large multinational corporations pay. One of the five tax bases is the profit tax base. This includes taxes on income, profits or capital gains which are borne by companies and which may be charged at the federal, state or local level. It also includes taxes collected by companies withholding tax at source on payments such as dividends, interest, royalties and other management charges.

Profit taxes borne by participants totalled €21.7bn, 45.0% of total taxes borne. Profit taxes comprised €18.6bn of corporate income tax, €1.3bn of sector specific profit taxes and €1.8bn of other taxes on income, profits and gains.

Profit taxes collected amounted to €11.7bn and related to withholding tax deducted at source.

**Corporate income tax**

The scrutiny on tax paid by multinational corporations tends to focus on corporate income tax which is the most significant profit tax.

The average statutory rate of corporate income tax across the EU/EFTA is 21.7%. This has fallen from 25.2% in 2005, but as a percentage of GDP, corporate income tax receipts has increased since 2009 to 2.7%, see figure 5. In many EU/EFTA countries, corporate income tax is a relatively small percentage of total government receipts, making up, on average, 8.2% of total country revenue receipts.
For the study participants, corporate income tax totalled €18.6bn, 35.6% of taxes borne and 9.4% of the Total Tax Contribution.

The purpose of this study is to collect data on the contribution in taxes beyond corporate income tax, highlighting the other tax bases that generate taxes for the public finances from large business. For the study participants, corporate income tax was 11% of the Total Tax Contribution.

Other profit taxes borne

Included within the totals for study participants are sector specific corporate income tax surcharges. The banking sector and oil & gas sectors are subject to corporate income tax surcharges based on profits in some countries, which amounted to €1.3bn in total.

There are also other taxes based on profit that are not sector specific, amounting to €1.8bn, such as local or municipal business taxes.

Profit taxes collected

Profit taxes collected relate to withholding tax. When a payment is made to an overseas territory, under certain circumstances, tax may need to be deducted by the payer and paid over to the tax authorities. This withholding tax is treated as a profit tax collected and amounted to €11.7bn in the study.

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Large business relies upon the labour of skilled personnel. People taxes include all taxes and social contributions in relation to the employment of staff, including both employment taxes and contributions that are borne by the company and those that are the cost of the employee but administered by employer deductions through the payroll.

Total employment taxes paid by this group of companies amounted to €41.9bn, comprising €14.1bn in taxes borne and €27.8bn in taxes collected. Study participants provided employment for 1.6 million people, representing 0.7% of the total EU/EFTA workforce, paying on average €27,420 in employment taxes per employee. Of this total, €9,405 corresponds to employment taxes borne and €18,015 to employment taxes collected. The average cost of employment for survey participants is €70,331.

Figure 6: Average cost of employment

<table>
<thead>
<tr>
<th>€</th>
<th>100,000</th>
<th>80,000</th>
<th>60,000</th>
<th>40,000</th>
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</tr>
</thead>
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<tr>
<td>EBTF</td>
<td>Net wages and salaries per employee</td>
<td>People taxes borne per employee</td>
<td>People taxes collected per employee</td>
<td></td>
<td></td>
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</tbody>
</table>

18 The number of employed persons in the EU/EFTA is 234m. As in: https://ec.europa.eu/eurostat/statistics-explained/index.php/Labour_market_and_Labour_force_survey_(LFS)_statistics
19 Ratio calculated as total employment taxes for the study population and dividing by the total number of employees of that population. Median is €32,609 and mean average is €37,595.
The average wage per employee is €60,926, reflecting the highly skilled workers employed by participant companies.

The average wage per employee is €60,926 which, compared to the average GNI per capita from the EU/EFTA\textsuperscript{20} of €37,458, indicates that participant companies employ highly skilled, well paid workers in the EU and EFTA, emphasising the contribution that largest companies make through employment.

Figure 7: Wages and salaries per capita

Social security contributions

These are compulsory payments that result in the right to receive a future social benefit. Such payments are often earmarked to finance social benefits and may consist of a single payment or a number of payments relating to, for example, unemployment insurance benefits, accident, injury and sickness benefits, old-age, disability pensions, family allowances, reimbursements or provision of medical services. Contributions may pass through an intermediary before eventually being paid to government.

Social security contributions are a tax collected when they are the cost of the employee and are administered by the employer by deduction through the payroll. In these cases, the company is required to deduct social security tax at source from the wages and salaries provided to its employees and pay over to government.

Personal income tax

Personal income tax is collected from wages and salaries by employers and paid to government. While it is a complex tax in practice, often with different tax brackets, it reflects the jobs created by the company.

\textsuperscript{20} GNI (Gross National Income) data obtained from The World Bank’s website, available at: https://data.worldbank.org/indicator/ny.gnp.pcap.pp.cd
Property taxes arise in two main areas. They are paid on the ownership and use of property and also on the acquisition and disposal of property. The majority of property taxes in the study were taxes borne totalling €4.6bn on both occupation of and transactions in property.

In some cases, companies may also collect property taxes, particularly in financial services where property taxes are paid on transactions in shares, but this was not significant for study participants.
Product taxes include taxes and duties on the production, sale or use of goods and services, including taxes and duties on international trade and transactions. They include tax and duties that are borne by companies in relation to their own consumption of goods and services that may be paid to the supplier of the goods or services, rather than directly to government. They also include any taxes and duties charged on and collected by companies on the sale of goods and services to their customers and paid over to the government.

Value added tax (VAT) is a tax collected by companies on the sale of goods and services. Input VAT paid by the company on its purchases can be offset against the output VAT charged on the sale to customers and it is the net VAT that is paid over to tax authorities. The net VAT paid is treated as a tax collected. In some cases, the company may not be able to set off input VAT and it becomes irrecoverable. To the extent that VAT is irrecoverable, it is treated as a tax borne. VAT is one of the more complex areas of the Total Tax Contribution framework and further details are given in appendix 3.

Another product tax is excise duty levied on fuel, alcohol and tobacco. This is both a tax borne by companies on their own consumption (although often not separately identified on the purchase invoice) and a tax collected by producing companies.

Other product taxes include those borne by all companies on their own insurance contracts, taxes on use and ownership of motor vehicles, customs and import duties on imported goods.

Product taxes in the study amounted to €6.1bn in taxes borne and €99.6bn in taxes collected.
Planet taxes

Planet taxes include taxes and duties levied on the supply, use or consumption of goods or services which are potentially harmful to the environment. They include taxes and duties which are borne by companies in relation to their own consumption of such goods and services, which may be paid to the supplier of the goods or services rather than directly to governments. They also include taxes and duties charged and collected by the companies supplying these goods and services to their customers.

Planet taxes amounted to €2.5bn taxes borne and €0.9bn in taxes collected in the study.

Other payments to government

Other payments to government are payments made to the government for the return of value to the company for a right or asset used in the business. This might be the right to extract oil (e.g. a royalty payment), license fee to operate in a country (e.g. spectrum payment) or a dividend paid to government as a shareholder. The total in the study amounted to €4.3bn, although this is not included in the TTC total of €198.2bn, since there was a return of value for the payment to the companies.
It is possible to put the TTC data into the context of other economic measures, such as turnover, profit and value distributed. The following calculations were generated using the study data:

- Total Tax Rate (TTR) which is the total tax borne as a percentage of profit before all business taxes
- Taxes borne and collected as a percentage of turnover
- Taxes borne and collected as a percentage of value distributed

These calculations were carried out for each individual participant giving mean average calculations. For example, the TTC/turnover ratio was calculated for each participant separately and then a simple average was calculated. The mean average gives equal weight to all companies in the study and more accurately reflects the burden faced by individual companies.

**Total Tax Rate (TTR)**

The average TTR for the study participants was 36.7%\(^{21}\). The TTR is a measure of the cost of all taxes borne in relation to profitability before all of those taxes. It is calculated for total taxes borne as a percentage of profit before total taxes borne. For a detailed explanation of the calculation, see appendix 5.

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\(^{21}\) Ratio calculated on an overall basis 28.3% and median 34.6%.
For every €100 of turnover, an amount equivalent to €16.37 is paid in taxes.

Governments are the largest beneficiaries of the value distributed by the participant companies at 49.5% of the total.

Taxes borne and collected as a percentage of turnover

TTC as a percentage of turnover for study participants was on average 16.4%, consisting of 5.4% taxes borne and 11.0% taxes collected. For every €100 of turnover, an amount equivalent to €16.37 is paid in taxes borne and collected.

Taxes borne and collected compared to value distributed to other stakeholders (e.g. to employees in wages and profits retained in the business)

Value is distributed to the government in taxes, to employees in wages and salaries, to creditors in interest payments, and profit is distributed to shareholders or retained in the business for reinvestment. With the information gathered through the study, it was possible to put the TTC in the context of value distributed by the companies that have provided this data.

The survey results show that governments are the largest beneficiaries of the value distributed by the participant companies at 49.5% of the total. Wages paid to employees are 21.0% of the value distributed. Profits after tax (available to reinvest in the company or pay dividends to shareholders) are 29.5% of the total.

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22 Ratio calculated on an overall basis at 13.9% and median at 15.1%.
23 We collected data on taxes, net wages and profits. No information on interest payments was collected.
The study provides robust, evidenced-based data from some of the largest companies operating in the EU/EFTA on their total contribution in taxes. It demonstrates that the contribution of large business extends beyond corporate income tax to include other tax bases focused on property, people, product and planet taxes.

The study can be used to facilitate dialogue with governments and other stakeholders to raise awareness of all taxes borne and collected by large business.

There is potential to build on this study by collecting data in subsequent years to provide an insight into the changing profile of taxes. As the findings from this study are shared with interested parties, we hope to raise awareness and aid understanding of the contribution of large business. In future years, we expect to increase the number of participants and expand the geographical scope.
Appendices
This report was produced by the EBTF. Members of the EBTF that are on the EU/EFTA TTC working party include:

- BBVA;
- Enel;
- LEGO Group;
- L’ORÉAL;
- Nestlé;
- RELX;
- Repsol; and
- Swiss Re.

For more information on the EBTF, please check our website [www.ebtforum.org](http://www.ebtforum.org).
Appendix 2

Data collected by participants in the survey, analysed by the five tax bases

<table>
<thead>
<tr>
<th></th>
<th>Taxes borne Cbn</th>
<th>Taxes collected Cbn</th>
<th>Total Cbn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit taxes</td>
<td>21.7</td>
<td>11.7</td>
<td>33.4</td>
</tr>
<tr>
<td>People taxes</td>
<td>14.1</td>
<td>27.8</td>
<td>41.9</td>
</tr>
<tr>
<td>Product taxes</td>
<td>6.1</td>
<td>99.6</td>
<td>105.7</td>
</tr>
<tr>
<td>Property taxes</td>
<td>4.6</td>
<td>0</td>
<td>4.7</td>
</tr>
<tr>
<td>Planet taxes</td>
<td>2.5</td>
<td>0.9</td>
<td>3.4</td>
</tr>
<tr>
<td>Uncategorised taxes(^{24})</td>
<td>3.1</td>
<td>5.9</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>52.3</strong></td>
<td><strong>145.9</strong></td>
<td><strong>198.2</strong></td>
</tr>
<tr>
<td>Other payments to governments(^{25})</td>
<td></td>
<td></td>
<td>4.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52.3</strong></td>
<td><strong>145.9</strong></td>
<td><strong>202.5</strong></td>
</tr>
</tbody>
</table>

Figures may not sum due to rounding.

\(^{24}\) Many participants made a significant effort to supply the necessary data. As a consequence, there is a good bank of data to support the results. It is of note, however, that some participants were not able to supply data on all taxes or provide a breakdown between categories. It is anticipated that the quality of data will further improve if the survey is repeated next year, when there will be an increased familiarity with how the framework operates.

\(^{25}\) Other payments to government are payments made to the government for the return of value to the company for a right or asset used in the business. This might be the right to extract oil (e.g. a royalty payment), license fee to operate in a country (e.g. spectrum payment) or a dividend paid to government as a shareholder. The total in the study amounted to €4.3bn although this is not included in the TTC total of €198.2bn, since there was a return of value for the payment to the companies.
Total Tax Contribution Framework – Common issues and approach taken

What do we mean by Total Tax Contribution?

The Total Tax Contribution framework provides information on all the taxes companies pay. 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 is a universal framework that can be applied to any tax regime.

Cash payments

By focusing on cash payments, Total Tax Contribution provides a measure of companies’ contributions to government tax revenues. Companies use the TTC framework as a means of communicating their contribution to the public finances.

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).
Under the Total Tax Contribution methodology, the starting point for defining a tax is the OECD’s classification, defining tax as a ‘compulsory, unrequited payment to general government’.

What is a tax?

Under the Total Tax Contribution methodology, the starting point for defining a tax is the OECD’s classification, defining tax as a ‘compulsory, unrequited payment to general government’. Any payments that result in a direct 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. 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 to a company that is collecting the tax. 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 and social insurance that falls outside general government.
- A tax is compulsory – it is not possible to opt out.
- A tax does not result in a direct return of value to the company for a right or asset used in 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.

The distinction between a tax borne and a tax collected

Taxes borne are a direct cost to the company, which impact the financial results. Taxes collected are not the company’s own costs. Here the company is collecting taxes from others, on behalf of government.

Taxes borne are a direct cost to the company, which impact the financial results; for example, employer social security costs form part of people taxes. It is 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 always 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. In addition, we are not creating a macro-economic picture of taxes paid. The purpose of the framework is to help companies communicate their contribution to the public finances.

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).

When aggregating TTC data for a group of companies, careful consideration is given to the potential for double counting indirect taxes as a tax borne and a tax collected within the survey data and whether that would have a material impact on the results.

Treatment of excise duty

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

Taxable products are subject to excise duties upon their production although the duty is only payable upon release for consumption in the EU, 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.

Treatment of fuel duty

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.
Treatment of VAT

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 disclosures for an individual company. In individual disclosures, companies tend to highlight and note the refund separately, particularly where the refund is not made for some time. Note that, for the purposes of a study containing aggregate data from a number of companies, negative VAT is included in the study totals.

Other payments to government

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. 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.
Countries in the EU and EFTA

**EU**: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.

**EFTA**: Iceland, Liechtenstein, Norway and Switzerland.
Total Tax Rate example calculation

An example of the Total Tax Rate calculation is as follows:

Assumptions:
1. Profit before total taxes borne €40
2. Book-to-tax adjustments (€10)
3. Statutory corporate income tax rate 25%
4. For every €1 of corporate income tax paid, there is another €1 of other business taxes paid.

<table>
<thead>
<tr>
<th>Items</th>
<th>C</th>
<th>Reference</th>
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<tr>
<td>Profit before total taxes borne</td>
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<td>(A)</td>
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<tr>
<td>Other business taxes borne</td>
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<td>(B)</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td><strong>34</strong></td>
<td>(C) = (A)-(B)</td>
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<tr>
<td>Book-to-tax adjustments</td>
<td>(10)</td>
<td>(D)</td>
</tr>
<tr>
<td><strong>Taxable profit</strong></td>
<td><strong>24</strong></td>
<td>(E) = (C)+(D)</td>
</tr>
<tr>
<td>Statutory corporate income tax rate</td>
<td>25%</td>
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<tr>
<td>Corporate income tax</td>
<td>6</td>
<td>(G) = (E)*(F)</td>
</tr>
<tr>
<td><strong>Total taxes borne</strong></td>
<td><strong>12</strong></td>
<td>(H) = (B)+(G)</td>
</tr>
<tr>
<td>Total Tax Rate</td>
<td>30%</td>
<td>(I) = (H)/(A)</td>
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## Index of abbreviations

**BEPS**: Base Erosion and Profit Shifting

**EBTF**: European Business Tax Forum

**EFTA**: European Free Trade Association

**EU**: European Union

**GDP**: Gross Domestic Product

**GNI**: Gross National Income

**OECD**: Organisation for Economic Co-operation and Development

**TTC**: Total Tax Contribution

**TTR**: Total Tax Rate

**VAT**: Value-added tax