

Total Tax Contribution

PricewaterhouseCoopers
and the Federation of Enterprises in Belgium
2007 Survey



The firms of the PricewaterhouseCoopers global network (www.pwc.com) provide industry-focused assurance, tax and advisory services to build public trust and enhance value for clients and their stakeholders. More than 146,000 people in 150 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

© 2008 PricewaterhouseCoopers. In the context of this document, PricewaterhouseCoopers (or PricewaterhouseCoopers Belgium) refers to one or more of the various legal entities that, in Belgium, use the name PricewaterhouseCoopers in their operations and that are a Belgian member of the network of member firms of PricewaterhouseCoopers International Limited. Each of these legal entities and member firms is a separate and independent legal entity.

Contents

1	Executive summary	▶ 2
2	Introduction	▶ 6
3	Changing environment	▶ 8
4	Methodology: the PricewaterhouseCoopers Total Tax Contribution Framework	▶ 10
5	The 2007 survey	▶ 16
6	Participation and provision of data	▶ 20
7	Survey results	▶ 24
8	The picture for individual participants	▶ 32
9	International comparison	▶ 36
10	Future developments and use of the survey	▶ 42

Appendix

1	FEB invitation to participate in 2007 Survey	▶ 46
2	Related PricewaterhouseCoopers publications	▶ 47
3	PwC and FEB contact details	▶ 48

March 2008

1

Executive summary

Introduction

- ▶ The purpose of the Total Tax Contribution survey is to gather data on all of the business taxes borne and collected in Belgium to provide a more comprehensive picture of what companies contribute in taxes.
- ▶ Currently there is a lack of transparency and of understanding of what other business taxes companies are subject to and how much is actually being paid.
- ▶ The survey will also help support constructive dialogue between government and interested stakeholders regarding the shape and competitiveness of the Belgian tax system, now and in the future.
- ▶ Total Tax Contribution surveys of large businesses are also underway or planned in a number of other countries.
- ▶ PricewaterhouseCoopers (PwC) welcomes input from the business community as to which aspects of the survey results it would be useful to compare across countries.

Changing Environment

- ▶ Companies' corporate tax planning activities are coming under increasing scrutiny and wider groups of stakeholders are becoming more interested in companies' tax payments.
 - ▶ Companies are increasingly being asked to make ethical choices when making tax planning decisions, and tax is now firmly on the agenda of the corporate social responsibility movement.
- ▶ It is suggested that optimised corporate tax planning, by companies can lead them not paying their fair share in taxes and therefore other, and by implication poorer, sections of society have to pay more.
 - ▶ What has been missing until now is a robust, standard method of calculating the total tax contribution made by business which can be used for reporting, benchmarking and trend analysis, as well as for improved tax management and coordinated decision making.

Methodology:

the PricewaterhouseCoopers Total Tax Contribution Framework

- ▶ The PwC Total Tax Contribution Framework was initially developed in 2005 with the help and support of several large companies and various other interested stakeholders. It provides a standardised approach to quantifying a company's overall tax contribution by looking at all direct and indirect taxes and other payments to governments.
- ▶ In a PwC poll of the views of the European Forum for Tax Directors carried out in October 2006, 77% said that they know or would like to know what their Total Tax Contribution is. 97% of them said that they needed to have a tax strategy agreed with all key stakeholders and 85% of respondents indicated that specific tax strategy decisions were made taking into account the needs of a broad range of internal and external stakeholders.

- ▶ The PwC Total Tax Contribution Framework enables companies to measure and report on all the taxes borne and collected.
- ▶ It is a straightforward, non-technical concept and relatively easy to understand for stakeholders.
- ▶ A tax is defined as a mandatory payment to government (central or local) to fund public expenditure, and for which there is no specific return of value.
- ▶ The PwC Total Tax Contribution framework makes a distinction between business taxes borne by the company itself and incurred as a cost (the company's own contribution in taxes), and business taxes collected by the company on behalf of government.
- ▶ The framework has been discussed worldwide with a wide variety of stakeholders and is recognised as a robust measure of the total tax contribution of business.
- ▶ Total Tax Contribution provides a framework for companies to better communicate about their tax contribution to external stakeholders.

The 2007 Survey

- ▶ The sample of companies to survey was defined by the Federation of Enterprises in Belgium in cooperation with PwC, based on the top ten companies from the major industry sectors.
- ▶ The turnover of the company and number of employees were used as the selection criteria within each industry.
- ▶ Each company that participated was asked to complete an electronic questionnaire designed by PwC regarding all business taxes borne and collected by the company during its accounting period ending in the year from 1 January 2006 to 31 December 2006.
- ▶ The data has been rendered anonymous and aggregated to produce the survey results.
- ▶ The questionnaire covers 63 business taxes borne by companies in Belgium and 32 taxes that are collected by companies on behalf of the government.

- ▶ Taking the number of taxes borne and collected together shows a significant number of taxes and demonstrates the significant complexity and a heavy compliance burden on business in Belgium.

Participation and Provision of Data

- ▶ A sample of companies operating in Belgium was invited by the Federation of Enterprises in Belgium to participate in the survey. 61 companies completed the questionnaire.
- ▶ The participating companies represent all major industry sectors and altogether employ around 100.000 employees in Belgium. Their total turnover in 2006 amounted to EUR 90,5 billion. 14 companies are quoted on the Euronext Stock Exchange, 10 companies are members of the BEL20 or part of a corporate group that is a member of the BEL 20, and 35 companies are part of publicly quoted groups.
- ▶ This indicates a very strong interest among the business community to take part in the survey.
- ▶ On average participants reported 10,07 taxes borne and 5,54 taxes collected, which indicates a significant compliance burden.

Survey Results

- ▶ In the 2007 survey, participants reported corporate tax paid of EUR 1.485.539.000 which is almost 13% of government corporate tax receipts.
- ▶ Given that participants paid EUR 1.873.698.000 of other business taxes, for every EUR 1 of corporate tax paid, they pay another EUR 1,26 in other business taxes.
- ▶ The most significant other business tax borne is employer social security contributions.

- ▶ Taxes collected by survey participants totalled EUR 7.004.307.000, some 8% of total government tax receipts.
- ▶ The results also show that for every EUR 1 of corporate tax paid by survey participants, they collect another EUR 4,70 in taxes.
- ▶ The various taxes collected are 2,08 times greater than taxes borne.
- ▶ The largest tax in absolute value collected by the survey participants is VAT (EUR 2.546.616.000), followed by excise duties, withholding tax on professional income and employee social security contributions.
- ▶ Companies are thus collecting substantial amounts of tax on behalf of the Belgian authorities.
- ▶ In terms of taxes which are borne or collected by companies, there are 56 in Australia, 78 in Belgium and 22 in the UK, indicating that for multi national companies there is a vast number of taxation obligations and potential liabilities to deal with.
- ▶ In terms of taxes borne and collected, the participants of the various TTC surveys represented 22,0%, 12,0% and 13,3% of total government tax receipts in Australia, Belgium and the UK respectively. This clearly demonstrates the importance of large business to government tax receipts in each of these countries.
- ▶ The second largest tax in Australia is payroll tax (8,5%). This is also the case in the UK (15,2%) and Belgium (39,95% of business taxes borne). This high employer social security cost is clearly a contributory factor to explain the high cost of labour in Belgium, and has a significant impact on the country's competitiveness at an international level.
- ▶ At 52,07% the mean average Total Tax Rate for participants in the Belgian survey was higher than that for Australian participants (44,1%) and participants in the 2007 UK survey of the Hundred Group (36,2%).

The Picture for Individual Participants

- ▶ We have looked at the position for individual participants using certain measures, for instance, the Total Tax Rate (TTR).
- ▶ On average the total burden of taxes borne by participant companies is 52,07% of profit before total taxes borne.
- ▶ On average taxes borne and collected as a percentage of turnover for companies participating in the survey is 18,96% of which 8,85% represents taxes borne and 10,11% taxes collected.
- ▶ The average employment taxes borne and collected per employee is EUR 36.756,11 of which EUR 16.357,03 represents taxes borne and EUR 20.399,08 represents taxes collected.

International Comparison

- ▶ Survey results are currently available for comparison with two other countries, the UK and Australia. It is expected that there will be 7 further countries to compare with by the end of 2008.

Future Developments and Use of the Survey

- ▶ An important use of the Total Tax Contribution Framework is to help increase transparency around tax and how it is reported. It generates empirical data which is helpful in informing the tax policy making process and in particular the debate around the competitiveness of the Belgian fiscal regime.
- ▶ Today there is a gap between the requirements in accounting standards on tax and the expectations and needs of the various stakeholders. The Total Tax Contribution Framework generates standardised data that can be reported on a regular basis and can help responding to the growing interest in tax of many stakeholders.

- ▶ It is recommended that communication about the Total Tax Contribution of companies should include details as to the impact of tax upon the wider business strategy and results of the company as well as clear information regarding the economic contribution of all taxes paid by the company.
- ▶ The most consistent additional request from stakeholders is for data to be gathered on tax compliance costs. Having such data available will help illustrate the time and effort that is required to comply with complex tax legislation.
- ▶ We are currently considering how best to include data on compliance costs in next year's survey using the experience gained in other countries.
- ▶ The development of the Framework is a dynamic process. Comments and feedback on the concept and the results of this survey are thus welcome to ensure that the usefulness of the output is optimised.

The 10 headlines of the 2007 survey

- 1 We have surveyed 61 companies employing altogether 100.000 people and having a total turnover of EUR 90,5 billion. They contributed **12% of total government tax receipts**.
- 2 The **heavy burden of taxation** in Belgium is confirmed by the amount of total taxes borne and collected by the companies surveyed: 18,96% of their turnover.
- 3 The above is further confirmed by the average Total Tax Rate of participating companies which reached **52,07% of profit before all business taxes borne**.
- 4 Among the taxes borne, the **social security** burden is one of the most important, representing 39,95% of all business taxes borne.
- 5 The results from companies surveyed, which are among the largest in their industry sectors, clearly contradict the commonly held belief that these **corporations do not pay their fair share of taxes**; in fact they pay many other business taxes in addition to corporate tax.
- 6 The burden is clear not only in terms of absolute value but also in the number of taxes, as our survey showed that there are **95 taxes** being borne (63) or collected (32).
- 7 Among the taxes borne, **2 of those taxes (corporate tax and employer social security contributions) make up 84,17% of the total**. In other words, 61 taxes make up only 15,83%; this illustrates that some taxes are relatively small whereas they clearly impose a large compliance burden.
- 8 The **"outsourcing" of tax collection** is also clearly demonstrated as for every EUR 1 borne there is EUR 2,08 collected on behalf of the state.
- 9 The heavy burden and large volume of taxes indicates there is a clear **need for transparency and awareness of the taxes** being paid by companies.
- 10 Our survey shows that **92,34% of taxes borne are allocated to the federal government**. It is however important to note that in addition to taxes entirely allocated to regions, provinces, metropolitan districts and communes, certain federal taxes included in these 92,34% are also partially allocated to them.





2

Introduction

There is a lack of transparency and of understanding of which business taxes companies actually pay. The purpose of this survey is to provide a more comprehensive picture of how much companies contribute in taxes, and support informed discussion between government and interested stakeholders regarding the competitiveness of the Belgian tax system.

As part of its continued efforts to better understand and improve the tax system which companies in Belgium have to comply with, the Federation of Enterprises in Belgium (*Verbond van Belgische Ondernemingen*, VBO - *Fédération des Entreprises de Belgique*, FEB) has decided, in cooperation with PricewaterhouseCoopers (PwC) to launch a regular survey of the total tax contribution of large companies operating in Belgium to government tax collections.

The purpose of this survey is to gather and provide data on all of the business taxes borne and collected in Belgium, as there is little transparency over most of these as many are embedded in other costs 'above the line' and only a few are usually identified in the financial statements. The data will therefore help provide a more comprehensive picture of what companies contribute in taxes, and on the current shape of the Belgian system. It will also help support constructive dialogue with government regarding the future shape and competitiveness of the Belgian tax system. It is important also for companies themselves to be aware of all of the taxes that they pay

when making commercial decisions in the context of specific transactions, and also regarding their business models in general. Further details of the taxes covered in the survey can be found in [section 5](#).

The survey uses the PwC Total Tax Contribution framework to identify all of the business taxes borne and collected. Businesses face a huge array of taxes over and above the tax on their profits. Their contribution to the economy in terms of taxes paid needs to be better understood. [Section 3](#) focuses on an analysis of the changing tax environment.

The PwC Total Tax Contribution Framework was initially developed in 2005 with the help and support of several large companies and various other interested stakeholders. It provides a standardised approach to identifying a company's overall tax contribution by looking at direct and indirect taxes and other payments to governments. PwC has already done extensive work in this domain in the UK and Australia and similar projects are currently underway in several countries.

The PwC Total Tax Contribution framework encompasses all of the taxes which a company pays, not only those which are currently disclosed and visible in a company's annual accounts.

The PwC Total Tax Contribution framework is careful to make a distinction between taxes borne and taxes collected. Taxes borne are those which are a cost to the company, such as corporate tax, employer social security contributions and irrecoverable VAT (although of course they will ultimately be passed on to customers, employees or shareholders). Taxes collected are those such as withholding tax on professional income, employee social security contributions withheld at source and net VAT (output tax less input tax) where the company is collecting and administering taxes on behalf of the government. The full details of the framework and its components are explained further in [section 3](#).

We are also beginning to be able to make international comparisons. PwC in the UK has published the results of a survey conducted with The Hundred Group (an organisation comprised of the financial directors essentially of the top 100 companies in the UK) for the last three years. The 2007 results were published on 21 February 2008. In April 2007 the Business Council of Australia and the Corporate Tax Association published the results of a Total Tax Contribution survey of their members carried out by PricewaterhouseCoopers LLP in Australia. A summary of the UK and Australian survey results can be found in [section 9](#) with some initial comparisons with the Belgian data. Total Tax Contribution surveys of large businesses are also underway or planned in a number of other countries (including Canada, Ireland, France, Germany, the Netherlands, South Africa, and the United States) and the results will be available later this year. We are keen to

receive input from the business community at large as to which aspects of the survey results it would be useful to compare across countries.

The Belgian survey has collected data on both business taxes borne and business taxes collected by the respondents in their 2006 accounting years. Data was collated and aggregated from questionnaires completed by a sample of top companies in Belgium representing a good cross section of all industries. The data was not verified, validated or audited, so PwC cannot make any representations or warranties with respect to the accuracy of the information contained in this report.

The participation in the survey has been excellent, with 61 companies completing the questionnaire. This high level of participation underlines the interest that the business community has in the data that this survey is able to generate and indicates a good recognition of the concepts underlying Total Tax Contribution and the output of the survey. This participation level also ensures that the results are robust and representative. Further details of the participation are set out in [section 6](#).

The survey results contain some important findings regarding the taxes borne and collected by participating companies, and the substantial contribution made by large companies to the public finances. These are set out in [section 7](#).

Our work has shown that there are 78 business taxes in Belgium which can be borne or collected by companies. 63 Belgian business taxes may be directly borne by companies, and 32 taxes can be collected by companies on behalf of the government (some of which may also be taxes borne).

The intention is to repeat the survey in 2008 to obtain data for another entire year, enable further analysis and monitor trends and changes. We also hope to extend the survey in 2008 to include tax compliance costs. This is discussed further in [section 10](#).

3

Changing environment



Companies are increasingly being asked to make ethical tax planning decisions and pay their fair share of taxes in the context of corporate social responsibility. What has been missing is a robust, standard method of calculating the total tax contribution made by business which can be used for reporting, benchmarking and providing clear information to stakeholders.

The tax landscape is changing. Companies' corporate tax planning activities are coming under increasing scrutiny and wider groups of stakeholders are becoming more interested in the taxes that companies have to bear and collect and on how changes proposed by government may have an impact on them.

Good examples are the recent introduction of an environmental impact factor when assessing the deductibility of certain costs, or even the introduction of a tax favourable salary bonus awarded to employees in function of certain results achieved by the company.

High profile corporate failures, such as Enron, have also moved tax up the risk agenda and government authorities are calling for tax to be put on the boardroom agenda as a corporate governance matter. Various groups are campaigning for companies to make ethical choices when making tax planning decisions and tax is now firmly on the agenda of the corporate social responsibility movement.

environment

There is some suggestion that because of the optimisation of corporate tax planning, companies do not pay their fair share in taxes and therefore other, and by implication poorer, sections of society have to pay more. Yet companies pay many other business taxes apart from corporate tax. The survey results identified 77 Belgian business taxes other than corporate tax which are borne or collected by companies. 62 of these are borne by companies and there are 32 taxes identified that are collected by companies on behalf of the government (some of which are also borne and so within the 62). This all results in an average total tax rate of 52,07% of profit before all business taxes borne (see [section 8](#)).

However, there is a lack of transparency as regards these taxes. In many cases, the only information on taxes paid in the public domain is that disclosed in a company's annual accounts, which provide information mainly on corporate tax. Withholding tax on professional income, withholding taxes on income from investments and VAT collected by the company are also disclosed in the annual accounts, but no information is explicitly disclosed on all the other taxes, duties and payments which are deductible when calculating business profits and are often called 'above the line' taxes.

Some companies in other countries have already recognised this lack of transparency and provide further information on business taxes, often in the company's corporate social responsibility report. What has been missing to date however is a robust, standard method of calculating the total tax contribution which can be used for reporting, benchmarking and trend analysis, as well as for improved tax management and coordinated decision making.

“Tax is where the environment was [as a corporate social responsibility issue] ten years ago.”

Jeffrey Owens

Director, Centre for Tax Policy and Administration of the Organisation for Economic Co-operation and Development (OECD)



4

Methodology

The PricewaterhouseCoopers Total Tax Contribution Framework

The PwC Total Tax Contribution Framework, initially developed in 2005, is a standardised approach to quantifying a company's overall tax contribution by looking at all direct and indirect taxes and other payments to governments. It is straightforward, non-technical concept and easy to understand.

The PwC Total Tax Contribution Framework provides a framework for companies to measure and report on the taxes borne and collected. PwC developed the framework in response to a perceived lack of transparency about what taxes companies pay.

In a PwC poll of the views of the European Forum for Tax Directors carried out in October 2006, only 23% of the respondents said they

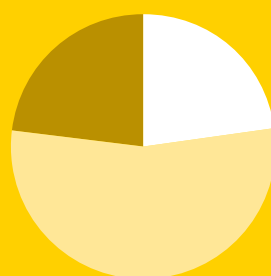
knew the total amount of taxes borne and collected by their organisation, and a further 54% of the respondents said they would like to know what it is.

A large majority of respondents agreed they were already making tax decisions in taking into account the needs of their key and other relevant stakeholders.

4.1

Awareness of taxes borne and collected

Do you know the total amount of taxes borne and collected by your organisation?



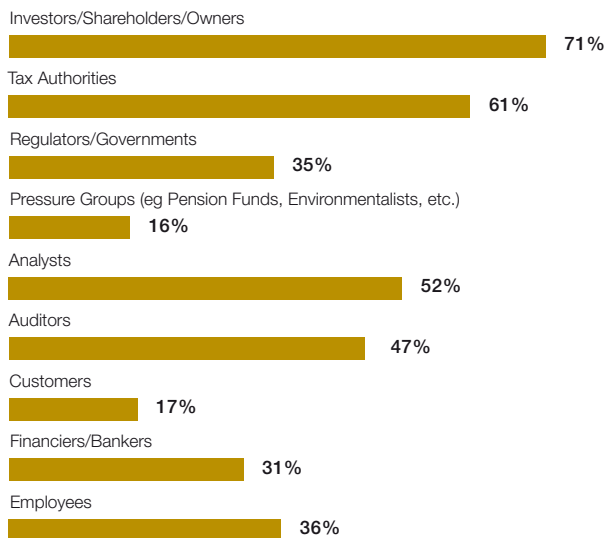
▣	▶ Yes	23%
▣	▶ No – would like to know	54%
▣	▶ No – no need to know	23%

Source: PwC poll of the views of the European Forum for Tax Directors carried out in October 2006.

4.2

Relevant stakeholders

Which other stakeholders are relevant to the company's tax strategy?



Source: PwC poll of the views of the European Forum for Tax Directors carried out in October 2006.

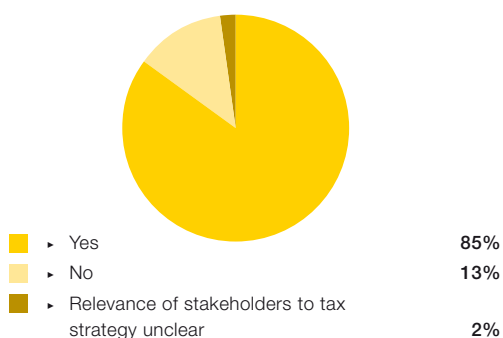


The Total Tax Contribution Framework provides information on what taxes companies pay. It is a straightforward, non-technical concept and therefore relatively easy to understand for stakeholders, many of whom may have limited knowledge of the complexities of tax issues. The Framework provides information based on cash movements, meaning payments during the financial year, rather than on accounting standards (based on accruals). By focusing on cash payments it provides a measure of what companies contribute to public finances, as an alternative to the financial measure of the tax charge in their annual accounts. It is important to note however that Total Tax Contribution is not an economic model and does not, for example, address the final outcome of taxes borne. It does however provide greater transparency as regards which taxes are paid by companies.

4.3

Stakeholder's influence

Were specific tax strategy decisions made in function of these stakeholders?



Source: PwC poll of the views of the European Forum for Tax Directors carried out in October 2006.

The Framework is built around two simple criteria: firstly, the definition of a tax and secondly, the distinction between taxes which are costs incurred by the company (taxes borne) and taxes which the company collects.

taxes

What is a tax?

Tax can be defined as an amount

- ▶ paid to the government
- ▶ which is compulsory
- ▶ which can be used by the authorities as they see fit
- ▶ for which there is no direct return of value to the payer.

Not all payments made by companies into the public finances will meet the definition of a tax. For example, the licence fees paid by telecoms companies for their 3G mobile phone licences are not considered taxes. Such payments represent a significant contribution to the public finances and are part of the company's economic impact on the country concerned, but do not meet our definition of a tax.

A tax is a **mandatory payment to the government**, whether central or local, to fund community expenditure and **for which there is no return of value**. It must be a compulsory levy: the only way out of not paying must be to not undertake the action that triggers the tax payment.

The key point to note is that this tax includes much more than just corporate tax on profits. 78 business taxes are covered in this survey – the complete list can be found in [section 5](#). They include employer and employee (withheld at source) social security contributions which meet our definition of a tax since these payments by employers and employees are paid into the general public finances to fund social expenditure. In some countries social security payments are more akin to pension arrangements and are paid into a personal fund (as in Australia, for example). In these cases the payments do not meet our definition of a tax.

Taxes borne vs. taxes collected

The second criterion is the distinction between taxes borne and taxes collected. Taxes borne are the company's immediate cost and will have an impact upon its results; for example corporate tax, road tax on vehicles or registration duties. These taxes borne will of course ultimately be passed on to shareholders, employees or customers along with all the company's other costs depending on the final outcome. In the short term however they are paid and borne by the company and will be charged to the profit and loss account or to a capital account.

Taxes collected are not the company's own cost as such. Here the company's own cost is collecting taxes from others on behalf of government, for example income tax withheld at source from employee's remuneration. Taxes collected are administered by the company and will in turn generate costs of compliance. Taxes collected will have an indirect impact on the company's results since indirect taxes collected have an impact on the price to customers (e.g. VAT) and wage related taxes have an impact on the cost of labour.

The main focuses of the Framework are taxes borne, taxes collected and tax compliance costs. The 2007 Belgian survey focused on taxes borne and collected in 2006; the cost of tax compliance will be included in a future edition of the survey. It is also possible to extend the framework to include other payments to and from government which do not meet the definition of a tax, and to factor in more indirect impacts as regard tax.

More transparency

When developing the Total Tax Contribution Framework, PwC tax experts worldwide talked to a wide variety of stakeholders with an interest in tax including government, international organisations, business, investors, analysts and NGOs (Non Governmental Organisations). **Figure 4.4** identifies relevant stakeholders and their

various interests in tax issues and clearly illustrates how they can conflict. In setting its tax strategy a company has to balance the immediate measurable benefit to shareholders from sustainable tax planning against the longer term, less easily quantifiable reputation benefit derived from satisfying a wider group of stakeholders.

4.4 Stakeholders and tax

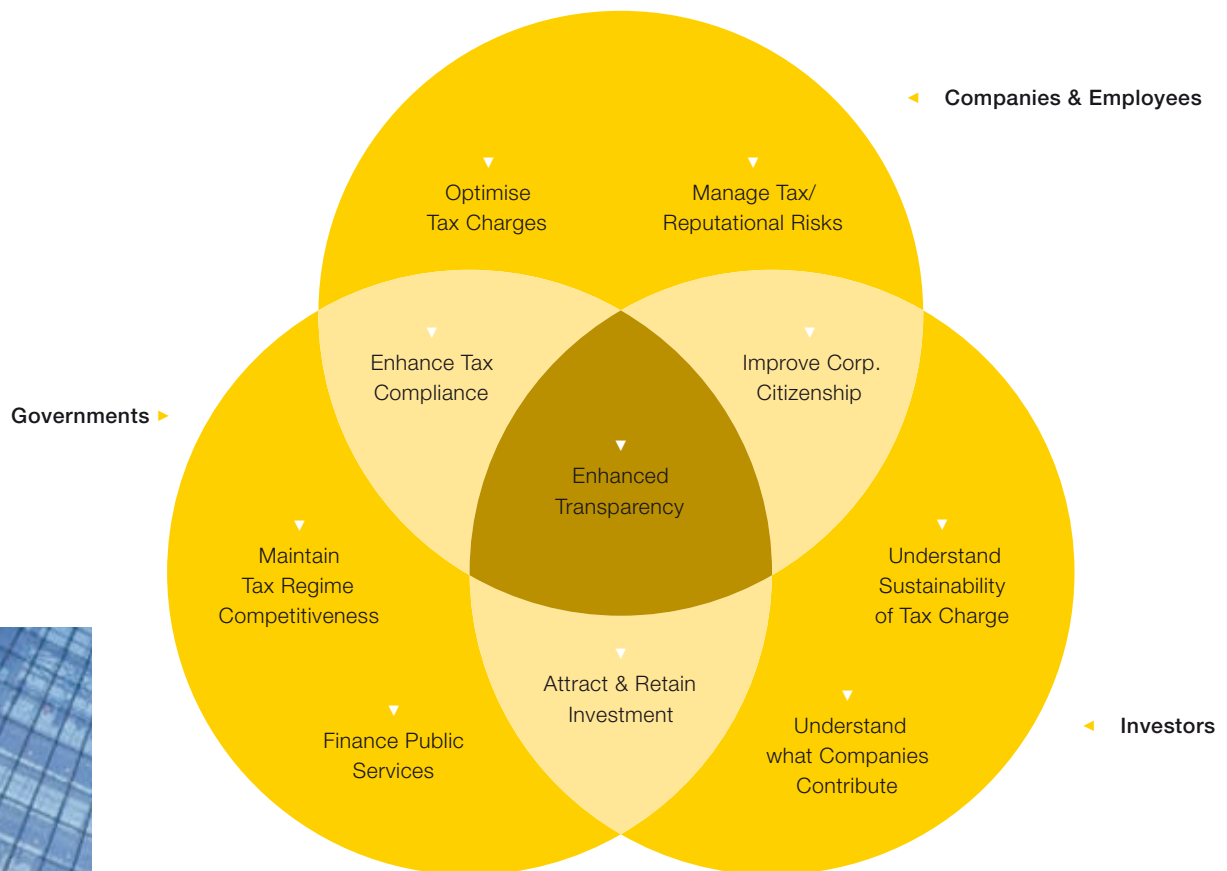


Source: Stakeholders in the centre of the figure are **internal** company stakeholders. Those on the outside are **external**.

4.5

Stakeholders needs

stakeholders



We would suggest that transparency lies at the heart of all stakeholder needs. **Figure 4.5** divides stakeholders into groups and identifies overlapping areas of interest. Companies need to communicate more about both their approach to tax and tax risk management and about the taxes that they pay. The Total Tax Contribution Framework helps meet the need for greater transparency and provides information which is helpful to stakeholders and enables informed decision making.

Our experience to date is that few companies have accurate and comprehensive information on their tax payments, although this is improving. In our view, every company should know the total amount of tax it pays. Total Tax Contribution makes the impact of all taxes on the business visible to companies' internal stakeholders and enables management to make better investment decisions. It also improves tax risk management and controls.

Total Tax Contribution also provides a framework for companies to communicate about their tax contribution to external stakeholders. Total Tax Contribution is a measure of what companies pay into the public finances and as such may better meet the information needs of some stakeholders than the tax disclosures in their annual accounts. Companies may wish to report their tax contribution as part of their external communication initiatives or in their corporate social responsibility report.

The purpose of this survey is to put data into the public domain and to provide meaningful information for the dialogue with government on the shape and development of the Belgian tax system. The data in the survey results is information which would not otherwise be readily available to government, either from its own systems or from companies' tax returns. When applied in a number of countries it can also be used to develop insights into the comparative tax burden on business.

“ In a PwC poll of the European Forum for Tax Directors in October 2006, 77% said that they know or would like to know what their Total Tax Contribution is.”



5

The 2007 survey

The companies to survey were selected from the major industry sectors on the basis of turnover and number of employees in Belgium. All participants completed an electronic questionnaire regarding all business taxes borne and collected during financial year 2006.

This Belgian survey used the PwC Total Tax Contribution Framework to establish the total amounts of business tax borne and collected in Belgium by a sample of companies selected to be representative of the Belgian market.

The sample of companies to survey was defined by the Federation of Enterprises in Belgium in cooperation with PwC. The sample was compiled based on the top ten companies from each of the 49 major industry sectors according to the NACE-Bel grid. The turnover of the company and the number of employees were used as the selection criteria within each industry, based on figures from annual accounts filed with the National Bank.

A letter of invitation to participate was sent on 18 October 2007 by Rudi Thomaes, CEO of the Federation of Enterprises in Belgium, to the CEO and CFO of each of the companies selected.

Each company that agreed to participate was asked to complete an electronic questionnaire

designed by PwC. This questionnaire requested information on a cash paid out basis on all business taxes borne and collected by the company during its accounting period ending in the year from 1 January 2006 to 31 December 2006.

All companies participating in the survey receive a short report setting out their own Total Tax Contribution, using the PricewaterhouseCoopers framework, and a ranking indicating where they stand alongside the other participating companies and also within their industry sector.

The taxes borne and collected are shown in **Table 5.1**. The questionnaire covers 63 business taxes borne by companies in Belgium and 32 taxes that are collected by companies on behalf of the government. Taking the number of taxes borne and collected together shows a significant number of taxes and demonstrates that there is significant complexity and a heavy compliance burden in the tax system.

As local taxes differ from commune to commune, only the major local taxes were listed in the questionnaire, leaving the potential for survey participants to indicate other taxes that they bear or collect, depending on their commune or their particular activity sector. The same possibility was given for environmental taxes which can also vary from location to location.

As indicated in [Table 5.1](#), certain taxes are both a tax borne and a tax collected. Annual tax on insurance transactions for example will be borne by most companies in relation to their own insurance policies. It will also be collected by companies in the insurance sector, in addition to the premium charged to customers.

Participating companies had to list taxes as a tax borne only where that tax is separately charged to the company by a supplier and if it is separately identifiable by the company; they did not have to mention cases where the tax is included in the purchase price but not shown separately, which is for example usually the case with fuel excise duty.

PwC provided an email and telephone help line to assist participating companies in completing the Total Tax Contribution questionnaire. Upon receipt each questionnaire was briefly reviewed to identify any obvious errors (for example amounts entered in exact numbers rather than in thousands) or where the data was not in line with our expectations. We would like to emphasise however that this review constituted a sense check only. The data provided by survey participants has not been

“The number of business taxes borne (63) and collected (32) by companies in Belgium on behalf of the government demonstrates that there is significant complexity and a heavy compliance burden in the tax system.

63
32

audited, verified or validated and PwC is unable to make any representations or warranties with respect to the accuracy of the information contained in this report.

Participants in the survey were given an undertaking of confidentiality and no list of participants will be published. The data provided has been rendered anonymous and where appropriate aggregated with data provided by other participants to compile the survey results.

The high level of participation has ensured that the survey results are robust and show a representative picture of the contribution of this group of companies. Further information on participation can be found in [section 6](#).

5.1

Taxes borne and collected

Taxes for which data was requested	Classification in survey results	
	Borne	Collected
Direct taxes		
Corporate tax	•	
Yearly company contribution	•	
Withholding tax on income from investments		•
Country of residence tax withheld at source		•
Property tax	•	
Pharma levy	•	
Regional tax on companies	•	
“Elia Tax”	•	
Employment taxes		
Employer social security contributions	•	
Withholding tax on professional income		•
Employee social security contributions		•
Special social security contribution		•
Pension solidarity contribution (0 to 2%)		•
INAMI/RIZIV contributions (3,55%)		•
Tax on employee equity participation and employee participation in profits and corporate results		•
Environmental taxes		
CO ₂ solidarity contribution on company cars	•	
Ecotaxes (a.o. on batteries, disposable cameras, etc.)	•	•
Environmental contribution	•	•
Tax on industrial packaging	•	•
Tax on waste/waste contribution	•	•
Sewerage tax	•	
Tax on printed advertising materials	•	
Tax on wastewater effluent	•	
Levy on surface water catchments	•	
Tax on underground water	•	
Tax to combat and prevent empty and abandoned business premises and the decay of buildings and homes	•	
Tax on hazardous, insalubrious and impracticable establishments	•	
Urban development levy: Planbatenhoeffing (Flanders only)	•	
Food safety tax	•	
Major accident hazard levy for certain industrial activities	•	
Ionising radiation levy	•	
Hazardous substances levy	•	
Fixed tank tax	•	
Tax on distribution apparatus for liquid or gaseous fuels	•	
Tax on scrap metal and scrap vehicle dumps	•	
Gravel tax	•	

Taxes for which data was requested	Classification in survey results	
	Borne	Collected
Indirect taxes		
Net VAT		•
Irrecoverable VAT	•	
Tax on stock exchange transactions	•	•
Tax on carry-over transactions	•	•
Tax on delivery of bearer securities	•	•
Annual tax on insurance transactions (9,25% or 4,4%)	•	•
Annual tax on credit institutions	•	
Annual tax on coordination centres	•	
Special tax on bearer bonds held by financial intermediaries	•	
Stamp duty	•	
Special tax on the retained profits of certain credit institutions	•	
Annual tax on profit sharing (9,25%)	•	
Annual estate tax for pension funds only (0,17%)	•	
Tax on long-term savings		•
Income tax withheld by pension institutions on income derived from occupational benefit schemes		•
Registration duties	•	
Customs duty	•	•
Excise duties on mineral oil (excise duties, special excise duties and energy contributions)	•	•
Federal contribution on energy (electricity)	•	•
Excise duty on tobacco products		•
Excise duty on alcoholic products		•
Excise duties on other beverages (non-alcoholic beverages and coffee)		•
Packaging contribution		•
Car registration tax	•	•
Road tax	•	•
Additional road tax	•	•
Compensatory excise tax	•	•
Road tolls (Eurovignette)	•	•
Betting and gaming taxes	•	•
Gaming machine licence duty	•	
Horseracing betting shop tax	•	
Bill-posting taxes	•	
Advertising hoardings tax	•	
Tax on motor power	•	
Tax on computer screens	•	
Tax on banks and financial institutions	•	
ATM tax	•	
Tax on trading areas	•	
Car park tax	•	
Vending machine tax	•	
Tax on liquor store openings (Wallonia only)	•	
Patent tax	•	

6

Participation and provision of data

The majority of participants are listed companies or part of publicly quoted corporate groups. Together they stand for roughly 100.000 employees, a total turnover of EUR 90,5 billion and give a representative cross section of Belgian business.

6.1

Industry sectors represented in the survey results

- ▶ Mining and quarrying
- ▶ Manufacture of food, beverage and tobacco products
- ▶ Manufacture of textiles and textile products
- ▶ Manufacture of pulp, paper and paper products; publishing and printing
- ▶ Manufacture of coke, refined petroleum products and nuclear fuel
- ▶ Manufacture of chemicals, chemical products and man-made fibres
- ▶ Manufacture of basic metals and fabricated metal products
- ▶ Manufacture of machinery and equipment
- ▶ Manufacture of other non-metallic mineral products
- ▶ Manufacture of electrical and optical equipment
- ▶ Manufacture of transport equipment
- ▶ Real estate, renting and business activities
- ▶ Electricity, gas and water supply
- ▶ Construction
- ▶ Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
- ▶ Transport, storage and communication
- ▶ Financial intermediation

A letter of invitation was sent by the Federation of Enterprises in Belgium to a sample of 435 companies operating in Belgium.

61 companies took part in the survey and completed the questionnaire. This amounts to a positive response rate of 14% – which is very good given that the usual response rate for such surveys usually varies between 5% and 15% in Belgium.

Altogether the participating companies employ around 100.000 employees in Belgium and their total turnover in 2006 amounted to EUR 90,5 billion.

Among the participating companies, 14 are quoted on the Euronext Stock Exchange, 10 are members of the BEL20 or part of a corporate group that is a member of the BEL 20 and 35 companies are part of publicly quoted groups.

The number of companies which responded demonstrates the high level of interest in the Total Tax Contribution concept from a large part of the business community.

taxes borne

As well as representing a good cross section in terms of size, participants also represent the major industry sectors listed in **Table 6.1**.

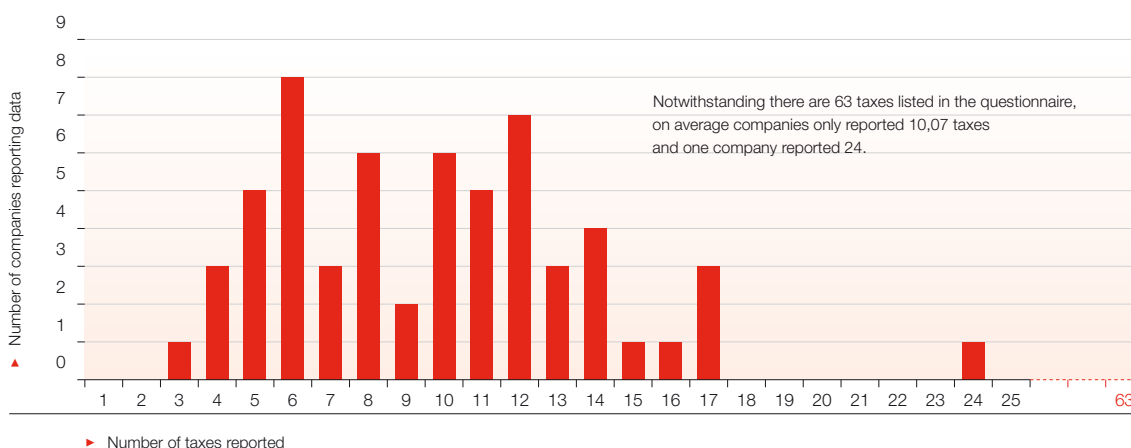
Participants were asked to provide data on all taxes that they bear or collect but were offered the possibility of using a 'de minimis' qualification in cases for which data is hard to find and the amounts involved are thought to be minimal. Many respondents did not take advantage of the 'de minimis' option, and it is notable that many in fact went to significant efforts to obtain data, which often required distributing the questionnaire to different parts of the company to obtain the relevant information. PwC recommends that companies use the exercise of responding to the survey as an opportunity to put in place an internal process to collect this information regularly. PwC believes that every company should know the amount of all its tax payments.

It is apparent from the results of the survey (see also **section 7**) that for certain types of taxes borne or collected no data was reported by any respondents. The reason for this might be that either the information is not readily available or the amounts in question are inconsequential. In either case the amount of taxes borne or collected is in all likelihood not significant, which raises the question of whether these (minimal) taxes should be maintained in their current state within the tax regime.

Taxes borne

Figure 6.2 shows the number of taxes borne for which data was reported across the participants. The maximum number of taxes borne reported was 24. Each participant reported on average 10,07 taxes borne.

6.2 Number of taxes borne reported by survey participants



taxes collected

Taxes collected

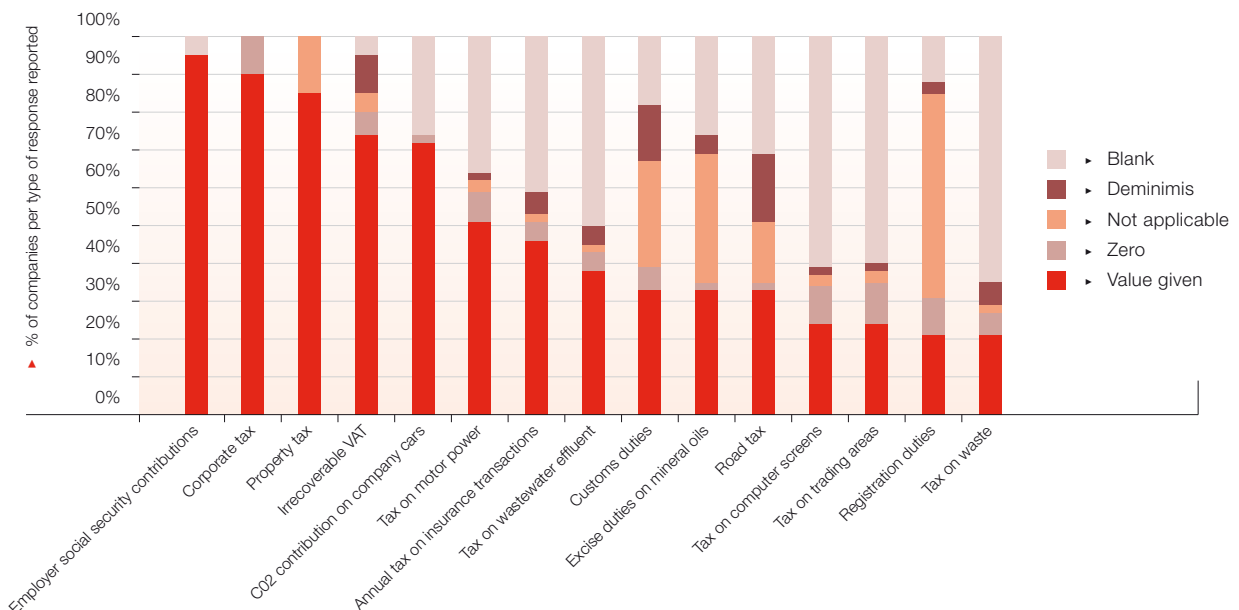
The 15 taxes borne most frequently reported by survey participants are summarised in **Figure 6.3**. For each tax applicable to them, participants were asked to provide a value or indicate the use of the 'de minimis' option. Participants were also asked to indicate if the tax was not applicable to them. In certain cases participants provided no information on a particular tax, simply leaving that portion of the questionnaire blank. The significant number of fields left blank may indicate that these taxes are only rarely applicable to these companies or that they are not aware of them. On the other hand, it is of course possible that a blank field could mean that the tax in question is not applicable to the company.

The maximum number of taxes collected that was reported amounted to 12. On average participants reported 5,54 taxes collected. When added to the average of 10,07 taxes borne this represents a significant compliance burden.

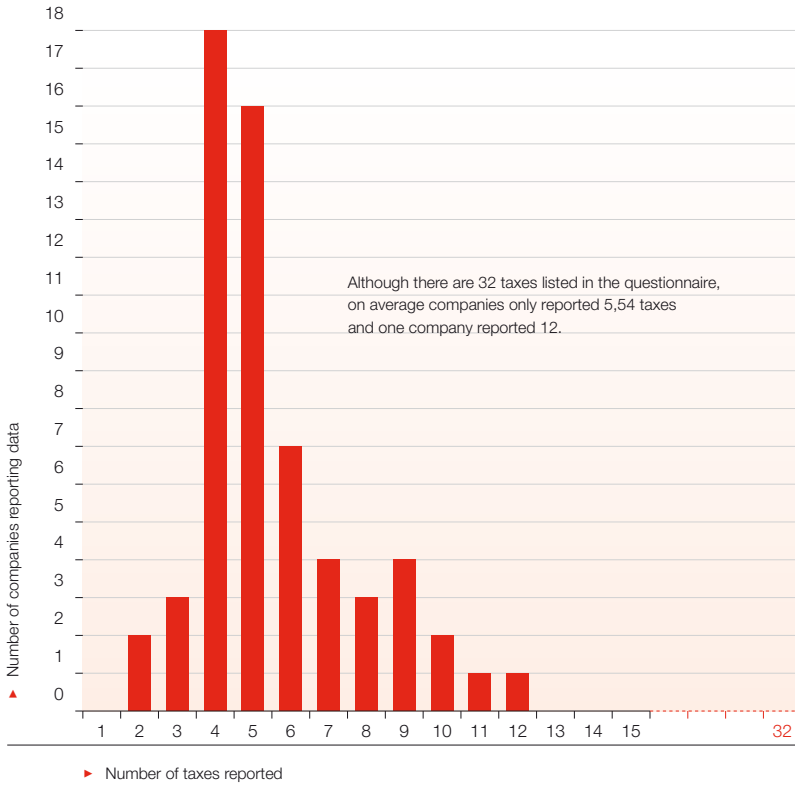
The 10 taxes collected most frequently reported by survey participants is summarised in **Figure 6.5**.

The quality of data is expected to improve in subsequent years in parallel with improved understanding of the definitions and increased familiarity with how the framework operates. It is expected that some companies will also be able to implement new systems to enable more accurate identification and monitoring of all taxes, in addition to corporate tax.

6.3 15 Taxes borne most frequently

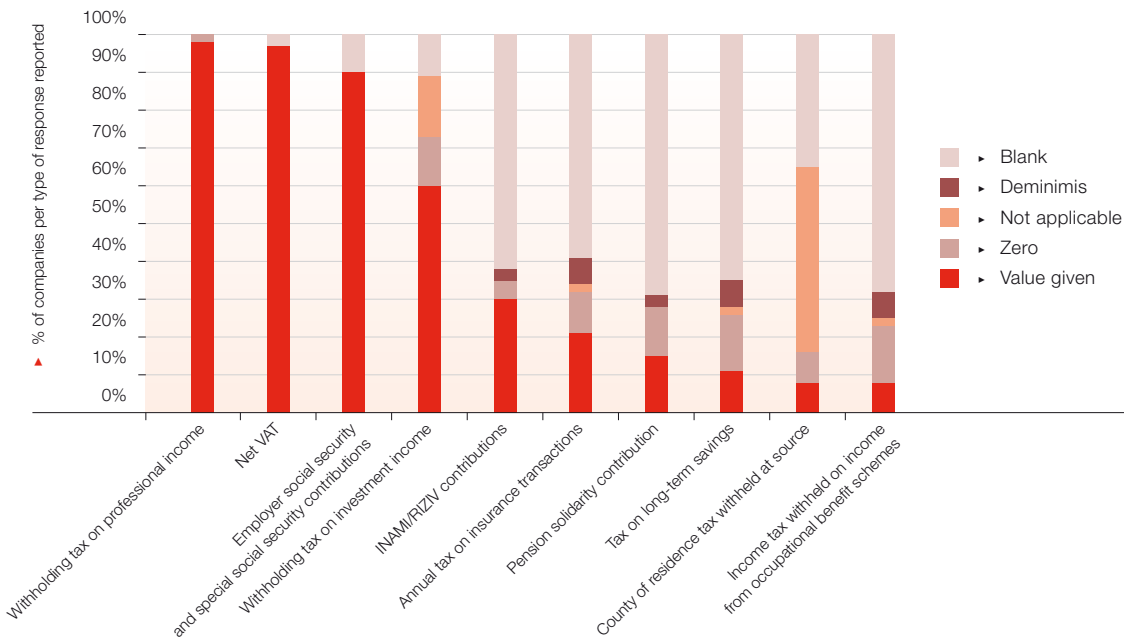


6.4 Number of taxes collected reported by survey participants



“ All in all 61 major enterprises in Belgium reported an average of 10,07 taxes borne and 5,54 taxes collected, which represents a significant compliance burden.”

6.5 10 Taxes collected most frequently



7 Survey results

The total taxes borne by all survey participants amount to a total of EUR 3,36 billion, approximately 7% of total government tax receipts excluding personal income tax. Participants paid almost EUR 1,49 billion of corporate tax and EUR 1,34 billion worth of employer social security contributions. In addition, they collected over EUR 7 billion of taxes on behalf of government. Taxes borne and collected in the survey account for 12% of government tax receipts including personal income tax.

This section provides an overview of the data received on taxes borne and collected.

Taxes Borne

Corporate Tax

In the 2007 survey, participants reported corporate tax paid of EUR 1.485.539.000 which is almost 13% of government corporate tax receipts.

13%

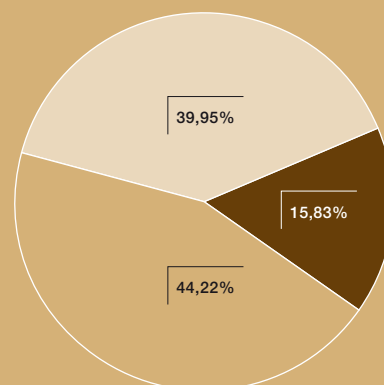
Amongst the survey participants, the fifteen largest payers of total taxes borne (representing 75% of the total tax borne reported in the survey) contributed 86% of the total corporate tax payments made by participants, corresponding to 11% of government corporate tax receipts.

This illustrates the representative nature of the sample, given that the companies surveyed generate such a significant economic contribution to government revenues.

Other Business Taxes Borne

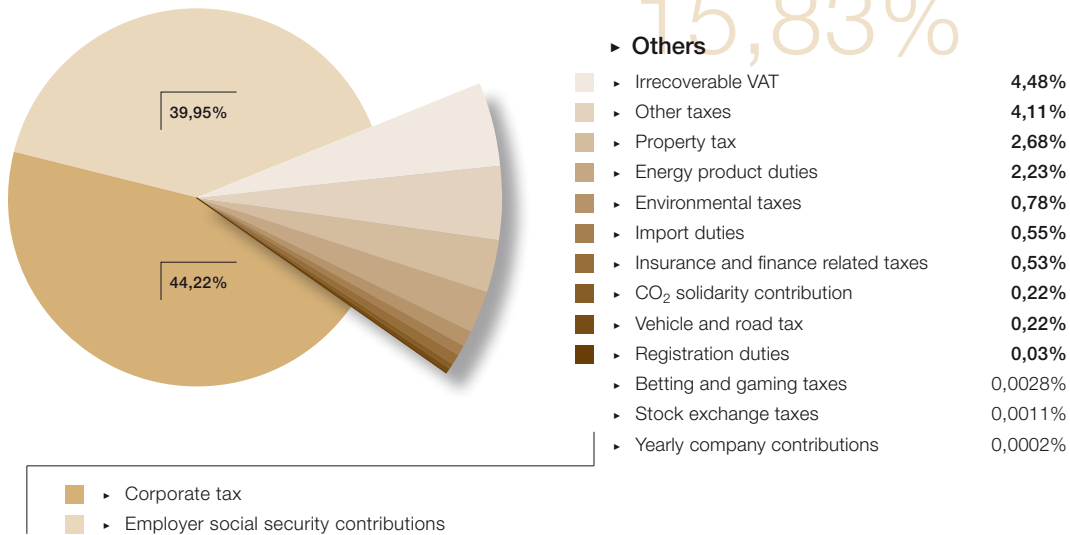
For every EUR 1 of corporate tax paid by survey participants, they pay another EUR 1,26 in other business taxes. The 2007 survey participants paid EUR 1.873.698.000 of other business taxes compared to EUR 1.485.539.000 of corporate tax.

7.1 Corporate tax compared to other business taxes borne by survey participants



- Corporate tax
- Employer social security contributions
- Others

7.2 Taxes borne by survey participants in 2007

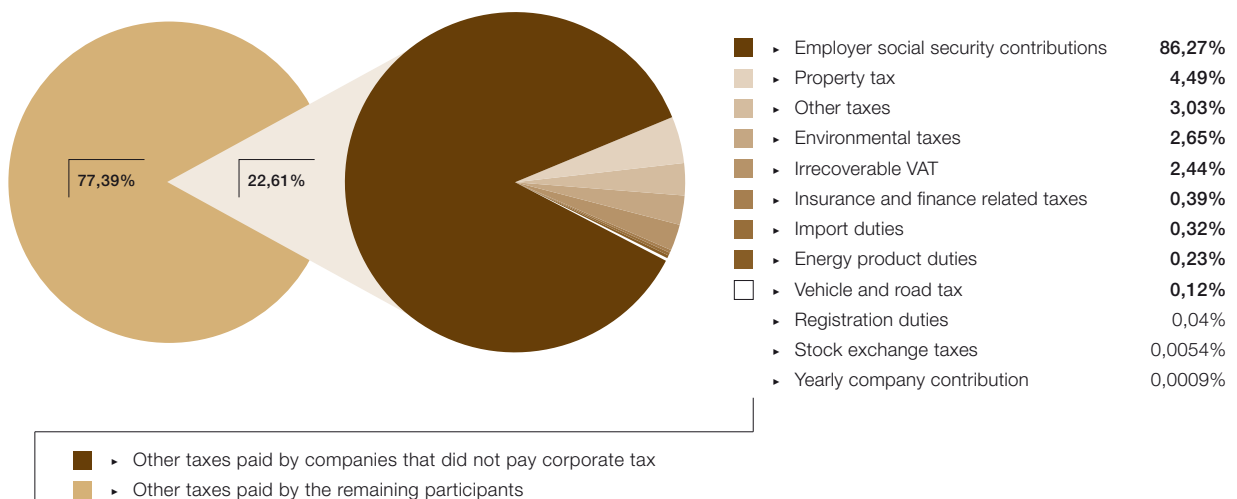


As illustrated in **Figure 7.1**, the most significant other business tax borne is employer social security contributions. This is clearly a contributory factor to explain the high cost of labour in Belgium, which in turn has a significant impact on the country's competitiveness at an international level.

11 survey participants either did not pay or were reimbursed corporate tax in 2006. This

represents 18% of the survey participants. The main reasons for this were commercial losses in the financial year, use of tax losses and tax refunds for previous years. However, these participants still paid other business taxes since the basis on which most of these other taxes are levied is not profit. Employer social security contributions in particular for example are driven by the wages and other salaries components.

7.3 Other taxes contributed by companies that did not pay corporate tax



Total Taxes Borne

The total taxes borne by all survey participants amount to a total of EUR 3.359.237.000 which is approximately 7% of total government tax receipts (personal income tax receipts excluded). **Table 7.4** provides a

detailed breakdown of the taxes reported by survey participants and also shows the authority benefiting from each of these taxes. The term "regional" is to be understood as all authorities except the federal government (i.e. communal, provincial and regional).

7.4

Taxes borne by amount, 2007 survey

Taxes borne	Amount paid in 2006 (EUR thousand)	
	Federal	Regional
Direct taxes	1.487.487	92.206
Corporate tax	1.485.539	
Yearly company contribution	6	
Property tax		89.880
Pharma levy ¹	0	
Regional tax on companies		2.326
"Elia Tax"	1.942	
Employment taxes	1.341.939	
Employer social security contributions	1.341.939	
Environmental taxes	11.084	22.585
CO ₂ solidarity contribution on company cars	7.346	
Ecotaxes (a.o. on batteries, disposable cameras, etc.)	2.517	
Environment contribution	371	
Tax on industrial packaging	562	
Tax on waste/waste contribution		2.172
Sewerage tax		7
Tax on printed advertising materials		6.725
Tax on wastewater effluent		3.859
Levy on surface water catchments		3.081
Tax on underground water		212
Tax to combat and prevent empty and abandoned business premises and the decay of buildings and homes		218
Tax on hazardous, insalubrious and impracticable establishments		238
Urban development levy: Planbatenheffing (Flanders only)		0
Food safety tax	110	
Major accident hazard levy for certain industrial activities	177	
Ionising radiation levy	1	
Hazardous substances levy	0	
Fixed tank tax		1
Tax on distribution apparatus for liquid or gaseous fuels		2
Tax on scrap metal and scrap vehicle dumps		0
Gravel tax		0
Other environmental taxes		6.070

¹ Although companies from the pharmaceutical industry took part in the survey, they did not bear costs as a result of the pharma levy as they are not selling products on the Belgian market.

Taxes borne

Amount paid in 2006 (EUR thousand)

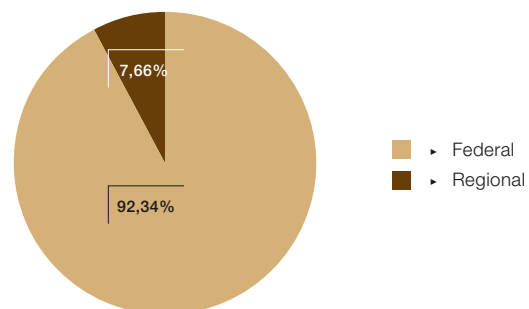
	Federal	Regional
Indirect taxes	261.319	142.617
Irrecoverable VAT	150.518	
Total stock exchange taxes	36	
Annual tax on insurance transactions (9,25% or 4,4%)	12.020	
Annual tax on credit institutions	1.723	
Annual tax on coordination centres	100	
Special tax on bearer bonds held by financial intermediaries	0	
Stamp duty		557
Special tax on the retained profits of certain credit institutions	0	
Annual tax on profit sharing (9,25%)	2.911	
Annual estate tax for pension funds only (0,17%)	647	
Registration duties		917
Customs duty	18.521	
Total energy product duties	74.818	
Car registration tax		3.181
Road tax		3.597
Additional road tax		515
Compensatory excise tax	25	
Road tolls (Eurovignette)		32
Total betting and gaming taxes		95
Bill-posting taxes		8
Advertising hoardings tax		153
Tax on motor power		8.914
Tax on computer screens		416
Bank and financial institutions tax		14.816
ATM tax		279
Tax on trading areas		2.196
Car park tax		368
Vending machine tax		4
Tax on liquor store openings (Wallonia only)		120
Patent tax		0
Other local taxes applicable to company/sector		106.449

7.5

Taxes borne by level of government

Taxes Borne by Level of Government

Figure 7.5 illustrates the total amount of taxes borne broken down into federal and regional level. It is also important to note that in addition to taxes entirely allocated to regions, provinces, metropolitan districts and communes, certain federal taxes (included in the 92,34% shown in Figure 7.5) are also partially allocated to them.



Taxes Collected

Taxes collected by survey participants totalled EUR 7.004.307.000 of which EUR 24.206.000 are withholding tax on professional income withheld by employers and not remitted to the government (in the context of measures to encourage R&D

investments and specific industries), resulting in EUR 6.980.101.000 worth of taxes actually collected by survey participants and remitted to the government. The details of these taxes collected and the various authorities benefiting from them are shown in **Table 7.6**.

7.6

Taxes collected by amount, 2007 survey

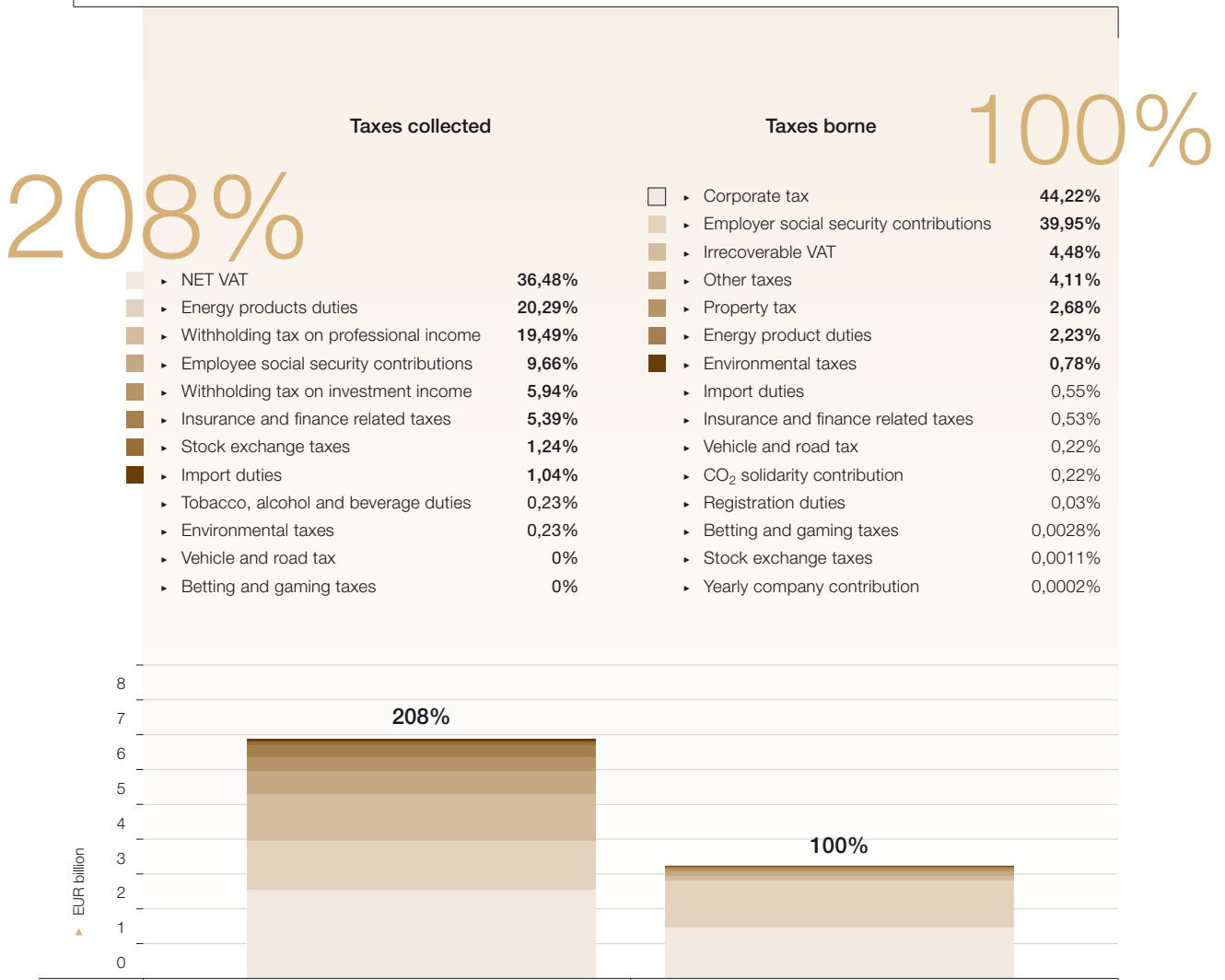
Taxes collected	Amount collected in 2006 (EUR thousand)	
	Federal	Regional
Direct taxes	414.865	
Withholding tax on investment income	397.826	
Country of residence tax withheld at source	17.039	
Employment taxes	2.069.922	
Withholding tax on professional income (of which 24.206 withholding tax withheld at source by the company but not paid to the tax authorities)	1.384.538	
Employee social security contributions	657.500	
Special social security contributions	14.431	
Pension solidarity contributions (0 to 2%)	966	
INAMI/RIZIV contributions (3,55%)	1.497	
Tax on employee equity participation and employee participation in profits and corporate results	10.990	
Environmental taxes	7.612	8.358
Ecotaxes (a.o. on batteries, disposable cameras, etc.)	7.603	
Environmental contribution	0	
Tax on industrial packaging	9	
Tax on waste /waste contribution		0
Other environmental taxes		8.358

“ In addition to taxes entirely allocated to regions, provinces, metropolitan districts and communes, certain federal taxes are also partially allocated to them.”

Taxes collected	Amount collected in 2006 (EUR thousand)	
	Federal	Regional
Indirect taxes	4.503.550	
Net VAT	2.546.616	
Tax on stock exchange transactions	81.301	
Tax on carry-over transactions	4.178	
Tax on delivery of bearer securities	1.349	
Annual tax on insurance transactions (9,25% or 4,4%)	116.873	
Tax on long-term savings	72.123	
Income tax withheld by pension institutions on income derived from occupational benefit schemes	176.208	
Customs duty	72.369	
Excise duties on mineral oil (excise duties, special excise duties and energy contributions)	1.416.321	
Federal contribution on energy (electricity)	0	
Excise duty on tobacco products	0	
Excise duty on alcoholic products	0	
Excise duties on other beverages (non-alcoholic beverages and coffee)	3.274	
Packaging contribution	12.938	
Car registration tax		0
Road tax		0
Additional road tax		0
Compensatory excise tax	0	
Road toll (Eurovignette)		0
Betting and gaming taxes		0

The results show that for every EUR 1 of corporate tax paid by survey participants, they collect another EUR 4,70 in taxes. Another interesting ratio in this respect is that the taxes collected are 2,08 times more than taxes borne. **Figure 7.7** shows the relative amounts. (See next page)

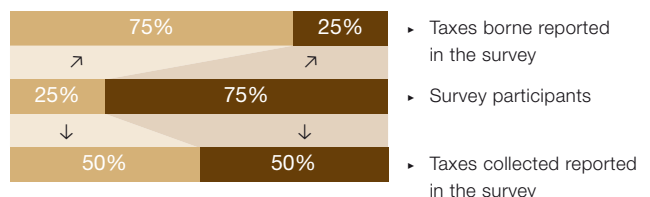
7.7 Total taxes collected compared to taxes borne for survey participants



The fifteen largest payers of taxes borne in the survey represent 50% of the survey total for taxes collected (and 75% of taxes borne); they contributed in taxes borne and collected to 7% of government total tax receipts.

The largest tax in absolute value collected by the survey participants is VAT (EUR 2.546.616.000), followed by excise duties, withholding tax on professional income and employee social security contributions.

7.8 Visual representation of taxes reported by survey participants



Total Taxes Borne and Collected

As mentioned previously, the Total Tax Contribution Framework draws a distinction between taxes borne and taxes collected. Taxes borne are costs incurred by the company although they will ultimately be passed on along with other costs to shareholders, employees or customers. Taxes collected are not costs as such incurred by the company but they do however represent a management and compliance issue.

Companies are collecting substantial amounts of tax on behalf of the Belgian authorities. This not only generates very significant compliance costs but triggers important liabilities. Indeed, if and when a company fails in good faith to comply with the regulations (e.g. erroneously failing to withhold wage related taxes at source or applying too low a VAT rate on the sale of goods), it will be held liable by the Belgian tax authorities for those shortfalls. Moreover, in most cases it will from a practical point of view be impossible to claim back missing amounts from the relevant

“ Companies are collecting substantial amounts of tax on behalf of the Belgian authorities. This not only generates very significant compliance costs but can trigger important liabilities.”

counterparties (employees, customers, etc.). It is interesting to note that in terms of taxes borne and collected the participants in the survey account for 12% of government tax receipts (including personal income tax receipts).

taxes borne
& collected

7.9

Value of taxes borne and collected, 2007 survey

		EUR millions
Taxes borne	Corporate tax	1.485
	Other business taxes	1.874
		3.359
Taxes collected		6.980

8

The picture for individual participants

The most meaningful figure for companies is the Total Tax Rate. This figure compares all taxes borne to profit before all business taxes borne, and thus paints a more complete picture of the real tax burden than the statutory corporate tax rate.

8.1

Data requested for analysis

Data requested	Use in analysing participants data
Profit before corporate tax booked in Belgium	Calculation of Total Tax Rate (all taxes borne as a percentage of profit before all taxes borne)
Turnover booked in Belgium	Calculation of taxes borne and collected as a percentage of turnover
Number of employees in Belgium	Calculation of employment taxes borne and collected per employee

In this survey, we have examined the impact of tax on business. In addition to data on taxes borne and collected, participants were asked to provide information to indicate the size of their Belgian business and to put their tax payments into context. That information and how it has been used to analyse the figures is set out in **Table 8.1**.

Total Tax rate

The Total Tax Rate (TTR) is a useful measure of the burden of all taxes borne on a particular business. In the calculation, the numerator is the total of all business taxes borne (total taxes borne – TTB) and the denominator is the profit before all business taxes borne

(PBTTB). It is important to note that the profit figure used in the calculation (PBTTB) is not the traditional figure found in the annual accounts of the company, the profit before tax figure (PBT). As many of the taxes borne are deductible in calculating PBT they must be added back in to obtain a figure for profit before all business taxes borne (PBTTB) to be used as the denominator in the calculation. In comparing the TTR with the statutory corporate tax (CT) rate therefore it must be remembered that the element of the TTR which represents corporate tax will always be **below** the nominal corporate tax rate of 33,99%. In the example calculation below, the TTR is 53% of which 28% represents corporate tax and 25% other business taxes borne.

“The Total Tax Rate measures the burden on a particular business of all taxes borne. On average for the companies in the survey, the TTR is 52,07% of profits before total taxes borne.”

Total Tax Rate Methodology

8.2

Example TTR calculation

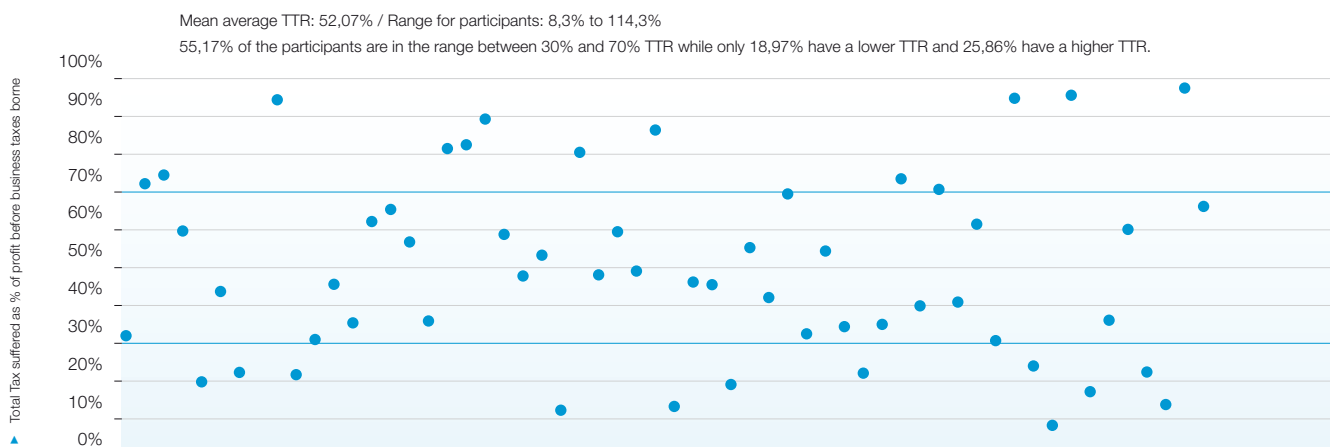
Profit Before Total Taxes Borne (PBTTB)	120		
Other Taxes Borne	(30)	CT/PBTTB (33,99/120)	28%
Profit before tax (PBT)	90	TTR (63,99/120)	53%
Adjustments for tax purposes *	10		
Taxable profit	100		
Corporate tax (CT)	(33,99)		
Profit after tax	56,01		

* e.g. Disallowed expenses to be added or dividends received deduction to be subtracted.

A Total Tax Rate calculation was carried out for survey participants providing data on taxes borne; the results thereof are illustrated in [Figure 8.3](#).

8.3

Total Tax Rates for participants, 2007 survey



Note: each point represents the TTR data from a single company. The ordering is random. TTR values of greater than 100% have been omitted from the chart.

52,07%

No calculation was included for companies with a loss before total taxes borne as the Total Tax Rate is not an appropriate measure in these circumstances.

The mean average Total Tax Rate for companies included is 52,07%. For individual companies the TTR ranges from 8,3% to 114,3%. Those companies with a very high percentage will generally have a loss or small profit before corporate tax but a profit before total taxes borne.

We have considered whether taxes borne could be expressed as a percentage of profit before corporate tax (PBT) rather than profit before all taxes borne (PBTTB). A factor that possibly favours of this measure is that it may be easier to understand and relate better to data in a company's annual accounts. However, it also overstates the tax burden, since many of the other taxes borne are deductible when calculating corporate tax.

For this reason we have rejected it and consider the calculation of Total Tax Rate used (total taxes borne compared to profit before all business taxes borne) to be a more realistic measure of the burden of business taxes borne.

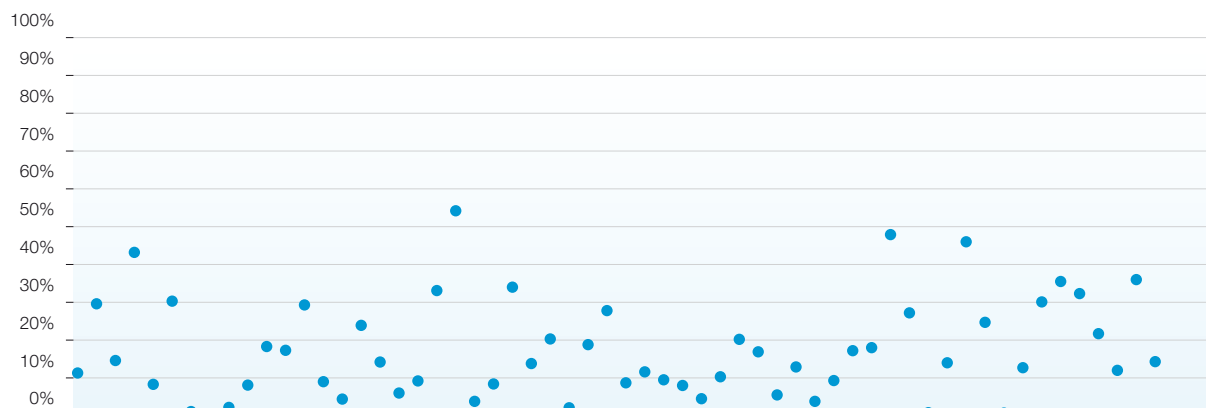
Taxes borne and collected as a percentage of turnover

Taxes borne and collected as a percentage of turnover is a measure of what a company contributes to government tax receipts. Here we have made a simple calculation with taxes borne and collected as the numerator and Belgian turnover as the denominator. We have not adjusted turnover for VAT collected which is not reflected in turnover. The results are shown in [Figure 8.4](#).

The mean average for taxes borne and collected as a percentage of turnover for companies participating in the survey is 18,96% of which 8,85% represents taxes borne and 10,11% taxes collected. The range for this statistic is shown in [Table 8.5](#).

8.4 Taxes borne and collected as a percentage of turnover

18,96%



Note: each point represents data from a single company. The ordering is random. Negative ratios have been omitted.

Employment taxes borne and collected per employee

36.756,11

The final measure we have looked at is employment taxes borne and collected per employee. This measure may be useful in considering the multiplier effect in taxes of jobs created by Belgian business.

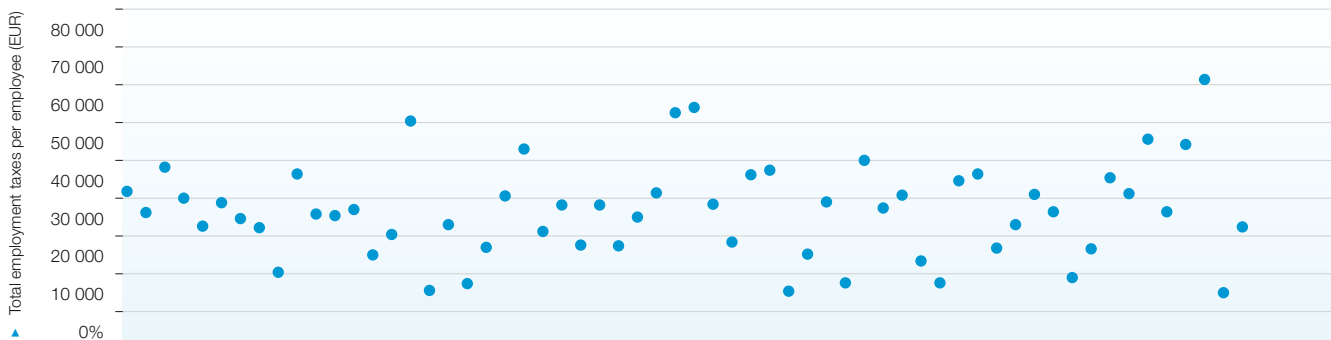
In this calculation employment taxes borne and collected are the numerator and the number of employees the denominator. The results are shown in **Figure 8.6**.

8.5 Taxes borne and collected as a percentage of turnover

	Total	Borne	Collected
Mean average for participants	18,96%	8,85%	10,11%
Range for participants*	-1,90% to 111,61%	0,26% to 65,06%	-2,48% to 46,55%

* Negative ratios are the result of VAT refunds.

8.6 Total employment taxes borne and collected per employee for survey participants



Note: each point represents data from a single company. The ordering is random.

8.7 Value of employment taxes borne and collected per employee

	Total	Borne	Collected
Mean average for participants	36.756,11	16.357,03	20.399,08
Range for participants	15.061,54 to 71.440,99	4.623,33 to 33.313,36	4.739,64 to 45.124,22



International Comparison

As the same methodology has been consistently applied worldwide, the results from the Belgian survey can be compared with those from other countries. This facilitates an objective comparison of the competitiveness of national tax systems.

The PwC Total Tax Contribution Framework and its methodology is currently in use in several other countries. Results from the UK and Australia are discussed below. We also expect results to be available from South Africa, Canada, Germany, Ireland, the Netherlands and the US later this year.

The survey shows that the 74 participating companies account for 13,3% of total UK government receipts for all taxes and that the taxes borne and collected has reached a value of GBP 64,6 billion, clearly demonstrating the extent to which the total tax contribution of the UK's largest companies underpins the country's public finances.

The UK

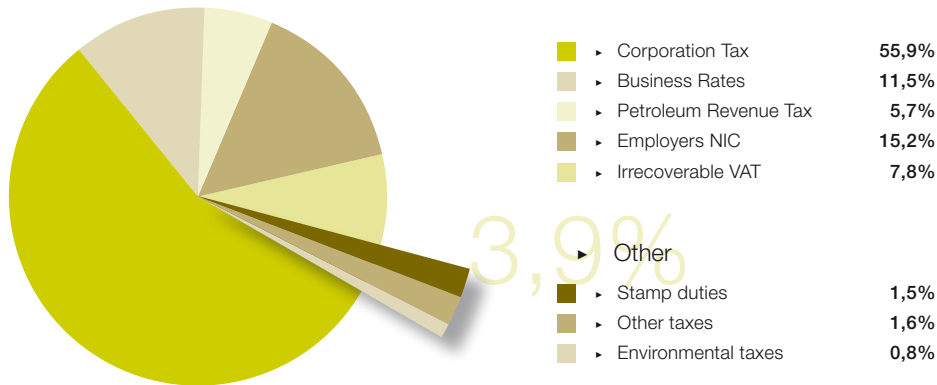
In February 2008 The Hundred Group (comprising the finance directors of the largest companies in the UK) announced the results of the third annual survey carried out by PricewaterhouseCoopers LLP. Participation in the survey has been consistently high with 74 companies participating in the most recent survey out of a corporate membership of 120.

Total taxes borne and collected:

- ▶ In 2007, for every GBP 1 of corporate tax borne by UK participants they paid a further GBP 0,79 in additional taxes.
- ▶ Total taxes borne by the participants totalled nearly GBP 23 billion – 4,7% of UK government total tax receipts. Participants paid GBP 12,8 billion in corporate tax - over a quarter (28,8%) of the amount of corporate tax the government collects.
- ▶ Other business taxes amounted to just over GBP 10 billion. Employers' national insurance contributions (NICs), business rates, irrecoverable VAT and petroleum revenue tax continue to be the most significant other business taxes borne by participants.

UK

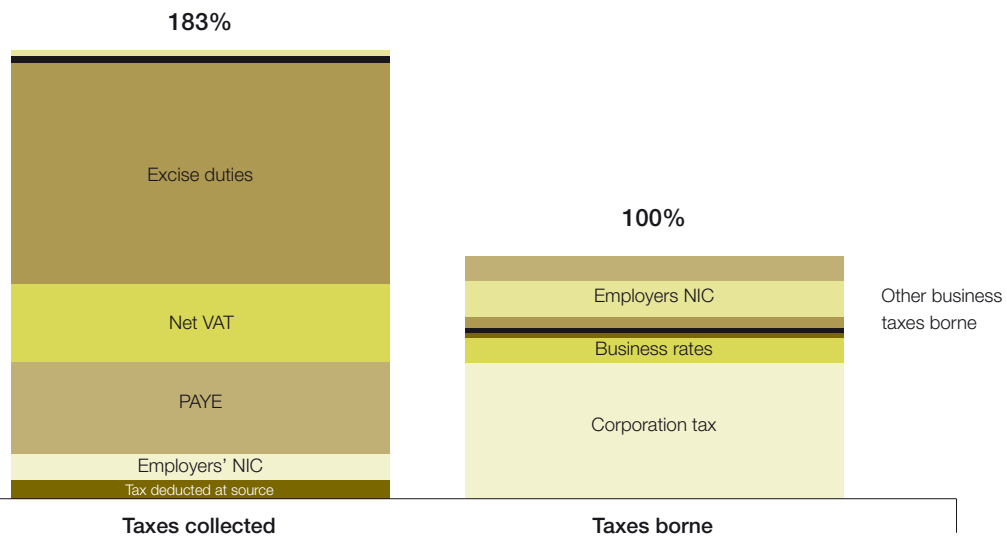
9.1 Breakdown of total taxes borne by participants, UK survey 2007



- ▶ For every GBP 1 of corporate tax paid by participants they collected GBP 3,27 in taxes collected.
- ▶ Total taxes collected by the participants totalled GBP 41,8 billion – 8,6% of UK government total tax receipts. Taxes collected are 1,8 times the value of taxes borne. The largest taxes collected were excise duties (GBP 20,6 billion).

- ▶ Corporate tax paid by survey participants increased 50,4% between 2004 and 2007 and 18,2% between 2006 and 2007. This increase is largely due to the supplementary charge paid by oil and gas companies.
- ▶ Total taxes borne by survey participants increased 35,4% over the same four year period and 10,8% year-on-year.

9.2 Relative value of taxes collected compared to taxes borne, UK survey 2007



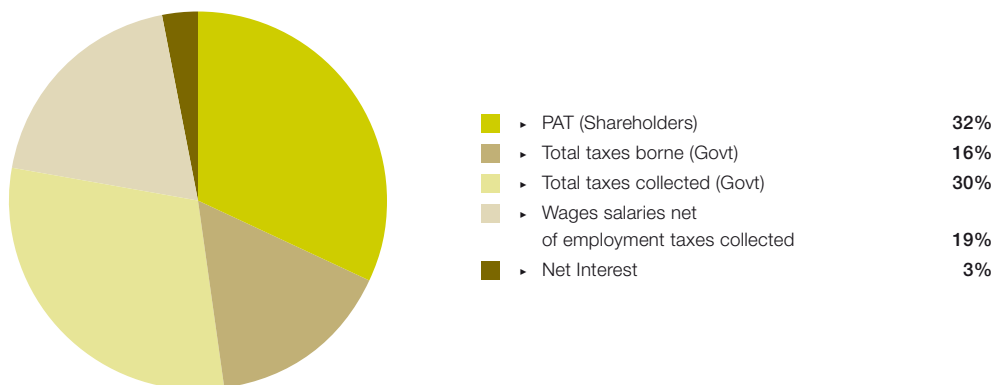
UK

In the most recent UK survey additional data was gathered to enable communication about the wider economic contribution made by participants. The following conclusions were reached:

- ▶ Almost half (46%) of the value created by these companies is paid to the UK public finances in tax. This can be compared to the percentage of government tax receipts to GDP of 37,4%.
 - ▶ One fifth (19%) of the value created is paid out in wages and salaries (net of employment taxes), 3% is paid in net interest to debt holders and 32% is available for reinvestment or for distribution to shareholders.
 - ▶ Participants employed 1,4 million employees (5,2% of the UK workforce).
 - ▶ Employment taxes deducted under the pay as you earn (PAYE) system were one of the largest taxes collected – survey participants paid an average of GBP 16.820 in employment taxes per employee, an increase of 7,5% above inflation compared to 2006 (GBP 15.645).
- In the UK data was also requested on the costs of compliance. This showed:
- ▶ On average companies that participated reported that they employed the equivalent of 11,8 full time employees to deal with all UK tax compliance. In total the companies spent GBP 66.6 million.
 - ▶ Just over half of the time spent on tax compliance (52%) comes from specialised tax resources (staff) in participants' tax departments (the central tax department). The remaining resources came from non-specialist departments. Well over one third (41%) of the total time was spent on compliance activities relating to corporate tax, 29% on employment tax (NIC and PAYE) and 23% on VAT.
 - ▶ The total cost of UK tax compliance for the participants, including their external spend, is GBP 65,6 million. Almost half of the total compliance cost (49%) relates to corporate tax, 24% to employment tax, 18% to VAT and 0,9% to excise duties.
 - ▶ Corporate tax is more expensive to administer; while it accounts for almost half of the cost of compliance, it represents only 22% of total taxes borne and collected.
 - ▶ For participants the cost of compliance with international aspects of the UK tax system was GBP 15,5 million – nearly a quarter (23,6%) of their total compliance cost.

9.3

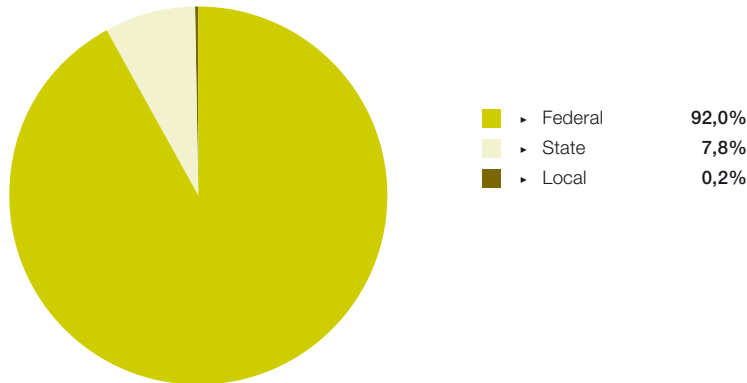
Recipients of value created by participants, UK survey 2007



Source: Total Tax Contribution – PricewaterhouseCoopers LLP 2007 survey for The Hundred Group

9.4

Taxes borne and taxes collected by level of government in Australia, 2007 survey



Source: Total Tax Contribution – PricewaterhouseCoopers LLP 2007 survey for The Hundred Group

Australia

In April 2007 the Business Council of Australia and the Corporate Tax Association published the results of a Total Tax Contribution survey of their members carried out by PricewaterhouseCoopers LLP in Australia. The BCA/CTA membership represents a significant proportion of large businesses in Australia. 92 of the total of 170 members participated in the survey, including 52 companies listed on the ASX (Australian Stock Exchange), 12 Australian owned private companies or partnerships, and 28 foreign owned companies.

The Australian survey collected data for the participants' accounting periods ending in the year to 30 September 2006. The results of the BCA/CTA survey show that Australia has a complex federal, state and local tax system. The survey results show that there are 56 taxes which are borne or collected by companies in Australia, (compared to 78 in Belgium and 22 in the UK). 21 of these are levied by the federal government, 33 by state and territory governments and 2 by local government. Many of the state and territory taxes are levied by several states or territories,

Australia

resulting in up to 182 potential taxation obligations or "taxing points" for businesses operating Australia-wide (excluding local government obligations).

The large number of state and territory taxes raise relatively little revenue. The 21 federal government taxes raised 92% of the taxes borne and collected by participants in the BCA/CTA survey. The 33 state and territory taxes raised 7,8%, with local government taxes the remaining 0,2%. The system is thus complex for relatively little tax take.

The taxes borne and collected by the 92 participants in the BCA/CTA survey represent 22% of total Australian government tax receipts. This compares to 12% in Belgium and 13,3% of UK government tax receipts for the 74 participants in the 2007 Hundred Group survey. The results show the importance of large business to government tax receipts in each of these countries.

Australia

The next largest tax after corporate tax in Australia is payroll tax (8,5%). This is also the case in the UK (15,2%) and while also the case in Belgium, the striking difference here is that employer social security costs represent in Belgium 39,95% of business taxes borne. This partly explains the high cost of labour in Belgium, and in turn has a significant impact on the country's competitiveness at an international level.

Taxes collected in Australia were 1,35 times the size of taxes borne compared to 1,83 times in the UK 2007 survey and 2,08 times in Belgium. As in Australia and the UK where excise duties, employee taxes deducted through the payroll and goods and services tax (net VAT) were the largest taxes collected, in Belgium net VAT, excise duties on energy products and withholding tax on professional income were ranked as the top 3 taxes collected.

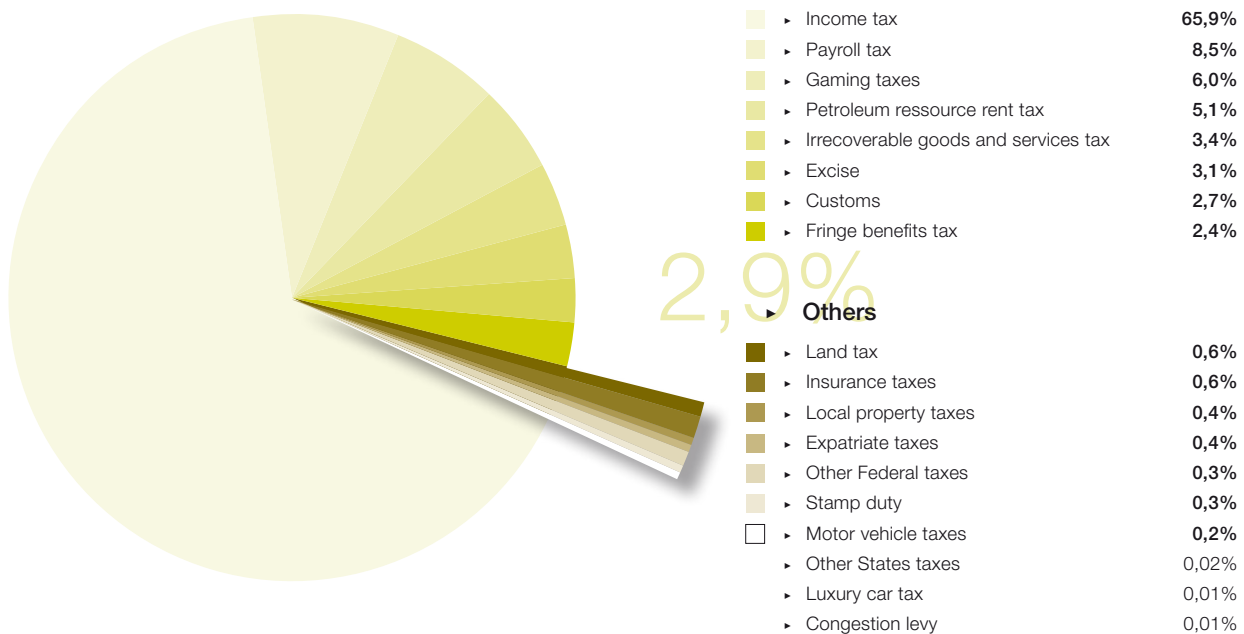
1,35

1,83

2,08

9.5

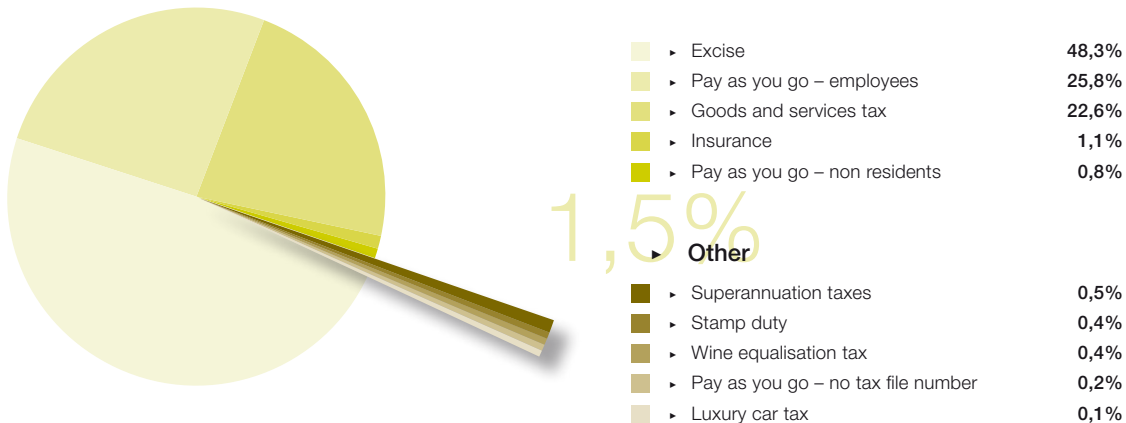
Taxes borne by survey participants in Australia



Source: 2006 survey for the Business Council of Australia and Corporate Tax Association.

9.6

Taxes collected by survey participants in Australia



Source: 2006 survey for the Business Council of Australia and Corporate Tax Association.

On average the Total Tax Rate for participants in the Australian survey was a higher percentage (44,1%) than for participants in the 2007 UK survey of the Hundred Group (36,2%). On average however, the Australian companies paid an amount equivalent to a lower percentage of their turnover in taxes borne and collected (16%) than these in the UK (18,3%). However, as indicated in section 7 some taxes have a different impact on different industry sectors. It is thus important to compare these results by industry sector.

The BCA/CTA survey collected some high level data on the costs of compliance for Australian taxes. On average, participants in the BCA/CTA survey reported the equivalent of 9,1 full time employees dealing with Australian tax compliance (compared to 11,8 dealing with UK tax compliance for Hundred Group members). 66% of the time was spent on compliance with corporate income tax compared to 41% in the UK.

“ At 52,07% the mean average Total Tax Rate for participants in the Belgian survey was higher than that for Australian participants (44,1%) and participants in the 2007 UK survey of the Hundred Group (36,2%). ”

We welcome feedback from interested parties regarding the usefulness of comparing results from the TTC surveys in different countries and more specifically concerning which aspects of the results it would be helpful to compare.

10

Future development and use of the survey

The Total Tax Contribution Framework generates standardised data that enables transparency and improved communication with stakeholders about the economic contribution of all taxes paid by the company. It will continue to be refined on the basis of feedback from the business community and government, and it is intended that the 2008 survey will include data regarding the cost of compliance.

An important use of the Total Tax Contribution Framework is to increase transparency, and to inform the debate around tax policy. It is important that the findings of the survey are widely communicated.

There is strong interest from the Federation of Enterprises in Belgium and from sector employers' organisations as well as from individual companies in both the results of this survey and in the Total Tax Contribution concept in general. The framework generates empirical data that is not otherwise available and which is helpful to inform the tax policy making process, and in particular the debate around the competitiveness of the Belgian fiscal regime.

Section 6 of this report shows that participation in the survey has been very good. By completing the Total Tax Contribution questionnaire, the participants

now have data on an individual company basis which gives them the opportunity to improve their reporting of tax information. This is wholly consistent with the position of organisations such as the OECD which support high standards of transparency and the efficient exchange of information on tax matters. In today's world there is a gap between accounting standards on tax requirements and the expectations and needs of the various stakeholders. The opportunity offered by the Total Tax Contribution Framework is the generation of standardised data that can be reported on a regular basis, and which meet the needs of those stakeholders interested.

We recommend that companies use the Total Tax Contribution Framework to report on their tax contribution, and in the PwC publication "Tax Transparency Framework" we have set out nine possible areas for consideration listed in **Table 10.1**.

10.1

Suggested framework for communicating about tax to stakeholders

- ▶ Tax strategy and risk management should include:
 - a clear discussion of the company's tax objectives and strategy;
 - disclosure of how the company's tax strategy and function is managed and who in the organisation has responsibility for governance and oversight; and
 - clear disclosure of the material tax risks faced by the company.
- ▶ Tax numbers and performance should include:
 - a clear explanation as to why the current tax charge is not equivalent to the statutory rate of corporate income tax;
 - a transparent reconciliation of the company's cash tax payments to the tax charge included in the income statement; and
 - disclosure of the forward looking measures for tax including forecast accounting tax rate and cash tax rate.
- ▶ Total Tax Contribution and the wider impact of taxes should include:
 - details as to the impact of tax upon the wider business strategy and results of the company;
 - disclosure of the impact of tax on shareholder value; and
 - clear communication regarding the economic contribution of all taxes paid by the company.

The intention is to repeat the Total Tax Contribution Survey in Belgium again for 2008. We will continue to enhance the survey both in terms of the questions asked and the extent of data requested. The most consistent request now made by stakeholders is for data relating to compliance costs and the benefit of having this data can be seen in the results generated in the UK and Australian surveys. There is an important debate around the complexity of the tax regime, and having such data available will help illustrate the time and effort that is required by the country's largest companies in complying with tax legislation.

When the survey is repeated next year it will hopefully be extended to include data on compliance costs. Using the experience gained in other countries, we are currently considering how this might best be achieved. We also welcome the views of others. The intention would be to collect data on the cost of compliance for both taxes borne and taxes

collected. This might include both the cost of internal staff that spend time on compliance and the cost of external advisers or other resources. Difficulties include that tax staff will only spend a proportion of their time on compliance and that many of the business taxes will be dealt with outside the tax department. It may be appropriate to specify a list of compliance activities and ask participants to estimate the time spent on each. It might then be possible to translate the time spent into a monetised cost.

As can be seen in **section 9** of this report the framework is being actively used in a number of countries around the world, demonstrating that it can easily be applied to gather the same data on taxes borne and collected by companies in other countries. This then offers the possibility to compare and benchmark Total Tax Contribution statistics between countries as well as between companies, and there should be a suitable amount of data

tax legislation

“ Stakeholders consistently request data relating to compliance costs. There is an important debate surrounding the complexity of the tax regime and the effort required from the country’s largest companies to comply with tax legislation.”

available to do so towards the end of 2008. In the international context it is also worth noting that PwC works with the World Bank Group to review the ease of paying taxes in 178 countries worldwide as part of the World Bank “Doing Business 2007” project. The findings are based on a survey using a case study of a standard medium sized company and are published each November in a report called “Paying Taxes – the Global Picture”. The World Bank bases its tax indicators on the PricewaterhouseCoopers Total Tax Contribution Framework methodology, in

particular for the calculation of a Total Tax Rate for each country. The output generates some very interesting results and commentary and is actively being used by the Bank to inform its reform agenda, and more specifically the pursuit of an economic win-win scenario on tax for governments and business and in a broader context to deal with poor governance, corruption and poverty.

Appreciation of the Total Tax Contribution concept has gained significant momentum in 2007. It is becoming more widely recognised as a robust measure of taxes contributed by companies to national treasuries and as a means of improving companies’ focus on the risks and management of all taxes. As mentioned previously, the development of the Framework is a dynamic process. The Framework has the potential to cover five areas; taxes borne, taxes collected, tax compliance costs, other payments to and from government and indirect economic impacts. Comments and feedback on the concept and the results of this survey are thus welcome to ensure that the usefulness of the output is optimised.





Appendix



1	FEB invitation to participate in 2007 Survey	▶ 46
2	Related PricewaterhouseCoopers publications	▶ 47
3	PwC and FEB contact details	▶ 48

Appendix I

FEB invitation to participate in 2007 Survey



Rudi Thomaes
Chief Executive Officer

18 October 2007

Dear CEO,

Your Company's Total tax Contribution to Government tax collections in Belgium

As part of its continued efforts to better understand and help lower the overall level of taxation on companies in Belgium, the Federation of Enterprises in Belgium has decided, in cooperation with PricewaterhouseCoopers, to launch a regular survey of the total tax contributions paid by large companies operating in Belgium to the various Governments.

This survey primarily aims to help each participating company better identify its own tax contribution to the Belgian economy and benchmark this contribution against the sectoral and global results of the survey (which it will receive free of charge). A distinction will be made between the taxes paid and borne by your company (like the corporate tax) and the tax collected on behalf of the governments (like the VAT).

By allowing business representatives to better identify and quantify the substantial contributions companies made to tax revenues, the survey will also help consolidate never-ending efforts to make our tax system more competitive.

Official figures in Belgium are not detailed enough and the time required before publication is too long. That's why we firmly believe that this survey is indispensable for gathering the data needed to better influence future tax policies.

As part of the selected representative group of enterprises operating in Belgium, your participation in this survey is therefore crucial. **We would be very grateful if you could confirm your participation by completing and returning the attached form.**

This yearly survey will be carried out with the assistance of PricewaterhouseCoopers. Once we have received your completed reply form, your Tax Director will be contacted by a representative of PricewaterhouseCoopers with an electronic survey designed to assess the total tax contribution your company makes at the federal, regional and local governments levels.

In the meantime, please feel free to contact Mr. Jean Baeten, Head of our Tax Department (02 515 08 63 or jb@vbo-feb.be), if you would have any questions in relation to this initiative.

The data provided for the survey will of course remain strictly confidential and the results will be presented in anonymous form. Any sectoral data with less than five companies in it will not be disclosed.

We thank you very much in advance for your cooperation into this initiative.

Yours sincerely,
Rudi Thomaes

General Management
T +32 2 515 08 42
F +32 2 515 09 25
cva@vbo-feb.be

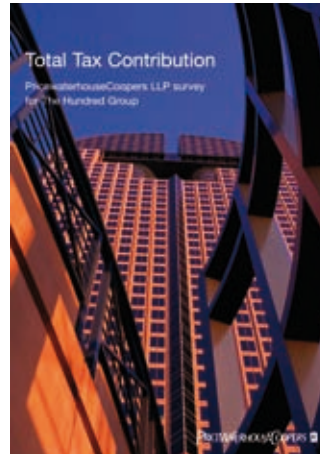
FEB vzw/asbl
Rue Flavenstein 4
B-1000 Brussels
T +32 2 515 08 11
F +32 2 515 09 99
info@vbo-feb.be
www.feb.be
Member of Unice

Appendix II

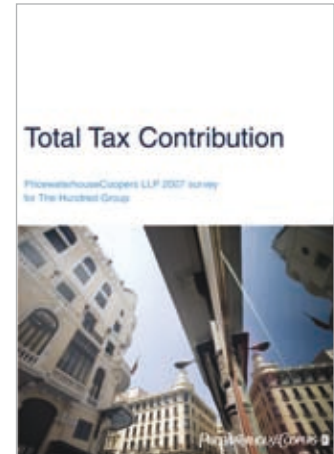
Total Tax Contribution – PwC publications



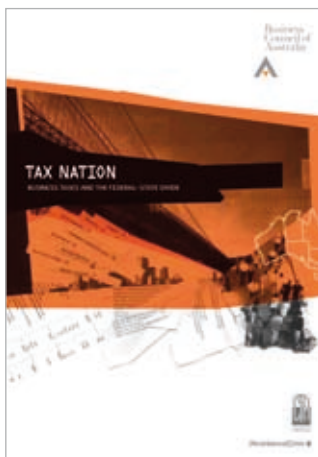
Total Tax Contribution Framework
What is your company's overall tax contribution?
A PricewaterhouseCoopers discussion paper
Published April 2005



Total Tax Contribution
PricewaterhouseCoopers LLP
survey for The Hundred Group
Published March 2006



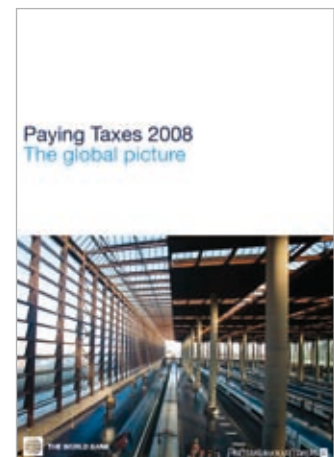
Total Tax Contribution 2007
PricewaterhouseCoopers LLP 2007
survey for The Hundred Group
Published February 2008



Tax Nation
Business Taxes and the Federal-State Divide
Published jointly with the Business Council of Australia
Published April 2007



Tax Transparency Framework
A review of the tax communications
of the UK's largest listed companies
Published November 2007



The global picture
Published jointly
with the World Bank Group
Published November 2007

Appendix III

PwC and FEB contact details

Frank Dierckx

Managing Partner TLS
PricewaterhouseCoopers, Belgium



Phone: +32 (0)2 710 43 24 – Email: frank.dierckx@pwc.be

Frank obtained a law degree at the Free University of Brussels and an LLM in Business and Taxation at the McGeorge School of Law of in Sacramento – USA. He worked and lived in the Netherlands, the USA, Luxemburg and Belgium. At this moment, Frank is the Managing Partner of the PwC-TLS department in Belgium. He writes numerous articles and gives also speeches at seminars on taxation. Frank specialises in International Taxation.

Jean Baeten

Head of the Fiscal Department of the Federation of Enterprises in Belgium (FEB)



Phone: +32 (0)2 515 08 63 – Email: jb@vbo-feb.be

Jean is since more than 7 years responsible for the lobbying activities regarding all kind of tax policies for enterprises at Belgian, European and international levels. Prior to joining the FEB, he spent more than 12 years with several international tax consulting firms. Jean is also the author of two books and of more than 150 articles published in various fiscal newsletters. He is the coordinator of the survey within the FEB and their contact person for the surveyed enterprises.

This report (Total Tax Contribution) has been prepared as general information and incorporates aggregated data from various third party sources and respondents. PricewaterhouseCoopers (www.pwc.com) has not independently verified, validated, or audited the data received from such third parties. PwC makes no representations or warranties with respect to the accuracy of the information contained in this report, and in no event will PwC, its related partnerships or entities, or the partners, agents or employees thereof be liable to the user (subject to any agreement with the user to the contrary) or to any third party (including any of the user's clients) for any inaccuracy of information contained in this report (including any errors or omissions in its content, regardless of the cause of such inaccuracy, error or omission), for any usage of, decision made or action taken in reliance on the Report, or for any consequential, special or similar damages even if advised of the possibility of such damages. This Report is not intended to give legal, tax, accounting or other professional advice. No user should act on the basis of any matter contained in this Report without considering and, if necessary, taking appropriate professional advice on their individual requirements.

www.pwc.be

www.feb.be