The Total Tax Contribution of UK-based financial and related professional services

Prepared by PwC, jointly commissioned by the City of London Corporation and TheCityUK

May 2024

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- Contribute to a flourishing society
- Support a thriving economy
- Shape outstanding environments

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About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK and internationally that drive competitiveness, support job creation and enable long-term economic growth. The industry contributes 12% of the UK's total economic output and employs over 2.4 million people – with two thirds of these jobs outside London across the country's regions and nations. It pays more corporation tax than any other sector and is the largest net exporting industry. The industry plays an important role in enabling the transition to net zero and driving economic growth across the wider economy through its provision of capital, investment, professional advice and insurance. It also makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and manage risk. **www.thecityuk.com**

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Disclaimer

This report presents an estimate of the Total Tax Contribution (TTC) made by the UK-based financial and related professional services industry as a whole.

The extrapolated figures are the result of a process that combines publicly available data from the Office for National Statistics (ONS), His Majesty's Revenue and Customs (HMRC), and detailed survey data obtained directly from study participants. In instances where the extrapolation presented a range of possible values, we have consistently opted for the lower end of the spectrum.

The figures presented in this report are not solely reliant on general economic indicators such as Gross Value Added (GVA) data, but are enriched by the direct collection of detailed total tax contribution data from 82 businesses. This primary data collection was conducted by PwC, ensuring that the extrapolated results are grounded in actual business contributions.

While the methodology employed is robust, it is important to acknowledge that any extrapolation involves certain assumptions and carries a margin of error. As such, the data should be interpreted with an understanding of these limitations. For further inquiries regarding the methodology and its application, please contact us at uk_pwc_total_tax_contribution@pwc.com.

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Foreword

Financial and related professional services are a vital engine of the UK economy. The industry is one of the UK's main exporters, a significant creator of jobs, and a key driver of prosperity right across the country. Crucially, the industry is also a major contributor to the public purse. In short, when the industry succeeds, the country succeeds. Amid global instability and subdued economic growth, understanding this contribution is vital.

It is against this backdrop that the City of London Corporation and TheCityUK have published our joint report highlighting the contribution made by the entire financial and related professional services industry to the UK's public finances. This builds on previous research our organisations have published that examined the separate tax contributions of the financial services sector and the related professional services sector.

Our new report shows that the industry's Total Tax Contribution (TTC) reached a record high of £110.2bn in 2023. At 12.3% of total UK tax receipts, this is more than the government's annual education budget, or more than half the health budget. The report finds that employment taxes were the single largest element of the industry's TTC: totalling £55.1bn, or half of the industry's TTC. This highlights the importance of the industry as a job creator and tax contributor as a consistent source of government income.

The TTC provides both a full understanding of the industry's role as a key enabler of UK economic growth, and can also help inform policy decisions. A good tax regime is not only about tax rates, but also about how tax policy is approached. Frequent, short-term changes to tax policies signal instability. Further, a complex policy landscape – particularly by comparison to competing international jurisdictions – will deter investors. A consistently competitive and stable tax regime will help propel long-term economic growth.

Creating an internationally competitive tax regime for financial and related professional services will enable the industry to contribute to boosting the UK's overall tax revenue. Critically, it will also help in contributing to delivering long-term UK economic growth.

We thank the participating companies for their continued involvement in this research. Their engagement enables us to publish data that would not otherwise be available in the public domain. Measuring the full profile of UK financial and related professional services' tax contributions will support both growth in the sector, and, just as importantly, underpin a vibrant and dynamic economy for all.

Chris Hayward
Policy Chairman
City of London Corporation

Miles Celic
Chief Executive Officer
TheCityUK

A summary of the Total Tax Contribution of UK-based financial and related professional services

The Total Tax Contribution of the financial and related professional services industry was

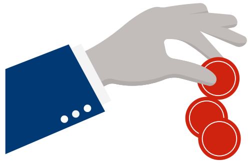
£110.2bn

in 2023.

Employment taxes were the largest element of the industry's Total Tax Contribution totalling

£55.1bn

or half of its overall total.



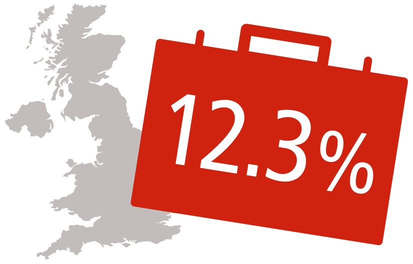
The financial services sector made a tax contribution of

£79.3bn

and the related professional services sector

£30.9bn

The industry's latest Total Tax Contribution was equivalent to 12.3% of total UK tax receipts, more than the UK government's annual education budget, or more than half the health budget.



Average tax paid per employee in financial and related professional services was

£30,500

compared to a national average of £11,866.

At £18.4bn, the financial services sector's corporation tax payments were the largest of any sector in the UK.

£18.4bn

Highlights

1 The estimated Total Tax Contribution (TTC) of the financial and related professional services industry was £110.2bn in 2023. This was the highest contribution since data has been recorded, both for the industry as a whole and for the financial services and related professional services sectors individually. This is equivalent to 12.3% of total UK tax receipts, which is more than the UK government's annual education budget, or more than half the health budget.

2 At 50.0% of the total, employment taxes are the largest component of the estimated TTC. The industry provides many highly skilled, high-wage jobs. Employment taxes were estimated to total £55.1bn, with an average tax paid per employee of £30,500. This compares to an estimated national average of £11,866.

3 According to HMRC data, the financial services sector, inclusive of the bank levy and bank surcharge, was the largest contributor to total UK corporation tax receipts, accounting for £18.4bn or 22% of total corporation tax receipts in the year to March 2023. The professional, scientific, and technical services sector, which includes legal, accounting, and management consulting, was the fourth largest contributor to UK corporation tax in the financial year 2022-2023.

4 The industry paid £48.3bn in taxes borne, which are taxes that affect businesses' profitability and competitiveness, such as corporation tax and employer taxes. The industry also paid £61.8bn in taxes collected, which are the taxes that businesses administer on behalf of the government, such as employee taxes and VAT.

For a complete list of defined terms used in this report, please see the Glossary in Appendix IV.

Introduction

This is the first-ever TTC study for the financial and related professional services industry,[1] conducted by PwC for the City of London Corporation and TheCityUK. The study gathers comprehensive data on all business taxes borne and collected by firms engaged in financial and related professional services. Official, publicly available tax data by industry exist mainly for corporation tax, but looking at all taxes is vital to enhance the understanding of the full contribution the industry makes to the broader economy. In particular, the analysis highlights the importance of jobs generated by the industry and the significant contribution it makes through employment taxes.[2]

[1] Analysis for the related professional services sector covers legal services and accounting services only; management consulting services, which is normally included in our definition of related professional services, was excluded owing to insufficient data availability for that sector.
[2] For more details on TTC methodology, survey participation and the TTC of participating companies, see the Appendices.

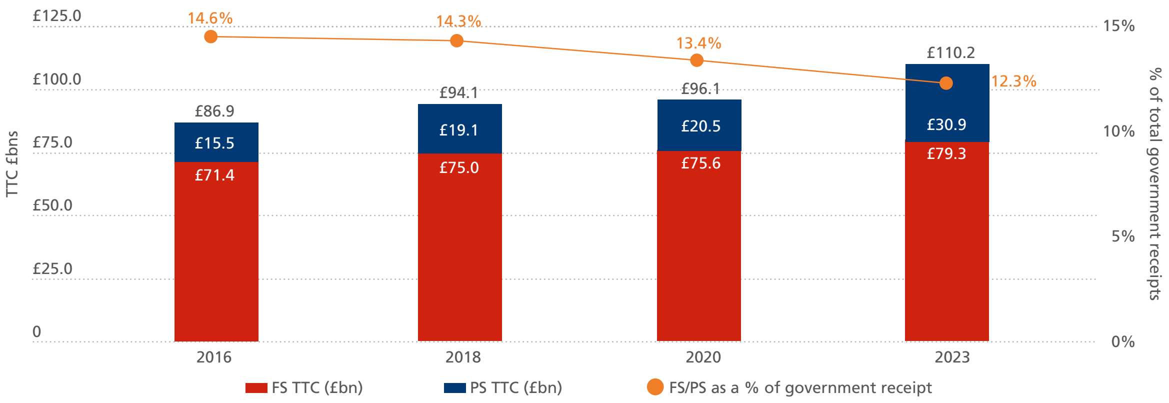
The Total Tax Contribution of the financial and related professional services industry

Highlights

- The 2023 TTC of the UK financial[3] and related professional services[4] industry was estimated to be £110.2bn, the highest on record, representing 12.3% of all government receipts. This contribution is large: more than the UK government's annual education budget, or more than half the health budget.[5]
- The estimated 2023 tax contribution of the industry increased by over a quarter in absolute terms (by £23.3bn) since 2016 – the first year that TTC reports were published for both sectors.
- The financial services sector made a tax contribution of £79.3bn, and the related professional service sector, £30.9bn. This represents the highest estimated tax contribution on record for both sectors individually.

Figure 1: Total Tax Contribution of the financial and related professional services industry, 2016 – 2023 (selected years)

Source: PwC analysis of estimated TTC and public OBR data



[3] Broadly refers to companies which undertake commercial activities in the banking, insurance, and asset and wealth management industries.
[4] Broadly refers to companies and firms which undertake commercial activities in the accounting, legal, and management consultancy industries. For the purposes of this report, the extrapolated figures only include the legal and accounting industries.
[5] According to data from HM Treasury, the UK government budgetted £77bn for education and £173.9bn for health in the 2022/23 fiscal year. For detail, see HM Treasury, 'Spring Budget 2023', pg 33, available at: https://assets.publishing.service.gov.uk/media/6419c87d8fa8f547c267efca/Web_accessible_Budget_2023.pdf

We estimate that the overall TTC of the financial and related professional services industry is £110.2bn, representing 12.3% of total government tax receipts for the year ending 31 March 2023. This is the highest estimated TTC for the industry on record.

Looking at the TTC over time (Figure 1), the analysis shows that there has been an absolute increase in TTC of over a quarter (by £23.3bn) between 2016 and 2023. The financial services sector is estimated to have made a tax contribution of £79.3bn, and the related professional service sector a contribution of £30.9bn. This represents the highest estimated TTC on record for both sectors individually.

The decline from 14.6% of total government receipts in 2016 to 12.3% in 2023 is therefore not indicative of a reduction in the sectors' tax contribution. The decrease in percentage share is primarily due to the overall growth in government receipts, which has outpaced the growth in tax contributions from the financial and related professional services industry.

This pattern suggests that other areas of the economy are contributing to the government's receipts at a higher rate, relative to the overall tax contribution, than the financial and related professional services industry. For example, corporation tax receipts from the mining and quarrying industry increased by around 480% from £2.2bn to £10.6bn between 2022 and 2023 owing to higher commodity prices. The implementation of windfall taxes, such as the energy profits levy, was also a significant driver behind this increase, resulting in higher corporation tax receipts from oil and gas companies over the same period.

Employment taxes have also contributed to the broader increase in total revenues. Post-pandemic hiring surges and nominal wage increases to keep pace with inflation have resulted in higher employment taxes. This has been compounded by the freeze to the personal allowance which took effect from the fiscal year 2021/22. Income tax deducted under PAYE and national insurance contributions have increased by 26.8% and 23.6% respectively since March 2021, representing an absolute increase of £78.5bn in employment tax receipts.[6]

[6] OBR Economic and fiscal outlook – supplementary fiscal tables: receipts and other between March 2021 and March 2023.

In addition, other factors such as the Covid-19 pandemic, along with increased commodity prices and supply chain costs, which have fuelled inflation and raised the cost of living, have expanded the tax base for product taxes such as VAT and customs duties. For example, UK government receipts from VAT have increased from £102bn to £160bn since March 2021, representing a 57% increase.[7]

Figure 2: Total Tax Contribution as a percentage of total UK tax receipts, 2023

Source: PwC analysis using survey, HMRC, and OBR data. Figures may not sum due to rounding.

	Extrapolated data			% of total government receipts
	UK financial services sector £bn	UK related professional services sector[8] £bn	Total £bn	
Corporation tax	13.5	0.7	14.2	
Bank surcharge	2.6	0.0	2.6	
Bank levy	1.3	0.0	1.3	
Partner taxes	0.0	6.4	6.4	
Employment taxes borne	10.8	4.2	15.0	
Irrecoverable VAT	5.6	0.0	5.6	
Other taxes borne	2.3	0.9	3.2	
Total taxes borne	**36.1**	**12.2**	**48.3**	**5.4%**
Employment taxes collected	27.2	12.9	40.1	
Tax deducted at source	4.7	0.0	4.7	
Other taxes collected	11.2	5.8	17.0	
Total taxes collected	**43.2**	**18.7**	**61.8**	**6.9%**
Total Tax Contribution	**79.3**	**30.9**	**110.2**	**12.3%**

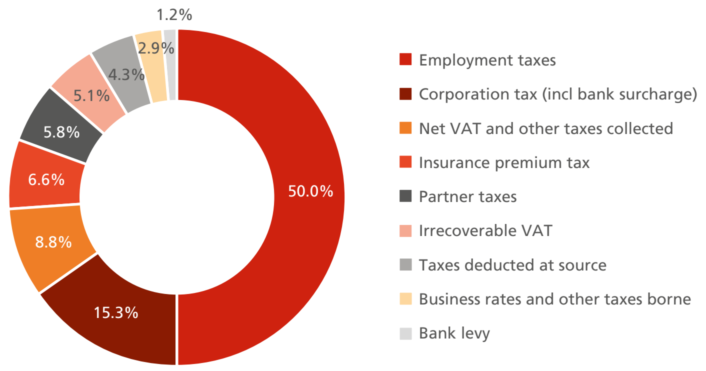
[7] OBR economic and fiscal outlook – supplementary fiscal tables: receipts and other between March 2021 and March 2023.
[8] Extrapolated from survey data using publicly available data for the legal and accounting sectors.

Figure 2 shows the full breakdown of the estimated TTC for the financial and related professional services industry, split between taxes borne (£48.3bn)[9] and taxes collected (£61,8bn).[10]

Figure 3 depicts the profile of the TTC for the financial and related professional services industry by different types of tax. We find that employment taxes make up the largest share, representing 50% of the industry's TTC. Corporation tax is the second largest element at 15.3%. Net VAT and other taxes collected (8.8%) and insurance premium tax (6.6%) make up the third and fourth largest elements, respectively. Partner taxes[11] (5.8%), irrecoverable VAT (5.1%), taxes deducted at source (4.3%), business rates and other taxes borne (2.9%), and bank levy (1.2%) make up the remainder of the TTC profile.

Figure 3: Key components of the TTC for the financial and related professional services industry

Source: PwC analysis based on extrapolated figures.



[9] Taxes which are a cost to businesses and directly affect the profit and loss account. They include corporation tax (including bank surcharge, employer's national insurance contributions (NICs), irrecoverable VAT, bank levy and business rates).
[10] Taxes which include employee income tax and national insurance contributions administered through payroll, and VAT charged to customers. Typically these taxes are collected from third parties by businesses and paid over to the government. Taxes collected are generated by business activity and are part of its indirect contribution to tax revenues.
[11] Many firms in the professional services sector are structured as limited liability partnerships (LLPs) and the income and national insurance contributions paid by partners in relation to the profits of their firms are referred to as partner taxes in this report. They are included within taxes borne.

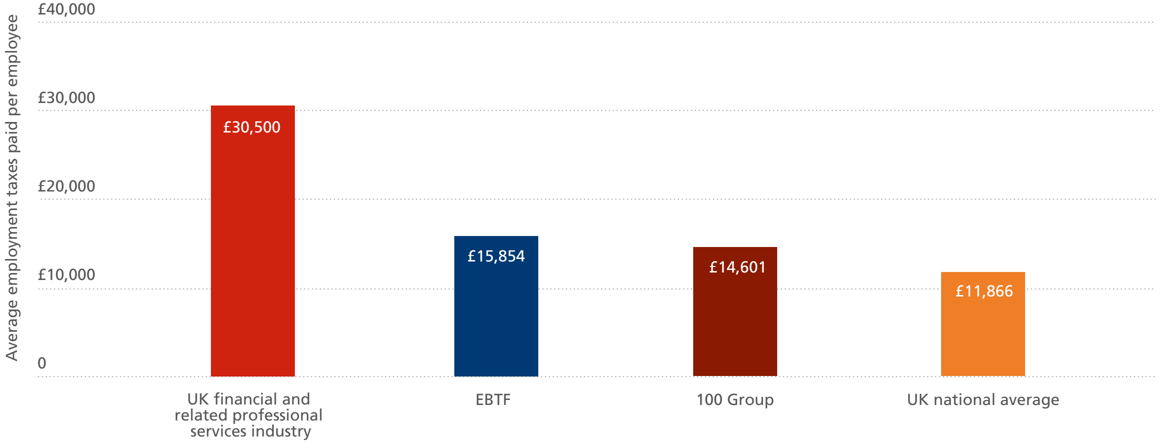
Employment taxes

Highlights

- At £55.1bn, employment taxes are the largest part of the estimated TTC for the financial and related professional services industry. This represents 14.0% of all employment tax received by the UK government in the year to 31 March 2023.
- The average employment taxes[12] generated per employee across the financial and related professional services industry in the UK was estimated to be around £30,500, reflecting a highly skilled, high-wage workforce. This compares to an estimated national average of £11,866. The average (mean) gross annual pay for workers in the financial and related professional services sector in 2023 was £59,606, compared with £35,404 for workers across the economy as a whole.[13]

Figure 4: Average employment taxes paid per employee for the financial and related professional services industry versus comparable benchmarks

Source: PwC analysis of extrapolated and public data. Data taken from the ONS and OBR to estimate the national average.
Notes: 100 Group refers to the average employment taxes paid per employee as reported by the largest companies in the UK.
European Business Tax Forum (EBTF) refers to the average employment taxes paid per employee as reported by the largest EU-headquartered companies.



[12] Employment taxes are both borne and collected by companies in the financial and related professional services sectors. Taxes borne include employer's NIC, apprenticeship levy and PAYE settlement agreements (a tax on benefits provided by the company) and have a direct impact on the net profitability of the business. Companies are also responsible for administering and collecting employment taxes on behalf of the government, these include employees' NIC and income tax deducted under PAYE.

Employment in the professional and financial services industry

The financial and related professional services industry is dependent upon, and employs, highly skilled workers. Combined, the sectors have over 2.4 million people in employment, which represents 7.5% of the total UK workforce.[14] This figure has remained relatively stable in recent years, reflecting the resilience of financial services in the UK during periods of economic uncertainty for the sector and more recent disruption from the Covid-19 pandemic. Robust employment levels and good quality jobs are an important way in which the sectors contribute to the UK economy.

At £55.1bn, employment taxes are the largest part of the estimated TTC for the financial and related professional services industry. This represents 14.0% of all employment tax received by the UK government in the year to 31 March 2023.

Figure 4 shows that the average employment taxes paid per employee for the financial and related professional services industry was around £30,500.[15] This is higher than the estimated national average of £11,866, as well as the average paid by the largest UK and EU-headquartered companies.[16] This reflects a highly skilled, high-wage workforce across the UK financial and related professional services industry. The average (mean) gross annual pay for workers in the financial and related professional services sector in 2023 was £59,606, compared with £35,404 for workers across the economy as a whole.[17]

[13] TheCityUK and the City of London Corporation calculations.
[14] TheCityUK, 'Key facts about UK-based financial and related professional services 2024', available at: https://www.thecityuk.com/our-work/key-facts-about-uk-based-financial-and-related-professional-services-2024/ and City of London Corporation, 'City Statistics Briefing', available at: https://www.cityoflondon.gov.uk/supporting-businesses/economic-research/research-publications/city-statistics-briefing
[15] Average employment taxes paid per employee is calculated using ONS data for the total number of employees in the financial, legal, and accounting sectors, which, for 2022, totalled to 1.8m. PwC analysis for the extrapolated employment taxes figure, covering the same sectors, totalled to £55.1bn in the year to March 2023.
[16] Average employment taxes paid per employee taken from the 2023 Total Tax Contribution surveys for the 100 Group and European Business Tax Forum (EBTF), representing the largest UK and EU-headquartered companies, respectively.
[17] TheCityUK and the City of London Corporation calculations based on Office for National Statistics Annual Survey of Hours and Earnings.

Corporation tax

Highlights

- According to HMRC data, financial services was the largest contributor to corporation tax receipts in the UK. The sector's overall contribution, inclusive of the bank levy and bank surcharge, totalled £18.4bn in the year to March 2023.
- The professional, scientific and technical services sector, which includes professional services related to financial services such as legal, accounting, and management consultancy, was the fourth largest contributor, paying a total of £7.6bn in the year to March 2023.

Figure 5: Corporation tax receipts, 2022 – 2023

Source: HMRC Corporation Tax statistics

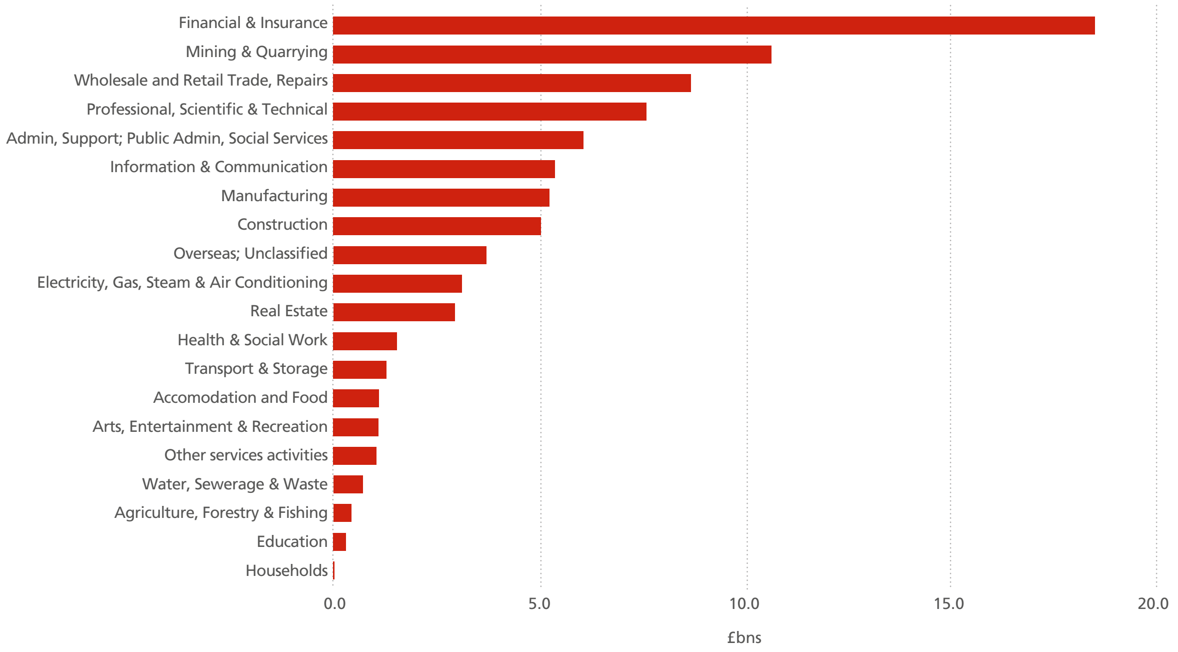


Figure 5 shows that, according to HMRC data, the financial services sector, inclusive of the bank levy and bank surcharge, was the largest contributor to total UK corporation tax receipts, accounting for £18.4bn[18] or 22% of total receipts in the financial year 2022 to 2023.[19] The professional, scientific, and technical services sector, which includes legal, accounting and management consulting services, was the fourth largest contributor at £7.6bn, or 9% of total corporation tax receipts. This reflects the economic importance of these sectors to the UK economy.

[18] The bank levy was introduced in 2011 and is charged on the short and long term equity and liabilities on banks' balance sheets. The rate of the levy increased each year between 2011 and 2015, and began decreasing from 2016 until 2021. The current rate of bank levy on short term equity and liabilities is 0.100%, and is 0.050% for long term equity and liabilities. Introduced in January 2016, the bank surcharge is a charge of 8% on the profits of banks, payable in addition to corporation tax. From 1 April 2023, the surcharge was lowered from 8% to 3% following the corresponding increase in the headline rate of corporation tax from 19% to 25%. The charge is levied on taxable group profits that exceed a threshold of £25 million. Banks in scope of the surcharge are subject to an overall headline corporation tax rate of 28%. In addition to these, residential property development tax, energy profits levy, and both onshore and offshore corporation tax are all included in HMRC's figure.

[19] This study's estimates of corporation tax receipts differ from HMRC data due to the exclusion of offshore corporation tax in the extrapolation calculations.

Taxes borne versus taxes collected

Highlights

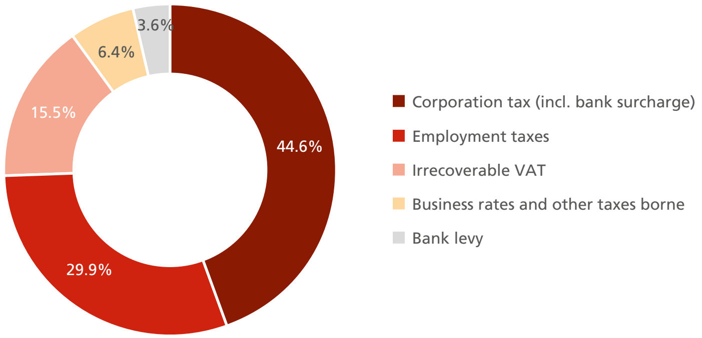
- The TTC for the industry of £110.2bn is comprised of £48.3bn in taxes borne and £61.8bn in taxes collected.
- Taxes borne amounted to £36.1bn for financial services and £12.2bn for related professional services, while taxes collected were £43.2bn and £18.7bn for each sector, respectively.

The profile of taxes borne

Figure 6 shows the taxes borne for the financial services sector, which amounted to £36.1bn. Corporation tax (including the levy and bank surcharge) is the largest tax borne, accounting for 44.6% of total taxes borne. Employment taxes, comprising employer's NIC, PSA (PAYE Settlement Agreements, a tax on benefits provided by the company) and net apprenticeship levy, account for the second largest share of taxes borne, at 29.9%. Irrecoverable VAT makes up the third largest element at 15.5%. Business rates and other taxes borne (6.4%) and the bank levy (3.6%) make up the remainder.

Figure 6: Components of taxes borne for the financial services sector

Source: PwC analysis based on extrapolated figures.

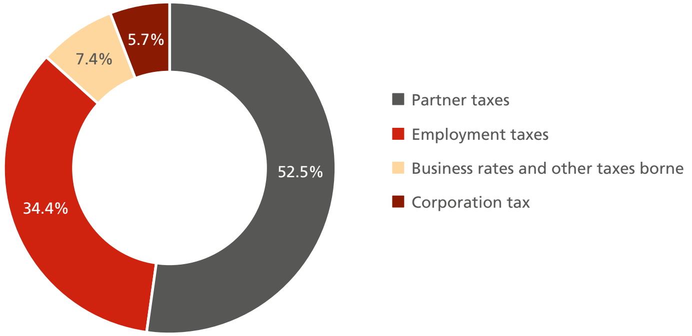


'Sector-specific' taxes,[20] such as the bank levy and irrecoverable VAT, are a significant element of the taxes borne profile of financial service companies, accounting for 19.1% of taxes borne. These taxes represent a fixed cost for the sector and are not dependent on profits which can be volatile – especially during periods of economic downturn. Irrecoverable VAT is the most significant sector tax because financial services offered by the insurance, banking, and asset and wealth management industries are often VAT exempt. This means VAT is not charged to customers and companies are unable to recover their input VAT.[21]

In the case of related professional services, taxes borne totalled to £12.2bn. The profile of taxes borne for the sector shows that income tax and national insurance paid by partners in relation to the profits of their firms ('partner taxes') were the largest tax borne, making up 52.5% of the total. Employment taxes represent the second largest proportion, at 34.4%, with business rates and other taxes borne (7.4%) and corporation tax (5.7%) making up the remainder.

Figure 7: Components of taxes borne for the related professional services sector

Source: PwC analysis based on extrapolated figures.



[20] Refers to taxes which are levied on a particular sector of the economy such as the bank levy or bank surcharge. It can also refer to taxes which have a sector-specific impact such as irrecoverable VAT.

[21] PwC's analysis of the Total Tax Contribution of the UK *banking* and *insurance* sectors for 2022 found irrecoverable VAT made up 22.8% and 25.8% of the taxes borne profile for survey participants, respectively.

The profile of taxes collected

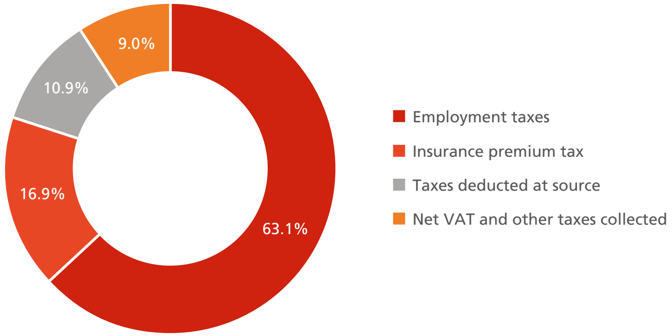
Taxes collected are those that are generated by a company's operations. Companies are responsible for administering these taxes on behalf of the government and collecting them from others (i.e. payroll taxes from employees and VAT from customers). They therefore bear the associated administration and compliance costs, even though these taxes do not represent a direct cost for companies.

In contrast to taxes borne, taxes collected can be used as a measure of the wider, indirect economic contribution of the financial and related professional services industry. Figure 8 shows the profile of taxes collected for the financial services sector, which amounted to £43.2bn.

Employment taxes (income tax deducted under PAYE and employee NIC) are the largest element, representing 63.1% of total taxes collected. The second largest proportion is insurance premium tax (IPT), accounting for 16.9%. IPT is a tax collected by general insurance companies on insurance premiums.

Figure 8: Components of taxes collected for the financial services sector

Source: PwC analysis based on extrapolated figures. Figures may not sum due to rounding.

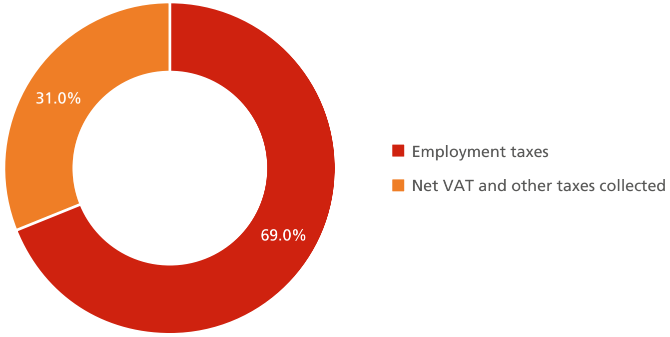


Taxes deducted at source (10.9%) reflect the significant tax payments made by life insurers on annuities payments,[22] as well as the tax withholding made by banks on payouts relating to payment protection insurance (PPI) claims.[23] Net VAT and other taxes collected (9.0%) make up the remainder.

Figure 9 shows the profile of taxes collected for the related professional services sector, which totalled to £18.7bn. Employment taxes are the largest component at 69.0%, while net VAT accounts for the remainder, at 31.0%. The high proportion of net VAT for the related professional services sector reflects the industry's business model, in which nearly all outputs are taxable but with little input VAT since the majority of costs relate to people costs which are not subject to VAT.

Figure 9: Components of taxes collected for the related professional services sector

Source: PwC analysis based on extrapolated figures.



[22] PwC analysis of the Total Tax Contribution of the *UK insurance sector*.
[23] PwC analysis of the Total Tax Contribution of the *UK banking sector*.

Conclusion

The financial and related professional services industry is at the heart of the UK economy. This research has shown that it makes a significant contribution of an estimated £110.2bn to the UK public finances. This is the highest estimated tax contribution for the industry in the history of our TTC studies. The study has also shown that the industry's contribution through jobs and employment taxes in particular is a significant and consistent source of tax receipts for the government.

The economic importance of the industry is also shown through its corporation tax payments. HMRC data show that the financial services sector, inclusive of the bank levy and bank surcharge, contributed £18.4bn to UK corporation tax receipts in the year to March 2023, the largest contributor of any sector in the UK. The financial and related professional services industry also pays other taxes beyond corporation tax, but these often receive less visibility.

The UK's competitiveness will be enhanced by a focus on supporting economic growth, and attracting the investment needed to facilitate this. The financial and related professional services industry will continue to have a core role to play in supporting long-term economic growth by facilitating investment, as well as through its direct contribution to employment and the public finances.

Appendices

Appendix I – Methodology

The study uses PwC's TTC methodology, which encompasses various taxes paid and managed by firms, such as corporation tax, employment taxes, partners' income tax, VAT, and others. It evaluates both the total taxes borne by these firms and those they administer on behalf of the government.

This framework, established over 19 years ago and utilised globally, provides insights not typically disclosed in financial reports. PwC has aggregated and anonymised data from professional and financial firms to produce study results, which have not been verified or audited for accuracy. References to data from the UK government and HMRC are clearly indicated.

This marks the first study utilising the TTC methodology for the financial and related professional services industry, providing a comprehensive measure of cash taxes paid to the UK public finances, excluding payments to other tax authorities.

Appendix II – Survey participation

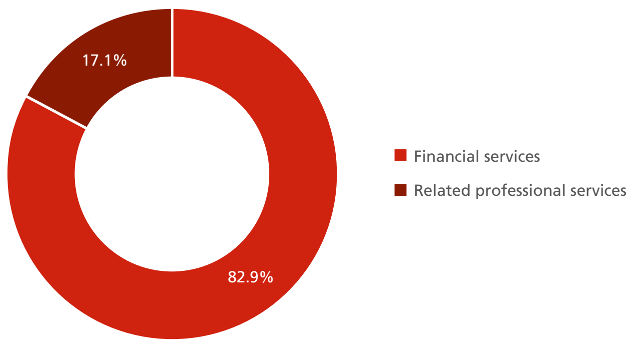
Eighty-two firms participated in this study, providing data on taxes borne and collected for their accounting period ending in the year to 31 March 2023. For most study participants, as they operate on a calendar year basis, the period was the year ended 31 December 2022.

Although two management consultancy firms participated in the survey, the sample was deemed too small to use in the extrapolations to produce estimates of related professional services included in the main report. In other words, while the extrapolations exclude management consultancy, the sector is included in this section describing survey participants as well as in Appendix III, which looks at survey results.

Figure 10 shows that 68 (82.9%) companies participating in the study operate in financial services and 14 (17.1%) in the related professional services sector. Using the number of employees as the measure of coverage, this represents 45.7% of the financial services sector and 9.4% of the professional services sector[24] in the UK. For the estimates produced in the main report, which exclude management consultancy, employee coverage of the professional services sector amounts to 13.5%.

Figure 10: Survey participation by sector

Source: Survey analysis

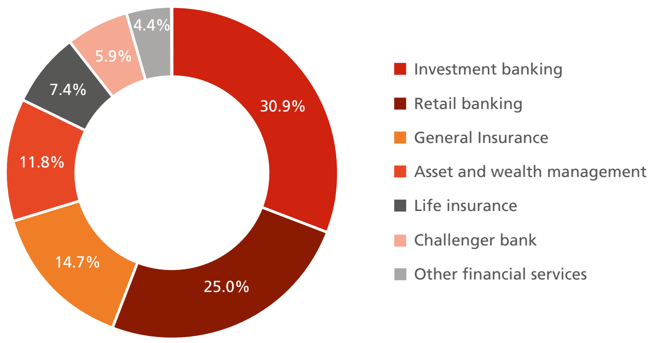


[24] Calculated by taking the total number of employees as provided by study participants as a proportion of the ONS Business Register and Employment Survey SIC codes: 64.1 (banking), 65.1, 65.2, 65.3, 66.2 (insurance), 66.3 (fund management), 64.2, 64.3, 64.9, 66.1 (other financial services), 69.2 (accountancy), 70.2, (management consultancy), and 69.1 (legal services).

Survey participants in the financial services sector included companies from a broad range of industries (Figure 11). This included banking (investment, retail, and challenger), insurance (life and general) as well as companies from the asset and wealth management industry.

Figure 11: Survey participation by industry for financial services

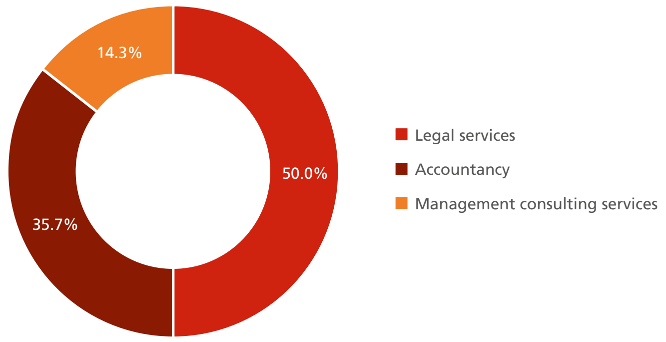
Source: Survey analysis



Survey participants in the professional services sector were largely accounting and legal firms, which made up over 85% of participating companies (Figure 12).

Figure 12: Survey participation by industry for related professional services

Source: Survey analysis



Appendix III – The TTC of the study participants

Taxes borne and collected by participating companies

Figures 13 and 14 show the results from the 82 companies that provided data for this study, with a focus on the profile of taxes borne, taxes collected, and TTC for both sectors. (The data are supplementary to the data featured in the main report because the extrapolated, industry-wide data presented in the main report did not include the management consultancy sector owing to a low survey response rate for that sector.)

Figure 13 shows the proportion of taxes borne and taxes collected as a percentage of TTC. For study participants, taxes borne make up 48.6% of TTC in the financial services sector and 39.0% for the related professional services sector. In the 100 Group study,[25] in which PwC surveyed the largest companies in the UK, taxes borne account for 32.4% of the TTC figure. This shows that the taxes borne by the financial and related professional services industry are significantly higher than other sectors in the UK, reflecting the importance of 'sector taxes'[26] such as the bank levy, bank surcharge and irrecoverable VAT for financial services, as well as partner taxes[27] for the related professional services sector.

[25] 2023 Total Tax Contribution study for the 100 Group.

[26] Refer to taxes which are levied on a particular sector of the economy such as the bank levy or bank surcharge. It can also refer to taxes which have a sector-specific impact such as irrecoverable VAT.

[27] Many firms in the professional services sector are structured as limited liability partnerships (LLPs) and the income and national insurance contributions paid by partners in relation to the profits of their firms are referred to as partner taxes in this report. They are included within taxes borne.

Figure 13: **TTC profile for the financial and related professional services sectors and 100 Group**

Source: PwC analysis of survey data on an overall basis and publicly available data from the Total Tax Contribution of the 100 Group.

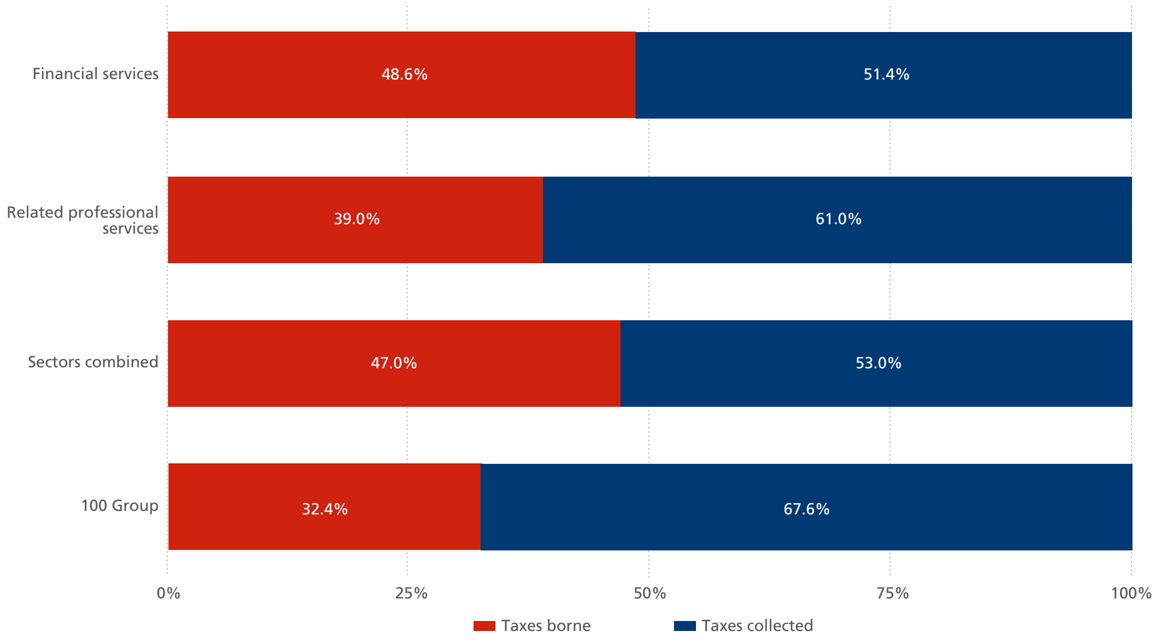


Figure 14: Taxes borne and collected by participating companies

Source: PwC survey

Taxes borne	Financial services	Professional services	Total 2023
Taxes on profit (profit taxes)			
Corporation tax (incl bank surcharge)	£8,252,959,946	£132,876,379	£8,385,836,325
Partner taxes	–	£1,993,699,745	£1,993,699,745
Taxes on property (property taxes)			
Business rates	£622,859,997	£122,215,847	£745,075,844
Bank levy	£1,059,684,927	–	£1,059,684,927
Stamp duty land tax	£99,016,785	–	£99,016,785
Stamp duty reserve tax	£104,116,835	£1,143,000	£105,259,835
Taxes on employment (people taxes)			
PSA (taxes on benefits)	£63,365,743	£35,795,146	£99,160,889
Employer NIC	£4,721,002,823	£963,224,218	£5,684,227,041
Net apprenticeship levy	£203,943,791	£12,799,104	£216,742,895
Taxes on consumption (product taxes)			
Irrecoverable VAT	£4,829,710,828	£6,004,014	£4,835,714,842
Insurance premium tax	£22,029,965	£8,651,335	£30,681,300
Air passenger duty	£22,031,731	£3,168,090	£25,199,821
Other	£48,922,967	–	£48,922,967
Environmental taxes (planet taxes)			
Climate change levy	£8,454,129	£1,169,520	£9,623,649
Other	£389,194	£90,950	£480,144
Uncategorised taxes		£30,720,276	£30,720,276
Total	**£20,058,489,661**	**£3,311,557,624**	**£23,370,047,285**

Taxes collected	Financial services	Professional services	Total 2023
Taxes on profits (profit taxes)			
Tax deducted at source	£3,761,885,858	–	£3,761,885,858
Taxes on property (property taxes)			
Stamp duty reserve tax	£1,438,421,453	–	£1,438,421,453
Taxes on employment (people taxes)			
Income tax deducted under PAYE	£10,960,727,745	£2,144,908,736	£13,105,636,481
Employee NIC	£2,296,751,393	£525,084,597	£2,821,835,990
Taxes on consumption (product taxes)			
Net VAT	£396,255,949	£2,468,993,743	£2,865,249,692
Insurance premium tax	£2,354,529,553	£2,349,285	£2,356,878,838
Uncategorised taxes	–	£1,200,000	£1,200,000
Total	**£21,208,571,951**	**£5,142,536,361**	**£26,351,108,312**

Appendix IV – Glossary

Taxes borne include:

Bank surcharge	The bank corporation tax surcharge is levied on profits of banking companies in accounting periods beginning on or after 1 January 2016. It imposed a surcharge of 8% (falling to 3% from 1 April 2023) on the profits of banking companies. The bank surcharge is payable in addition to corporation tax. The charge is levied on taxable group profits that exceed a threshold of £25 million. Banks in scope of the surcharge are subject to an overall headline corporation tax rate of 28%.
Bank levy	The bank levy has effect in relation to periods of account ending on or after 1 January 2011. Payment of the levy is through the corporation tax quarterly instalment payments. It was designed to encourage banks and building societies to adopt less risky funding profiles. It is charged as a percentage of total chargeable equity and liabilities, with a higher rate applying to short-term (and therefore higher risk) equity and liabilities than to long-term equity and liabilities. The rate of the levy increased each year between 2011 and 2015, and began decreasing from 2016 until 2021. The current rate of bank levy on short term equity and liabilities is 0.100%, and is 0.050% for long term equity and liabilities.
Irrecoverable VAT	When a business supplies goods and services to its customers it generally charges VAT, and offsets against this any VAT it has incurred on purchases used to run the business (input VAT). Where the services offered by a company are VAT exempt, VAT is not charged to customers. This is the case for many financial services activities, so these companies cannot recover their input VAT, leading to irrecoverable VAT.
Apprenticeship levy	This was introduced in 2017 and is a levy on UK employers with annual pay bills in excess of £3m, at 0.5% of the annual pay bill. The revenue from the apprenticeship levy is intended to fund new apprenticeships, and the amounts claimed by participants to pay for apprenticeship training is also captured by the TTC framework. Net apprenticeship levy is the amount of levy paid less the amount of the levy used to fund apprenticeships.

Taxes collected include:

Tax deducted at source	Tax is deducted at source on certain payments made by financial services companies and paid to HMRC. Tax is deducted at source from: – royalty payments – interest paid to companies in some circumstances – PAYE deducted by insurance companies that administer pension funds – property income distributions made by real estate companies.
Insurance premium tax (IPT)	Insurance Premium Tax is imposed on general insurance contracts, with specific exemptions, such as life insurance and certain types of long-term insurance. IPT is collected by insurance underwriters on behalf of HMRC or by intermediaries acting on behalf of these underwriters. IPT is considered a tax collected under the TTC framework.
Net VAT	Companies account for VAT on their value added – that is, output VAT charged on the services sold by financial services companies (where these aren't exempt services) less input VAT. Net VAT is treated as a tax collected.
PAYE settlement agreements (PSA)	A PAYE settlement agreement enables employers to make a single annual payment to HMRC to settle all tax and NIC due on certain expenses and benefits provided to employees.

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