Total Tax Contribution

A study of the largest companies headquartered in Europe: fourth edition

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pwc

About the EBTF

The European Business Tax Forum (EBTF) is the leading body of European businesses dedicated to raising the standard of the public debate around the tax position, tax behaviour and tax contribution to society by large businesses. The EBTF welcomes the public tax debate and aims at enabling a more balanced dialogue through undertaking research and publishing reports that provide objective (tax) data and information and discussing these publications with relevant stakeholders. Member companies are headquartered in the European Union (EU), the European Free Trade Association (EFTA) and the United Kingdom (UK) and share a common belief in responsible tax practices and tax transparency. To find out more, please visit us at www.ebtforum.org.

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At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with almost 328,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

Foreword

I am pleased to welcome you to the EBTF's fourth annual study of the Total Tax Contribution (TTC) of the largest multinational companies (MNCs) headquartered in the EU, EFTA and the UK.

With each year, since its inception in 2018, we have grown the number of participants contributing to this study, and the value and use of the data has grown accordingly. The EBTF is committed to providing data to the public tax debate with a view to increased knowledge leading to improved decision making. As we become more established in this area, the impact of our work should be felt ultimately through more educated dialogue around MNCs' tax burden and better tax legislation.

It is a relatively safe bet that tax data will continue to grow in relevance as we see an expansion in both tax authority digitalisation as well as a significant increase in reporting standards, whether explicitly or implicitly, including tax data. Tax authorities see globally the provision of electronic tax data as an opportunity to automate and improve the tax enquiry process. As an example, in the EU, the approval of the amended Value Added Tax (VAT) directive in the second half of 2022 opened the way for EU Member States to introduce real time digital reporting and electronic invoicing by the end of 2023. On the reporting standards side, we see new Environmental, Social and Governance (ESG) standards emerging, following the Global Reporting Initiative (GRI) lead, which now cover tax, such as the Corporate Sustainability Reporting Directive (CSRD) and EU Public Country-by-Country Reporting (pCbCR). It is encouraging that tax directors recognise these trends and the importance of tax data in the debate and continue to actively contribute to our findings.

The main focus of the TTC report remains transparency around tax data. The data for 2021 shows an increase in tax receipts to nearly €400bn, with a balance between the main types of taxes paid. Again, corporate income tax (CIT), often the focus of negative external commentary, is an important but by no means unique part of the picture, being outweighed by nearly double of other tax costs, representing approximately 20% of the total taxes contributed by MNCs. As with last year, we will be shortly releasing a separate detailed CIT CbCR analysis for participants, which we hope will add more insights to the debate, particularly when looked at in conjunction with near certain implementation of Pillar Two in 2024, requiring MNCs to meet a minimum CIT level of 15% in each country in which they operate.

This report also includes an analysis of taxes paid between five different tax bases, including "planet taxes" (broadly taxes on consumption harmful to the environment). For 2021, planet taxes borne decreased from the 2020 base level, despite a large increase in profitability and profit taxes across the board. The movement in this respect is disappointing given governments' many pronouncements on climate change and the real opportunity to steer MNCs' tax burden towards this area. It seems that any push towards carbon taxation to change behaviours needs to be driven by forward thinking MNCs themselves, rather than await government action which remains focused on the already well mined seam of CIT.

Whilst tax data itself provides the critical framework for assessing MNCs tax burden, at EBTF we also recognise the need to widen the debate. For that reason, we will shortly be publishing the release of a research report we commissioned to the University of Amsterdam to address the evolution of the public debate around the tax contribution and practices of MNCs as reflected in the European media. I am really excited to be able to share the University's findings publicly as they provide great insights into the public tax debate and how political factors, fairness and transnational organisations shape and influence the public agenda towards MNCs' tax behaviours. I won't steal the report's thunder here, but it will be interesting to look at the data underlying the prevailing narrative to enable MNCs to think proactively about how to best use that data to ensure accurate messaging and elimination of preconceived negative views.

My sincere thanks go to each of the 61 participating companies who are so valuable in making a meaningful contribution to the wider tax debate, by allowing us to aggregate and publish their data here. If you represent a large MNC in Europe and do not yet partake in this study, please do contact us at the EBTF. The bigger this study gets, the more it reflects the reality of large European MNCs and it can be used to make a real difference.

Thanks to all of you who read this, whether from business, academia or out of mere interest. I do hope you enjoy the insights and are able to draw your own conclusions around the implications on future tax policy. I remain optimistic that our rigorous focus on robust data can help shape public tax policy towards areas of greatest global benefit and need.

Michael Ludlow
Chair of the EBTF

Executive summary

This is the fourth TTC study produced by the EBTF and covers the second year of the COVID-19 pandemic with its global economic and social impacts, challenges and disruptions. For the majority of participating companies in the study, the data covers the year to 31 December 2021.

Despite the increasing demands on companies from various reporting, regulatory and other angles as new ways of working, the participation in the study continued to increase, showing strong support from MNCs for the TTC concept and their contribution to a broader tax transparency debate.

We continue to see the significant tax policy changes that are aiming to transform the international tax transparency landscape. The most recent legislative developments include the EU CSRD[1] that is expanding reporting requirements for the social and environmental information that companies have to report; the EU pCbCR[1] that is requiring MNCs to disclose country-by-country data for their operations in EU member states and the creation of the International Sustainability Standards Board (ISSB)[2] that is charged with delivering a comprehensive global baseline of sustainability-related disclosure standards.

In parallel, a facilitation of fair and effective taxation continues to be a dominating topic on the tax policymakers' agenda. As a result of the Organisation for Economic Co-operation and Development (OECD)'s Pillar Two project, the rules governing that the MNCs pay a minimum level of tax on the income arising in each jurisdiction where they operate are now anticipated to be implemented in the EU and in several other countries, requiring MNCs to carefully consider the relevant data collection and validation processes.

Tax is no longer a private compliance matter for the companies. It is now a core element of the broader ESG agenda with unprecedented increased importance for all internal and external stakeholders.

In this respect, the TTC study aims to provide comprehensive and fact-based information on the global and European TTC of some of the largest companies with European headquarters. The EBTF continues to emphasize the importance and value of considering the full tax footprint of MNCs that could be derived from the TTC and calls for a wider participation in future TTC studies.

Global Total Tax Contribution

1. **Sixty-one** (61) of the largest companies headquartered in the 27 EU member states, EFTA and the UK (collectively Europe) agreed to participate in the study compared to fifty-five (55) in the previous year.

2. The global TTC of the study participants[3] was **€395.5bn** in 2021, comprising **€152.7bn** in taxes borne and **€242.8bn** in taxes collected increasing 4.8% on a like-for-like compared to last year's study.

3. The global TTC **represented more than the 2021 tax receipts in the Netherlands, Slovak Republic and Slovenia combined** (€340.0bn, €34.8bn and €19.5bn, respectively), or Norway and Poland added together (€163.4bn and €205.8bn, respectively).[4]

4. The study participants **generated employment for 3.5m people,**[5] and the average people taxes per person corresponded to **€20,552**.

5. For every €1 of CIT, study participants bore **€1.13** in other business taxes and a further **€3.39** was collected for governments.

1 EU Directive 2022/2464 (CSRD) and EU Directive 2021/2101 (pCbCR).

2 IFRS, 'ISSB describes the concept of sustainability and its articulation with financial value creation, and announces plans to advance work on natural ecosystems and just transition', available at: https://www.ifrs.org/news-and-events/news/2022/12/issb-describes-the-concept-of-sustainability/#:~:text=On%203%20November%202021%2C%20at,to%20meet%20capital%20market%20needs.

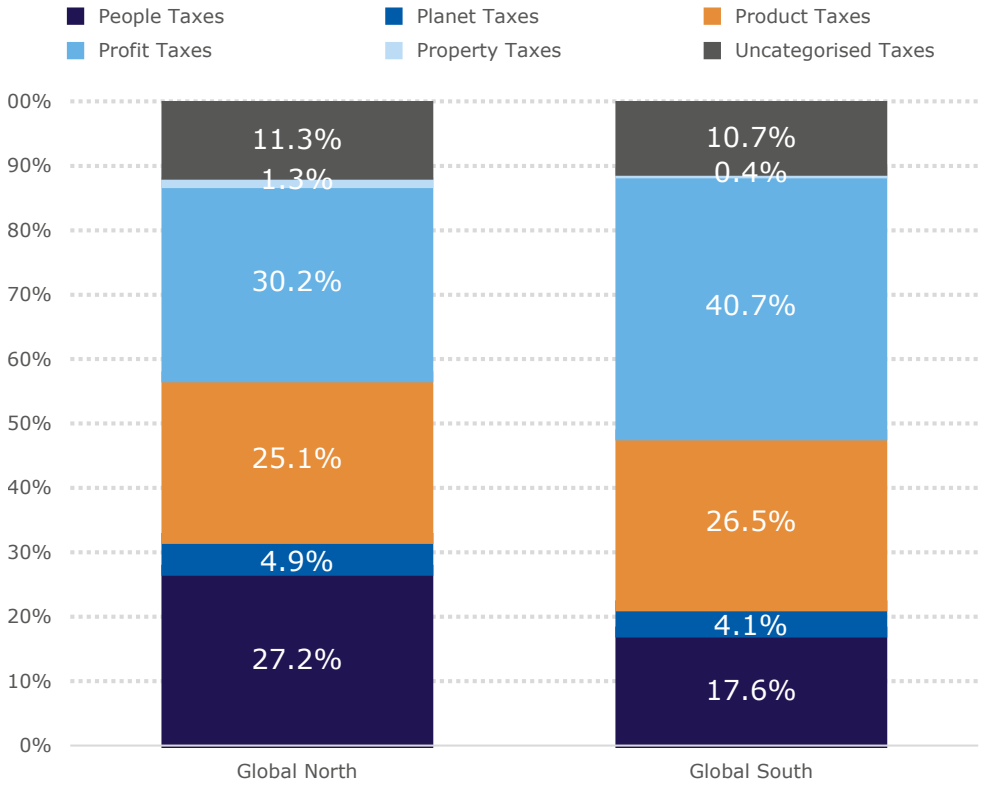
3 For the complete list of countries, please refer to Appendix D.

4 2021 figures obtained from 'Revenue Statistics – OECD countries', available at https://stats.oecd.org/index.aspx?DataSetCode=REV.

5 Number of full-time equivalent employees provided by study participants.

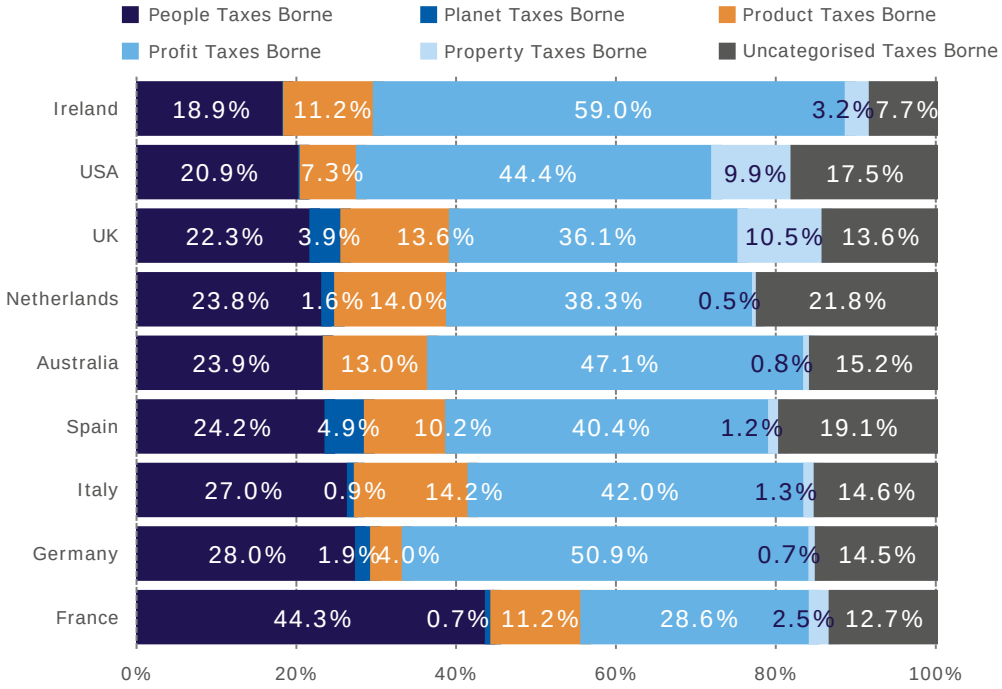
6. Governments were the largest beneficiary of the value generated by study participants at **42.7%** of the total. Other stakeholders included employees, who received **25.7%** in wages, and shareholders at **31.6%**, reflecting dividends paid or amounts retained in the business for reinvestment.

7. The global TTC data of the largest companies headquartered in Europe showed **reliance on profit taxes in emerging economies**, while employment taxes took a much higher proportion of the overall TTC in developed countries.



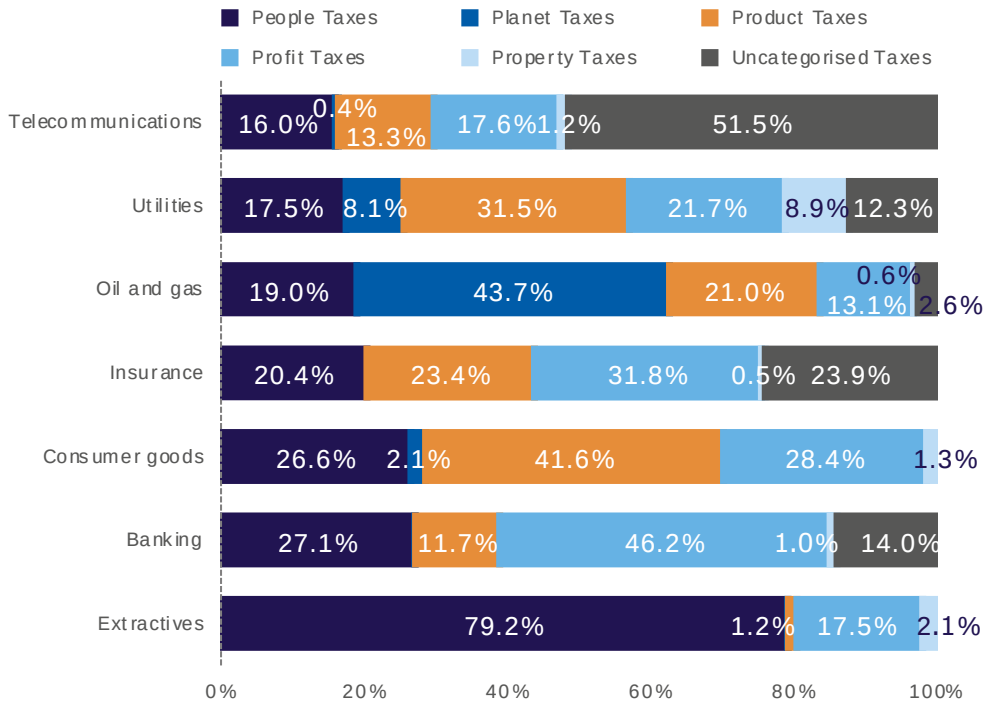
Emerging economies are represented as the Global South, while developed economies are shown as the Global North in the chart above. There was a clear distinction between people and profit taxes in each region.

8. At least 30 study participants provided data for 9 countries, allowing country-specific insights. These countries were **Australia, France, Germany, Ireland, Italy, The Netherlands, Spain, United Kingdom, and the United States of America (USA).**



France had the highest share of employment taxes as a percentage of total taxes borne by the employer (44.3%). In Ireland and Germany, profit taxes, on average, made up over half (59.0% and 50.9%, respectively) of the taxes borne by study participants, whereas, in Australia, profit taxes, on average, were just under half of the total taxes borne (47.1%).

The country picture varied depending on the mix of sectors of the companies in each country. For example, the increased proportion of profit taxes in Germany reflected the high number of participants in the banking sector providing data for this country.



In these 9 countries, employment taxes in the banking sector were the highest at 27.1%, a reflection of the high salaries paid. Furthermore, the proportion of profit taxes increased from 37.1% to 46.2% of the TTC for the sector since last year.

Oil and gas companies paid and collected **nearly half of their TTC (43.7%) in planet taxes** in the form of fuel excise duties.

41.6% of the TTC of consumer goods companies were product taxes. A clear reflection of the sector's relevance of indirect taxes (e.g., VAT, excise duties and other turnover taxes).

23.4% of the profile of the TTC of insurance companies corresponded to product taxes. This was due to the collection of insurance premium taxes.

European Total Tax Contribution

1. For the 32 countries in Europe, the TTC of the participating companies was **€233.4bn**, comprising **€77.3bn** in taxes borne and **€156.1bn** in taxes collected. This is higher than the EU and EFTA 2021 budgets combined (€170.6bn).[6]
2. The European TTC represented **2.9%**[7] of the combined tax revenues of the countries in Europe, or **€441**[8] for every person living in these countries.
3. The TTC decreased by **0.6%**[9] compared to last year's study, primarily due to the decrease in product taxes collected in the region.
4. Study participants generated employment for **1.7m** people – 0.7%[10] of the workforce in the countries in Europe. Average employment taxes per person totalled **€25,647**.
5. CIT is only one of the taxes paid or collected by study participants: for every €1 of CIT, these companies bore **€1.75** in other taxes and a further **€5.54** as taxes collected for governments.

6 2021 Budgets are available at https://www.consilium.europa.eu/en/policies/the-eu-budget/eu-annual-budget/2021-budget/; and https://www.efta.int/sites/default/files/publications/Annual%20Reports/EFTA_Annual_Report_2021.pdf.

7 2021 Total tax revenues, available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tax_revenue_statistics#In_2019.2C_tax_revenue_in_absolute_terms_increased_in_all_EU_Member_States and https://data.worldbank.org/indicator/GC.TAX.TOTL.CN?locations=IS.

8 Eurostat, available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population_and_population_change_statistics, and The World Bank, 'Population, total', available at https://data.worldbank.org/indicator/SP.POP.TOTL?name_desc=false.

9 Comparison between 2020 and 2021 on a like-for-like basis which only considers those companies participating in both years and, for each company, only those countries where TTC data was also available in both years of the survey.

10 The World Bank, 'Labour force, total', available at https://data.worldbank.org/indicator/SL.TLF.TOTL.IN.

Contents

1 Purpose and outline of the study

External environment and context for the study

The importance of robust data is particularly clear as the world responds to significant challenges such as climate change, the cost-of-living crisis caused by the COVID-19 pandemic and geopolitical instability. Governments and policymakers need access to robust data to effect appropriate responses to these challenges.

The ability to gather, analyse, and derive pertinent conclusions from many data sources is essential for MNCs to contribute to creating effective policy, but also to navigate the rapidly evolving transparency landscape. As it was highlighted in last year's edition of this study, the new EU pCbCR directive was passed in a vote by the European Parliament on 11 November 2021 and published in the Official Journal of the European Union on 1 December 2021. MNCs with global revenues over €750m will be required to disclose country-by-country data for their operations in EU member states. The publication of this data will be required (at the latest) for the first financial year (FY) starting on or after 22 June 2024. For an MNC with a 31 December year-end, the publication will be required by 31 December 2026 for FY25 data.

On 7 September 2022, Romania formally transposed the EU pCbCR directive, effective for FYs beginning on or after 1 January 2023. The first CbCR reports will need to be published for December year-end companies by 31 December 2024.

The Australian government also recently announced a requirement for pCbCR, following the example of the EU. This trend to require greater transparency is the most important change in the landscape since the introduction of Action 13 under the OECD Base Erosion and Profit Shifting (BEPS) framework in 2016.

The EU CSRD is another EU initiative which expands on the existing reporting requirements of the Directive 2014/95/EU on the disclosure of non-financial and diversity information (the Non-financial Reporting Directive). The purpose of both directives is to enable stakeholders to evaluate companies on non-financial performance metrics and encourage organisations to develop a more responsible approach to business.

CSRD requires the risks and opportunities (i.e., profit allocation, financing, intellectual property) along the value chain to be made public by all large companies and listed small and medium-sized enterprises, including subsidiaries of non-EU parent groups.

CSRD emphasises the role of value chains in measuring a company's carbon emissions and environmental footprint. Therefore, it is essential to ensure that the information contained in the Master File of the transfer pricing documentation concerning the business model and value chain aligns with the CSRD disclosures. Sustainability and tax teams should be collaborating effectively. Tax teams need to ensure that the information being shared with the tax authorities aligns with the public statements made by the sustainability teams.

Although tax isn't explicitly managed in CSRD, it is expected to provide investors with information to evaluate the adequacy of a company's tax strategies and risk processes.[11] What is more, it follows that tax oversight is to be prioritised by the board.

In the USA, the Securities and Exchange Commission (SEC) has proposed new ESG rules in the form of enhanced disclosures about ESG investment practices. The disclosures focus on climate-related metrics, governance and management processes, and risk mitigation approaches.

At a global level, there is the OECD Pillar Two initiative,[12] which is the subject of an EU Directive agreed in December 2022, requiring the EU member states to introduce the Pillar Two rules into domestic legislation in 2023. In addition to the EU, several other countries are expected to implement these provisions in 2023.

Pillar Two imposes, at its core, an international 15% minimum tax. The initiative is likely to attract scrutiny not only for companies operating in countries with a CIT rate of less than 15%, but also for companies with operations elsewhere, particularly if effective tax rates are reduced due to tax incentives and other book-to-tax adjustments.

Next to adding an additional layer on MNCs' data collection and validation processes, the relationship between Pillar Two and tax transparency becomes apparent with the Directive expected to be proposed by the European Commission requiring the publication of the Pillar Two effective tax rates (ETRs) on a country-by-country basis.

Given the increased complexity of the Pillar Two rules, it can only be expected that the publication of the ETRs as calculated under these rules would require appropriate narrative.

Finally, the ISSB, established during the UN Climate Change Conference (COP26), brought a new global baseline for ESG reporting. The ISSB is designed to harmonise the various ESG standards developed over recent years and elevate their status alongside International Financial Reporting Standards (IFRS) accounting standards. The importance of tax transparency in other voluntary ESG frameworks – such as the GRI, World Economic Forum (WEF) and Sustainability Accounting Standards Board (SASB) – is likely to become a central tenet of the ISSB's sustainability standards.

Given this plethora of legislative and voluntary transparency initiatives, reflecting the increasing interest from a wide range of stakeholders in the role and function of large companies, as well as their impact on the environment and society, the EBTF is keen on continuing the initiative to evaluate the TTC of the largest companies with European headquarters, in order to gather and present comprehensive and evidence-based data. This is with the view to add to a substantial database that has been compiled over the past four years according to an established framework; increase awareness; and improve understanding of the role that large companies and the taxes they contribute play in the societies in which they operate.

11 For more information, please refer to the EU's Final Report on Minimum Safeguards, available at: https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf.

12 EU Council Directive 8778/22, ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union.

An outline of the Total Tax Contribution framework

The EBTF has enlisted PwC to work with companies to help identify, extract, and analyse the TTC data due to their experience of having developed the TTC framework. This framework is straightforward in concept, not tax technical and therefore relatively easy to understand for stakeholders, some of whom may have limited knowledge of tax complexities. It is a universal framework that can be applied to any tax regime. TTC measures companies' contributions to government tax revenues by focusing on cash payments. Many companies use the TTC framework to communicate their contribution to the public finances.

PwC worked with large companies and other stakeholders to develop the TTC framework over 17 years ago. This study uses the PwC TTC methodology,[13] which looks at all the different taxes companies pay and administer. It covers the five 'tax bases' and includes CIT, other taxes on profit, taxes on people, taxes on property, taxes on products and planet (environmental) taxes.

The TTC methodology clearly distinguishes between taxes borne and taxes collected. Taxes borne are a direct cost of the company, which impacts the financial results. Taxes collected are administered and collected on behalf of governments. The study reports on both taxes borne and taxes collected.[14]

It is important to note that the TTC 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 macroeconomic picture of taxes paid. The framework aims to help companies communicate their contribution to public finances. Further details on the framework and common questions are included in Appendix C.

This is the fourth study 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 global operations of the study participants. This is the second year in which data collection has been expanded to global operations – the editions released over the first two years of the study, covering 2018 and 2019, covered payments made only in Europe.

Lastly, the results provide information that would not otherwise be in the public domain since this is not information companies are (yet) required to disclose in their financial reports.

13 PwC, more information available at https://www.pwc.com/gx/en/services/tax/publications/total-tax-contribution-framework.html.

14 An OECD paper noted that a business' tax remittance role has thus far received little analytical attention. For more information: Milanez, A. (2017), 'Legal tax liability, legal remittance responsibility and tax incidence: Three dimensions of business taxation', OECD Taxation Working Papers, No. 32, OECD Publishing, Paris. http://dx.doi.org/10.1787/e7ced3ea-en.

The scope of the study

The EBTF invited 132 of the largest companies in Europe, measured by market capitalisation and revenue,[15] to participate. The study attracted strong interest, with 61 companies agreeing to participate – an increase from 55 in relation to last year – and the EBTF continues to encourage more companies to join this initiative in the future.

TTC data were collected on participants' tax payments globally for accounting periods ending in the year to 31 December 2021. Additionally, participants were invited to share their OECD CbCR filings regarding this same calendar year. Based on this information, a follow-up to the report released in April 2022 named "Tax Transparency & Public Country-by-Country Reporting: A study of the largest companies headquartered in Europe" is expected to be released in March 2023.

Understanding the scope of the data collection

Participants' previous experiences with TTC varied. Some study participants had already participated in the study last year, whilst others published their 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. In some instances, particularly in the information obtained from publicly available disclosures, data were not categorised by the tax base, and this data is described as 'uncategorised'. This procedure was adopted to ensure the accuracy of the conclusions.

During the first and second years of the study, covering 2018 and 2019 and only the European footprint of study participants, 395 and 414 country questionnaires were received. As the scope expanded to global operations and more companies joined this initiative, 1,455 and 1,793 country questionnaires were received in the last and current years of the study, respectively. The increase in volume is a consequence of the increased support and the ambition to build a robust database for the analysis.

Many participants made a significant effort to supply the necessary data. Consequently, 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 study results are understated. Nevertheless, it is anticipated that data quality will continue to improve year after year when there will be an increased familiarity with how the framework operates.

Companies in the following sectors provided data:

1. Banking
2. Chemicals
3. Consumer goods
4. Extractives
5. Insurance
6. Manufacturing
7. Media & Entertainment
8. Oil & Gas
9. Pharmaceuticals
10. Professional services
11. Retailers
12. Technology
13. Telecommunications
14. Utilities

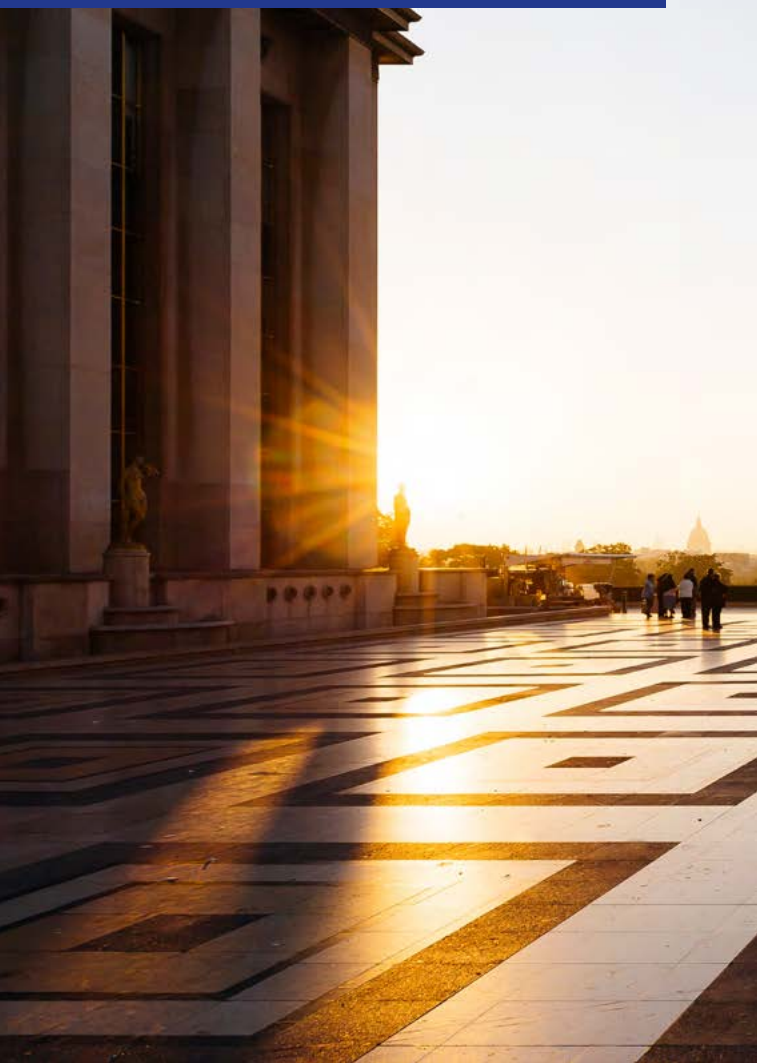
These companies have paid and collected taxes in 190 countries, which are listed in Appendix D.

Confidentiality of data

PwC's role was to help participants collect their data and anonymise and aggregate the information 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.

15 Data on market capitalisation and revenue provided by Eikon, Refinitiv.

2 Total Tax Contribution of the largest companies

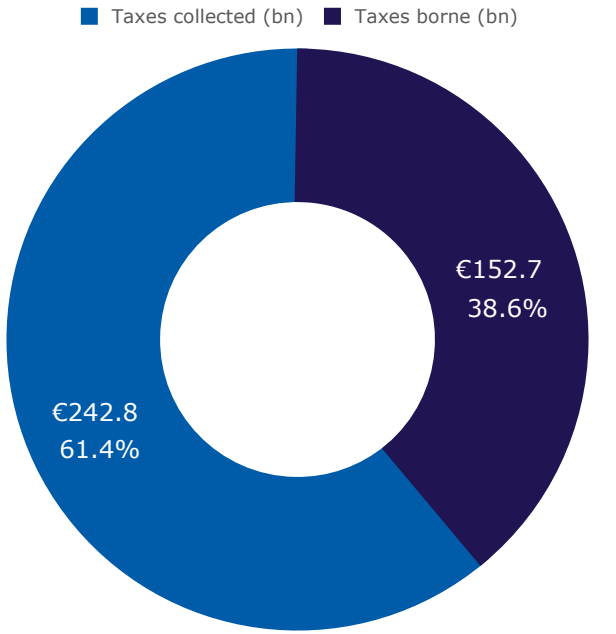


Sixty-one large companies based in Europe participated in the study, providing data on taxes borne and collected for their FYs ending in the year to 31 December 2021. There was an increase of 6 companies participating in the study this year, and data were collected in the main countries[16] which are part of the global operations of study participants.

Global Total Tax Contribution

The study participants' Global TTC was €395.5bn (2020: €355.7bn), comprising €152.7bn (2020: €119.5bn) in taxes borne and €242.8bn (2020: €236.2bn) in taxes collected. This is the highest TTC figure recorded ever since the study started. Figure 2 shows that taxes borne represent 38.6%, and taxes collected represent 61.4% of the total. Taxes collected represent a responsibility and a compliance obligation for companies; of the total, 21.6% is from people taxes collected, highlighting the value of jobs created by large companies.

Figure 1: Taxes borne and collected Global TTC profile (in EUR)

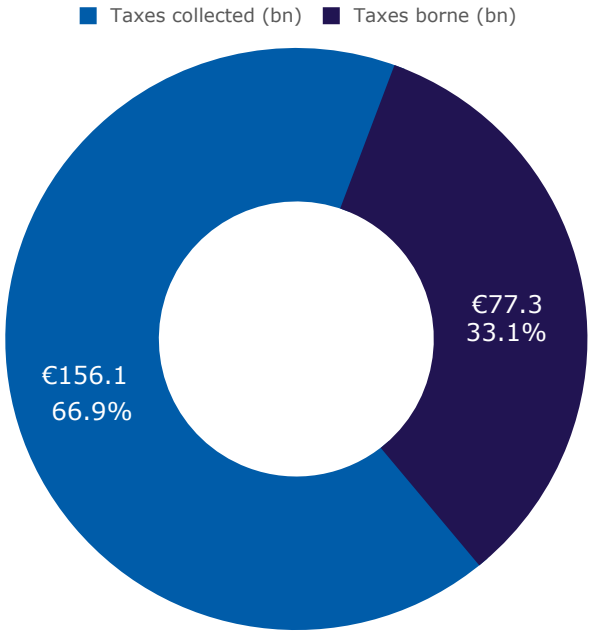


16 'Main countries' are understood, for the purposes of this study, as at least 80% of coverage of the total footprint either in terms of number of employees, profits before taxes or TTC.

European Total Tax Contribution

The European TTC of the study participants was €233.4bn (2020: €233.8bn), comprising €77.3bn (2020: €67.3bn) in taxes borne and €156.1bn (2020: €166.5bn) in taxes collected. Figure 2 shows that taxes borne represent 33.1%, and taxes collected represent 66.9% of the total. 20.7% of the taxes collected is people taxes.

Figure 2: Taxes borne and collected European TTC profile (in EUR)



2018-2021: European Total Tax Contribution trends over four years

Insights can be drawn from the analysis of the European TTC of study participants on a like-for-like basis. Figure 3 shows the TTC of the 29 companies providing data for European countries over the four years of the study.

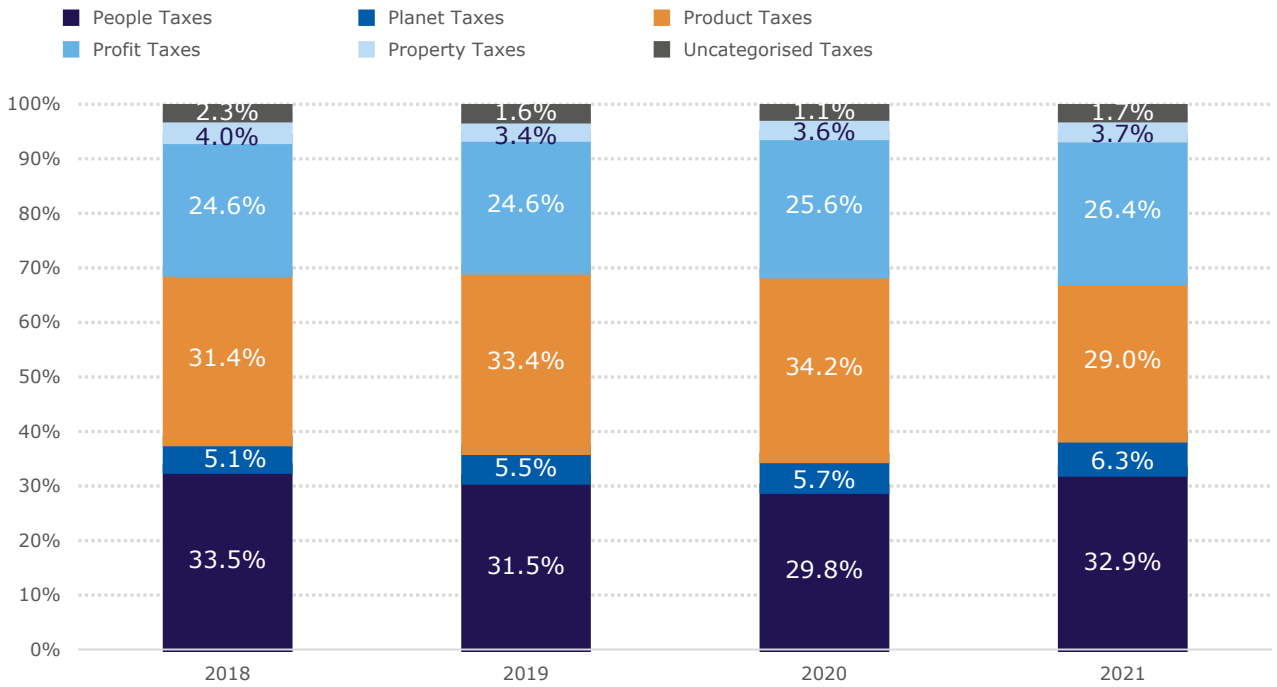
Overall, the TTC profile has not varied significantly since 2018. For example, the proportion of people taxes has been consistent as a sizable share of TTC and has made up at least 29.8% (2020) of all taxes.

Planet taxes have increased from 5.1% in 2018 to 6.3% in 2021 as a proportion of TTC during the 4-year period, driven by fuel excise duties collected by the oil and gas sector and other taxes levied on the supply, use or consumption of goods and services considered harmful to the environment.

The proportion of product taxes decreased from 34.2% in 2020 to 29.0% in 2021 driven by product taxes collected, as explained in the chapter 5 (see 'Trends in European Total Tax Contribution between 2020 and 2021' for more information). At 29.0%, product taxes made up a proportionally smaller portion of the overall TTC in 2021 if compared to prior years.

Profits decreased since 2018, hitting a lowest point in 2020 following the effects of the COVID-19 pandemic. Between 2020 and 2021, the proportion of profit taxes shows an upwards trend, in line with the increased profitability seen in 2021.

Figure 3: 4-year comparison of European TTC by the five tax bases on a like-for-like basis



Source: Study participants. Results shown on an average basis

Property taxes have made up a small proportion of TTC over the last four years, and this is expected to continue in future years.

The proportion of uncategorised taxes has been constant throughout the 4-year period. This trend was due to the continued use of public data of companies that do not categorise their TTC in accordance with the five tax bases classification.

Putting the figures into context

To put it in context, the global TTC of €395.5bn represents:

- More than the 2021 tax receipts in the Netherlands, Slovak Republic and Slovenia combined (€340.0bn, €34.8bn and €19.5bn, respectively), or Norway and Poland added together (€163.4bn and €205.8bn, respectively);[17] or
- €50.45[18] for every person currently living in the world.

As to the TTC in Europe of €233.4bn, it represents:

- €441[19] (2020: €442) for every person in Europe; or
- €3.11[20] in every €100 of total government receipts in Europe;
- More than the EU and EFTA 2021 budgets combined (€170.6bn).[21]

17 2021 figures obtained from 'Revenue Statistics – OECD countries', available at https://stats.oecd.org/index.aspx?DataSetCode=REV.

18 The World Bank, Population, available at https://data.worldbank.org/indicator/SP.POP.TOTL.

19 Eurostat, available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population_and_population_change_statistics; and The World Bank available at https://data.worldbank.org/indicator/SP.POP.TOTL?locations=IS.

20 2020 total tax revenues, available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tax_revenue_statistics#In_2019.2C_tax_revenue_in_absolute_terms_increased_in_all_EU_Member_States and https://data.worldbank.org/indicator/GC.TAX.TOTL.CN?locations=IS.

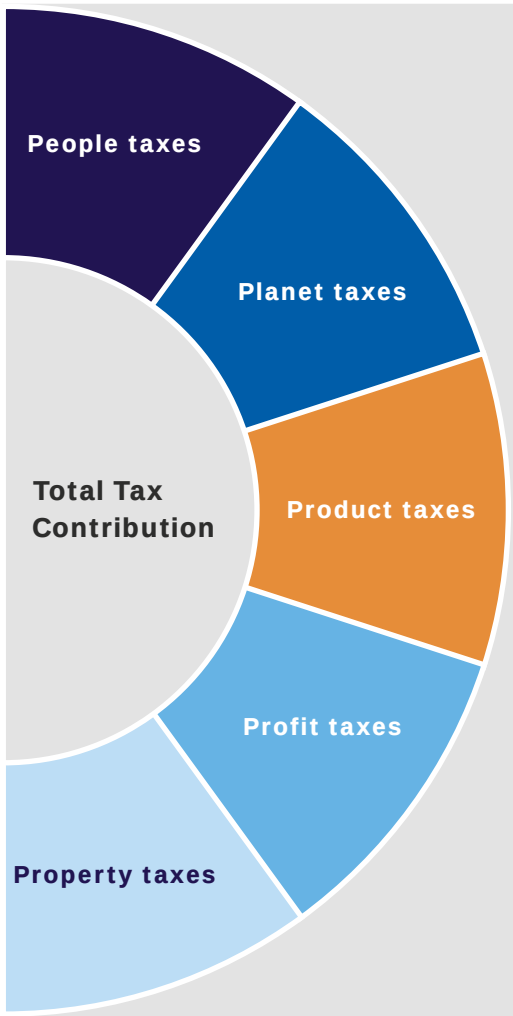
21 2021 Budgets available at https://www.consilium.europa.eu/en/policies/the-eu-budget/eu-annual-budget/2021-budget/; and https://www.efta.int/sites/default/files/publications/Annual%20Reports/EFTA_Annual_Report_2021.pdf.

3 The five tax bases

A challenge when collecting TTC data is combining data collected under different national tax systems. The TTC framework draws on the OECD classification of tax bases[22] and is structured around five different tax bases, as shown in Figure 4.

22 OECD, 'Revenue Statistics'. Retrieved from: http://www.oecd.org/tax/tax-policy/oecd-classification-taxes-interpretative-guide.pdf

Figure 4: The five tax bases



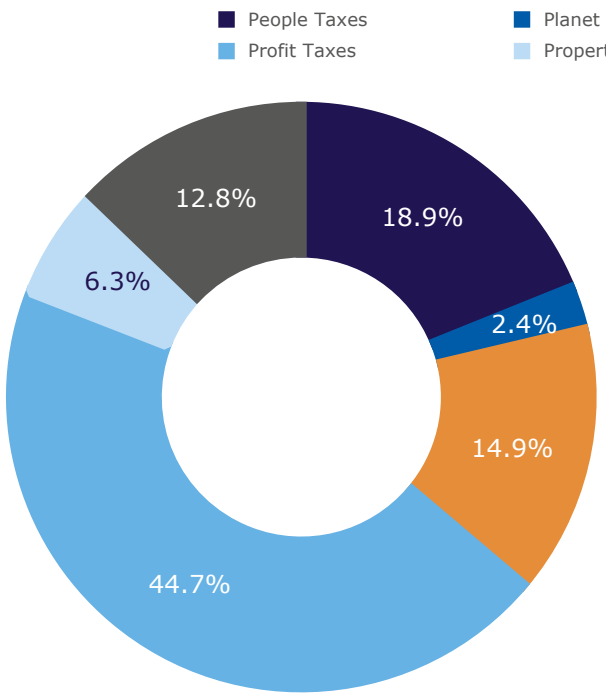
- **People taxes** include all taxes and social contributions in relation to the employment of staff. They cover both employment taxes and contributions borne by the company and the cost of the employee and are administered by the employer by deduction through the payroll.
- **Planet taxes** include taxes and duties levied on the supply, use or consumption of goods or services potentially harmful to the environment. They also contain taxes paid and collected on fuel.
- **Product taxes** include taxes and duties levied on producing, selling or using goods and services, including taxes and duties levied on international trade and transactions.
- **Profit taxes** include taxes on company income, profits and capital gains.
- **Property taxes** include taxes levied on the acquisition, disposal, ownership or use of the tangible and intangible property.

Data was also collected on other payments and contributions to government which are not taxes. These payments bring a return of value to the company and are not included in the TTC figures. For a detailed breakdown, please refer to Appendix B.

4 Taxes borne and collected

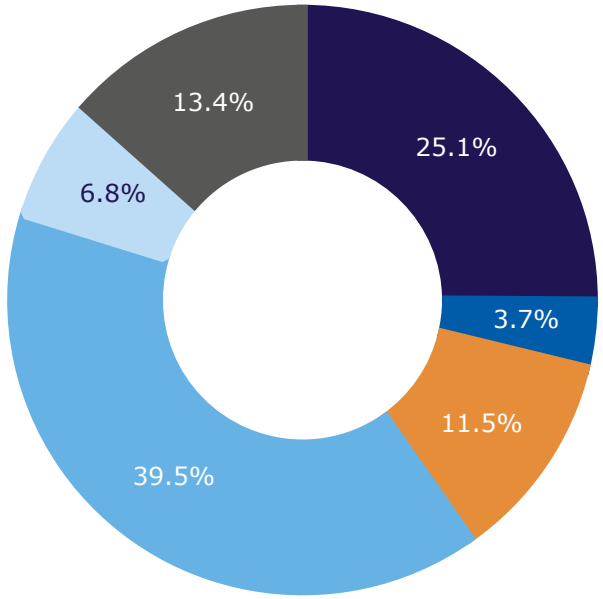
For every €1 of CIT, there are a further €1.13 of other business taxes borne.

Figure 5.1: The profile of taxes borne by study participants around the world



Source: Study participants. The chart shows the average result.

Figure 5.2: The profile of taxes borne by study participants in Europe



Source: Study participants. The chart shows the average result.

The profile of taxes borne

Taxes are a business cost and, therefore, directly affect companies' profits. Figure 5.1 shows the profile of global taxes borne reported by study participants. For every €1 of CIT, there are a further €1.13 (2020: €1.21) of other business taxes borne.

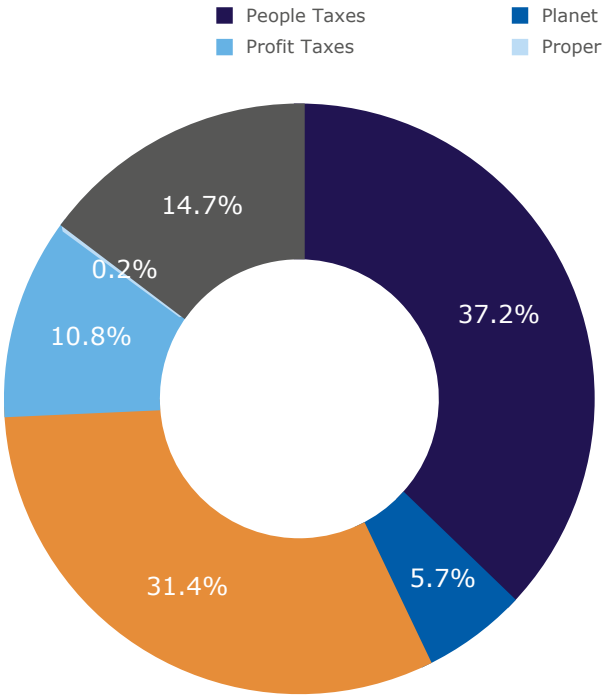
In Europe, for every €1 of CIT, there is a further €1.75 (2020: €1.90) in other taxes borne. People taxes borne represent a larger share of the total taxes borne (25.1% versus 18.9% globally), while profit taxes are a smaller portion of the total (39.5% against 44.7% globally).

The profile of taxes collected

Taxes are collected from customers and employees by companies on behalf of governments. Figure 6.1 shows that global product taxes make up a significant element of taxes collected, reflecting the duties of study participants.

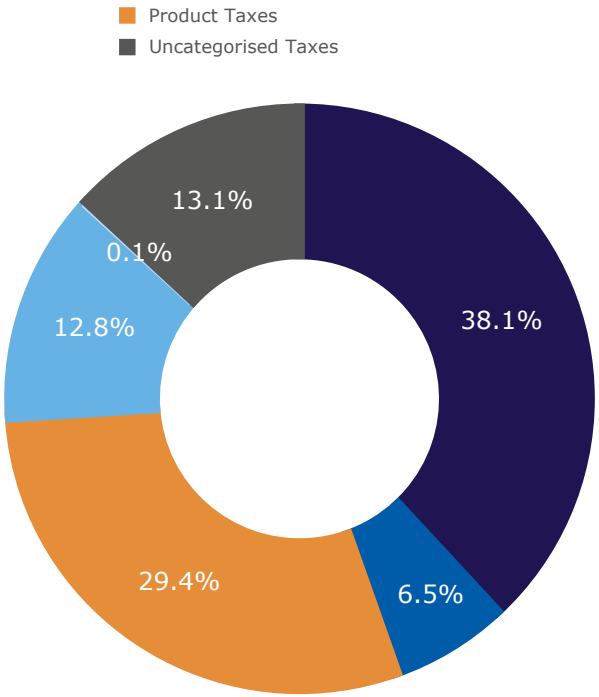
For every €1 of CIT, there is a further €3.39 (2020: €4.36) in taxes collected.

Figure 6.1: The profile of taxes collected for study participants around the world



Source: Study participants. The chart shows the average result.

Figure 6.2: The profile of taxes collected for study participants in Europe



Source: Study participants. The chart shows the average result.

Figure 6.2 shows the profile of total taxes collected in Europe. It follows a similar profile of global operations. For every €1 of CIT, there is a further €5.54 (2020: €7.16) in taxes collected.

5 Trends in Total Tax Contribution between 2020 and 2021

Trends in Global Total Tax Contribution between 2020 and 2021

This year's trends can be calculated on a global scale. As this is the second year global TTC data was collected, prior year data is available to perform a like-for-like comparison of international operations.

Of the fifty-five companies that participated in last year's study, fifty-two provided their data again this year. Based on the information provided, a like-for-like comparison was made by including only those companies participating in both years and, for each company, only those countries where TTC data was also available in both years of the study.

This comparison provides a unique insight into the changing profile of taxes paid by the largest companies headquartered in Europe. As the collection of global TTC data continues in future years, it will allow us to look at long-term trends on a like-for-like basis.

Table 1 shows how taxes borne and collected have changed globally between 2020 and 2021.The overall trend is obtained by dividing the delta between 2020 and 2021 of each TTC element by the total. It conveys materiality and how much that tax contributed to the trend.

Table 1 - Total Tax Contribution trends (Global)

Total Tax Contribution trends	Overall change
Taxes borne	5.2%
Taxes collected	-0.4%
Total Tax Contribution	**4.8%**

Source: Study participants.

As lockdown measures started to be relaxed in the second part of the year, with strong demand and the reopening of the borders across Europe and around the world, global TTC had an increase of 4.8% compared to last year. This increase was wholly driven by taxes borne.

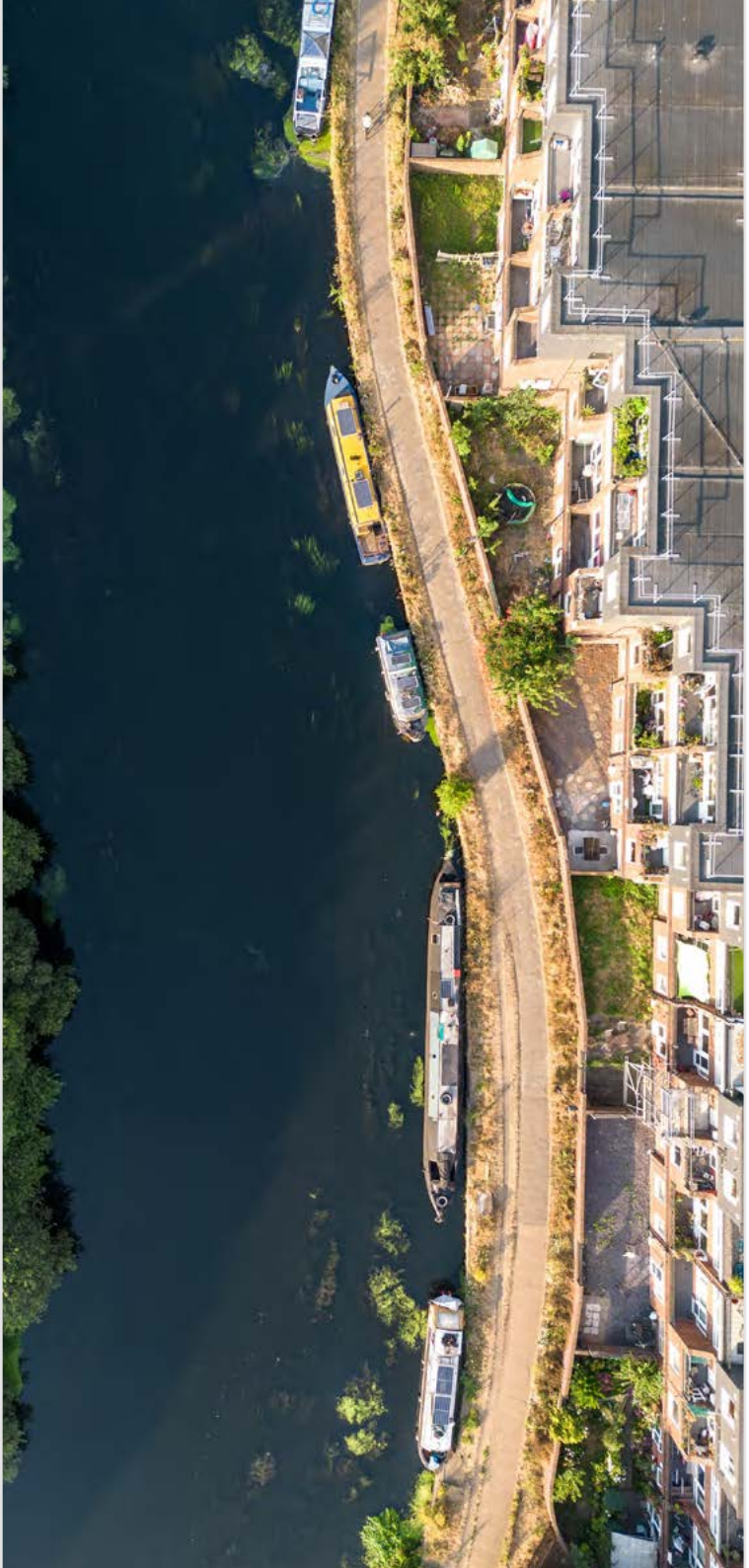


Table 2 shows the movement in taxes borne across the five bases globally.

Table 2 - Taxes borne trends (Global)

Taxes borne trends (Global)	Overall change
Profit taxes	13.9%
People taxes	-0.9%
Property taxes	0.3%
Product taxes	0.6%
Planet taxes	-0.1%
Uncategorised taxes	0.9%
Total taxes borne	**14.7%**

Source: Study participants. Numbers may not sum due to rounding.

The significant increase in profit taxes outweighed the comparatively small decrease in people and planet taxes. Profit taxes borne were the most significant driver (13.9%) due to the extractives (4.7%) and oil and gas (4.6%) sectors, caused by increased profitability derived from increased commodity prices.

The rise in uncategorised taxes is attributed to the number of companies providing limited data or allowing the use of their public data for the study. This figure is expected to decrease as companies publish more detailed data in future years.

Regarding taxes collected, the table here shows how they have changed between 2020 and 2021 across the five tax bases:

Table 3 - Taxes collected trends (Global)

Taxes collected trends (Global)	Overall change
Profit taxes	0.6%
People taxes	1.0%
Property taxes	0.0%
Product taxes	-2.7%
Planet taxes	0.5%
Uncategorised taxes	0.0%
Total taxes collected	**-0.7%**

Source: Study participants. Numbers may not sum due to rounding.

Total taxes collected decreased by 0.7% between 2020 and 2021. Product taxes drove this trend; more specifically, VAT collected by the utilities and telecommunications sectors. A change in the VAT regime in Italy[23], for example, resulted in a change in the responsibility for collecting VAT, which led to a decrease in product taxes.

23 With this scheme, a single and autonomous taxable entity is established with a single VAT Number valid for all member companies, replacing their individual VAT Numbers. More information available at https://www.agenziaentrate.gov.it/portale/web/guest/schede/istanze/costituzione-gruppo-iva/scheda-informativa-costituzione-gruppoiva (in Italian).

Trends in European Total Tax Contribution between 2020 and 2021

TTC data for Europe has been collected for four years, with more companies providing data each year. Table 4 shows how taxes borne and collected in Europe have changed between 2020 and 2021 on a like-for-like basis.

Table 4 - Total Tax Contribution trends (Europe)

Total Tax Contribution trends (Europe)	Overall change
Taxes borne	1.8%
Taxes collected	-2.4%
Total Tax Contribution	**-0.6%**

Source: Study participants.

TTC from European operations decreased by 0.6% compared to last year. The increase in profit taxes borne was offset by reducing product taxes collected. The reason for the decrease in product taxes collected was explained in the previous section.

Table 5 shows the movement in taxes borne across the five bases in Europe.

Table 5 - Taxes borne trends (Europe)

Taxes borne trends (Europe)	Overall change
Profit taxes	8.1%
People taxes	-2.6%
Property taxes	0.7%
Product taxes	-1.0%
Planet taxes	-0.1%
Uncategorised taxes	0.8%
Total taxes borne	**5.9%**

Source: Study participants.

The decrease in people and product taxes was offset by the increase in property taxes. The most significant driver was profit taxes, driven by the oil and gas and banking sectors, with both showing record financial performance in 2021.

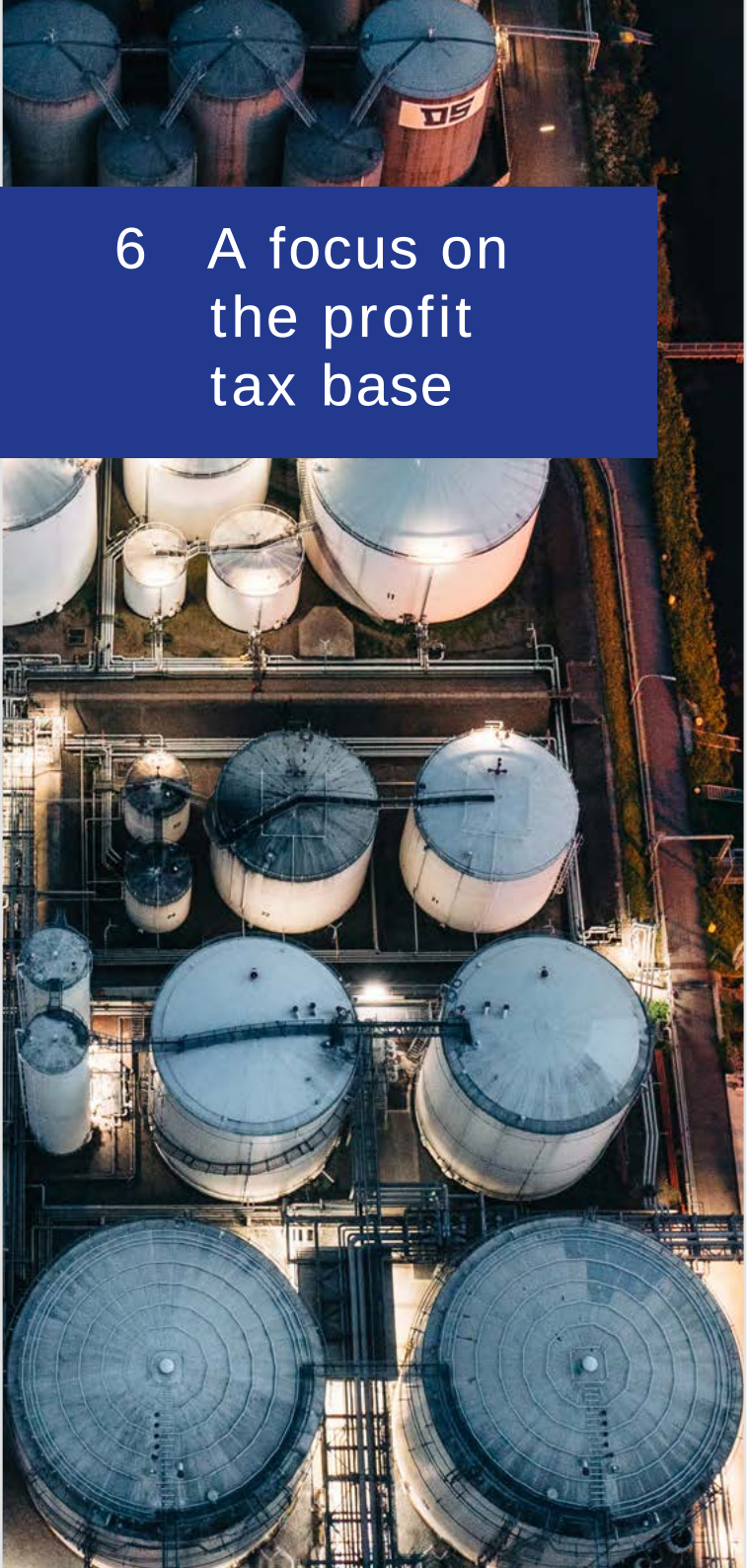
Regarding taxes collected, Table 6 shows how they have changed between 2020 and 2021 across the five tax bases:

Table 6 - Taxes collected trends (Europe)

Taxes collected trends (Europe)	Overall change
Profit taxes	0.9%
People taxes	0.8%
Property taxes	0.0%
Product taxes	-4.3%
Planet taxes	-0.5%
Uncategorised taxes	-0.5%
Total taxes collected	**-3.6%**

Source: Study participants. Numbers may not sum due to rounding.

The overall trend in taxes collected has decreased by 3.6%, primarily driven by a decrease in product taxes. This is also seen in the global trends, with lowering product taxes collected significantly impacted in Europe.



6 A focus on the profit tax base

This study aims to raise awareness of the broad range of taxes that large companies pay. One of the five tax bases is the profit tax base. This includes taxes on income, profits or capital gains borne by companies, 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 €71.6bn for global operations, representing 44.7% of total taxes borne. Profit taxes collected amounted to €15.0bn and related to withholding tax deducted at source, representing 10.8% of total taxes collected.

Corporate income tax

The scrutiny on tax paid by MNCs tends to focus on CIT, the most significant profit tax.

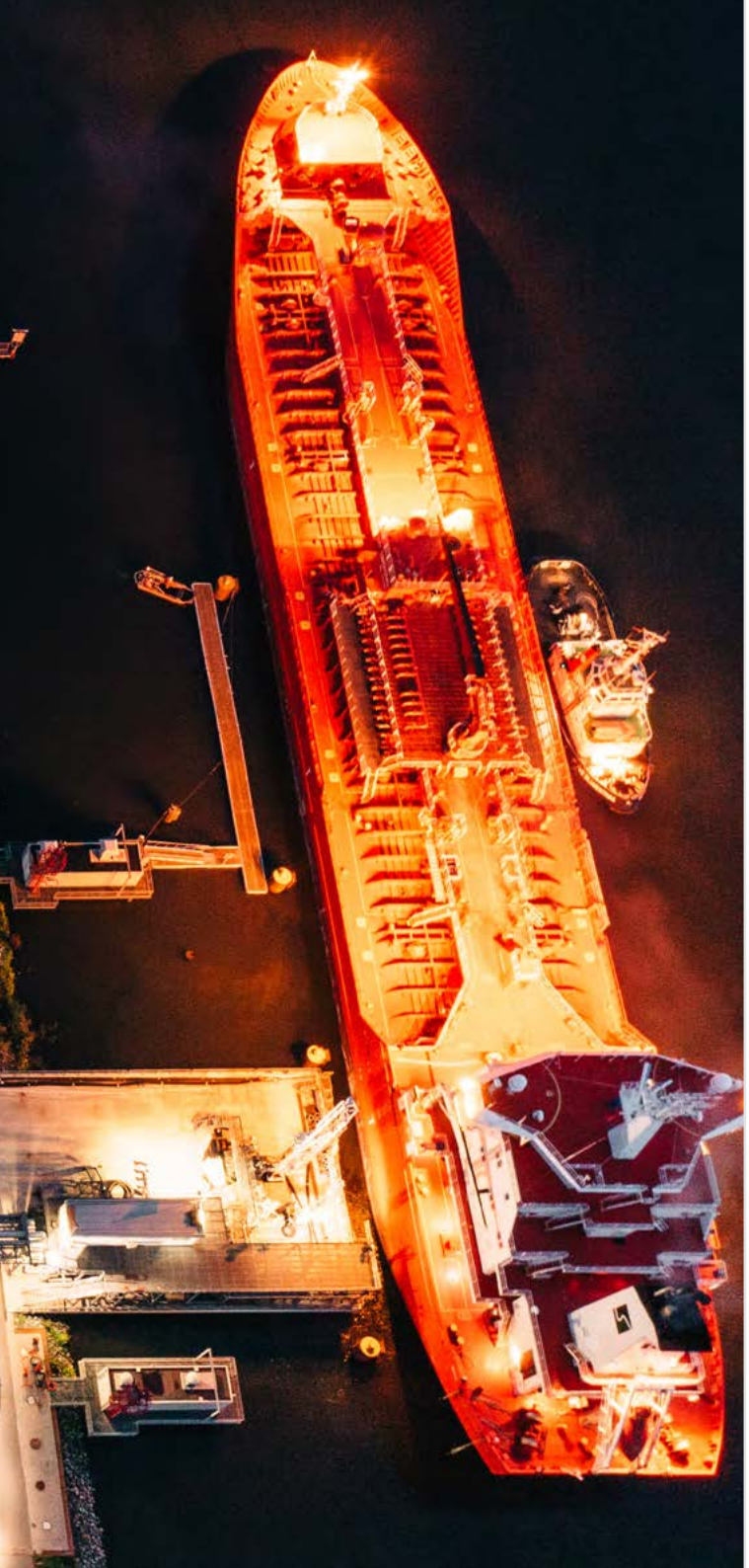
The average statutory rate of CIT across the OECD countries is 21.5%[24] (2020: 21.2%). In OECD countries, CIT is a relatively small percentage of total government receipts, making up, on average, 9.6%[25] of total country revenue receipts.

Source: OECD.[26]

24 OECD, 2021 Corporate Income Tax Rates, available at https://stats.oecd.org/index.aspx?DataSetCode=Table_II1.

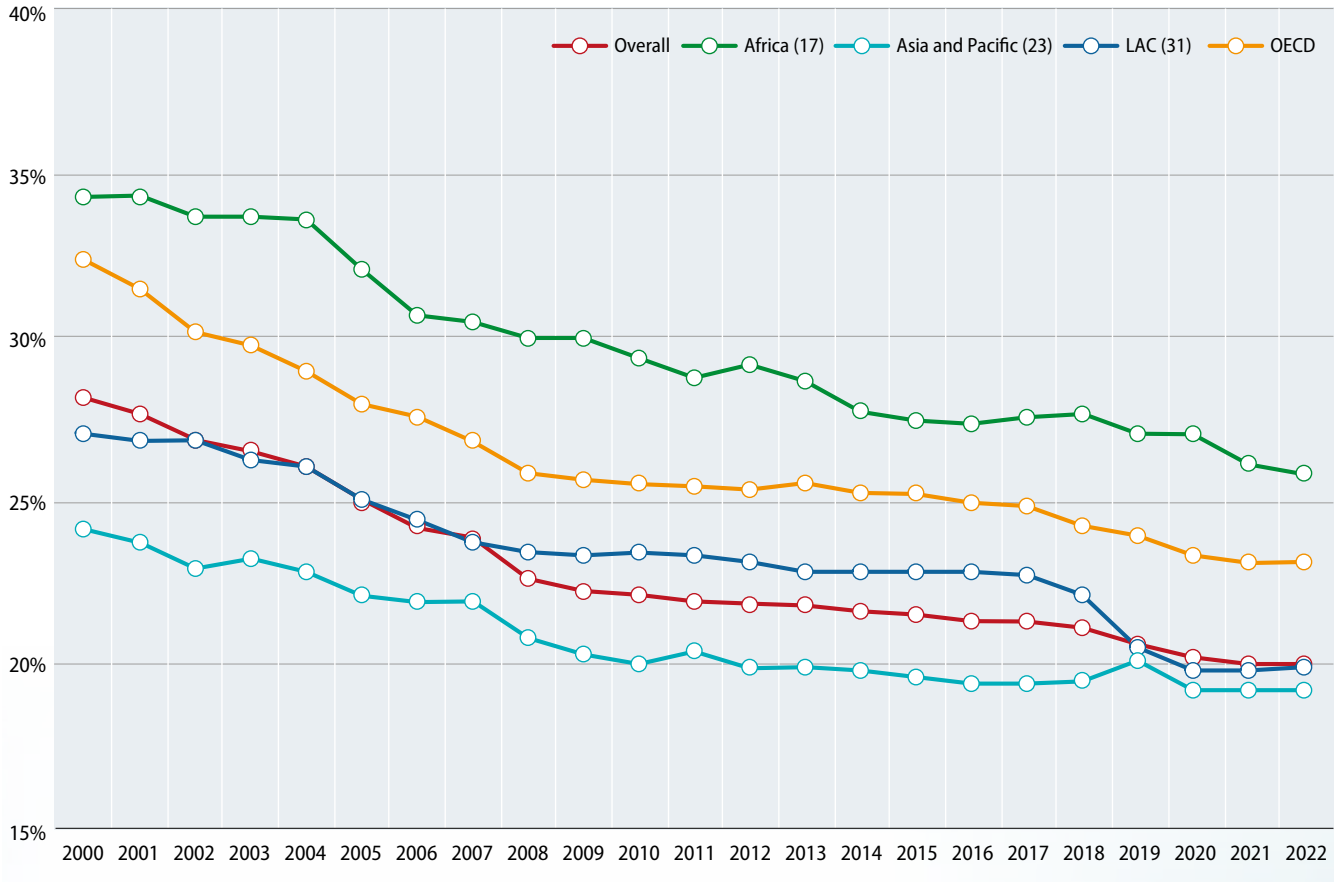
25 OECD, Corporate Tax Statistics: Fourth Edition, available at https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-fourth-edition.pdf.

26 Ibid.



Since 2000, average statutory tax rates have declined across OECD countries and the three regional groupings of countries (African countries, Asian countries and Latin America and the Caribbean (LAC) countries):

Figure 7: Average statutory tax rates by regional groupings



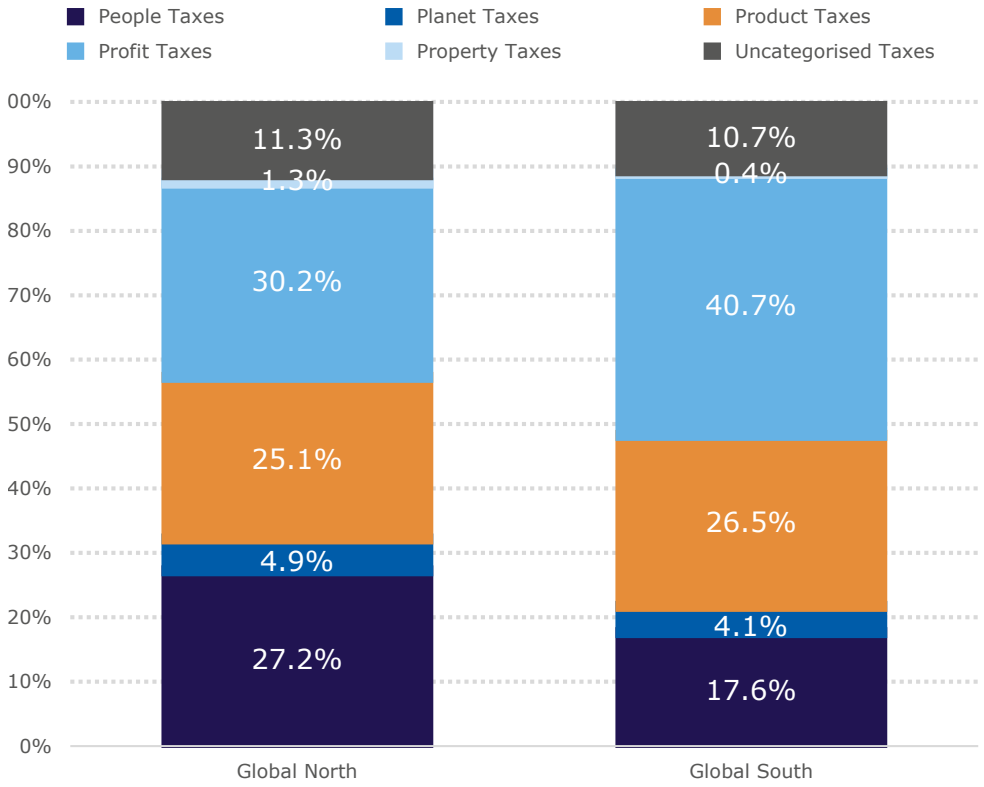
Source: OECD.[27]

27 OECD, Corporate Tax Statistics: Fourth Edition, available at https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-fourth-edition.pdf.

The tax base is equally important to the tax rate. The constant changes in the local tax legislation cannot only impact the statutory tax rate, but also the adjustments made to taxable profits.[28]

It is important to note, notwithstanding, that CIT revenues are a more significant element of the total tax revenues in emerging economies, constituting more than a quarter of revenues in some instances, as noted in Figure 8:

Figure 8: TTC profile per tax bases, developed and emerging economies



Source: PwC analysis.

There is a clear distinction in the profile of the TTC of participants located in developed and emerging economies. The former, represented as the Global North above shows that, on average, 27.2% of the TTC are people taxes. In emerging countries, this ratio is 17.6%.

Conversely, study participants with operations in the Global South (or emerging economies) have 40.7% of their TTC as profit taxes, on average. In developed economies, this ratio is 30.2%.

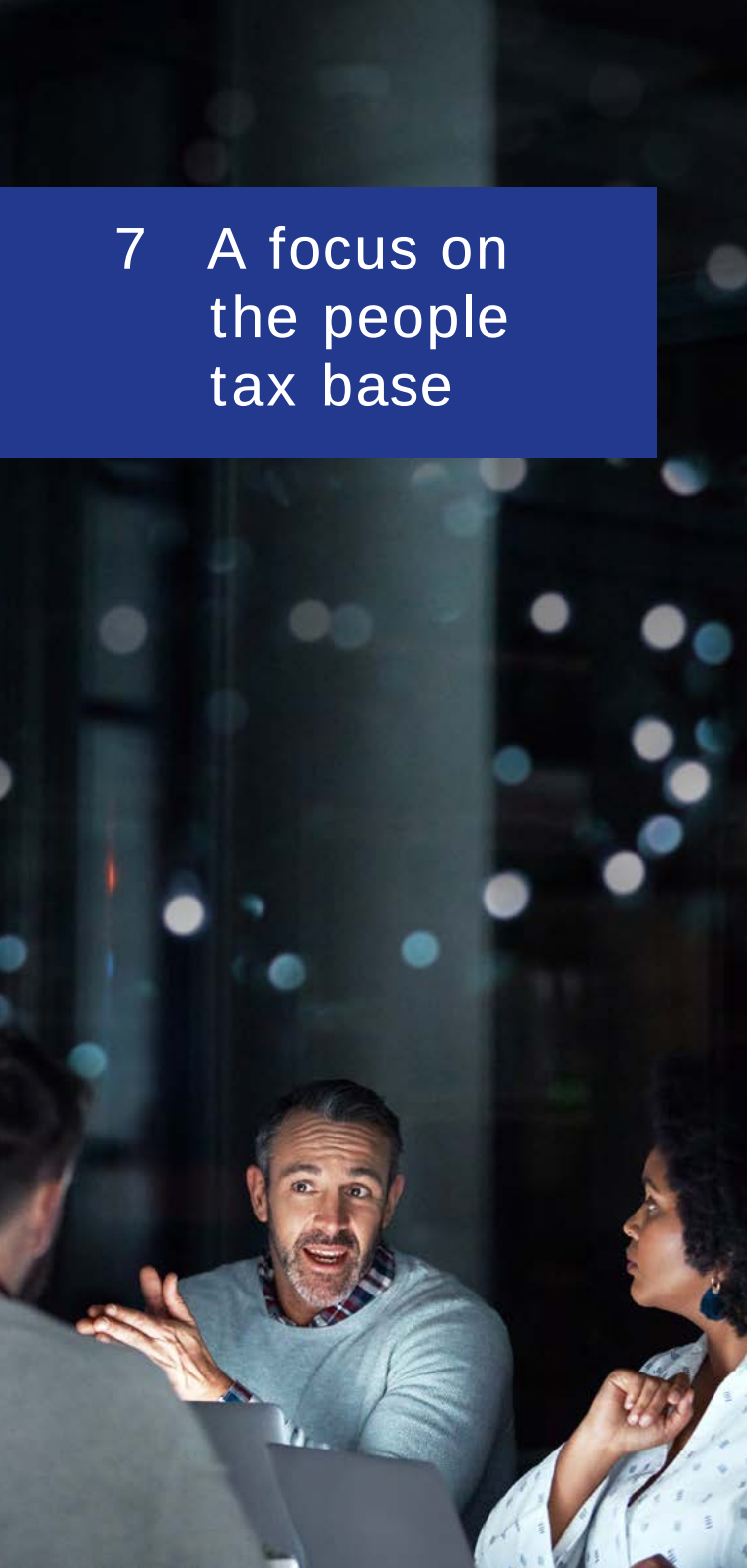
The significance of people taxes in developed economies and profit taxes in developing economies is also described in the fourth edition of the OECD Corporate Tax Statistics report.[29]

Profit taxes collected

Profit taxes collected relate to withholding tax. When a payment is made, for example, to an overseas territory or a shareholder as a dividend, under certain circumstances, tax may need to be deducted by the payer and paid to the tax authorities. This withholding tax is treated as a profit tax collected and amounted to €15.0bn in the study for the global operations and €13.0bn in Europe.

28 Another aspect often not discussed are the special regimes which apply to specific sectors (e.g. banking, oil and gas), varying from targeted CIT rates to a whole different methodologies to calculate the taxable profits (i.e. the I-E tax regime, applicable to UK life assurance activities).

29 OECD, Corporate Tax Statistics: Fourth Edition, available at https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-fourth-edition.pdf.



7 A focus on the people tax base

Large companies rely 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.

Social security contributions

These compulsory payments result in the right to receive a future social benefit. Such payments are often earmarked to finance social benefits. They may consist of a single payment or several 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 at source from the wages and salaries provided to its employees and pay over to the 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.

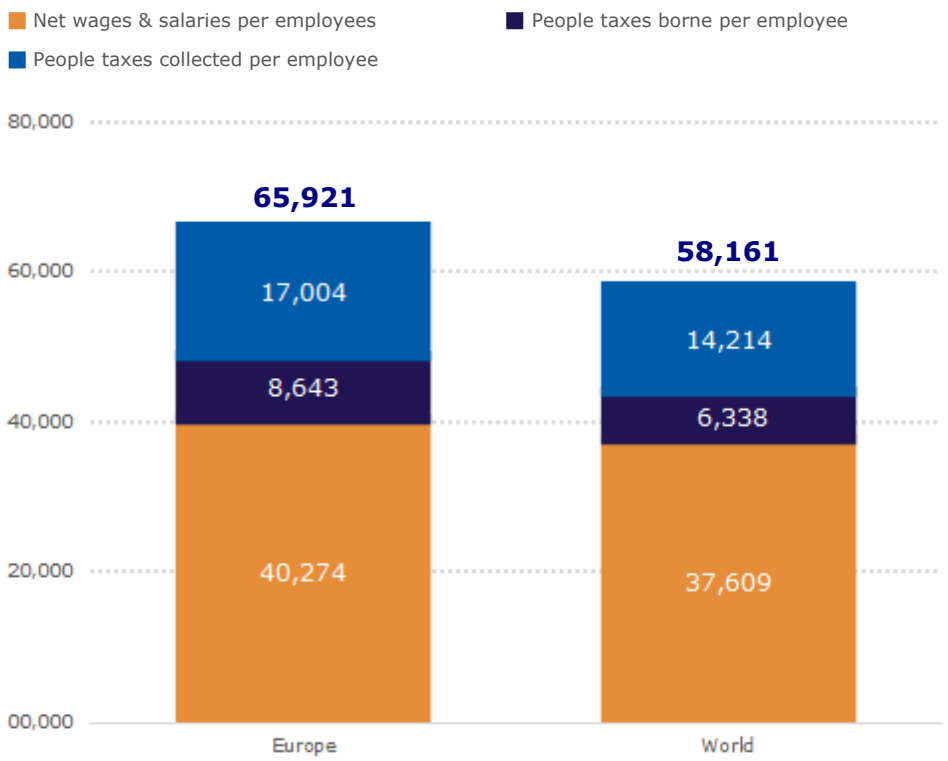
Cost of employment

Total employment taxes paid by this year's study participants for their global operations amounted to €78.3bn (2020: €75.1bn), comprising €26.0bn (2020: €27.2bn) in taxes borne and €52.3bn (2020: €47.9bn) in taxes collected. Study participants employed 3.5 million people paying, on average, €20,552 (2020: €22,754) in employment taxes per employee.

Total employment taxes paid by study participants for their European operations amounted to €51.2bn (2020: €51.6bn), comprising €18.9bn (2020: €21.0bn) in taxes borne and €32.3bn (€30.6bn) in taxes collected. In Europe, study participants employed 1.7 million people (2020: 1.9 million), representing 0.7% (2020: 0.9%) of the total workforce, paying, on average, €25,647 (2020: €28,067) in employment taxes per employee.

Of the €25,647 (2020: €28,067) in employment taxes per employee borne and collected in Europe, €8,643 (2020: €11,335) corresponds to employment taxes borne and €17,004 (2020: €16,732) to employment taxes collected. The European cost of employment for study participants is €65,921 (2020: €71,099).

Figure 9: Average cost of employment



Source: Study participants.

The average gross wage per employee for global operations is €51,823 (2020: €55,741), while, in Europe, it is €57,278 (2020: €59,764). Compared to the average Gross National Income (GNI) per capita in European countries of €48,451,[30] the average wage indicates that participants continue to employ highly skilled, well-paid workers, emphasising the contribution that the largest companies make through creating and maintaining employment.

30 2021 GNI data obtained from The World Bank's website, available at: https://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD?contextual=default&locations=EU.

8 A focus on the property tax base

Property taxes arise in two main areas. They are paid for the ownership and use of property and for the acquisition and disposal of property. The majority of property taxes in the study were taxes borne, totalling €6.6bn (2020: €6.7bn) for global operations and €4.1bn (2020: €4.5bn) in Europe on both the occupation of and transactions related to 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.

9 A focus on the product tax base

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 taxes 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 selling goods and services to their customers and paid to the government. Examples include VAT, goods and services tax, sales and use tax, etc.

VAT is a tax companies collect 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 TTC framework, and further details are given in Appendix C.

Another product tax is the excise duty levied on alcohol and tobacco. This is a tax borne by companies on their 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 the use and ownership of motor vehicles, and customs and import duties on imported goods.

To avoid the risk of double counting, figures reported as insurance premium taxes borne by study participants were not included in the overall results. This is because these are already being counted as a tax collected by the insurance companies participating in the study.

Product taxes in the study amounted to €24.2bn (2020: €18.0bn) in taxes borne and €79.8bn (2020: €101.6bn) in taxes collected for global operations. In Europe, product taxes amounted to €10.0bn (2020: €10.0bn) in taxes borne and €51.9bn (2020: €77.5bn) in taxes collected.

It is worth highlighting that fuel excise duties were reclassified to planet taxes as of last year. This aligns with the OECD's classification of environmentally related taxes.[31]

31 For more information: https://www.oecd.org/environment/environmentaltaxation.htm.

10 A focus on the planet tax base and other payments to government

Planet taxes

Planet taxes include taxes and duties levied on the supply, use or consumption of goods or services 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, transportation (including fuel), and energy, 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.

To avoid the risk of double counting, figures reported as fuel excise duties borne by study participants were not included in the overall results. This is because these are already counted as a tax collected by the oil and gas companies participating in the study.

Planet taxes for global operations amounted to €2.6bn (2020: €3.0bn) in taxes borne and €60.0bn (2020: €50.3bn) in taxes collected in the study. In Europe, planet taxes amounted to €2.4bn (2020: €2.7bn) in taxes borne and €42.8bn (2020: €36.2bn) 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), a licence fee to operate in a country (e.g., spectrum payment) or a dividend paid to the government as a shareholder. The total in the study amounted to €26.2bn (2020: €19.5bn) for global and €6.7bn (2020: €3.8bn) for European operations. However, this is not included in the respective TTC figures of €395.5bn and €233.4bn since there was a return of value for the payment to the companies.

11 Putting the data in the context of economic indicators

It is possible to set the TTC data into the context of other financial measures, such as turnover, profit and stakeholder share. 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 stakeholder share

These calculations were carried out for each participant giving mean average estimates. 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 study participants and more accurately reflects the burden faced by individual companies.

Total Tax Rate

The mean average TTR for the study participants was 40.0% (2020: 43.8%) for global operations and 37.2% (2020: 40.1%) in Europe. The TTR measures the cost of all taxes borne in relation to profitability before all 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 E.

On a like-for-like basis, TTR has decreased from 48.7% to 37.2% between 2020 and 2021. While profits grew markedly and more quickly than CIT, leading to the reduction of the TTR, this metric helps to illustrate the importance of taxes borne other than on profits.

Taxes borne and collected as a percentage of turnover

TTC as a percentage of turnover globally was 15.6% (2020: 17.8%), consisting of 8.1% in taxes borne and 7.5% in taxes collected. It means that, for every €100 of total revenues, an amount equivalent to €15.60 was paid in taxes borne and collected.

In Europe, TTC as a percentage of turnover for study participants was, on average, 18.0% (2020: 21.0%), consisting of 8.3% (2020: 8.6%) in taxes borne and 9.7% (2020: 12.4%) in taxes collected. For every €100 of turnover in Europe, an amount equivalent to €18.00 (2020: €20.97) was paid in taxes borne and collected.

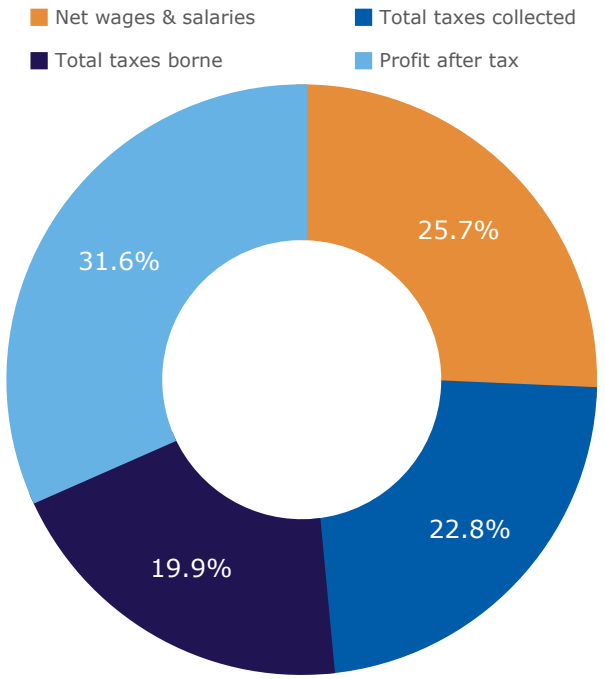
Taxes borne and collected compared to stakeholder share

Funds are directed 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,[32] it was possible to put the TTC in the context of stakeholder share by the companies that have provided this data.

The study results show that governments are the largest beneficiaries of the stakeholder share by study participants at 42.7% (2020: 49.3%) of the total global operations. Wages paid to employees are 25.7% (2020: 29.8%) of the stakeholder share.

Profits after tax (available to reinvest in the company or pay dividends to shareholders) represent 31.6% (2020: 20.9%) of the total.

Figure 10: Stakeholder share



Source: Study participants.

32 Data was collected on taxes, net wages and profits. No information on interest payments was collected.

12 A focus on nine countries

Nine countries were identified for which data was collected from more than thirty (30) companies. Therefore, it was possible to conduct a comparative analysis between the countries without compromising the confidentiality of participants in the study. The countries were:

- Australia
- France
- Germany
- Ireland
- Italy
- The Netherlands
- Spain
- UK
- USA

The charts and findings in this chapter cover only the data for the nine countries mentioned above with a different mix of sectors and different level of business activities. The findings highlight the current TTC profile of large companies in these countries. Considering the amount of taxes borne and collected, the proportion is consistent, on average, in at least four (France, Ireland, the UK and Italy) of the nine countries.

Figure 11 shows that Italy and Germany have the most significant proportion of taxes collected (53.7% and 55.5%, respectively), and the USA has the most significant proportion of taxes borne (57.8%). This reflects among other factors that the USA doesn't have a VAT, tending to a lower level of tax collected when compared to Europe.

Figure 12 below shows how the proportion of taxes borne and collected varies by selected sectors. Banking has the most significant proportion of taxes borne to TTC (79.2%). On the other end of the spectrum, the oil and gas sector has the lowest ratio of taxes borne in relation to the TTC (32.3%). This chart helps to illustrate the range that tax impacts companies and the need for a nuanced approach to tax policy and for evaluating the impact of those changes by sector.

Figure 11: TTC profile in nine countries

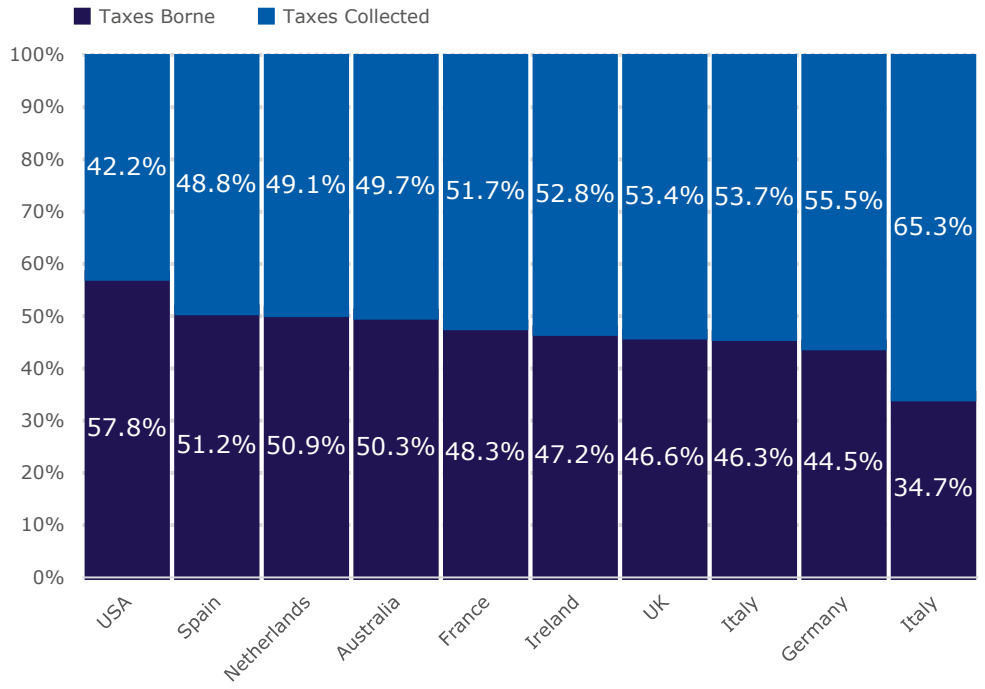
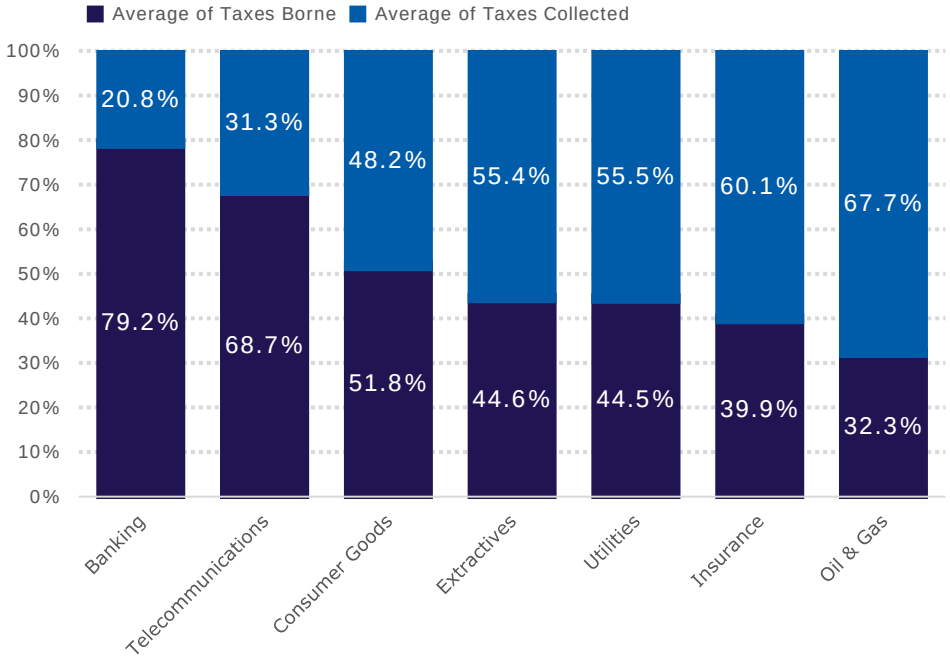


Figure 12: TTC profile by sector



Looking at the five tax bases by sector (Figure 13), people taxes in the extractives industry correspond to 79.2% of the total. Profit taxes represent nearly half (46.2%) of TTC in the banking sector.

Furthermore, 41.6% of the TTC of consumer goods companies are product taxes – a reflection of the relevance of indirect taxes (e.g., VAT, excise duties and other turnover taxes) for the sector. 23.4% of the profile of the TTC of insurance companies corresponds to product taxes. This is due to the collection of insurance premium taxes.

The sector with the highest share of planet taxes in relation to the TTC is oil and gas (43.7%). This is due to the fuel excise duties collected by these companies.

Figure 14 shows total taxes borne with France having the highest proportion of people taxes (44.3%) while Germany has the most significant proportion of profit taxes borne (50.9%). Planet taxes are a relatively small proportion of total taxes borne for all territories, and Spain has the highest proportion (4.9%). This Figure reflects the range of policy choices made in the different countries.

Figure 13: TTC by the five tax bases by sector

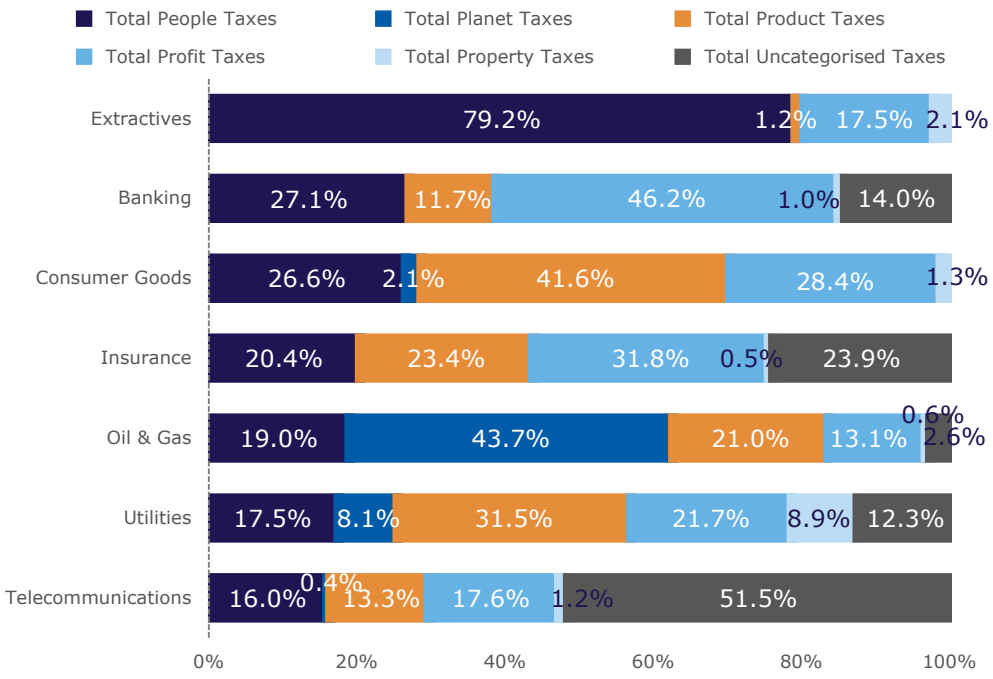
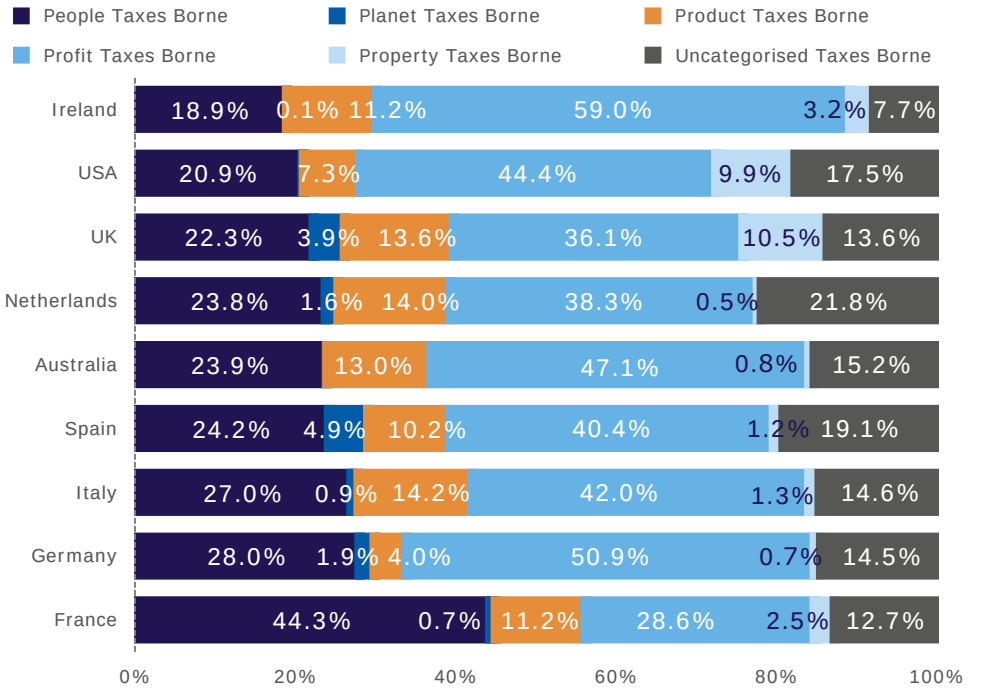


Figure 14: Total taxes borne by the five tax bases by country



As previously mentioned, the country picture varies depending on the mix of sectors of the companies in each country. 50.9% of the total taxes borne in Germany by study participants are, on average, profit taxes. This reflects the high number of participants in the banking sector providing data for this country.

Figure 15 shows total taxes collected, with the USA, Australia and the UK having the highest proportion of people taxes (57.8%, 51.1% and 48.4%, respectively) while product taxes collected are the largest share of the total in France (39.1%).

The average TTR (i.e., the proportion of taxes borne in relation to profits before taxes borne) of the nine major economies covered in this chapter is depicted in Figure 16.

The range in TTR is wide, between 21.5% and 52.2%.

Figure 15: Total taxes collected by the five tax bases by country

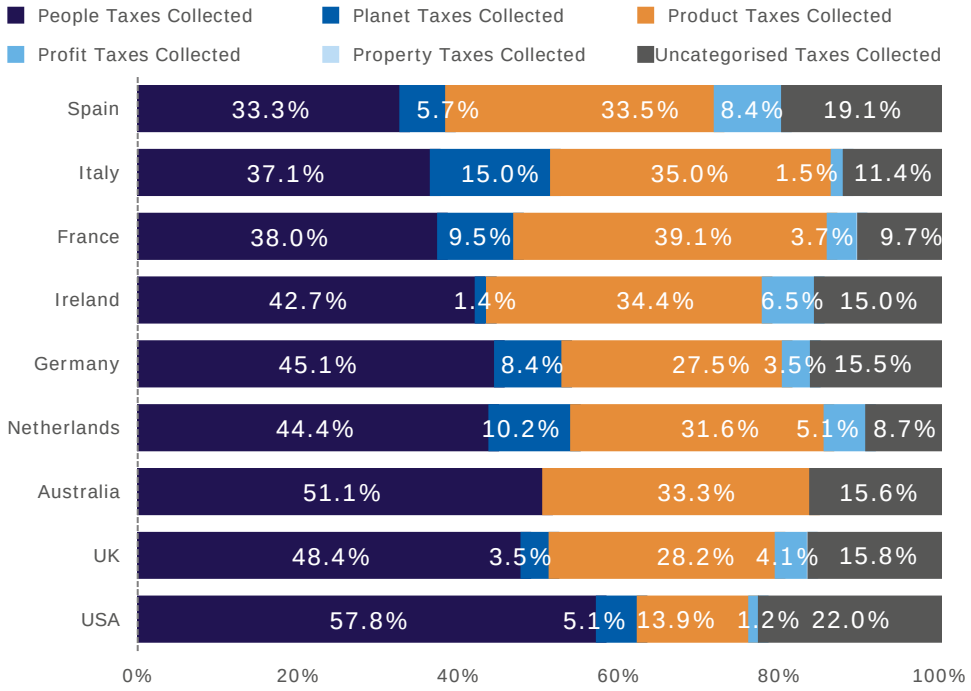
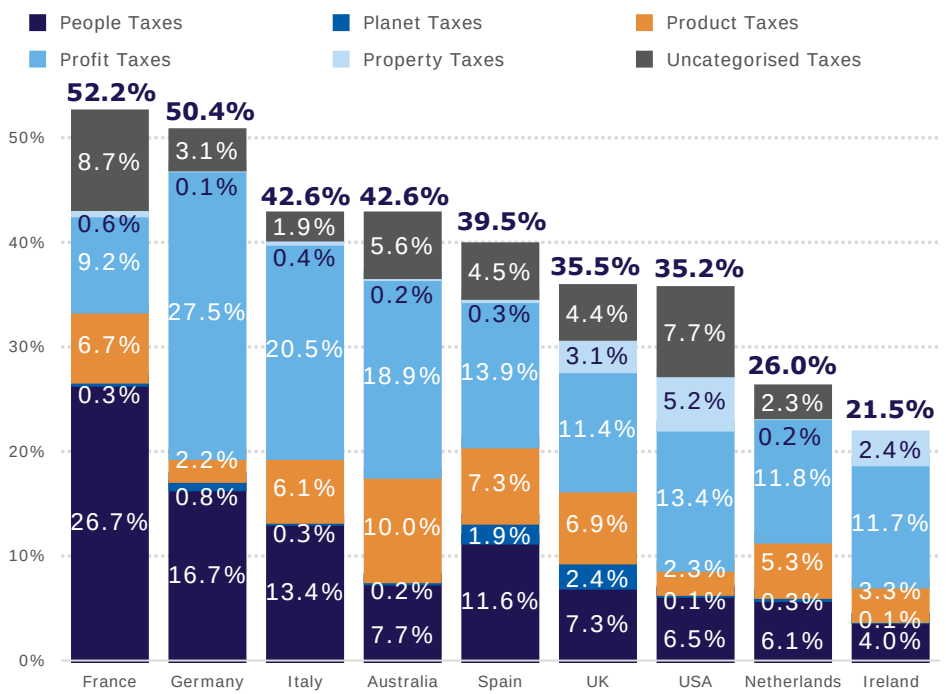


Figure 16: Total Tax Rates by the five tax bases by country



As shown in Figure 16, the tax cost in France as a proportion of profits is dominated by people taxes, which is markedly lower than profit taxes. This comparative example helps to illustrate the importance of looking at the overall tax profile. Taxable profits in France are reduced by the payments of people taxes; looking at profit taxes in isolation can provide a misleading impression of the overall tax contribution.

The TTR ratio does not reflect the totality of taxes in each country since only taxes borne are considered in the calculation of the TTR (taxes collected generally do not impact the income statement of the companies). Furthermore, certain jurisdictions, such as Germany, have a strong manufacturing sector, whereas others, such as the UK, focus on services.

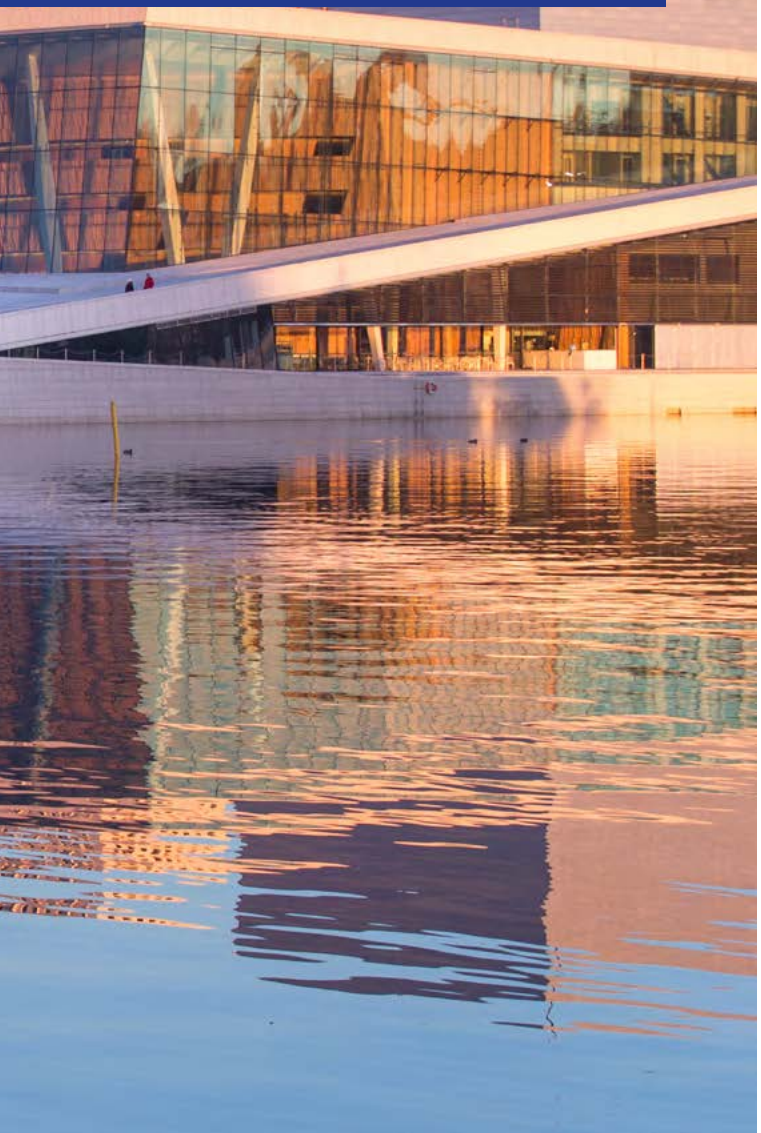
Such distinction in the sectors naturally leads to different tax profiles. The TTR reflects the figures from the specific group of companies that provided total taxes borne and profits for the above countries and does not represent the economy as a whole – taxes borne by individuals, for example, are not included.

There are also a number of reasons why the proportion of profit taxes paid in relation to profits can be lower than the statutory tax rate. Tax credits, tax incentives, tax losses carried forward and group relief, just to name a few, explain the decorrelation between profits and profit taxes borne. This subject is covered in more detail in the CbCR report,[33] released by the EBTF.

As more companies join the TTC study in the future, more country specific insights could be drawn and allow for continuing to add important data and observations to the public tax debate.

33 EBTF, 'Tax Transparency & Public Country-by-Country Reporting: a study of the largest companies headquartered in Europe', available at https://ebtforum.org/cbcr/.

13 Conclusion



Tax transparency is here to stay. As CSRD, pCbCR and new ESG standards are emerging on the horizon, the EBTF believes in proactive action in navigating this ever-changing landscape. It also supports the educative role that MNCs can play towards their various stakeholders and in this respect encourages a constructive and objective conversation on how large companies can contribute to a sustainable future.

It is in this context that this study aims at offering solid and fact-based information on the global and European TTC of some of the largest companies with European headquarters. The study demonstrates the significance of considering the full tax footprint of MNCs, including taxes centred on people, product, planet, and property, as opposed to solely CIT.

It provides a comprehensive context that allows MNCs to have an informed dialogue with governments and other stakeholders about, on the one hand, their contribution to the societies in which they operate and, on the other, about the importance of targeted, effective and sustainable tax policy.

The EBTF warmly invites more MNCs to join the growing body of study participants. This will contribute to expanding the scope and findings of this study in the forthcoming years.

In March 2023, the results of the second edition of the CbCR study ('Tax Transparency & Public Country-by-Country Reporting: a study of the largest companies headquartered in Europe') will also be released and be made available on the EBTF's website.[34]

34 EBTF, 'Tax Transparency & Public Country-by-Country Reporting: a study of the largest companies headquartered in Europe', available at https://ebtforum.org/cbcr/.

Appendices

Appendix A – List of EBTF members

EBTF is a Netherlands-based association dedicated to raising the standard of the public tax debate. Its members are large EU/EFTA/UK-based MNCs that are committed to advancing the EBTF's mission and include:

- Accenture
- AngloAmerican
- BBVA
- Coca Cola Europacific Partners
- Enel
- Fortum
- Inter IKEA
- LEGO Group
- L'Oréal
- Nestlé
- NXP Semiconductors
- RELX
- Swiss Re

Michael Ludlow, Swiss Re, currently chairs the EBTF.

Lubbers, Boer & Douma serves as the Secretariat but is not a member of the EBTF.

The EBTF welcomes interest from other EU/EFTA/UK-based MNCs that share the EBTF's views and wish to consider joining the association. If you are interested in finding out more, please get in touch with us at info@ebtforum.org.

Appendix B – Data collected by participants in the study, analysed by the five tax bases

Global figures (€bn)

	Taxes borne	Taxes collected	Total
Profit taxes	71.6	15.0	86.6
People taxes	26.0	52.3	78.3
Product taxes	24.2	79.8	104.0
Property taxes	6.6	0.1	6.7
Planet taxes	2.6	60.0	62.6
Uncategorised taxes	21.6	35.5	57.1
Subtotal	**152.7**	**242.7**	**395.5**
Other payments to governments			26.2
Total	**152.7**	**242.7**	**421.7**

European figures (€bn)

	Taxes borne	Taxes collected	Total
Profit taxes	28.2	12.9	41.1
People taxes	18.9	32.3	51.2
Product taxes	10.0	51.9	61.9
Property taxes	4.1	0.1	4.2
Planet taxes	2.4	42.8	45.2
Uncategorised taxes	13.8	16.0	29.8
Subtotal	**77.3**	**156.1**	**233.4**
Other payments to governments			6.7
Total	**77.3**	**156.1**	**240.1**

Figures may not sum due to rounding.

Appendix C – Total Tax Contribution Framework – Common issues and approach taken

What do we mean by Total Tax Contribution?

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

Cash payments

TTC measures companies' contributions to government tax revenues by focusing on cash payments. Companies use the TTC framework to communicate 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).

What is a tax?

Under the TTC methodology, the starting point for defining a tax is the OECD's classification[35], defining tax as a 'compulsory, unrequited payment to general government'. Any payments that result in a direct return of value to the company or for a right or asset used in the business are included in the framework under a different heading. Based on the OECD classification, under the TTC 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 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 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. However, 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 generally not in proportion to the payment.

35 https://www.oecd.org/tax/tax-policy/oecd-classification-taxes-interpretative-guide.pdf

The distinction between a tax borne and a tax collected

Taxes borne are a direct cost to the company, which impacts the financial results; for example, employer social security costs form part of people taxes. However, it is important to note that the TTC 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 macroeconomic picture of taxes paid. The framework aims 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 study 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. However, 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 framework aims to help companies communicate their contribution to tax revenues in a straightforward manner. 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, it can be sizable. 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. This is a tax collected for the producer 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. 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 TTC disclosures for an individual company. In separate disclosures, companies tend to highlight and note the refund, particularly where the refund is not made for some time. Note that negative VAT is included in the totals for a study containing aggregate data from several companies.

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 TTC framework incorporates these other payments but differentiates between these and taxes.

Appendix D – Countries included in the Global and European analyses

Global

- Afghanistan
- Albania
- Algeria
- Angola
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Bermuda
- Bolivia
- Bosnia and Herzegovina
- Botswana
- Brazil
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Central African Republic
- Chad
- Chile
- China
- Colombia
- Costa Rica
- Croatia
- Cuba
- Curacao
- Cyprus
- Czech Republic
- Democratic Republic of the Congo
- Denmark
- Dominican Republic
- East Timor
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Estonia
- Eswatini
- Ethiopia
- Faroe Islands
- Fiji
- Finland
- France
- French Polynesia
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Guadeloupe
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Ivory Coast
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Korea
- Kosovo
- Kuwait
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Libya
- Liechtenstein
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Mali
- Malta
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Moldova
- Monaco
- Mongolia
- Montenegro
- Morocco
- Mozambique
- Myanmar
- Namibia
- Nepal

Netherlands	Slovakia
New Caledonia	Slovenia
New Zealand	Solomon Islands
Nicaragua	South Africa
Niger	South Korea
Nigeria	Spain
North Macedonia	Sri Lanka
Norway	Surinam
Oman	Sweden
Pakistan	Switzerland
Palestine	Syria
Panama	Tahiti
Papua New Guinea	Taiwan
Paraguay	Tanzania
Peru	Thailand
Philippines	Togo
Poland	Trinidad and Tobago
Portugal	Tunisia
Puerto Rico	Turkey
Qatar	Uganda
Republic of the Congo	Ukraine
Reunion	United Arab Emirates
Romania	United Kingdom
Russia	United States of America
Rwanda	Uruguay
Saint Lucia	Uzbekistan
Saudi Arabia	Venezuela
Senegal	Vietnam
Serbia	Zambia
Sierra Leone	Zimbabwe
Singapore	

EU-27:

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 and Sweden.

EFTA:

Iceland, Liechtenstein, Norway, and Switzerland.

Europe:

EU-27, EFTA and the UK.

Appendix E – Total Tax Rate example calculation

An example of the TTR calculation is as follows:

Assumptions:

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

Items	C	Reference
Profit before total taxes borne	**40**	**(A)**
Other business taxes borne	6	(B)
Profit before income tax	34	(C) = (A)-(B)
Book-to-tax adjustments	(10)	(D)
Taxable profit	**24**	**(E) = (C)+(D)**
Statutory CIT rate	25%	(F)
CIT	6	(G) = (E)*(F)
Total taxes borne	12	(H) = (B)+(G)
Total Tax Rate	**30%**	**(I) = (H)/(A)**

Appendix F – Index of abbreviations

BEPS	Base Erosion and Profit Shifting
CbCR	Country-by-country reporting
CIT	Corporate income tax
COP26	2021 United Nations Climate Change Conference
COVID-19	Coronavirus disease 2019
CSRD	Corporate Sustainability Reporting Directive
EBTF	European Business Tax Forum
EFTA	European Free Trade Association
ESG	Environmental, Social & Governance
ETR	Effective Tax Rate
EU	European Union
FY	Fiscal year
GNI	Gross National Income
GRI	Global Reporting Initiative
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
LAC	Latin America and the Caribbean
MNC	Multinational corporation
OECD	Organisation for Economic Co-operation and Development
pCbCR	Public Country-by-Country Reporting
SASB	Sustainability Accounting Standards Board
SEC	U.S. Securities and Exchange Commission
TTC	Total Tax Contribution
TTR	Total Tax Rate
UK	United Kingdom
USA	United States of America
VAT	Value-added Tax
WEF	World Economic Forum