Total Tax Contribution

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

www.ebtforum.org

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EBTF European Business Tax Forum

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pwc

About us

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.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 360,000 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

Michael Ludlow
Chair of the EBTF
and Global Head
of Tax of Swiss Re

I am delighted to introduce the fifth edition of the Total Tax Contribution (TTC) study by the European Business Tax Forum (EBTF), a leading body of European businesses committed to enhancing the public debate on the tax position, tax behaviour and tax contribution to society of large businesses.

This study offers comprehensive and factual information on the global and European TTC of some of the largest companies with European headquarters, covering a year marked by high inflation, cost of living pressures and rising expectations from stakeholders for environmental, social and governance (ESG) reporting.

Despite the challenges of meeting increasing regulatory and reporting demands from tax authorities and stakeholders, the study saw a significant rise in participation, demonstrating the strong support of multinational companies (MNCs) for the TTC concept and their role in improving tax transparency.

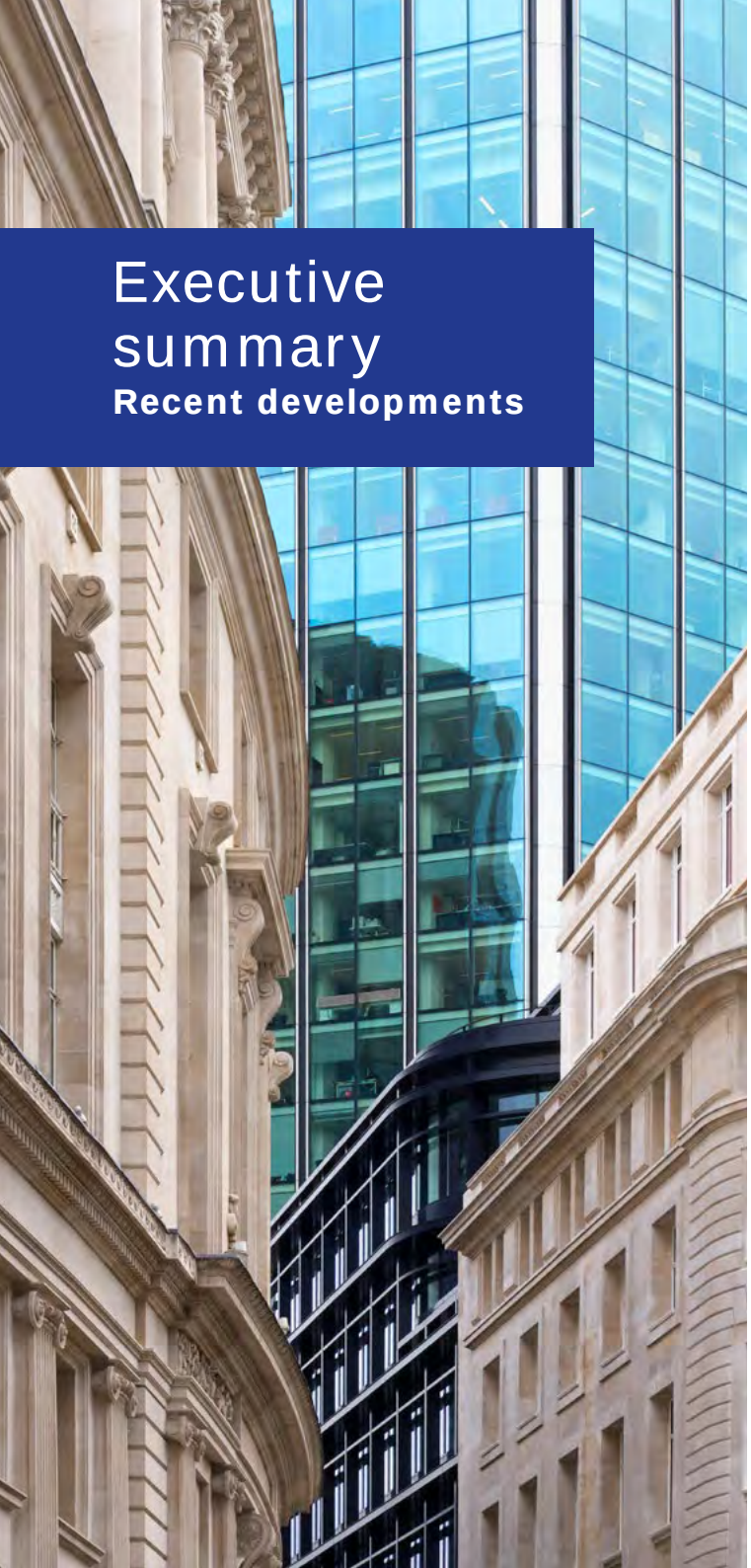
The results show that the study participants paid an unprecedented amount of taxes globally in 2022, reflecting their remarkable financial performance and their significant contribution to the societies where they operate, despite the impact of geopolitical events on supply chains and prices throughout the year.

The global TTC of €505.6bn exceeded the 2022 tax receipts of the Netherlands, Hungary, Slovak Republic and Luxembourg combined, or Norway, Iceland and Switzerland combined. The European TTC of €262.4bn was equivalent to €495 per capita for the European population, or €2.90 out of every €100 of total government tax revenues in Europe.

The study also reveals the diversity and complexity of the tax systems in which the participants operate, as well as the different profiles of taxes borne and collected across the five tax bases: people, planet, product, profit and property.

The EBTF advocates for proactive action in adapting to the dynamic tax transparency landscape, as new ESG standards and reporting frameworks are swiftly being adopted. The EBTF also recognises the educational role that MNCs can play for their various stakeholders and in this regard encourages a constructive and objective dialogue on how large companies can contribute to a sustainable future.

I would like to thank the 67 study participants for their continued commitment and collaboration in providing their TTC data, as well as PwC for their assistance in conducting the study. I warmly welcome more MNCs to join the growing number of study participants, so that we can continue to build momentum and add important data and insights to this study in the coming years.



Executive summary

Recent developments

This is the fifth Total Tax Contribution (TTC) study by the EBTF, covering a year marked by high inflation, cost of living pressures and global conflicts. Most participating companies in the study have an accounting year ending on 31 December 2022. Despite the challenges of meeting increasing regulatory and reporting demands from tax authorities and stakeholders, the study saw a significant rise in participation, demonstrating the strong support of multinational companies (MNCs) for the TTC concept and their role in enhancing tax transparency.

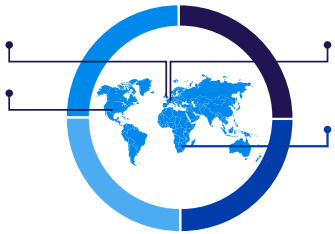
The international tax transparency landscape has undergone another turbulent year with major developments. Mandatory reporting regimes, such as the EU Public Country-by-Country Reporting (EU pCbCR) Directive and the OECD's Pillar Two project, are advancing rapidly. Other recent regulatory changes include the FASB's vote to finalise disclosure rules under its Improvements to Income Tax Disclosures project.[1] These rules require unprecedented levels of public disclosure for many companies, who are also being asked to align their compliance with their broader tax strategy, tax governance and ESG objectives.

Environmental, social and governance (ESG) reporting frameworks also continue to evolve with rising expectations from stakeholders for companies to uphold strong ESG values. The EU Corporate Sustainability Reporting Directive (CSRD) moved forward with the adoption of the first European Sustainability Reporting Standards (ESRS) by the European Commission in June 2023.[2] In the UK, UK Sustainability Disclosure Standards (SDS) will be based on the International Sustainability Standards Board's (ISSB) inaugural standards issued in June 2023.[3]

In this context, the TTC study aims to provide comprehensive and factual information on the global and European TTC of some of the largest companies with EU, EFTA and UK based headquarters. TTC is one of the ESG metrics included in the World Economic Forum (WEF) and Global Reporting Initiative (GRI) frameworks and the EBTF continues to stress the importance and value of considering the total tax footprint of MNCs that can be derived from the TTC data.

United Kingdom
- UK Sustainability Disclosure Standards

United States of America
- FASB Enhanced Income Tax Disclosures



European Union
- EU Public Country-by-Country Reporting Directive
- EU Corporate Sustainability Reporting Directive – European Sustainability Reporting Standards

Worldwide
- OECD Pillar Two
- Environmental, Social and Governance considerations

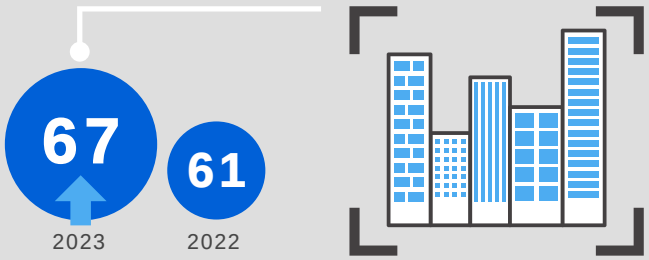
1. Financial Accounting Standards Board – Improvements to Income Tax Disclosures, available at https://www.fasb.org/Page/ProjectPage?metadata=fasb-Targeted%20Improvements%20to%20Income%20Tax%20Disclosures.
2. European Sustainability Reporting Standards, available at https://www.efrag.org/lab6?AspxAutoDetectCookieSupport=1.
3. ISSB issues inaugural global sustainability disclosure standards, available at https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/.

Executive summary

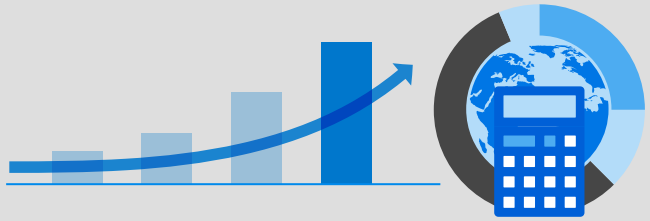
Key messages

Global overview

Global Total Tax Contribution



Sixty-seven (67) of Europe's largest companies participated in the study, up from sixty-one (61) in the previous year.



The global TTC of study participants exceeded the 2022 tax receipts of the Netherlands, Hungary, Slovak Republic and Luxembourg combined (€373.7bn, €59.4bn, €38.5bn, and €30.8bn, respectively), or Norway, Poland and Slovenia added together (€245.1bn, €231.1bn, and €21.6bn, respectively).[5]

The global TTC of the largest companies headquartered in the 27 member states of the European Union (EU-27), the European Free Trade Association (EFTA) and the United Kingdom (UK) (collectively Europe) amounted to

€505.6bn[4]

in 2022, comprising

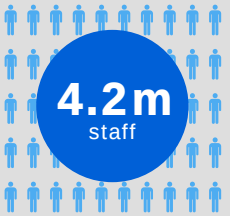
€235.7bn

in taxes borne and

€269.9bn

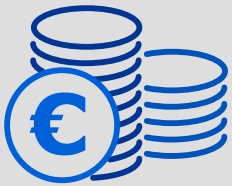
in taxes collected.

This was an increase of 17.1% on a like-for-like basis compared to last year's study.



These participating companies employed **4.2 million people,**[6] and the average people taxes per person corresponded to

€18,553



For every €1 of CIT paid, these participating companies bore €0.65 in other business taxes and collected

€1.89

for governments.

4. For the complete list of countries, please refer to Appendix D.
5. 2022 country tax revenues, available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tax_revenue_statistics#In_2022.2C_tax_revenue_in_absolute_terms_increased_in_all_of_the_EU_%20countries_except_Denmark
6. Number of full-time equivalent employees provided by the study participants.

Executive summary

Key messages

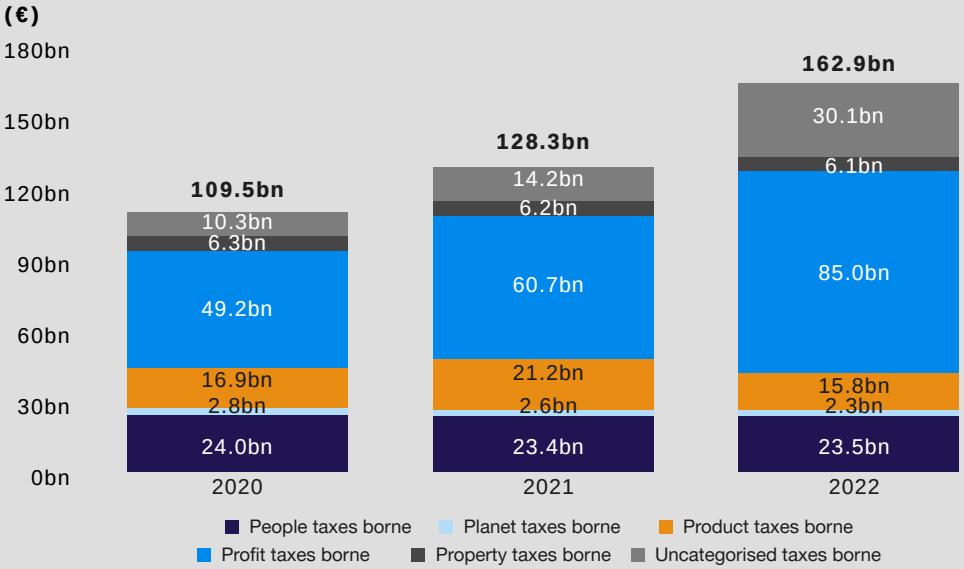
Global like-for-like comparison

Global Total Tax Contribution on a like-for-like basis

The global like-for-like data of the 51 companies that participated in all of the last three years of the study shows a steady increase in the amount of taxes borne between 2020 and 2022.

This reflects the improved profitability of some industries, such as energy, utilities and resources and financial services as well as the participants' successful recovery after the COVID-19 pandemic.

3-year comparison of Global Taxes Borne by the five tax bases on a like-for-like basis



Source: Study participants, based on the aggregated data from 51 companies.

The total amount of taxes borne by the 51 companies has increased by **48.8%** over the three years, from

€109.5bn
in 2020 to
€162.9bn
in 2022.

48.8% increase

The main driver of this increase has been **the profit taxes borne**, which have risen by **72.8%**, from

€49.2bn
in 2020 to
€85.0bn
in 2022.

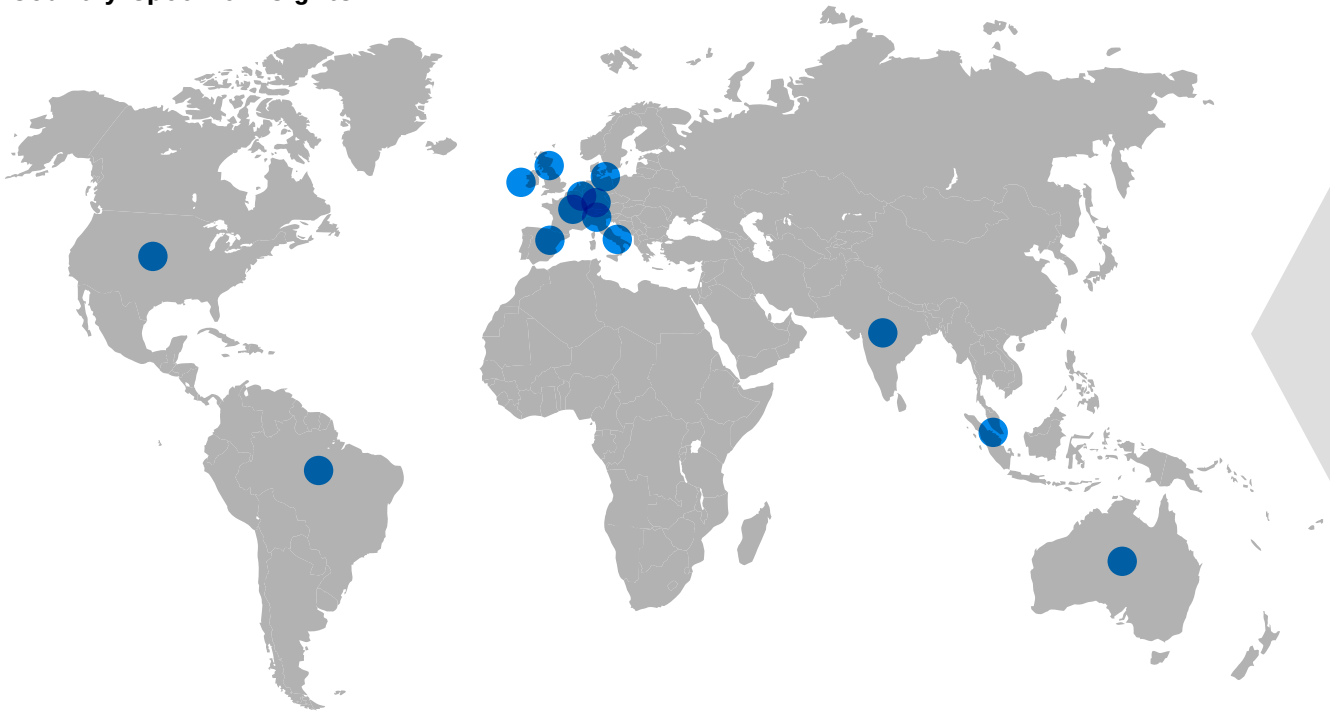
72.8% increase

Executive summary

Key messages

Country insights

Country-specific insights



At least

30 study participants provided data for

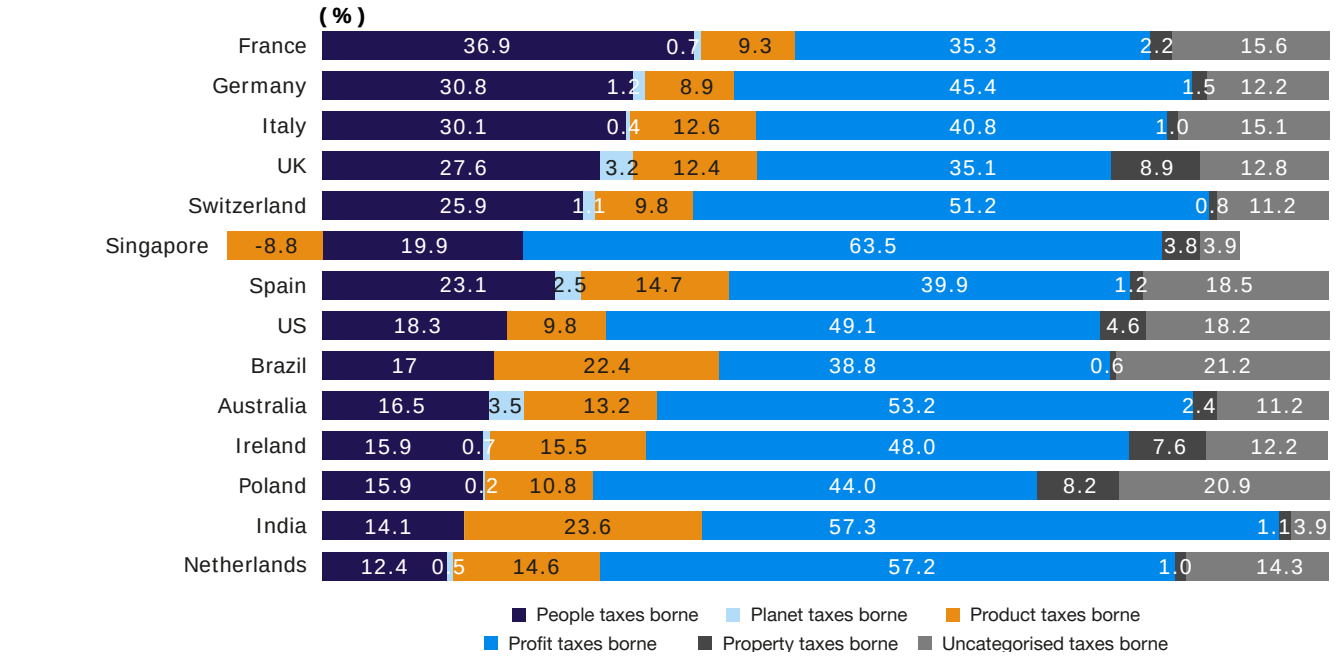
14 countries, enabling us to draw out country-specific insights. These countries were Australia, Brazil, France, Germany, India, Ireland, Italy, Poland, the Netherlands, Singapore, Spain, Switzerland, the United Kingdom, and the United States of America.

Executive summary

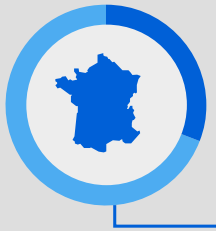
Key messages

Country insights

Total taxes borne by the five tax bases in the 14 countries

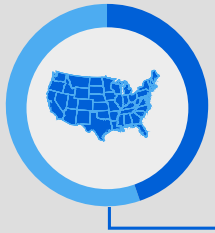


Source: Study participants, based on an average basis by participant. The data was partially taken from publicly available sources. The analysis could differ if further details were available.



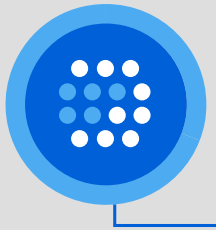
France had the highest share of **employment taxes** as a percentage of total taxes borne by the employer.

36.9%



In the United States, **profit taxes,** on average, were just under half of the total taxes borne.

49.1%



In **5** out of the **14 countries**, Switzerland, Singapore, Australia, India, and the Netherlands, profit taxes, on average, made up over half of the taxes borne by the participants.

Singapore's negative average of product taxes borne reflected net refunds related to goods and services tax.

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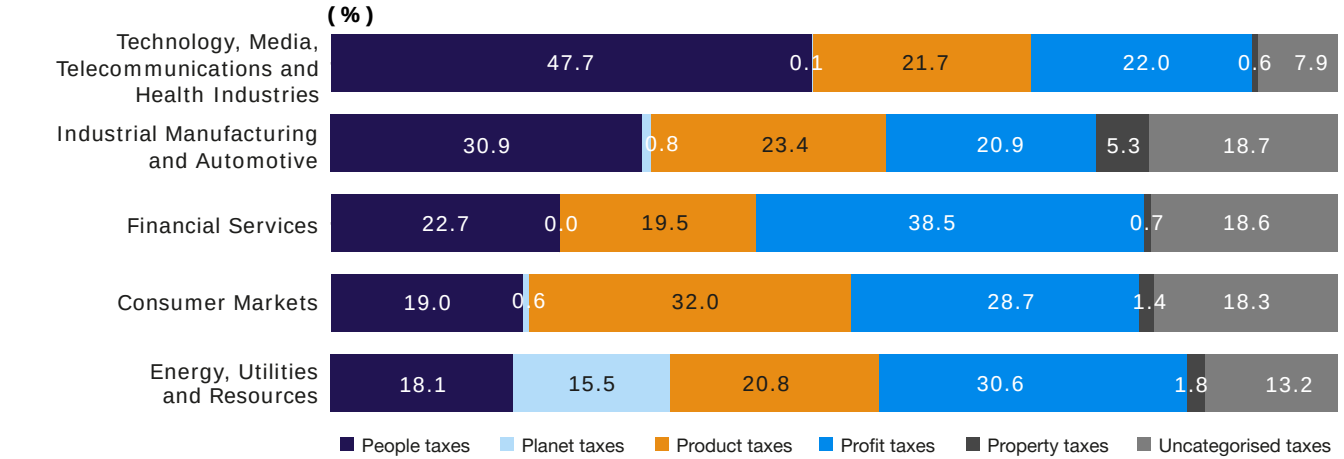
Country insights

TTC by the five tax bases by industry in the 14 countries



Source: Study participants, based on an average basis by participant.

38.5%
Profit taxes

In these 14 countries, **profit taxes** were the highest at 38.5% in the financial services industry, a reflection of the various taxes imposed on profits in this industry on top of corporate income tax (CIT).

32.0%
of the TTC of consumer markets companies were **product taxes**. This reflects the relevance of indirect taxes (e.g., value-added tax (VAT), excise duties on alcohol and tobacco and other turnover taxes) to the industry.

Planet taxes were a substantial proportion

15.5%
of the TTC of energy, utilities and resources companies mainly as a result of fuel excise duties, and, to a lesser extent, electricity taxes.

47.7% of the profile of the TTC of technology, media, telecommunications and health industries companies consisted of **people taxes**. This reflects the industry's reliance on human capital and the large number of highly paid jobs created by the industry.

Executive summary

Key messages

European[7] overview

European[7] Total Tax Contribution

For the 32 countries in Europe, the TTC of the participating companies was

€262.4bn

comprising

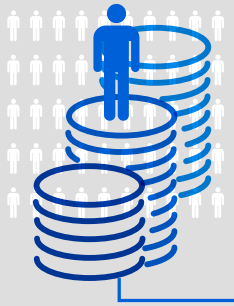
€129.6bn

in taxes borne and

€132.8bn

in taxes collected.

This was significantly higher than the combined 2022 budgets of the EU and EFTA (€170.6bn).[8]



The European TTC represented

2.9%[9]

of the combined tax revenues of the countries in Europe, or

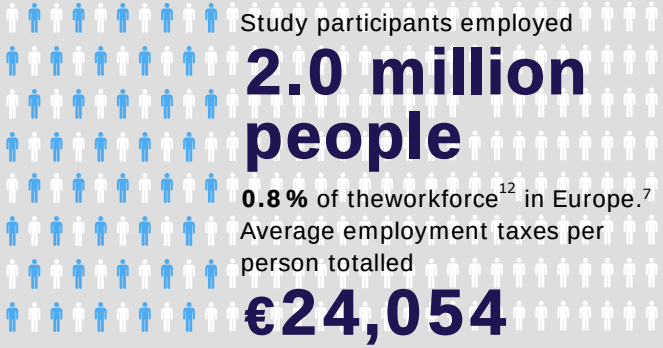
€495[10]

for every person living in these countries.

The TTC increased by

14.3%[11]

compared to last year's study, primarily due to the increase in profit taxes borne in the region.



Study participants employed

2.0 million people

0.8% of theworkforce[12] in Europe.[7]

Average employment taxes per person totalled

€24,054

CIT was only one of the taxes paid or collected by the participating companies: for every **€1** of CIT paid, these companies bore **€0.60** in other taxes and collected

€1.64

for governments.

7. For the purposes of this study, 'Europe' or 'European' correspond to the 27 Member States part of the European Union (EU-27), the European Free Trade Association (EFTA) and the United Kingdom (UK).
8. 2022 Budgets are available at releases/2021/11/16/eu-budget-for-2022/; and https://www.efta.int/sites/default/files/images/EFTA_Annual%20Report_2022.pdf.
9. 2022 Total tax revenues, available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tax_revenue_statistics#In_2022.2C_tax_revenue_in_absolute_terms_increased_in_all_of_the_EU_countries_except_Denmark and https://data.worldbank.org/indicator/GC.TAX.TOTL.CN?locations=IS.
10. 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.
11. Comparison between 2021 and 2022 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.
12. The World Bank, 'Labour force, total', available at https://data.worldbank.org/indicator/SL.TLF.TOTL.IN.

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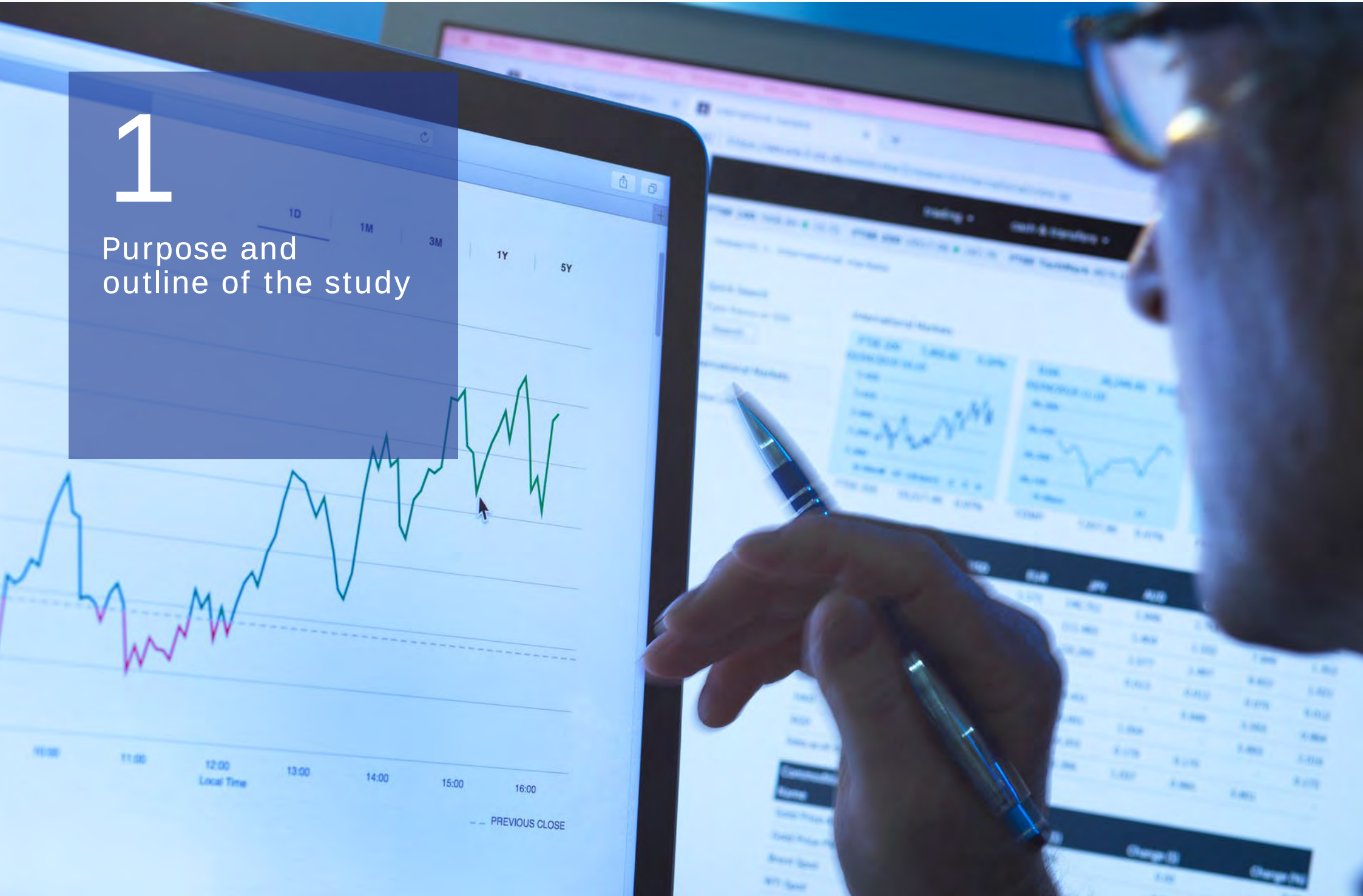

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Purpose and outline of the study

External environment and the context for the study

As the world grapples with significant challenges of climate change, inflation, the cost-of-living crisis and geopolitical instability, governments and policymakers need access to robust data to respond effectively and appropriately.

Taxes are not only a financial issue, but also a social one. As the largest source of government revenue, they finance public spending and support the social community, economic development and social welfare. In the current challenging economic circumstances, they are an increasingly important way for companies to demonstrate their "fair" contribution to society, public services and infrastructure. The ability to gather, analyse and draw relevant conclusions from various data sources is essential for MNCs to contribute to creating effective policy and to navigate the rapidly evolving transparency landscape.

There have been significant developments around public country-by-country reporting (pCbCR) over the past 12 months. Romania has already implemented pCbCR, and most of the EU will follow suit from June 2024 under the EU pCbCR directive. The directive applies to groups with annual revenues over €750m that are headquartered, or, subject to certain thresholds, have operations in the EU. Companies that are subject to pCbCR will have to make detailed data, including revenues and profit before tax, publicly available by country for certain tax jurisdictions. This is expected to increase scrutiny from a range of stakeholders, including investors, NGOs, customers and the public at large. CbCR is also central to the transitional safe-harbour rules for Pillar 2, which rely on calculations based, in part, on CbCR data.

The Australian government introduced a public CbCR proposal in April 2023 that would have gone further in its disclosure requirements than its EU counterpart. Following industry consultations, the terms of the proposal were amended for closer alignment with the EU Directive and its implementation was delayed by 12 months.

The Organisation for Economic Co-operation and Development (OECD) announced the Pillar Two CbCR-based Transitional Safe Harbour in December 2022. This will allow MNCs to temporarily use their CbCR data instead of the new and more complex GloBE rules when assessing an MNEs jurisdictional-level effective tax rate (ETR). This is designed to ease the compliance burden on organisations during the initial years. It will be important for tax teams to work with finance and technology teams to identify and extract the relevant information used to determine the group's exposure to the Pillar Two rules. Thought will also need to be given to how key messages are communicated to stakeholders.

Environmental, governance and sustainability (ESG) reporting frameworks also continue to evolve. The European Commission adopted the first European Sustainability Reporting Standards (ESRS) in June 2023.[13] This marks the next step in the implementation of the EU Corporate Sustainability Reporting Directive (CSRD). The purpose of the directive is to enable stakeholders to evaluate companies on non-financial performance metrics and to encourage organisations to develop a more responsible approach to business.

13. European Sustainability Reporting Standards, available at https://www.efrag.org/lab6?AspxAutoDetectCookieSupport=1.

The EU's CSRD is part of an evolving global landscape of new sustainability disclosure requirements and regulations. The hope is that enhanced sustainability reporting will lead organisations to transform further and faster towards sustainable business models.

While not explicitly referring to tax, CSRD and the ESRS have implications for tax departments, including the application of double materiality, the alignment of ESG disclosures with tax affairs and the management of tax risk. At a high level, under the CSRD, companies will be required to collect, analyse and disclose significant amounts of data around their business model and report on the sustainability impacts of their value chains, including both upstream and downstream activities. Large businesses already provide value chain information to tax authorities via their master file as part of transfer pricing documentation. It is therefore critical that the information contained in CSRD reporting aligns with the information provided to tax authorities in transfer pricing documentation.

Changes to business operations, structure and footprints as businesses transform to become more sustainable could have a significant impact on the company's tax risk profile, with environmental and carbon taxes becoming more commonplace across the company's value chain. Taking advantage of tax incentives may also become a more important part of strategic business decisions, as governments look to encourage particular corporate behaviours.

For tax teams, collaboration with the wider business (sustainability, investor relations, people functions, etc) will be critical to ensure alignment across the organisation's holistic approach to sustainability reporting.

In the United States of America (USA), the Financial Accounting Standards Board (FASB) voted to finalise its disclosure rules under the Improvement to Income Tax Disclosures project that would require those that report under US Generally Accepted Accounting Principles (GAAP) to publish more granular data about foreign income taxes, as well as an ETR reconciliation requirement.[14] The rules will be effective for public business entities for fiscal years beginning after 15 December 2024, and interim periods within fiscal years beginning 15 December 2025. It was also decided that the rules would be effective for entities other than public business entities for fiscal years beginning after 15 December 2026.

The FASB introduced the new reporting rules to address investor requests for greater transparency around income tax disclosures. Additionally, in the past 12 months, several companies have faced shareholder resolutions calling for greater corporate reporting of taxes paid. While none of these proposals have been adopted so far, they have garnered substantial minority support (c.20-25%), indicating a change in investor sentiment.

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 to continue the initiative to evaluate the TTC[15] of the largest companies with European headquarters. The aim is to gather and present comprehensive and evidence-based data, to add to a substantial database that has been compiled over the past five years according to an established framework, to increase awareness and to improve understanding of the role that large companies and the taxes they contribute play in the societies in which they operate.

14. Financial Accounting Standards Board – Improvements to Income Tax Disclosures, available at https://www.fasb.org/Page/ProjectPage?metadata=fasb-Targeted%20Improvements%20to%20Income%20Tax%20Disclosures.

15. The TTC of a company combines CIT 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 Total Tax Contribution framework explained

The EBTF has engaged PwC to assist companies in identifying, extracting, and analysing TTC data, based on their expertise in developing the TTC framework. This framework is simple in concept, not tax technical and therefore relatively easy for stakeholders, some of whom may have limited knowledge of taxes, to understand. 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 collaborated with large companies and other stakeholders to develop the TTC framework over 17 years ago. This study uses the PwC TTC methodology,[16] which covers all the different taxes companies pay and administer. It includes the five 'tax bases': corporate income tax (CIT) and other taxes on profit, taxes on people, taxes on property, and taxes on products and planet (environmental) taxes.

The TTC methodology clearly differentiates between taxes borne and taxes collected. Taxes borne are a direct cost of the company, which affects the financial results. Taxes collected are administered and collected on behalf of governments. The study reports on both taxes borne and taxes collected.[17]

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 correspond to economic incidence. Taxes borne will ultimately be passed on to shareholders, employees or customers, along with all of the company's other costs, depending on the final incidence. In addition, the study does not provide 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 fifth 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 third year in which data collection has been extended to global operations – the studies released in the first two years of the study, namely 2019 and 2020, covered payments made only in Europe.

Lastly, the results provide information that would not otherwise be in the public domain, as this is not information companies are (yet) required to disclose in their financial reports. Where public data has been used and the specific tax base is not specified, the tax is described as 'uncategorised' throughout this report.

16. PwC, more information available at https://www.pwc.com/gx/en/services/tax/publications/total-tax-contribution-framework.html.
17. An OECD paper noted that a business' tax remittance role has thus far received not as much 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

This initiative is led by the EBTF, whose members are listed in Appendix A.

The EBTF invited 134 of the largest companies in Europe, based on market capitalisation and revenue,[18] to participate. The study generated strong interest, with a total of 67 companies agreeing to contribute their tax data as compared to 61 companies joining in the prior year. The EBTF continues to encourage more companies to join this initiative in the future.

Participants provided TTC data on their global tax payments for accounting periods ending in the year to 31 December 2022. They also shared their OECD CbCR filings for the same calendar year. Based on this information, a report on tax transparency and public CbCR will be published in Spring 2024.

Scope of the data collection

67 large companies contributed data for this year's study. Their previous experience with TTC varied. Some had taken part in the study last year, while others published their TTC data as part of their voluntary tax disclosures and allowed their data to be used in the study. Others collected TTC data internally and supplied a database of TTC data for the study. In some cases, especially for the information from public disclosures, data were not categorised by the tax base, and this data is labelled as 'uncategorised'. This approach was adopted to ensure the accuracy of the findings.

In the first and second years of the study, covering 2018 and 2019 and only the European footprint of participants, 395 and 414 country questionnaires were received. As the scope expanded to global operations and more companies joined the initiative, the number of country questionnaires rose to 1,793 and 1,918 in the prior and current years of the study, respectively. The increase in volume reflects the growing support and the ambition to build a robust database for the analysis.

Many participants made a significant effort to provide the necessary data. As a result, there is a solid base of data to support the results. However, some participants did not provide data on all taxes, and therefore, the study results are understated. Nonetheless, it is expected that data quality will improve year after year as participants become more familiar with the framework.

Confidentiality of data

PwC helped participants collect their data and anonymised and aggregated the information to produce the study results. PwC has not verified, validated or audited the data and cannot, therefore, guarantee the accuracy of the study results.

The data came from companies in the following industries:

1. **Consumer Markets** (15 companies)
2. **Energy, Utilities and Resources** (14 companies)
3. **Financial Services** (19 companies)
4. **Industrial Manufacturing and Automotive** (6 companies)
5. **Technology, Media, Telecommunications and Health Industries** (13 companies)

These companies have paid and collected taxes in 182 countries, which are listed in Appendix D.

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

2

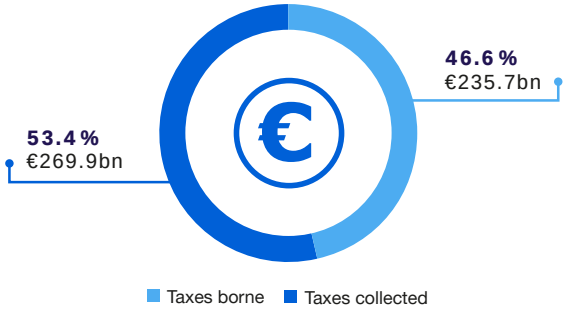
Total Tax Contribution of the largest companies headquartered in Europe

67 large companies based in Europe took part in the study, providing data on taxes borne and collected for their financial years ending in the year to 31 December 2022. This was a net increase of 6 companies from the previous year, and data were collected from the main countries[19] where the participants had global operations.

Global Total Tax Contribution

The participants' Global TTC was €505.6bn (2021: €395.5bn), consisting of €235.7bn (2021: €152.7bn) in taxes borne and €269.9bn (2021: €242.8bn) in taxes collected. This was the highest TTC figure recorded since the study began. **Figure 1** shows that taxes borne accounted for 46.6%, and taxes collected accounted for 53.4% of the total. Taxes collected represent a responsibility and a compliance burden for companies; of the total, 21.4% came from people taxes collected, highlighting the value of jobs created by large companies.

Figure 1: Taxes borne and collected – Global TTC profile



Source: Study participants, based on the aggregated data of 67 companies.

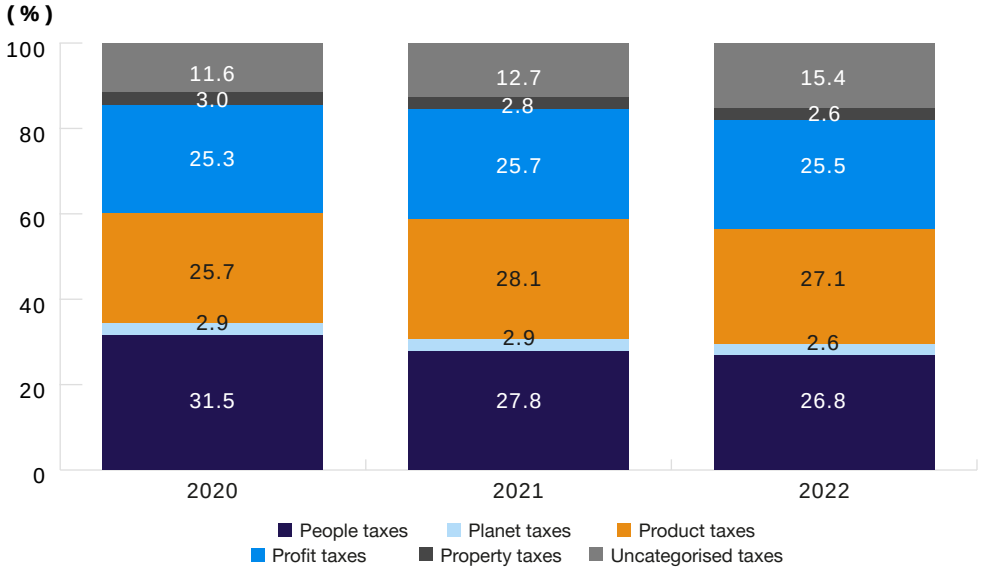
19. 'Main countries' are understood, for the purposes of this study, as at least 80% of coverage of the total footprint either in terms of number of employees, profits before taxes or TTC.

2020-2022: Global Total Tax Contribution trends over three years

Figure 2 shows the TTC of the 51 companies that provided data for their global operations over the last three years of the study, broken down by the five tax bases and expressed as a percentage of the total TTC.

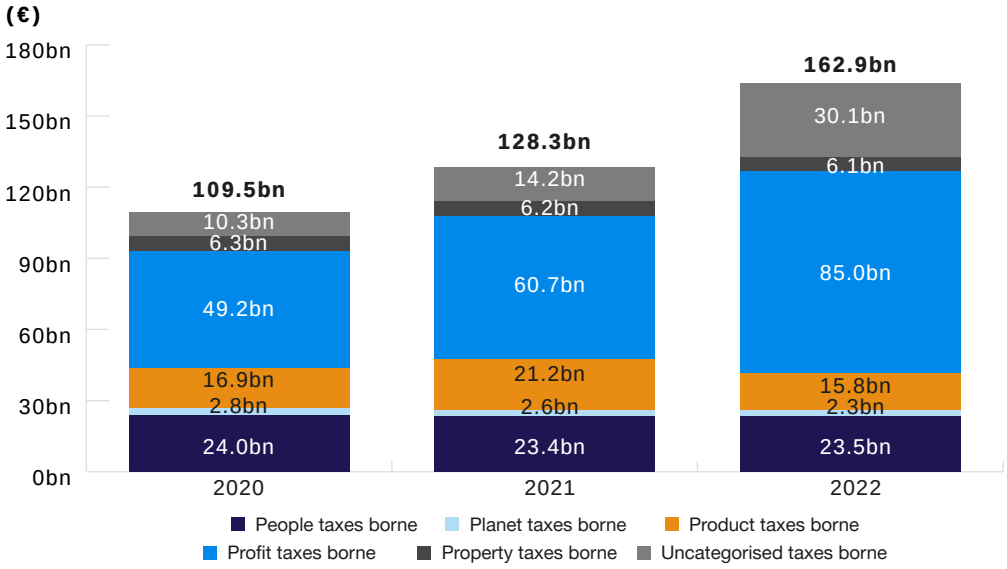
Figure 2 reveals that the proportion of people taxes in the total TTC has declined over the three years, while the proportion of uncategorised taxes has increased. This shift is due to the increased use of public data, whereby some participants provided information on people taxes in 2020 but in the following years offered their public data with less detailed TTC information.

Figure 2: 3-year comparison of Global TTC by the five tax bases on a like-for-like basis – 100% bar charts



Source: Study participants, based on the aggregated data from 51 companies.

Figure 3: 3-year comparison of Global Taxes Borne by the five tax bases on a like-for-like basis in absolute amounts

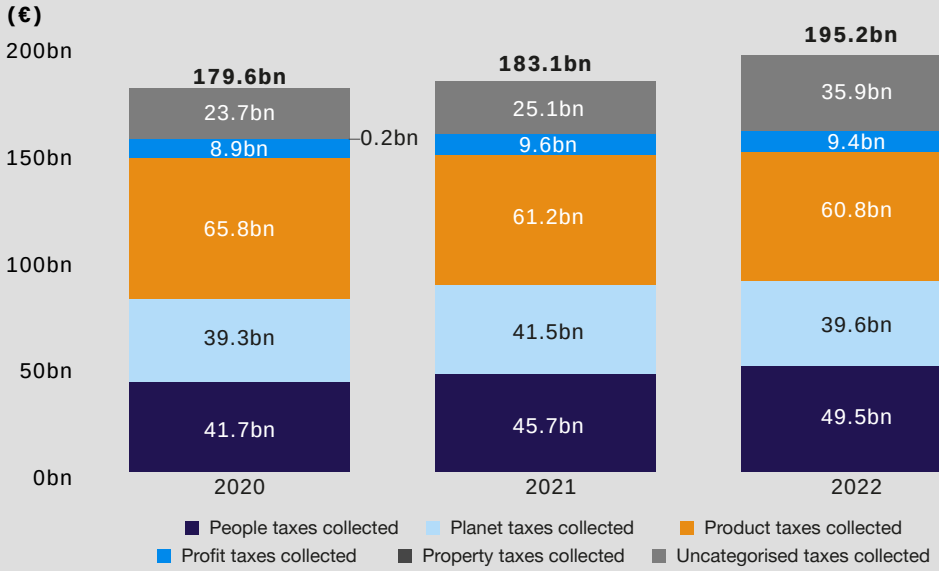


Source: Study participants, based on the aggregated data from 51 companies.

Figures 3 and 4 show the absolute amounts of taxes borne and collected by the 51 companies, respectively, by the five tax bases over the three years. Taxes borne are the taxes that affect the companies' income statements, while taxes collected are the taxes that the companies administer on behalf of governments, such as payroll taxes or VAT.

The total amount of taxes borne by the 51 companies increased by 48.8% over the three years, from €109.5bn in 2020 to €162.9bn in 2022 (Figure 3). Profit taxes borne were the main driver of this increase, rising by 72.8%, from €49.2bn in 2020 to €85.0bn in 2022. This reflects the improved profitability of some industries, such as energy, utilities and resources and financial services industries. The €53.4bn overall increase in taxes borne since 2020 also demonstrates the study participants' recovery from the COVID-19 pandemic and their resilience in the face of economic uncertainty. The increase in uncategorised taxes borne is due to some companies providing their public data in 2022, which was not categorised according to the five tax bases. The other tax bases showed more modest changes over the period, with some variations across industries.

Figure 4: 3-year comparison of Global Taxes Collected by the five tax bases on a like-for-like basis – in absolute amounts



Source: Study participants, based on the aggregated data from 51 companies.

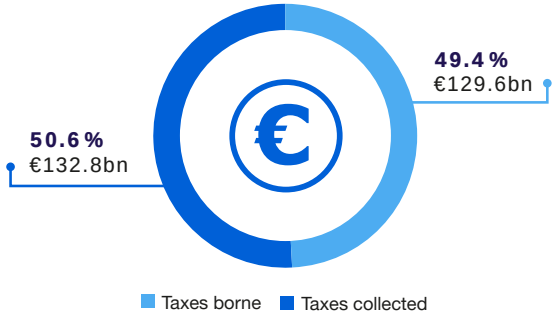
The total amount of taxes collected by the 51 companies has increased by 8.7% over the three years, from €179.6bn in 2020 to €195.2bn in 2022 (Figure 4). The main drivers of this increase have been people taxes collected, which have risen by 18.7%, from €41.7bn in 2020 to €49.5bn in 2022, and planet taxes collected, which have increased by 0.8% between 2020 and 2022. This reflects the recovery of the economy after the lockdown, boosting demand for fuel and the growth in employment and wages in some sectors.

Product taxes collected have declined by 7.6%, from €65.8bn in 2020 to €60.8bn in 2022. Some participants that provided product taxes collected information in 2020 were no longer able to provide detailed TTC information in the following years of the study. Some of the balances were therefore transferred to uncategorised taxes collected. Profit and property taxes collected have remained relatively stable over the period, while uncategorised taxes collected have increased by 51.5%, from €23.7bn in 2020 to €35.9bn in 2022, reflecting the increased use of public data in the preparation of this study.

European[20] Total Tax Contribution

The participants' European TTC was €262.4bn (2021: €233.4bn), consisting of €129.6bn (2021: €77.3bn) in taxes borne and €132.8bn (2021: €156.1bn) in taxes collected. **Figure 5** shows that taxes borne accounted for 49.4%, and taxes collected accounted for 50.6% of the total. 26.3% of the taxes collected came from people taxes.

Figure 5: Taxes borne and collected – European TTC profile



Source: Study participants, based on the aggregated data of 67 companies.

20. For the purposes of this study, 'Europe' or 'European' correspond to the 27 Member States part of the European Union (EU-27), the European Free Trade Association (EFTA) and the United Kingdom (UK)

2018-2022: European Total Tax Contribution trends over five years

We can draw insights from the analysis of the European TTC of participants on a like-for-like basis. **Figure 6** shows the TTC of the 33 companies that provided data for European countries over the five years of the study.

Overall, the TTC profile has not changed significantly since 2018. For example, the proportion of people taxes has been constant as a sizable share of TTC and has made up at least 29.2% (2022) of all taxes.

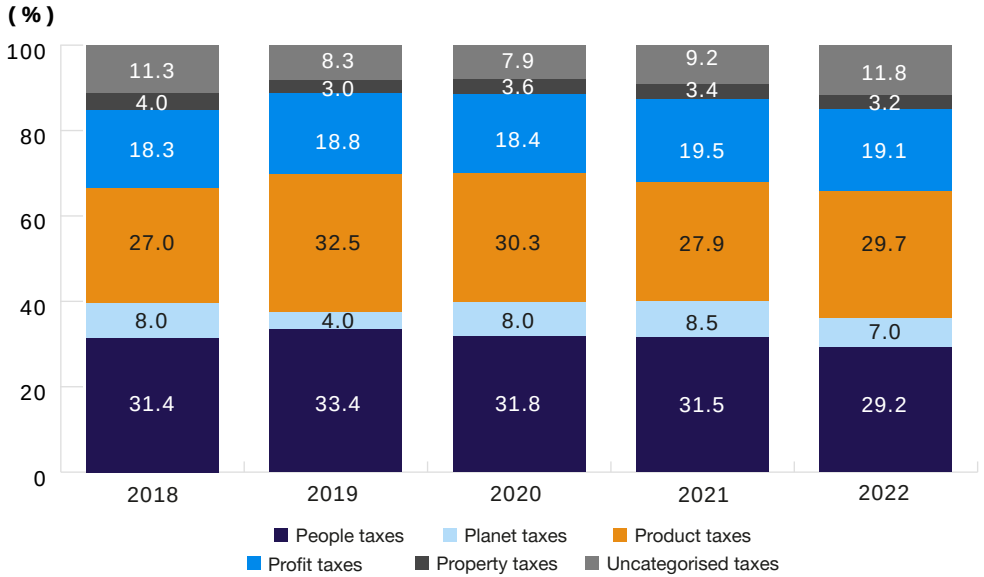
The proportion of product taxes increased from 27.9% in 2021 to 29.7% in 2022. At 29.7%, product taxes made up a proportionally smaller share of the overall TTC in 2022 than in 2019 and 2020.

Between 2021 and 2022, the proportion of profit taxes showed a constant trend, and the proportion of profit taxes as a share of overall TTC was larger in these two years than between 2018 and 2020. This was in line with the increased profitability seen in 2021 and 2022.

Property taxes have made up a small proportion of TTC over the last five years, and this is expected to continue as they are a small proportion of other taxes paid by companies.

The proportion of uncategorised taxes increased to 11.8% in 2022. This category exists because some companies that made their data publicly available do not categorise their TTC according to the five tax bases classification.

Figure 6: 5-year comparison of European TTC by the five tax bases on a like-for-like basis – 100% bar charts



Source: Study participants, based on an average basis by participant. Data from 33 companies.

Putting the figures into context

The global TTC of €505.6bn is a significant contribution to public finances around the world. To illustrate its magnitude, the global TTC is equivalent to:

- More than the total tax revenues collected in 2022 by the Netherlands, Hungary, Slovak Republic and Luxembourg combined (€373.7bn, €59.4bn, €38.5bn, and €30.8bn, respectively), or Norway, Poland and Slovenia together (€245.1bn, €231.1bn, and €21.6bn, respectively);[21] or
- €63.60[22] per capita for the world's population.

The TTC in Europe of €262.4bn also reflects the substantial role of the largest European companies in supporting the European economy and society. This amount is equivalent to:

- €495[23] (2021: €441) per capita for the European population; or
- €2.90[24] out of every €100 of total government tax revenues in Europe;
- More than the combined budgets of the EU and EFTA for 2022 (€170.6bn).[25]

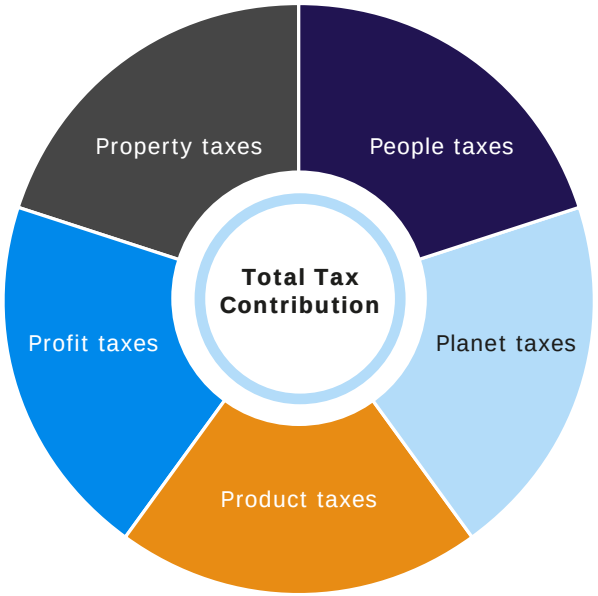
21. 2022 country tax revenues, available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tax_revenue_statistics#In_2022.2C_tax_revenue_in_absolute_terms_increased_in_all_of_the_EU_countries_except_Denmark.
22. The World Bank, Population, available at https://data.worldbank.org/indicator/SP.POP.TOTL.
23. 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=fals.
24. 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.
25. 2022 Budgets are available at https://www.consilium.europa.eu/en/press/press-releases/2021/11/16/eu-budget-for-2022/; and https://www.efta.int/sites/default/files/images/EFTA_Annual%20Report_2022.pdf.

3

The five tax bases

To compare TTC data across different national tax systems, the TTC framework uses the OECD classification of taxes[26] and organises them into five tax bases, as shown in **Figure 7**.

Figure 7: The five tax bases



1. Profit taxes are taxes on company income, profits and capital gains. Windfall taxes on profits are also included in this category.
2. Product taxes are taxes and duties on producing, selling or using goods and services, including those on international trade and transactions.
3. Property taxes are taxes on the acquisition, disposal, ownership or use of tangible and intangible property.
4. People taxes are all taxes and social contributions related to the employment of staff. They include both employment taxes and contributions paid by the company and the cost of the employee, which are withheld and remitted by the employer through the payroll.
5. Planet taxes are taxes and duties on the supply, use or consumption of goods or services that may harm the environment. They also include taxes paid and collected on fuel.

The study also collected data on other payments and contributions to government that are not taxes but are payments for services or benefits from governments. These payments were not included in the TTC figures because they provided a return of value to the company. For a detailed breakdown, please see Appendix B.

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

4

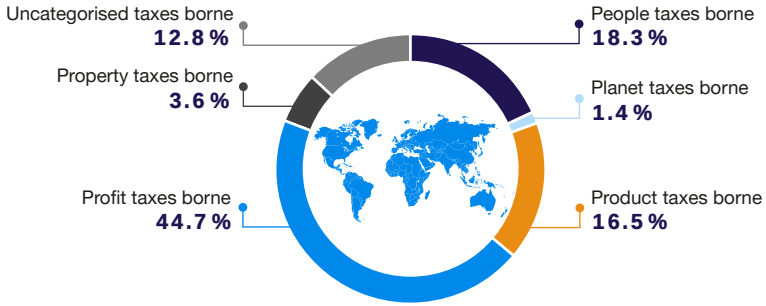
Taxes borne and collected

The profile of taxes borne

Taxes are a business cost and, therefore, directly affect companies' profits. **Figure 8.1** shows the profile of global taxes borne reported by study participants. For every €1 of CIT paid, there are a further €0.65 of other business taxes borne.

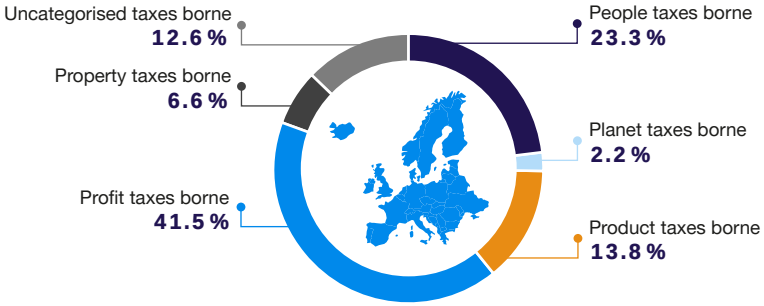
In Europe, for every €1 of CIT paid, there is a further €0.60 (2021: €1.75) in other taxes borne. People taxes borne represent a larger share of the total taxes borne in Europe than globally (23.3% versus 18.3% globally), while profit taxes are a smaller portion of the total (41.5% against 44.7% globally).

Figure 8.1: The profile of taxes borne by study participants around the world



Source: Study participants. Figures may not sum due to rounding. The chart shows the average result.

Figure 8.2: The profile of taxes borne by study participants in Europe



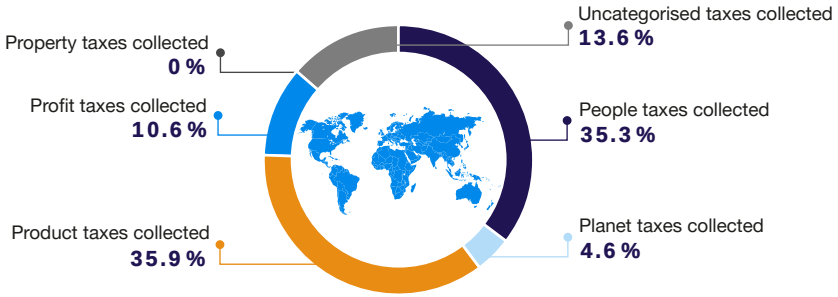
Source: Study participants. Figures may not sum due to rounding. The chart shows the average result.

The profile of taxes collected

Taxes are collected from customers and employees by companies on behalf of governments. **Figure 9.1** shows that globally product taxes make up a significant element of taxes collected, reflecting the duties of participating companies. For every €1 of CIT paid, there is a further €1.89 in taxes collected.

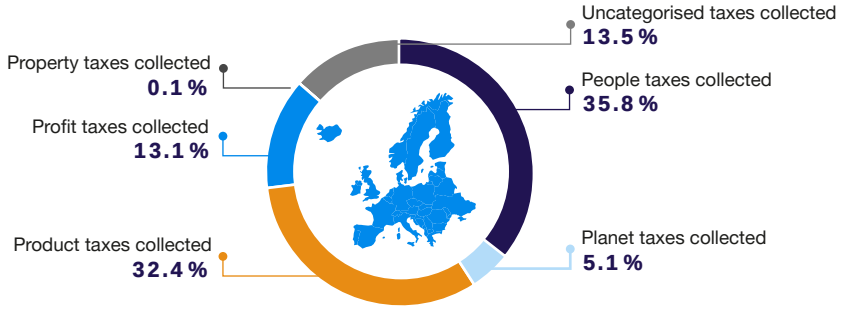
Figure 9.2 shows the profile of total taxes collected in Europe. For every €1 of CIT paid, there is a further €1.64 in taxes collected. Planet taxes collected represent a larger share of the total taxes collected (5.1% versus 4.6% globally), while product taxes are a smaller portion of the total (32.4% against 35.9% globally).

Figure 9.1: The profile of taxes collected for study participants around the world



Source: Study participants. Figures may not sum due to rounding. The chart shows the average result.

Figure 9.2: The profile of taxes collected by study participants in Europe



Source: Study participants. Figures may not sum due to rounding. The chart shows the average result.

5

Trends in Total Tax Contribution between 2021 and 2022

Global Trends in Total Tax Contribution between 2021 and 2022

Out of the sixty-one companies that participated in last year's study, fifty-eight provided their data again this year. To ensure a like-for-like comparison, we included in the trend calculations in this chapter only those companies that participated in both years and, for each company, only those countries where TTC data was also available in both years of the study.

This comparison offers a unique insight into the changing profile of taxes paid by the largest companies headquartered in Europe. The table below shows how taxes borne and collected have changed globally between 2021 and 2022. The overall change is obtained by dividing the difference between 2021 and 2022 of each TTC element by the total of the previous year. It conveys the relative importance and contribution of taxes borne and collected to the change in TTC.

As the economy continued its recovery from the COVID-19 pandemic and businesses had a strong financial performance, global TTC increased by 17.1% compared to last year. This increase was driven by taxes borne (10.0%), although taxes collected also significantly contributed to the overall increase (7.1%).

Table 1: Global like-for-like trends for taxes borne, collected and TTC

	Overall change
Taxes borne	10.0%
Taxes collected	7.1%
Total Tax Contribution	**17.1%**

Source: Study participants.

The table below shows the movement in taxes borne across the five bases.

Table 2: Global like-for-like trends for taxes borne across the five bases

Taxes borne	Overall change
Profit taxes	8.0%
People taxes	0.8%
Property taxes	0.0%
Product taxes	0.5%
Planet taxes	-0.1%
Uncategorised taxes	0.7%
Total taxes borne	**10.0%**

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

The substantial increase in profit taxes more than offset the relatively small decrease in planet taxes. Profit taxes borne were the most significant driver (8.0%) of the increase, mainly due to the energy, utilities and resources industry (6.5%), which benefited from higher commodity prices and paid windfall taxes on their increasing profits.

The rise in uncategorised taxes is attributed to the number of companies that provided limited data or allowed 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 below shows how they have changed between 2021 and 2022 across the five tax bases.

Table 3: Global like-for-like trends for taxes collected across the five bases

Taxes collected	Overall change
Profit taxes	0.4%
People taxes	1.8%
Property taxes	0.0%
Product taxes	3.9%
Planet taxes	-0.5%
Uncategorised taxes	1.5%
Total taxes collected	**7.1%**

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

Total taxes collected rose by 7.1% from 2021 to 2022, driven mainly by product taxes (3.9%), especially those collected by the energy, utilities and resources industry. This industry saw higher revenues after the COVID-19 pandemic as well as increased commodity and supply chain costs, which fueled inflation and raised the cost of living. These factors also expanded the tax base of product taxes. People taxes (1.8%) were the second largest contributor to the growth in taxes collected, as hiring picked up after the pandemic-induced slowdown in 2020 and 2021 and wages rose to keep pace with inflation.

Planet taxes collected dipped slightly (-0.5%) and did not follow the upward trend of other tax bases, as some countries (e.g. Italy,[27] Ireland,[28] Netherlands,[29] Portugal[30] and the UK[31]) suspended or temporarily cut fuel excise duties in 2022 to ease the impact of the energy crisis and the war in Ukraine on the economy and to support households and businesses facing very high oil prices.

27. See Italy: New Law Reduces Excise Taxes and VAT on Fuels to Ameliorate Financial Crisis Caused by War in Ukraine | Library of Congress (loc.gov).
28. See eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022PC0408.
29. See Reduction of excise duties – refund possibility – Tax news – PwC.
30. See eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022PC0408.
31. See Fuel Duty rates 2022-23 – GOV.UK (www.gov.uk).

Trends in European Total Tax Contribution between 2021 and 2022

TTC data for Europe has been collected for five years, with more companies providing data each year. The table below shows how taxes borne and collected in Europe have changed between 2021 and 2022 on a like-for-like basis.

Table 4: European like-for-like trends for taxes borne, collected and TTC

	Overall change
Taxes borne	7.6%
Taxes collected	6.7%
Total Tax Contribution	**14.3%**

Source: Study participants.

TTC from European operations increased by 14.3% compared to last year. Both taxes borne and collected increased significantly. Similarly to the global trend, taxes borne drove the overall increase in TTC (7.6%), with taxes collected having a slightly smaller but still very significant impact on the overall increase (6.7%).

The table below shows the movement in taxes borne across the five tax bases in Europe.

The table below shows the movement in taxes borne across the five tax bases in Europe.

Table 5: European like-for-like trends for taxes borne across the five bases

Taxes borne	Overall change
Profit taxes	6.8%
People taxes	0.8%
Property taxes	– 0.1%
Product taxes	0.4%
Planet taxes	-0.1%
Uncategorised taxes	-0.2%
Total taxes borne	**7.6%**

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

Property and planet taxes decreased slightly, but this was offset by the growth in profit, people and product taxes. The main factor was profit taxes (6.8%), which rose sharply for the energy, utilities and financial services industries. These sectors had a positive financial performance in 2022 and paid windfall taxes on their profits in many European countries.

Regarding taxes collected, the table below shows how they have changed between 2021 and 2022 across the five tax bases.

Table 6: European like-for-like trends for taxes collected across the five bases

Taxes collected	Overall change
Profit taxes	0.6%
People taxes	1.7%
Property taxes	0.0%
Product taxes	4.4%
Planet taxes	-0.6%
Uncategorised taxes	0.6%
Total taxes collected	**6.7%**

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

Taxes collected increased by 6.7% overall, mainly due to the rise in product taxes (4.4%). This reflected higher consumption and prices, which also influenced product taxes in the global trends. People taxes (1.7%) were the second largest contributor to the growth in taxes collected, as they captured the increase in employment and wages arising from higher inflation.

Planet taxes collected decreased by 0.6%, as several European countries cut or suspended fuel excise taxes to support businesses and households facing the cost of living crisis and soaring energy prices. This reduced the fuel excise duties collected by the study participants.

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.

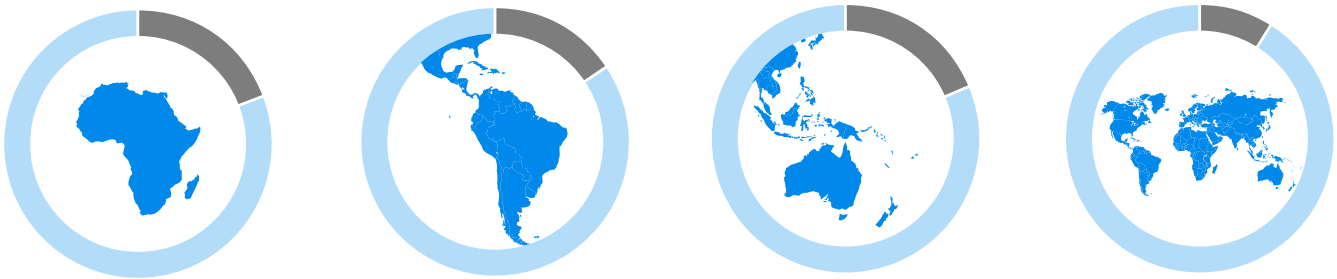
Profit taxes borne by participants totalled €142.8bn for global operations, representing 60.6% of total taxes borne. Profit taxes collected amounted to €16.2bn and related to withholding tax deducted at source, representing 6.0% of total taxes collected.

Corporate income tax

The scrutiny of 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 21.9%[32] (2021: 21.5%). In OECD countries, CIT is a relatively small percentage of total government receipts, making up, on average, 9.0%[33] of total country revenue receipts. In developing economies, however, CIT represent a higher proportion of total revenues, as shown below.

Corporate tax revenues are particulary important in developing economies
(CIT revenues as a share of total revenues in 2020)



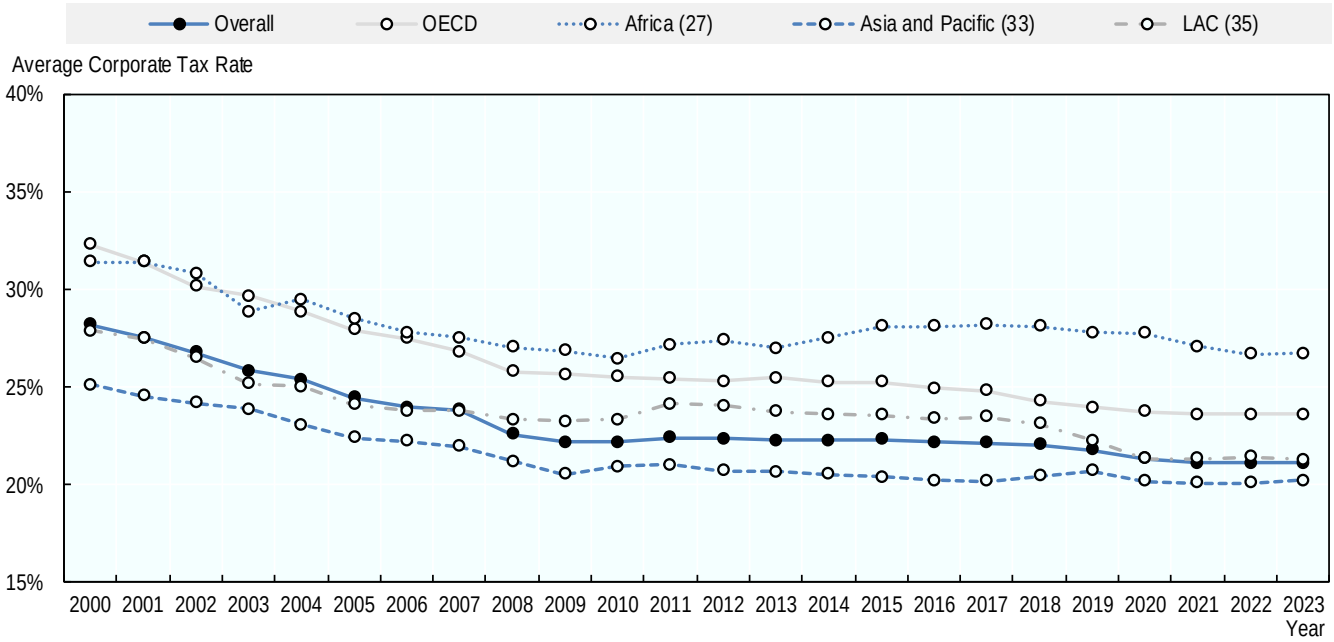
Africa (30): **19.3%** | **LAC** (27): **15.6%** | **Asia and Pacific** (28): **18.8%** | **OECD**: **9.0%**

Source: OECD.[33]

32. OECD, 2022 Corporate Income Tax Rates, available at https://stats.oecd.org/index.aspx?DataSetCode=Table_II1
33. OECD, Corporate Tax Statistics: Fifth Edition, available at https://www.oecd-ilibrary.org/taxation/corporate-tax-statistics-2023_f1f07219-en.

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). This decline seems to have stopped in 2021 with constant or slightly increasing average statutory tax rates since then.

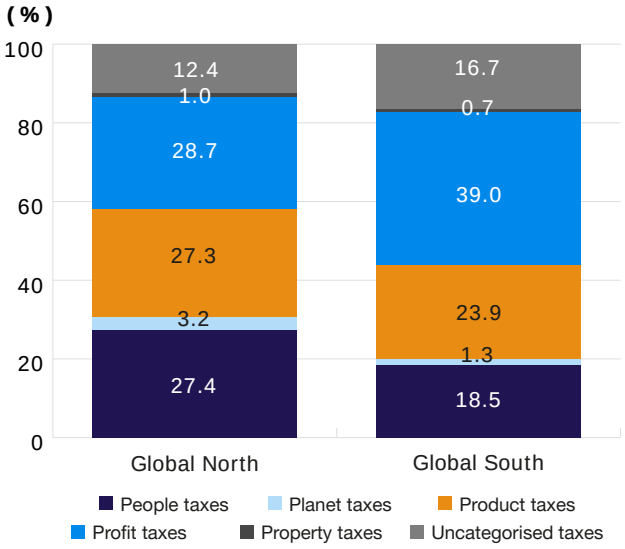
Figure 10: Average statutory tax rates by regional groupings



Source: OECD.[34]

34. OECD, Corporate Tax Statistics: Fifth Edition, available at https://www.oecd-ilibrary.org/taxation/corporate-tax-statistics-2023_f1f07219-en

Figure 11: Total tax contribution profile per tax base, developed and emerging economies



Source: PwC analysis.

The tax base is equally as important as the tax rate. Constant changes in local tax legislation not only impact the statutory tax rate, but also the adjustments made to taxable profits.[35] It is important to note, notwithstanding, that CIT revenues constitute a more significant element of the total tax revenues in emerging economies, constituting more than a third of participants' TTC in some instances, as noted in the Figure 11.

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 in Figure 11 shows that, on average, 27.4% of the TTC comes from people taxes. In emerging countries, this ratio is 18.5%.

Conversely, study participants with operations in the Global South (or emerging economies) have 39.0% of their TTC as profit taxes, on average. In developed economies, this ratio is 28.7%. These findings are consistent with the prior two years of the study and align with the conclusions presented in the OECD report.[36]

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 €16.2bn in the study for global operations and €13.8bn in Europe.

35. Another aspect often not discussed are the special regimes which apply to specific industries (e.g. financial services, energy, utilities and resources), 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).

36. OECD, Corporate Tax Statistics: Fifth Edition, available at https://www.oecd-ilibrary.org/taxation/corporate-tax-statistics-2023_f1f07219-en.

7

A focus on the people tax base

Large companies depend on the labour of skilled personnel, who are subject to various taxes and social contributions related to their employment. People taxes include both the employment taxes and contributions that the company bears as an employer and those that the employee pays but the employer administers by deducting them from the payroll.

Social security contributions

These are mandatory payments that entitle the payer to receive a future social benefit. They are usually earmarked to finance specific social programs, such as unemployment insurance, accident, injury and sickness benefits, old-age and disability pensions, family allowances, or medical services. They may involve a single payment or multiple payments for different purposes. Contributions may pass through an intermediary before eventually reaching the government.

Social security contributions are a tax collected by the employer when they are the cost of the employee and are deducted from the payroll. In these cases, the company is obliged to withhold social security from the wages and salaries of its employees and remit it to the government.

Personal income tax

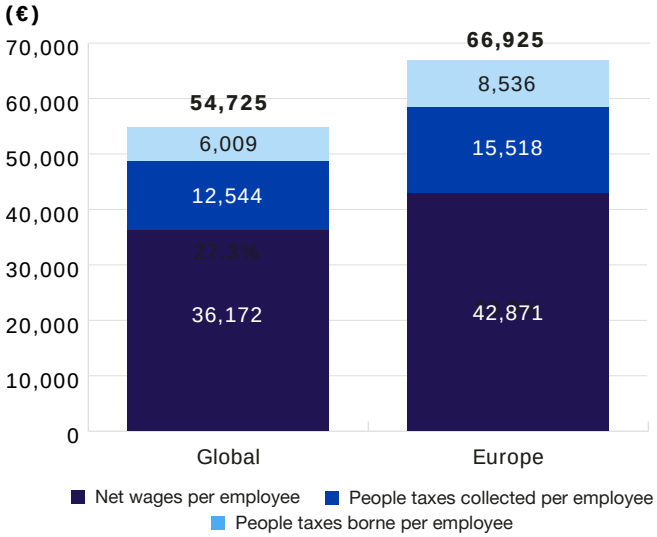
Personal income tax is also collected from wages and salaries by employers and paid to the government. Although it is a complex tax in practice, often with different tax brackets, it reflects the value of the jobs created by the company.

Cost of employment

The study participants paid €85.6bn in total employment taxes for their global operations in this year's study, up from €78.3bn in 2021. This included €27.7bn (2021: €26bn) in taxes borne by the participants themselves, and €57.9bn (2021: €52.3bn) in taxes collected from their employees and remitted to tax authorities. The participants employed 4.2 million people worldwide (2021: 3.5 million). The average employment tax per employee was €18,553, down from €20,708 in 2021. This was mainly because the growth in employee numbers outpaced the growth in wages, and because the consumer markets industry, which covers retailers and has salaries in lower quartiles, accounted for a larger share of total employees in this year's study. Total employment taxes paid by study participants for their European operations amounted to €54.2bn (2021: €51.2bn), comprising €19.2bn (2021: €18.9bn) in taxes borne and €35.0bn (2021: €32.3bn) in taxes collected. In Europe, study participants employed 2.0 million people (2021: 1.7 million), representing 0.8% (2021: 0.7%) of the total European workforce,[37] paying, on average, €24,054 (2021: €26,274) in employment taxes per employee.

Of the €24,054 (2021: €26,274) in employment taxes per employee borne and collected in Europe, €8,536 (2021: €9,691) corresponds to employment taxes borne and €15,518 (2021: €16,583) to employment taxes collected. The European cost of employment for study participants is €66,925 (2021: €68,308).[38]

Figure 12: Average cost of employment



Source: Study participants.

The average wage per employee for global operations was €48,716 in 2022, down from €52,404 in 2021. In Europe, the average wage per employee was €58,389 in 2022, slightly lower than €58,617 in 2021. The decrease in the global average wage per employee reflects the same factors that drove the fall in the average employment taxes per employee: a faster growth in headcount than in wages and a shift in the industry composition of the study participants. The average wage per employee in Europe was close to the Gross National Income (GNI) per capita of €54,015[39] in European countries. The substantial increase in the number of people employed by the study participants highlights the contribution that the largest European companies make to the economy through job creation and retention.

37. The World Bank, 'Labour force, total', available at https://data.worldbank.org/indicator/SL.TLF.TOTL.IN.
38. The prior year figures were restated to align with the methodology used this year.
39. 2022 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 (2021: €6.6bn) for global operations and €4.3bn (2021: €4.1bn) 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 are taxes and duties that apply to the production, sale or use of goods and services, as well as to international trade and transactions. They can be either borne or collected by companies, depending on whether they affect the company's own costs or revenues. Some examples of product taxes are VAT, excise duties on alcohol and tobacco, sales and use tax, etc.

VAT is a tax that companies charge on the sale of goods and services and pay to the government. Companies can deduct the VAT they pay on their purchases (input VAT) from the VAT they charge on their sales (output VAT), and only pay the difference (net VAT) to the tax authorities. Net VAT is considered a tax collected by companies. However, sometimes companies cannot deduct input VAT, and it becomes a cost for them. This is called irrecoverable VAT, and it is considered a tax borne by companies. VAT is one of the most complex aspects of the TTC framework, and more details are provided in Appendix C.

Excise duty is another product tax that applies to alcohol and tobacco. It is a tax borne by companies that procure these products (although it may not be shown separately on the invoice), and a tax collected by companies that produce them.

Other product taxes include those that companies pay on their own insurance contracts, on the use and ownership of motor vehicles, and on the import of goods.

To avoid double counting, we did not include the insurance premium taxes borne by the study participants in the total results. This is because these taxes are already counted as taxes collected by the insurance companies in the study.

Product taxes in the study accounted for €21.4bn (2021: €24.2bn) of taxes borne and €117.6bn (2021: €79.8bn) of taxes collected by the companies in the study for their global operations. The COVID-19 pandemic had a significant impact on product taxes collected, which dropped from €101.6bn in 2020 to €79.8bn in 2021, reflecting the reduced consumption levels due to lockdowns and other restrictions. However, the companies showed resilience as the economy reopened and began to recover from the global crisis, resulting in a rebound of product taxes collected to €117.6bn in 2022. The rise in the product tax base, driven by higher prices due to inflation, also contributed to this increase. In Europe, in 2022, the companies bore €11.1bn (2021: €10.0bn) and collected €42.2bn (2021: €51.9bn) of product taxes.

Additionally, from 2020 onwards, fuel excise duties were reclassified as planet taxes, in line with the OECD's definition of environmentally related taxes.[40]

40. 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 are taxes and duties that aim to discourage the supply, use or consumption of goods or services that could harm the environment. They affect companies both as consumers and as suppliers of such goods and services. For example, companies may pay taxes and duties on their own transportation (including fuel) and energy use, either directly to governments or indirectly to the providers of these goods and services. They may also charge and collect taxes and duties from their customers when they sell these goods and services to them.

Planet taxes are one of the more complex tax bases. More planet taxes are being created to influence behaviours and incentivise companies to operate in environmentally conscious ways. Such taxes are introduced for reasons other than to raise government revenue and therefore need to be viewed through a different lens to other tax bases.

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

To avoid double counting, we excluded fuel excise duties borne by study participants from the overall results. This is because we already counted them as a tax collected by the oil and gas companies participating in the study.

Planet taxes for global operations amounted to €2.3bn (2021: €2.6bn) in taxes borne and €39.7bn (2021: €60.0bn) in taxes collected. In Europe, planet taxes amounted to €2.2bn (2021: €2.4bn) in taxes borne and €24.8bn (2021: €42.8bn) in taxes collected. As mentioned earlier in this report, the decrease in planet taxes collected reflects the temporary reduction or suspension of fuel excise duties by several countries to support businesses and households facing the cost of living crisis and rising energy prices.

Other payments to government

Other payments to government are payments that companies make to governments in exchange for a right or an asset that they use in their business. For instance, companies may pay royalties to extract oil, licence fees to operate in a country, or dividends to governments that own shares in them. The total in the study amounted to €36.2bn (2021: €26.2bn) for global and €8.5bn (2021: €6.7bn) for European operations. However, this is not included in the respective TTC figures of €505.6bn and €262.4bn 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 and profit. 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; and
- Taxes borne and collected as a percentage of turnover.

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 an average of the results was calculated. The mean average gives equal weight to all study participants and more accurately reflects the burden faced by this group of companies.

Total Tax Rate

The mean average TTR for the study participants was 40.9% (2021: 40.0%) for global operations and 40.1% (2021: 37.2%) 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 increased from 38.4% to 39.5% between 2021 and 2022. This change shows that the quantum of CIT paid kept up with rising profits, leading to an increase in the TTR. This metric reflects the relationship between profits and corporate income tax paid, but it also 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 17.7% (2021: 15.6%). It means that, for every €100 of total revenues, an amount equivalent to €17.70 (2021: €15.60) was paid in taxes borne and collected.

In Europe, TTC as a percentage of turnover for study participants was, on average, 15.8% (2021: 18.0%). For every €100 of turnover in Europe, an amount equivalent to €15.80 (2021: €18.00) was paid in taxes borne and collected. Both turnover and TTC increased in 2022. However, turnover experienced quicker growth than TTC, which caused the slight decrease in TTC as a percentage of turnover between 2021 and 2022 in Europe.

12

A focus on fourteen countries

Fourteen countries were identified for which data was collected from more than thirty (30) companies. Therefore, it is possible to draw meaningful insights regarding a particular territory without compromising the confidentiality of participants in the study.

The countries are:

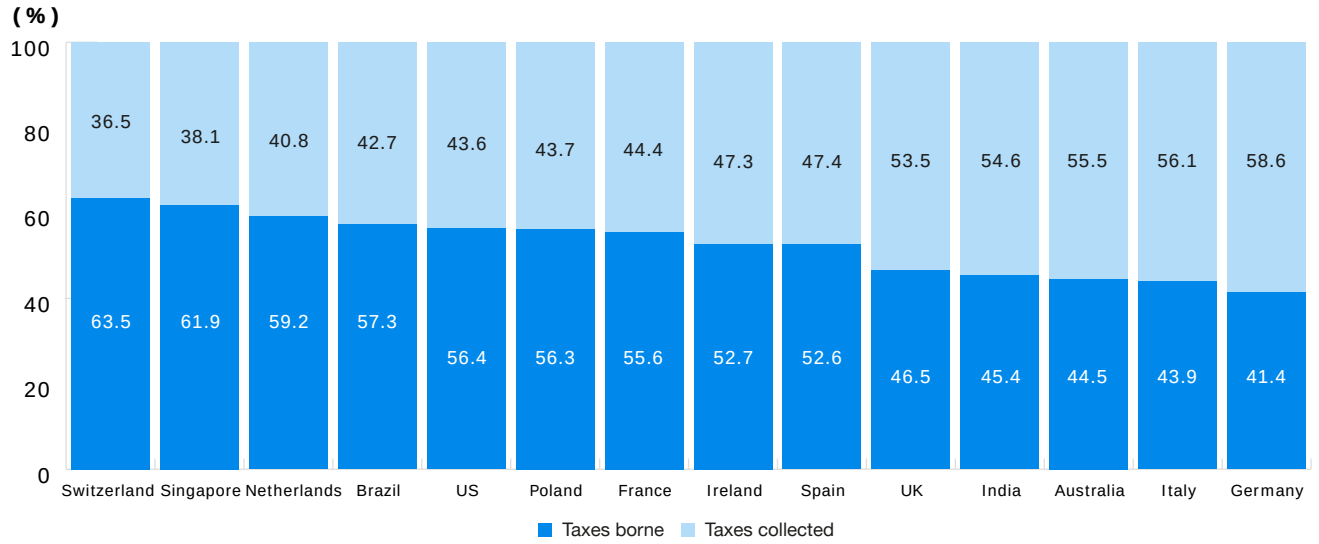
Australia	Poland
Brazil	The Netherlands
France	Singapore
Germany	Switzerland
India	Spain
Ireland	UK
Italy	USA

The charts and findings in this chapter cover only the data for the fourteen countries mentioned above, which have a different mix of industries and different levels of business activities. The findings highlight the current TTC profile of large companies in these countries.

Taxes collected make up a slightly larger proportion of the overall TTC in Australia, the United Kingdom, Italy and Germany. **Figure 13** shows that Italy and Germany have the most significant proportion of taxes collected (56.1% and 58.6%, respectively), and Switzerland has the most significant proportion of taxes borne (63.5%).

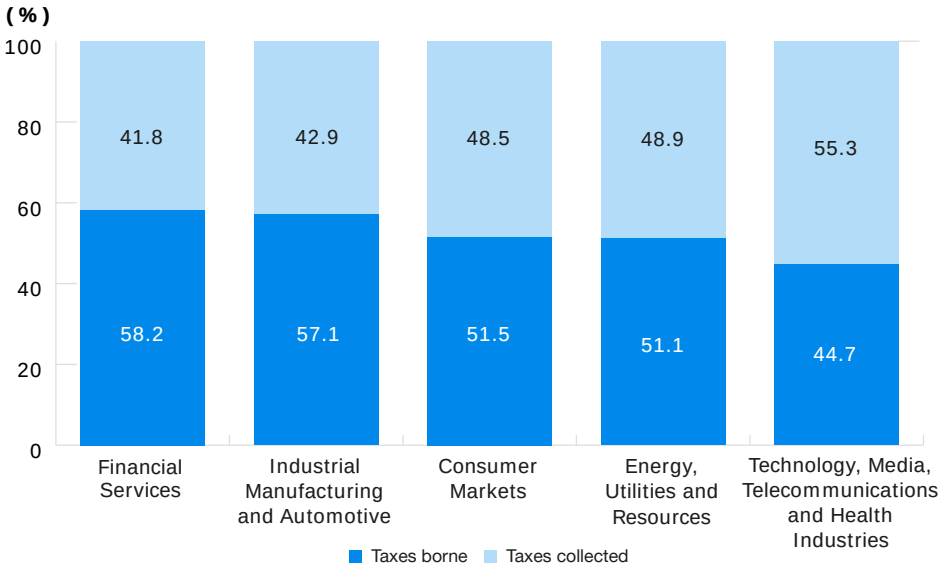
Figure 14 shows how the proportion of taxes borne and collected varies by selected industries. Financial services have the most significant proportion of taxes borne to TTC (58.2%). On the other end of the spectrum, the technology, media, telecommunications and health industries have the lowest ratio of taxes borne in relation to the TTC (44.7%). This chart helps to illustrate the range of tax impacts on companies and how policy makers need to be nuanced in their approach to tax policy and in evaluating the impact of those changes by industry.

Figure 13: TTC profile in fourteen countries



Source: Study participants. Results shown on an average by company basis.

Figure 14: TTC profile by industry



Source: Study participants. Results shown on an average by company basis.

The five tax bases by industry (**Figure 15**) show that people taxes account for nearly half (47.7%) of the total in the technology, media, telecommunications and health industries. People taxes are also the largest (30.9%) component of TTC for industrial manufacturing and automotive companies. These figures reflect the high number of jobs created by these industries.

Profit taxes represent more than a third (38.5%) of TTC in the financial services industry.

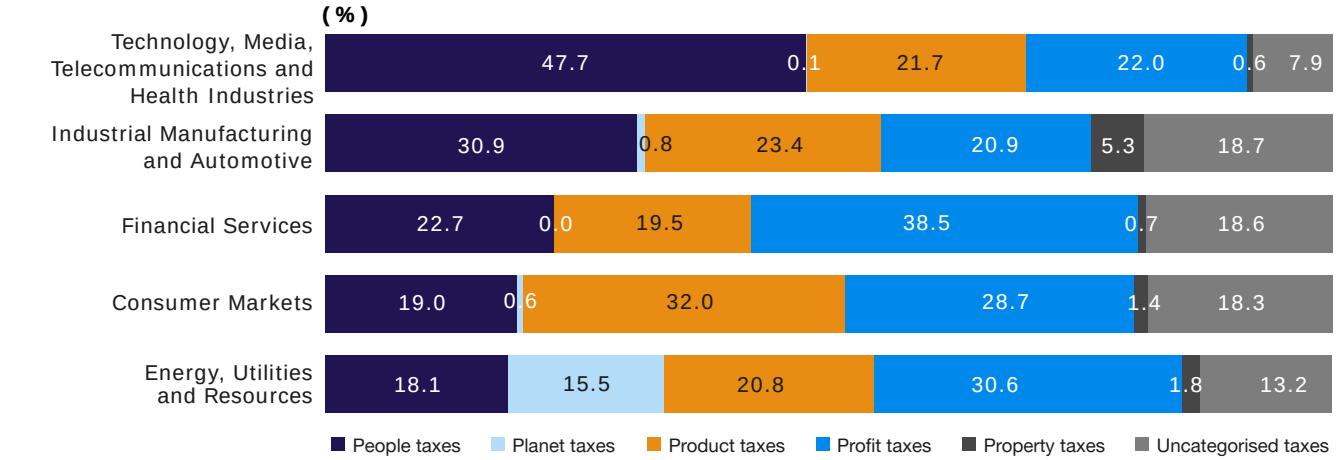
Furthermore, 32.0% of the TTC of consumer markets companies are product taxes – a reflection of the relevance of indirect taxes (e.g., VAT, excise duties and other turnover taxes) for the industry.

The industry with the highest share of planet taxes in relation to the TTC is energy, utilities and resources (15.5%). This is due to the fuel excise duties collected by these companies.

Figure 16 shows total taxes borne with France having the highest proportion of people taxes (36.9%) while Singapore has the most significant proportion of profit taxes borne (63.5%) followed by India (57.3%) and the Netherlands (57.2%). Planet taxes are a relatively small proportion of total taxes borne for all territories, and Australia has the highest proportion at 3.5%. The negative (-8.8%) figure for product taxes in Singapore represents a net refund. These figures reflect the range of policy choices made in the different countries.

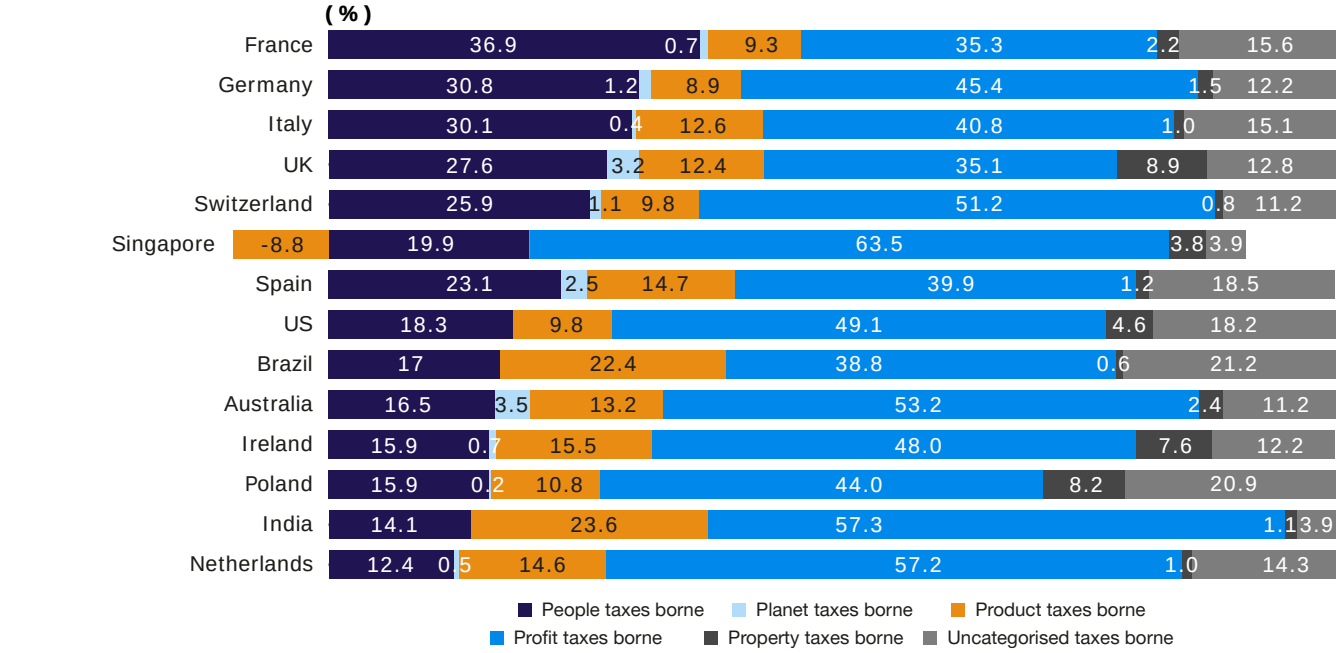
The country picture varies depending on the mix of sectors of the companies in each country. 45.4% of the total taxes borne in Germany by study participants are, on average, profit taxes. This reflects the high number of participants in the financial services industry providing data for this country.

Figure 15: TTC by the five tax bases by industry



Source: Study participants. Results shown on an average by company basis.

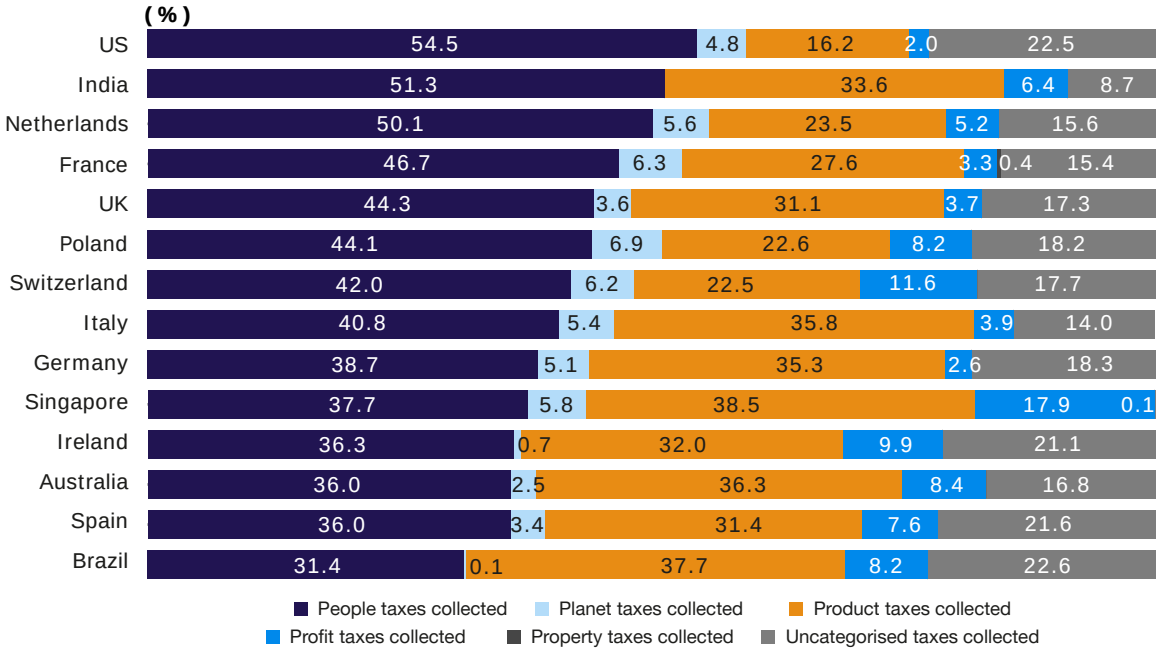
Figure 16: Total taxes borne by the five tax bases by country



Source: Study participants. Results shown on an average by company basis. The data was partially taken from publicly available sources. The analysis could differ if further details were available.

Figure 17 shows total taxes collected, with the USA, India and the Netherlands having the highest proportion of people taxes (54.5%, 51.3% and, 50.1% respectively) while product taxes collected is the largest share of the total in Singapore (38.5%).

Figure 17: Total taxes collected by the five tax bases by country



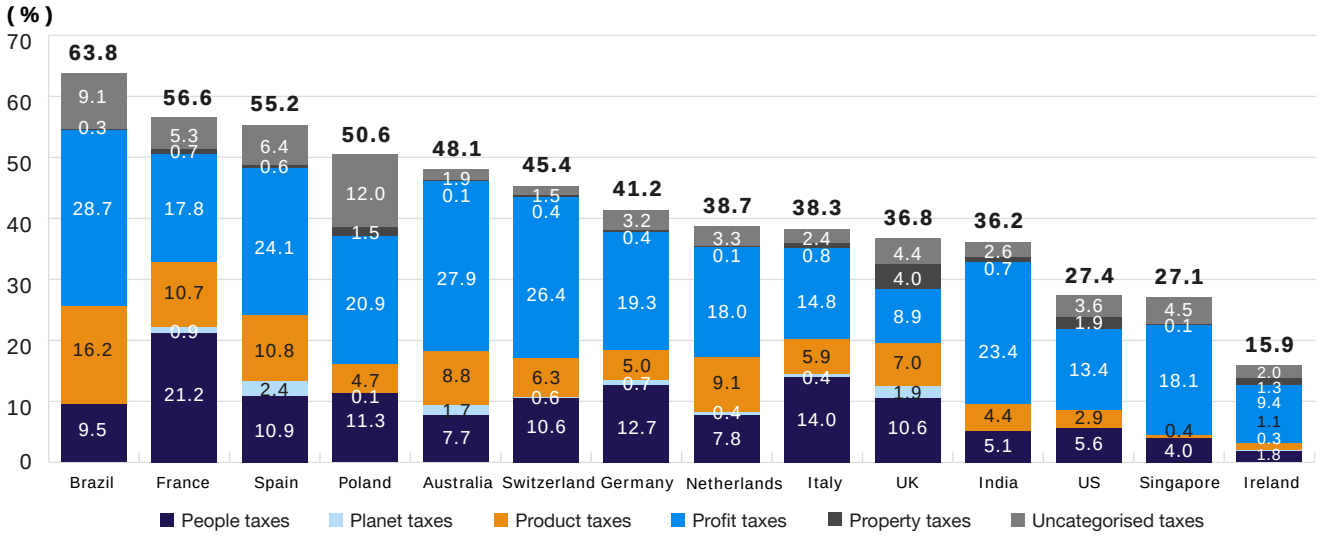
Source: Study participants. Results shown on an average by company basis.

This year's TTC study publishes, for the second time, the average TTR (i.e., the proportion of taxes borne in relation to profits before taxes borne) of the fourteen major economies covered in this chapter, depicted in **Figure 18** opposite.

The range in TTR is very wide, with the group of countries ranging between 15.9% and 63.8%. Brazil, France, Spain and Poland are above 50%, while Singapore, the USA and Ireland are on the lower end. The mix is also interesting, with the tax cost in France dominated by people taxes and a commensurately lower proportion of profit taxes compared to other countries. This comparative example helps to illustrate the importance of looking at the overall tax profile. Taxable profits in France are lowered by the level 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 do not impact the income statement of the companies). Furthermore, certain jurisdictions, such as Germany, have a strong manufacturing industry, whereas others, such as the UK, are more focused on services. Such distinctions in the sectors naturally lead 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 considered.

Figure 18: Total Tax Rates by the five tax bases by country



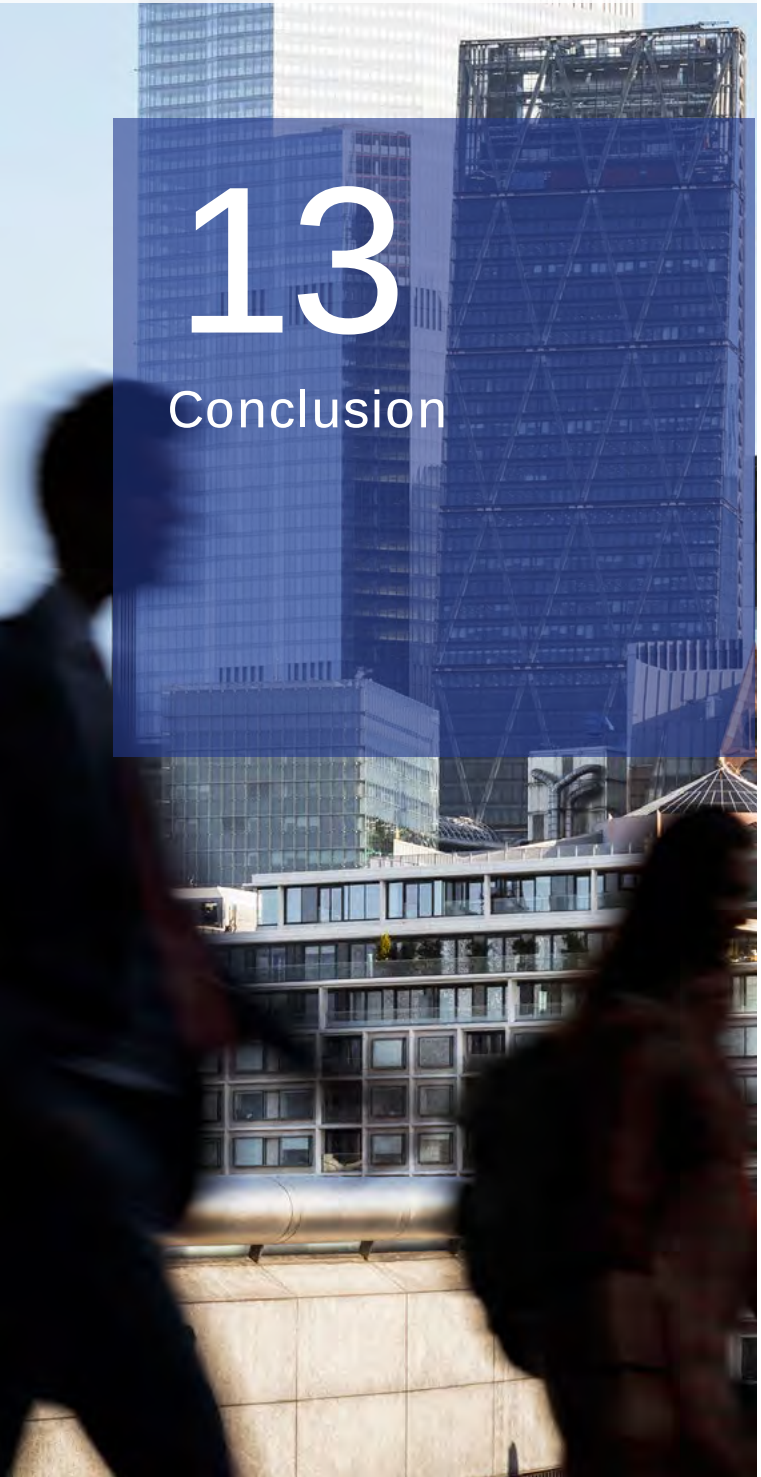
Source: Study participants. Results shown on an average by company basis.

Since the study participants providing data for each country vary, the TTR comparison between countries is not on a like-for-like basis. As noted earlier, the industry composition of the participants in each country also affects the TTR in that country.

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 lack of correlation between profits and profit taxes borne. This subject will be covered in more detail in the CbCR report,[41] to be released by the EBTF in Spring 2024.

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

41. 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

This is the fifth edition of the study, which covers the accounting periods ending in the year to 31 December 2022. This is the second full year of data since the COVID-19 pandemic emerged in early 2020. The study participants are the largest companies headquartered in Europe. They reported strong financial performance and paid an unprecedented amount of global and European taxes, both borne and collected. This shows their recovery from the pandemic and their significant contribution to the societies where they operate, despite the impact of geopolitical events on supply chains and prices throughout the year.

Tax transparency is now a crucial indicator for stakeholders to assess the impact companies have on the communities where they operate. As CSRD, pCbCR and new ESG standards are swiftly being adopted, the EBTF advocates for proactivity in adapting to this dynamic environment. It also recognises the educational role that MNCs can play for their various stakeholders and in this regard encourages a constructive and objective dialogue on how large companies can contribute to a sustainable future.

This study aims to provide reliable and evidence-based information on the global and European TTC of some of the largest companies with European headquarters. The study shows the importance of considering the full tax footprint of MNCs, including taxes related to people, product, planet, and property, rather than just CIT.

The study offers a comprehensive framework that enables MNCs to have an informed dialogue with governments and other stakeholders about their contribution to the societies in which they operate and about the need for targeted, effective and sustainable tax policy.

The EBTF warmly welcomes more MNCs to join the growing number of study participants. This will help to broaden the scope and findings of this study in the coming years.

In Spring 2024, the results of the third edition of the CbCR study ('Tax Transparency & Public Country-by-Country Reporting: a study of the largest companies headquartered in Europe') will also be published and made available on the EBTF's website.[42]

42. 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 Dutch association dedicated to raising the standard of the public tax debate. Its members are large EU/EFTA/UK-based multinational companies that are committed to advancing the EBTF's mission and include:

Accenture	Inter IKEA
AngloAmerican	The LEGO Group
BBVA	L'Oréal
Coca Cola Europacific Partners	Nestlé
Chanel	NXP Semiconductors
Enel	RELX
Fortum	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 multinational companies 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	142.8	16.2	159.0
People taxes	27.7	57.9	85.6
Product taxes	21.4	117.6	139.0
Property taxes	6.6	0.0	6.6
Planet taxes	2.3	39.7	42.0
Uncategorised taxes	34.9	38.5	73.4
Subtotal	**235.7**	**269.9**	**505.6**
Other payments to governments			36.2
Total	**235.7**	**269.9**	**541.8**

European figures (€bn)

	Taxes borne	Taxes collected	Total
Profit taxes	81.1	13.8	94.9
People taxes	19.2	35.0	54.2
Product taxes	11.1	42.2	53.3
Property taxes	4.3	0.0	4.3
Planet taxes	2.2	24.8	27.0
Uncategorised taxes	11.7	17.0	28.7
Subtotal	**129.6**	**132.8**	**262.4**
Other payments to governments			8.5
Total	**129.6**	**132.8**	**270.9**

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, 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.

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 – Territories for which TTC data has been received

Global

Afghanistan	Bulgaria	El Salvador	Guyana	Latvia	Myanmar	Reunion	Tanzania
Albania	Burkina Faso	Equatorial Guinea	Haiti	Lebanon	Namibia	Romania	Thailand
Algeria	Cambodia	Estonia	Honduras	Latvia	Nepal	Russia	Togo
Andorra	Cameroon	Eswatini	Hong Kong (R.O.C.)	Liberia	Netherlands	Rwanda	Trinidad and Tobago
Angola	Canada	Ethiopia	Hungary	Libya	New Caledonia	Saint Lucia	Tunisia
Argentina	Cayman Islands	Faroe Islands	Iceland	Liechtenstein	New Zealand	Samoa	Turkey
Armenia	Central African Republic	Fiji	India	Lithuania	Nicaragua	São Tomé and Príncipe	Uganda
Aruba	Chad	Finland	Indonesia	Luxembourg	Niger	Saudi Arabia	Ukraine
Australia	Chile	France	Iran	Macau (R.O.C.)	Nigeria	Senegal	United Arab Emirates
Austria	China	French Polynesia	Iraq	Madagascar	North Macedonia	Serbia	United Kingdom
Azerbaijan	Colombia	Gabon	Ireland	Malawi	Norway	Sierra Leone	United States of America
Bahamas	Cook Islands	Gambia	Isle of Man	Malaysia	Oman	Singapore	Uruguay
Bahrain	Costa Rica	Georgia	Israel	Mali	Pakistan	Slovakia	Uzbekistan
Bangladesh	Croatia	Germany	Italy	Malta	Palestine	Slovenia	Vanuatu
Barbados	Cuba	Ghana	Ivory Coast	Mauritania	Panama	Solomon Islands	Venezuela
Belarus	Curacao	Gibraltar	Jamaica	Mauritius	Papua New Guinea	South Africa	Vietnam
Belgium	Cyprus	Greece	Japan	Mayotte	Paraguay	South Korea	Yemen
Bermuda	Czech Republic	Greenland	Jersey	Mexico	Peru	Spain	Zambia
Bolivia	Democratic Republic of the Congo	Guadeloupe	Jordan	Moldova	Philippines	Sri Lanka	Zimbabwe
Bosnia and Herzegovina	Denmark	Guam	Kazakhstan	Monaco	Poland	Surinam	
Botswana	Dominican Republic	Guatemala	Kenya	Mongolia	Portugal	Sweden	
Brazil	East Timor	Guernsey	Kosovo	Montenegro	Puerto Rico	Switzerland	
British Virgin Islands	Ecuador	Guinea	Kuwait	Morocco	Qatar	Syria	
Brunei	Egypt	Guinea-Bissau	Laos	Mozambique	Republic of the Congo	Taiwan (R.O.C.)	

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 United Kingdom.

Appendix E – 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 of 25%
4. For every €1 of corporate income tax paid, another €1 of other business taxes are paid.

Items	€	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)	(10) (D)
Taxable profit	24	(E) = (C)+(D)
Statutory corporate income tax rate	25%	(F)
Corporate income tax	6	(G) = (E)*(F)
Total taxes borne	12	(H) = (B)+(G)
Total Tax Rate	30%	(I) = (H)/(A)

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 F – Index of abbreviations

Global

BEPS	Base Erosion and Profit Shifting	IFRS	International Financial Reporting Standards
CbCR	Country-by-country reporting	IMF	International Monetary Fund
CIT	Corporate income tax	ISSB	International Sustainability Standards Board
COP26	2021 United Nations Climate Change Conference	LAC	Latin America and the Caribbean
COVID-19	Coronavirus disease 2019	MNC	Multinational corporation
CSRD	Corporate Sustainability Reporting Directive	NFRD	Non-Financial Reporting Directive
CTR	Current Tax Rate	OECD	Organisation for Economic Co-operation and Development
EBTF	European Business Tax Forum	pCbCR	Public Country-by-Country Reporting
EFTA	European Free Trade Association	SASB	Sustainability Accounting Standards Board
ESG	Environmental, social and governance	SDS	Sustainability Disclosure Standards
ESRS	European Sustainability Reporting Standards	SEC	U.S. Securities and Exchange Commission
ETR	Effective Tax Rate	TTC	Total Tax Contribution
EU	European Union	TTR	Total Tax Rate
FY	Fiscal year	VAT	Value-added Tax
GloBE	Global Anti-Base Erosion	WEF	World Economic Forum
GDP	Gross Domestic Product		
GNI	Gross National Income		

Appendix G – Index of figures and tables