

Total Tax Contribution

PricewaterhouseCoopers
and the Federation of Enterprises in Belgium
2009 update



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1

Executive summary

PwC's second Total Tax contribution survey for Belgium reaffirms what is already known about our tax system, as can be seen from the following 3 main highlights.

Belgium continues to bear one of the heaviest overall tax burdens at international level and the companies surveyed pay their fair share.

The countries surveyed have on average 45 taxes, while we have more than 90; total taxes borne and collected by the companies in the Belgian survey amount to almost 16% of their turnover. The average total tax rate for the countries surveyed is approximately 37%, in Belgium it remained stable at roughly 52% of profit before total taxes borne – the highest among the countries surveyed, and a clear indication that companies are contributing their fair share to government tax receipts.

The tax burden has not really been reduced and the ingenuity of the legislator remains as great as ever in terms of the creation of taxes.

Indeed, the survey shows that some 76 taxes are borne by the survey participants, while they also collect another 39 taxes on behalf of the government, on top of the already heavy burden resulting from the two main taxes borne (corporate income tax and social security contributions, which together represent in excess of 85% of total taxes borne by the survey participants). The ingenuity of the legislator is indeed great, as this second survey shows that 20 additional taxes have been identified since the first survey.

The companies surveyed reported average direct compliance costs of EUR 1,40 million in addition to maintaining an average of 10,34 FTEs for tax compliance activities.

The multitude of taxes in Belgium results in a heavy compliance burden. The average cost of compliance with all taxes was 1,85% of total taxes borne, effectively representing a surcharge of this amount on top of the tax bills of the companies surveyed. This is considered to be an underestimation, given that much time is spent on handling taxes such as employment tax and social security, VAT and import duties outside of the tax unit, in finance or payroll departments where precise data on the cost of compliance is difficult to find.

Executive summary



Introduction

- ▶ The purpose of the Total Tax Contribution (TTC) survey is to provide information on how the Belgian tax system impacts on large businesses and what these companies contribute to the Belgian public finances. The survey results are discussed with government and other parties interested in the competitiveness of the Belgian tax system, and are published for a wider audience.
- ▶ 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.
- ▶ Companies' corporate tax planning activities are coming under increasing scrutiny and wider groups of stakeholders are becoming more interested in companies' tax payments.
- ▶ It is suggested that optimised corporate tax planning by companies can lead to 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 in the past 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 PricewaterhouseCoopers (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.
- ▶ 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.
- ▶ Total Tax Contribution provides a framework for companies to better communicate about their tax contribution to external stakeholders.

The new survey

- ▶ Building on the success of the initial survey, the Federation of Enterprises in Belgium together with PwC has initiated a second Total Tax Contribution survey for Belgium, inviting a sample of companies based on the top ten from the major industry sectors in terms of turnover and number of employees.
- ▶ For the current survey, 41 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 2007 amounted to EUR 62,26 billion. This indicates a strong interest among the business community to take part in the survey.

- ▶ 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 2007 to 31 December 2007.
- ▶ The data has been rendered anonymous and aggregated to produce the survey results.
- ▶ The questionnaire covers 76 business taxes borne by companies in Belgium and 39 taxes that are collected by companies on behalf of the government, representing 20 more taxes than were identified in the previous survey.

Survey results

- ▶ On average participants reported 11,78 taxes borne and 5,05 taxes collected, which indicates a significant actual compliance burden.
- ▶ Total taxes borne by survey participants totalled EUR 3.123.910.000 which is 6,16% of total government tax receipts, excluding personal income tax.

- ▶ Participants reported EUR 1.597.385.000 in employer social security contributions, which is the most significant business tax borne at 51,13% of all business taxes borne.
- ▶ The second largest tax borne is corporate tax, with participants reporting EUR 1.084.387.000 of tax paid. For every EUR 1,00 in corporate tax paid, they pay another EUR 2,88 in other business taxes.
- ▶ Taxes collected by survey participants totalled EUR 6.157.192.000, some 6,78% of total government tax receipts.
- ▶ The results also show that for every EUR 1,00 of tax borne by survey participants, they collect another EUR 1,97 in taxes.
- ▶ The largest tax in absolute value collected by the survey participants is withholding tax on wages (EUR 1.504.204.000) followed by excise duties, VAT and insurance and finance related taxes.
- ▶ Companies are thus collecting substantial amounts of tax on behalf of the Belgian authorities.
- ▶ Survey respondents reported an average of EUR 1.412.400 in tax compliance costs and 10,34 full-time equivalents per company for tax compliance activities.

Trends in tax payments

	2007 Survey	2009 Update
▶ Total taxes borne and collected compared to government tax receipts	12,00%	10,22%
▶ Listed number of taxes borne	63	76
▶ Listed number of taxes collected	32	39
▶ Average number of taxes borne by survey participants	10,07	11,78
▶ Average number of taxes collected by survey participants	5,54	5,05
▶ Total taxes borne by survey participants compared to government tax receipts (excl. personal income taxes)	7,00%	6,16%
▶ Corporate tax compared to total taxes borne	39,95%	34,71%
▶ Employer social security compared to total taxes borne	44,22%	51,13%
▶ Total taxes collected by survey participants compared to government tax receipts	8,00%	6,78%
▶ Taxes collected compared to taxes borne	208%	197%
▶ Total tax rate	52,07%	52,06%
▶ Taxes borne and collected compared to turnover	18,96%	15,98%
▶ Employment taxes borne and collected per employee	EUR 36.756	EUR 37.115

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 52,06% of profit before total taxes borne compared to 52,07% in the last survey, indicating that the heavy burden remains unchanged despite all the measures that were intended to reduce taxes.
- ▶ On average taxes borne and collected as a percentage of turnover for companies participating in the survey is 15,98% of which 7,32% represents taxes borne and 8,66% taxes collected. This compares to 18,96% in the previous survey.
- ▶ The average employment taxes borne and collected per employee remained almost unchanged at EUR 37.115 of which EUR 16.664 represents taxes borne and EUR 20.451 represents taxes collected.

International comparisons

- ▶ Survey results are currently available for comparison with 9 other countries: Canada, the United States, Ireland, the Netherlands, the United Kingdom, Switzerland, Australia, South Africa and India. It is expected that there will be further countries to compare with in the future.
- ▶ In terms of taxes which are borne or collected by companies, there are 92 in Belgium compared to 22 in the UK, 31 in the Netherlands, 49 in Switzerland, 56 in Australia and 67 in Canada, indicating that for multinational 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 6,0% of total government tax receipts in Canada, 10,2% in Belgium, 11,0% in the UK and 19,0% in Australia, clearly demonstrating the importance of large

business to government tax receipts in each of these countries.

- ▶ At 52,1% the mean average total tax rate for participants in the Belgian survey was higher than that for all other countries' participants, ranging from 27,6% in Canada, 30,2% in Switzerland, 31% in the Netherlands, 40% in Australia, 41,6% in the UK to 42,8% in the US.

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.
- ▶ The companies that participated in the survey receive an individual report on their own TTC; and they use this information about their own tax affairs in many different ways. Currently, the most popular (48%) use of the data is to highlight within the company the importance of other taxes as well as corporate tax.
- ▶ It is indeed 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.
- ▶ Gaining an understanding of a company's Total Tax Contribution will help it in monitoring and managing taxes, and to make better informed business decisions and communicate its economic impact in terms of taxes.
- ▶ 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 survey

- 1 We surveyed 41 companies employing altogether 100.000 people and having a total turnover of EUR 62,26 billion. They contributed 10,22% 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: 15,98% of their turnover.
- 3 The above is further confirmed by the average total tax rate of participating companies which reached 52,06% of profit before all business taxes borne, remaining the same as in the last survey, indicating that the heavy burden remains unchanged despite all the measures that were intended to reduce the taxes.
- 4 Among the taxes borne, the social security burden is the greatest, representing 51,13% of all business taxes borne. This high employer social security cost is clearly a major factor in explaining the high cost of labour in Belgium, and has a significant impact on the country's competitiveness at an international level.
- 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 115 taxes being borne (76) or collected (39).
- 7 This heavy burden is also confirmed by the cost reported by survey respondents to comply with all these taxes: they report an average of EUR 1.412.400 in tax compliance costs and 10,34 full-time equivalents per company for tax compliance activities.
- 8 Among the taxes borne, 2 of those taxes (corporate tax and employer social security contributions) make up 85,85% of the total. In other words, 74 taxes make up only 14,15%; this illustrates that although some taxes are relatively small, they clearly impose a large compliance burden.
- 9 The "outsourcing" of tax collection is also clearly demonstrated as for every EUR 1,00 borne there is EUR 1,97 collected on behalf of the state.
- 10 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.





2 Introduction

The purpose of this survey is to provide information on how the Belgian tax system impacts on large businesses and what these companies contribute to the Belgian public finances. The survey results are discussed with government and other parties interested in the competitiveness of the Belgian tax system, and are published for a wider audience.

The Federation of Enterprises in Belgium (FEB) in cooperation with PricewaterhouseCoopers launched the first Belgian total tax contribution survey in 2007 in order to shed some light on taxation. The premise was simple: which taxes do Belgian companies pay and collect, and how much? In other words, what is their true, overall tax contribution? The aim was to better understand and increase transparency of the overall level of tax charges on companies in Belgium. The initial survey was a constructive step forward in creating a dialogue between government and stakeholders on the shape and competitiveness of Belgium's tax system.

This initial survey was a success. It was well received in business and government circles, and it received a lot of press. The second survey now builds on this success. This update aims to analyse changes compared with the prior survey while also contrasting Belgian companies with corporations in nine other countries worldwide that have participated in similar PwC Total Tax Contribution surveys.

We added several questions to the survey in order to analyse compliance costs for companies.

The additional questions focus on internal costs, such as the number of days needed to ensure compliance, as well as external costs, such as costs of service providers. The survey collected data on the size and cost of a company's central tax function and the time that other departments spent on compliance. After all, the cost of complying with Belgian business taxes is an important part of the Total Tax Contribution.

The public often does not see a company's total tax bill. While most attention goes to corporate tax, the huge array of levies that extend beyond the tax on profits remains hidden. Thus their contribution to the economy in terms of taxes paid needs to be better understood.

The amount of corporate tax that large companies pay is coming under increasing scrutiny. Some voices in the public debate have implied that large companies do not pay their fair share in taxes, which in turn, according to this argument, raises the tax burden on others, including individuals, to fund spending on social investments. Yet companies pay many other business taxes in addition to corporate tax, which also contribute to public finances. A lack of

transparency means the public in general knows little about which taxes companies pay and how much they pay. The survey aims to put more focus on the contribution of these lesser-known taxes to the economy.

The survey is also a useful tool for consolidating the ongoing efforts to make Belgium's tax system more competitive. The data gleaned from the survey provide government and business a robust, standard method for calculating Total Tax Contribution. Companies can use this data for reporting, benchmarking and trend analysis, along with improved tax management and coordinated decision-making. And with the issue of taxes now a firm feature of corporate social responsibility, the survey provides reliable data on the contribution of companies to society through taxes.

The PricewaterhouseCoopers Total Tax Contribution Framework 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 a straightforward, non-technical concept and easy to understand. Two simple criteria form the basis of the framework: the definition of a tax and the distinction between taxes that a company pays (such as corporate tax or employer social security contributions) and business taxes that a company collects on behalf of authorities (such as VAT, employee social security contributions and wage withholding taxes). The survey takes into account both types of taxes – taxes borne and taxes collected.

PwC has rendered anonymous the data that the participating companies provide to produce the survey results. Where appropriate, it has aggregated the data. PwC has not verified, validated or audited the data and cannot therefore take any responsibility or make any warranties for the accuracy of the information contained in this report.

The FEB and PwC defined the sample of companies to survey. The basis was the top ten companies from each of the major industry sectors. The selection criteria for each industry were turnover and number of employees. Each participating company completed an electronic questionnaire that PwC designed regarding all business taxes that the company paid and collected during its accounting period ending in the year from 1 January 2007 to 31 December 2007.

Companies participating in the survey each receive a short report that shows their own Total Tax Contribution, using the PricewaterhouseCoopers framework, and where they stand in a ranking among the other participating companies.

As local taxes differ in each municipality, we list only the major local taxes in the questionnaire. Survey participants are free to indicate other taxes that they pay or collect, depending on their municipality or sector. For example, a company operating in the air transport industry may face specific taxes that companies in other industries don't face. Likewise, environmental taxes can also vary, depending on the company's location.

Certain taxes are both a tax borne and a tax collected. For example, most companies pay the annual tax on insurance transactions in relation to their own insurance policies. But companies in the insurance sector also collect this tax, in addition to the premium charged to customers.

Survey respondents list taxes as a tax borne only where that tax is charged separately to the company by a supplier and if it is separately identifiable by the company. They do not have to mention cases where the tax is included in the purchase price but not shown separately, as is the case with fuel excise duty, for example.

3

Results and comparison with previous survey

The total taxes borne by survey participants amount to a total of EUR 3,12 billion, which is approximately 6,16% of total government tax receipts, excluding personal income tax receipts. In addition, they collected EUR 6,16 billion in taxes. For every EUR 1,00 in tax that companies paid, they collected EUR 1,97 for the state. In terms of taxes borne and collected, they contribute 10,22% of total government tax receipts.

The current questionnaire covers 76 identified business taxes that companies in Belgium pay and 39 identified taxes that companies collect on behalf of the government, representing 92 different taxes (companies can both pay and collect a particular tax).

In contrast, the previous survey covered 63 business taxes borne by companies in Belgium and 32 taxes that companies collect on behalf of the government. It was also possible in the survey to indicate other taxes specific to an industry. The current survey has 20 more identified taxes than the previous one did. We added the new taxes on the basis of feedback from participants in the first survey. These new additions demonstrate once again the significant complexity and heavy compliance burden on business in Belgium.

Results and comparison with previous survey

3.1

Taxes borne and collected

	Borne	Collected
Profit taxes (direct taxes)		
Corporate tax	•	
Yearly company contribution	•	
Withholding tax on income from investment		•
Country of residence tax withheld at source		•
Pharma levy	•	
Regional tax on companies	•	
Provincial tax on companies	•	
Elia tax	•	
Property taxes		
Property tax	•	
Stamp duty	•	
Registration duties	•	
People taxes (employment taxes)		
Employer social security contribution	•	
Withholding tax on professional income		•
Employee social security contribution		•
Special social security contribution		•
INAMI / RIZIV contributions on pensions (3,55%)		•
Pension solidarity contribution (0 to 2%)		•
Tax on employee equity participation and employee participation in profits and corporate results		•
Planet taxes (environmental taxes)		
CO ₂ solidarity contribution on company cars	•	
Ecotaxes	•	•
Environment contribution	•	•
Tax on industrial packaging	•	•
Tax on waste / waste contribution	•	•
Sewerage tax	•	
Tax on printed advertising materials	•	
Tax on the discharge of waste water	•	
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: planbatenheffing (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	•	

3.1

Taxes borne and collected

	Borne	Collected
Product taxes (indirect taxes)		
Irrecoverable VAT	•	
Net VAT		•
Tax on stock exchange transactions	•	•
Tax on carry-over transactions	•	•
Tax on delivery of bearer securities	•	•
Insurance premium tax (annual tax on insurance transactions (9,25%, 4,40% or 1,10%))	•	•
Tax on long-term savings		•
Withholding tax on benefits that result from occupational benefit schemes		•
Withholding tax on benefits that result from life insurance and pension savings contracts		•
INAMI / RIZIV contributions on the civil aspect of car insurance (5% or 10%)	•	•
INAMI / RIZIV contributions on hospitalisation insurance (10%)	•	•
INAMI / RIZIV contributions on fire insurance (6,50%), on car insurance (7,50%) and on industrial accident insurance (5,29%)	•	•
Contribution on insurance contracts for the Belgian Red Cross (0,35%)	•	•
Contribution to the security fund for fire and explosion (3%)	•	•
Betting and gaming taxes paid to the tax authorities	•	•
Gaming machine licence duty paid to the tax authorities	•	
Horse racing betting shop tax	•	
Tax on office areas	•	
Tax on employed staff	•	
Bill-posting taxes	•	
Advertising hoardings tax	•	
Tax on motor power	•	
Tax on computer screens	•	
Bank and financial institutions tax	•	
ATM tax	•	
Tax on trading areas	•	
Car park tax	•	
Vending machine tax	•	
Tax on liquor store opening (Wallonia only)	•	
Patent tax	•	
Tax on pylons	•	
Net asset tax (annual tax on credit institutions, on undertakings for collective investment and on insurance companies)	•	
Annual tax on coordination centres	•	
Special tax on bearer bonds held by financial intermediaries	•	
Special tax on the retained profits of certain credit institutions	•	

“The number of business taxes borne (76) and collected (39) by companies in Belgium on behalf of the government demonstrates that there is significant complexity and a heavy compliance burden in the tax system.”

76
39

	Borne	Collected
Annual tax on profit sharing (9,25%)	•	
Annual estate tax for pension funds (ABSL-VZW only) (0,17%)	•	
INAMI / RIZIV contributions on fire insurance (0,06%), on car insurance (0,06%) and on industrial accident insurance (0,06%)	•	
CBFA contribution (0,3% max)	•	
Customs duties	•	•
Excise duties on mineral oil (excise duties, special excise duties and energy contributions)	•	•
Energy contribution (only on electricity)	•	•
Federal contribution on energy (only on electricity)	•	•
Car registration tax	•	•
Road tax	•	•
Additional road tax	•	•
Compensatory excise tax	•	•
Road toll (Eurovignette)	•	•
Municipal road tax	•	
Excise duties on tobacco products (through purchase orders or stamps)		•
Excise duties on alcoholic beverages		•
Excise duties on other beverages (non-alcoholic beverages and coffee)		•
Packaging contribution		•
	76	39

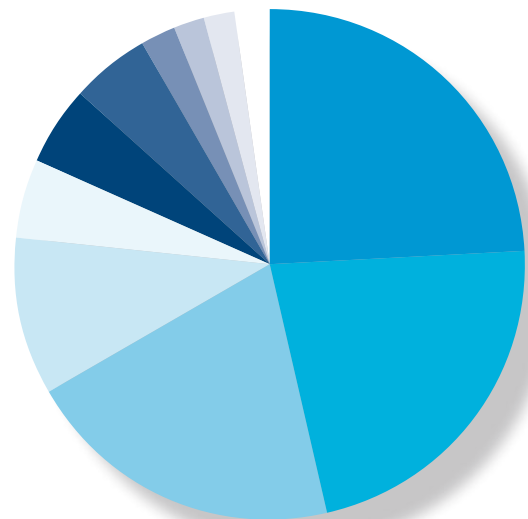
representative sample

The majority of the participants in the current survey are listed companies or part of publicly quoted corporate groups. Together they stand for roughly 100.000 employees and a total turnover of EUR 62,26 billion. The 41 companies that completed the questionnaire are a representative cross-section of Belgian business. All the major industry sectors are represented, and the same industries as in the previous survey.

3.2

Industry sectors represented in the survey results

- ▶ Manufacture of food products and beverages
- ▶ Manufacture of chemicals and chemical products
- ▶ Manufacture of other non-metallic mineral products
- ▶ Manufacture of basic metals
- ▶ Manufacture of fabricated metal products, except machinery and equipment
- ▶ Manufacture of machinery and equipment
- ▶ Manufacture of electrical machinery and apparatus
- ▶ Manufacture of radio, television and communication equipment and apparatus
- ▶ Manufacture of other transport equipment
- ▶ Electricity, gas, steam and hot water supply
- ▶ Construction
- ▶ Wholesale trade and commission trade, except of motor vehicles and motorcycles
- ▶ Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods
- ▶ Land transport; transport via pipelines
- ▶ Air transport
- ▶ Post and telecommunications
- ▶ Financial intermediation, except insurance and pension funding
- ▶ Insurance and pension funding, except compulsory social security
- ▶ Real estate activities
- ▶ Computer and related activities
- ▶ Research and development
- ▶ Other business activities



	Number of participating companies	
▶ Industrial	10	24%
▶ Financial	9	22%
▶ Consumer goods	8	20%
▶ Telecommunications	4	10%
▶ Basic materials	2	5%
▶ Media & entertainment	2	5%
▶ Retail	2	5%
▶ Health care	1	2%
▶ Oil & gas	1	2%
▶ Technology	1	2%
▶ Utilities	1	2%

The current survey participants contribute 10,22% of total government receipts in terms of taxes borne and collected.

In the previous survey, the number of companies that completed the survey was 61. These 61 companies had a total turnover of 90,5 billion and they contributed 12,00% of total government receipts.

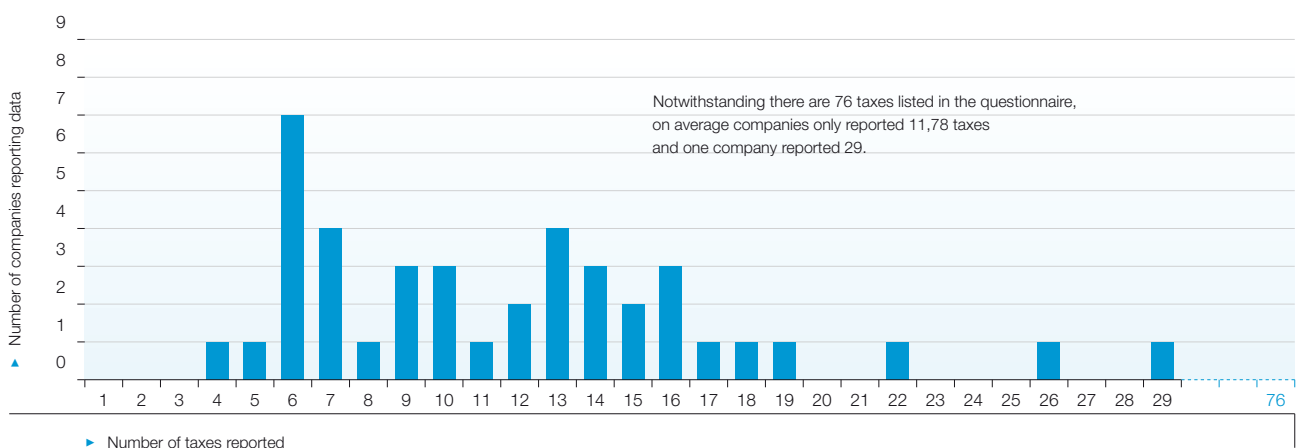
On average, participant companies report 11,78 taxes borne and 5,05 taxes collected. No one reported more than 29 taxes. The figures for the previous survey were 10,07 and 5,54 respectively.

As shown in figure 3.5, the social security tax at 51,13% is by far the largest percentage of taxes borne. In the previous survey, the social security tax was 39,95%. Just two taxes – corporate tax and employer social security contributions – make up 85,85% of the total, in other words 74 taxes make up only 14,15% of the total. In the previous survey, these two taxes made up 84,17% of the total.

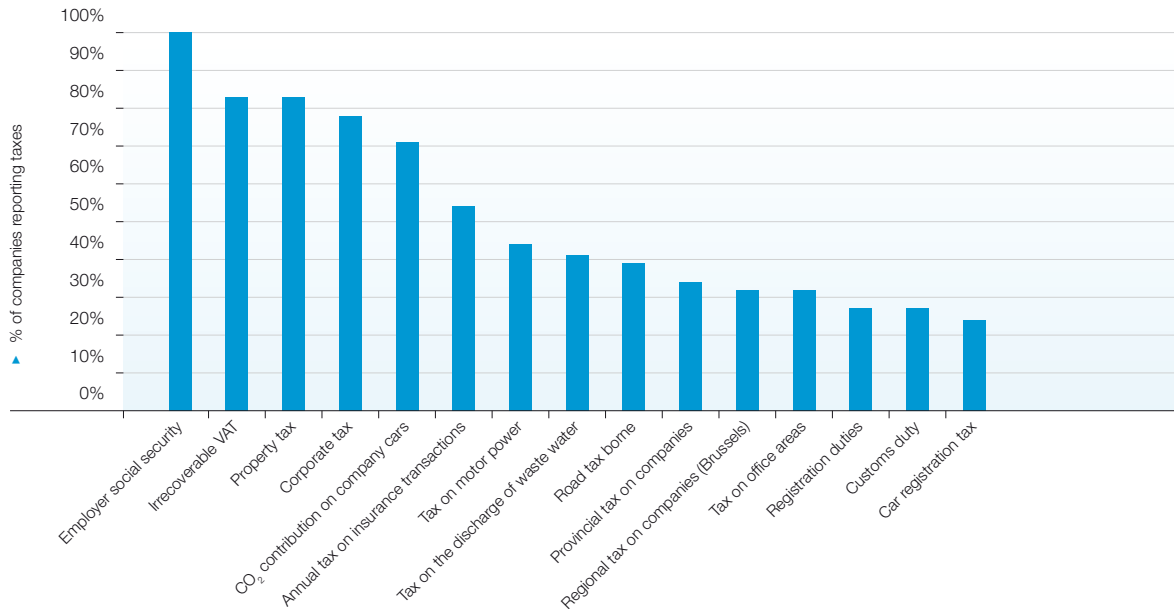
“On average, participant companies report 11,78 taxes borne and 5,05 taxes collected. The figures for the previous survey were 10,07 and 5,54 respectively.”

11,78 taxes borne
5,05 taxes collected

3.3 Number of taxes borne reported by participants



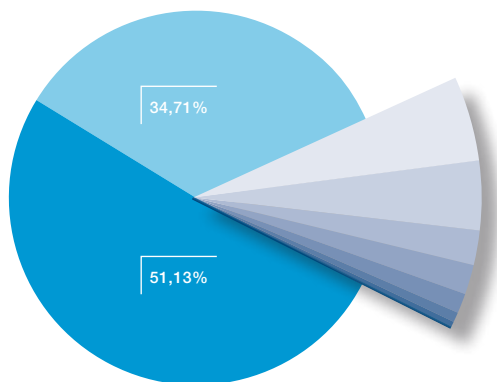
3.4 Top 15 taxes borne most frequently



Top taxes borne most frequently are employer social security, corporate tax, irrecoverable VAT, property tax and CO₂ contribution on company cars.

The total taxes borne by all survey participants amounts to EUR 3,12 billion, which is 6,16% of total government tax receipts, excluding personal income tax receipts. The percentage for the previous survey was 7%. Participants paid approximately EUR 1,60 billion in social security contributions and EUR 1,10 billion in corporate tax.

3.5 Taxes borne by survey participants (EUR thousands)



Others 14,15%

Amounts paid in 2007

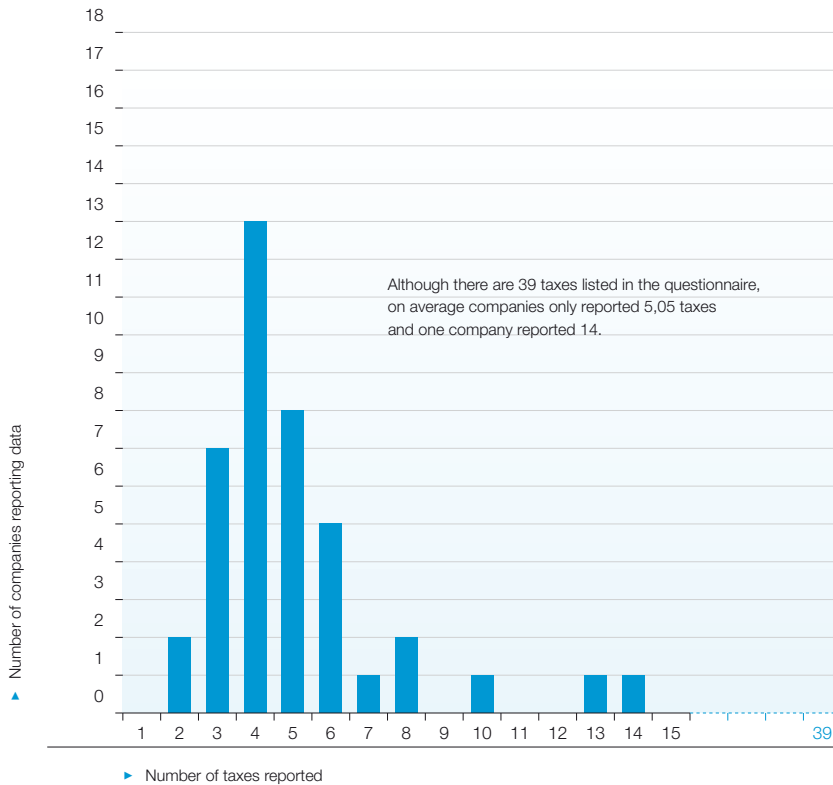
▶ Irrecoverable VAT	139.509	4,47%
▶ Property tax	126.686	4,06%
▶ Environmental taxes	62.815	2,01%
▶ Other taxes	48.709	1,56%
▶ Insurance and finance related taxes	36.258	1,16%
▶ Energy product duties	16.099	0,52%
▶ Import duties	7.260	0,23%
▶ Registration duties	2.728	0,09%
▶ Vehicle and road tax	1.207	0,04%
▶ Pharma levy	816	0,03%
▶ Stock exchange taxes	51	0,00%
▶ Excise duties	0	0,00%
▶ Betting and gaming taxes	0	0,00%

▶ Employer social security contributions	1.597.385	51,13%
▶ Corporate tax	1.084.387	34,71%

Total taxes borne 3.123.910

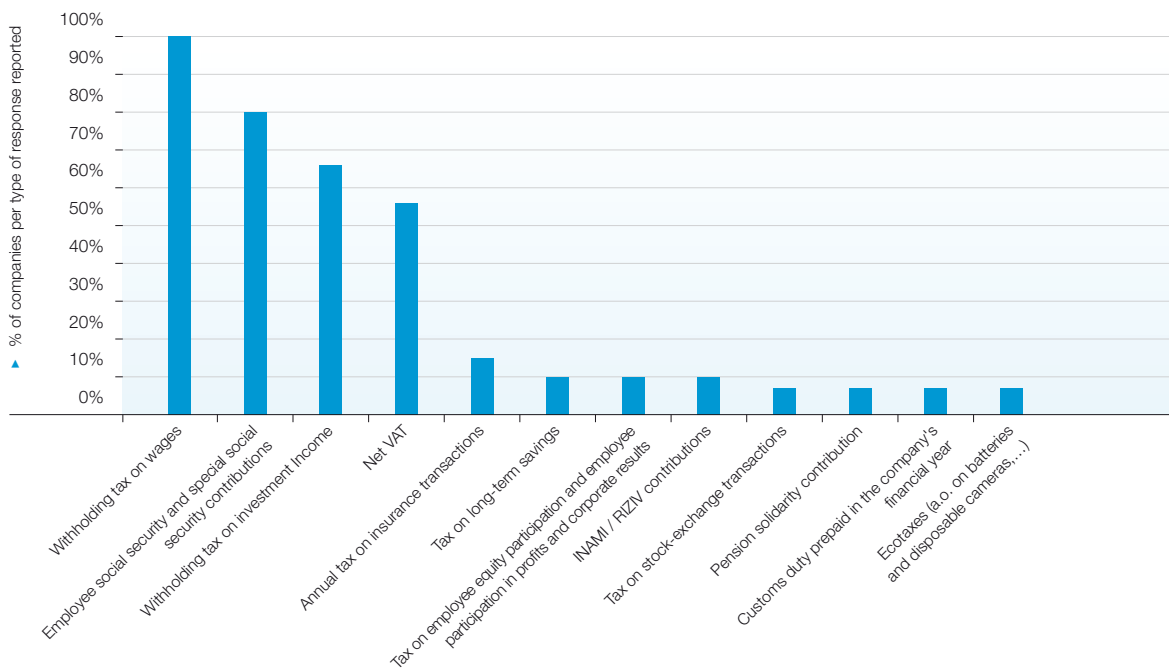
85,85%

3.6 Number of taxes collected reported by participants

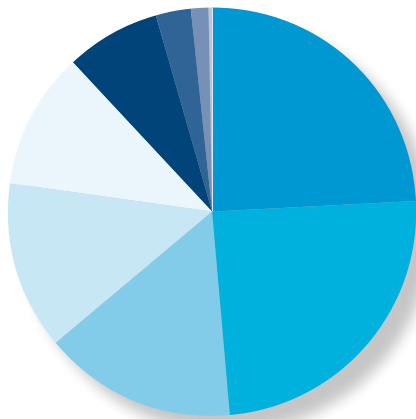


“Top taxes collected most frequently are withholding tax on wages, employee social security contributions, withholding tax on investment income and net VAT.”

3.7 Top 10 taxes collected most frequently



3.8 Taxes collected by survey participants (EUR thousands)



Amounts collected in 2007

▶ Withholding tax on wages	1.504.204	24,43%
▶ Energy products duties	1.502.575	24,40%
▶ Net VAT	940.661	15,28%
▶ Insurance and finance related taxes	809.794	13,15%
▶ Withholding tax on investment income	667.739	10,84%
▶ Employee social security contributions	459.275	7,46%
▶ Tobacco, alcohol and beverages	182.991	2,97%
▶ Stock exchange taxes	82.576	1,34%
▶ Environmental taxes	5.968	0,10%
▶ Customs duties	1.409	0,02%
▶ Vehicle duties	0	0,00%
▶ Betting and gaming taxes	0	0,00%

Total taxes collected 6.157.192

Total collected (less not remitted) 6.110.430

Companies participating in the survey collected EUR 6,16 billion in taxes, accounting for 6,78% of total government tax receipts. The comparable figure for the previous survey was EUR 7,00 billion in taxes collected. Out of these EUR 6,16 billion, EUR 47 million 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 6.11 billion worth of taxes actually collected by survey participants and remitted to the government.

For every EUR 1,00 that the survey participants paid in corporate tax, they collected another EUR 5,68.

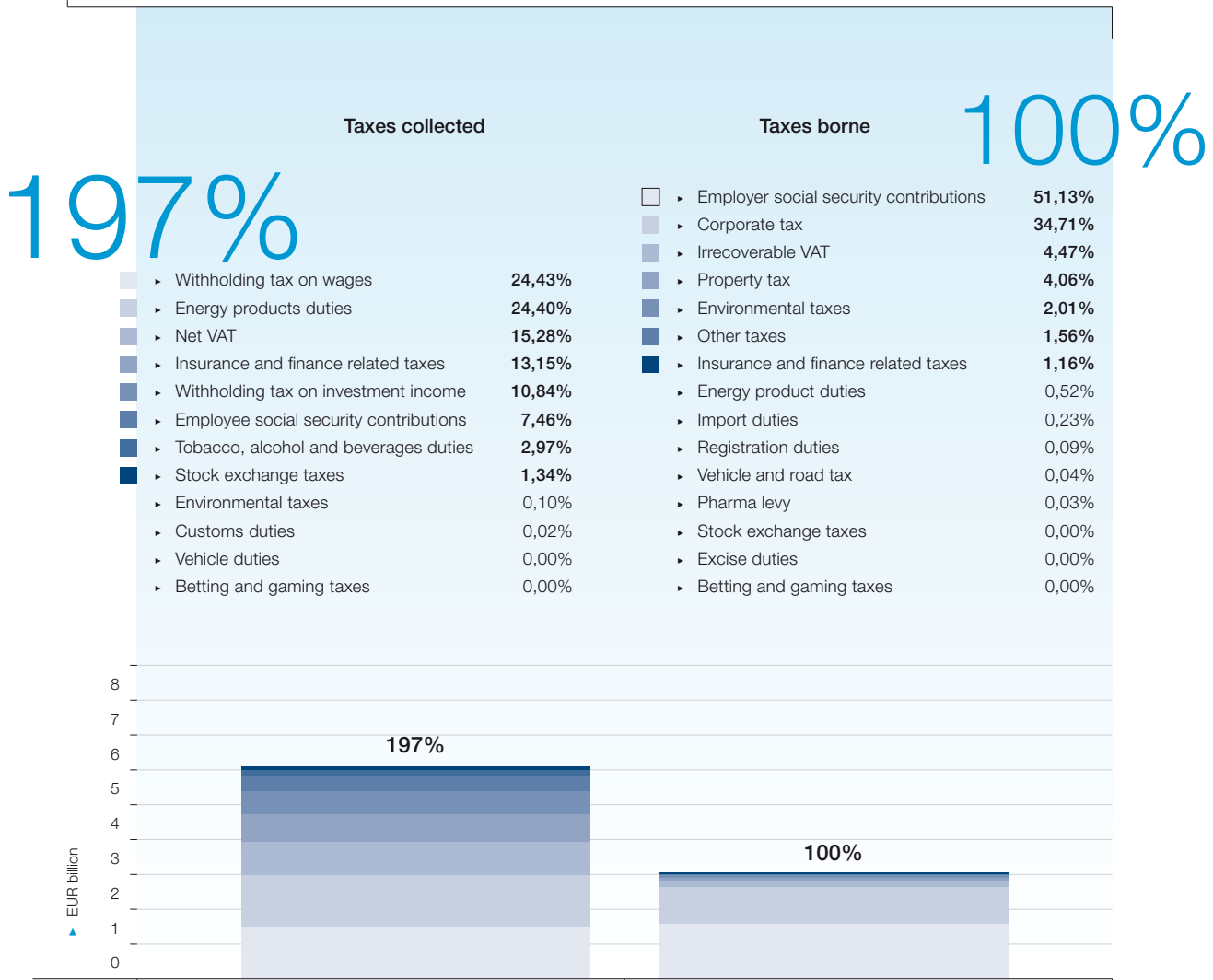
As for the outsourcing of tax collection, for every EUR 1,00 in tax that companies paid they collected EUR 1,97 for the state. In the previous survey, taxes collected were 2,08 times more than taxes borne. Figure 3.9 shows the relative amounts (see next page).

taxes collected

taxes borne & collected

3.9

Total taxes collected compared to taxes borne for survey participants



The cost of compliance

We have collected data for the first time in this survey on the cost of complying with the Belgian tax system. 33 out of the 41 survey participants have provided data on this aspect of their tax affairs. Overall, they reported the equivalent of 340 full-time employees working on Belgian tax compliance, with an average of 10,34 per company.

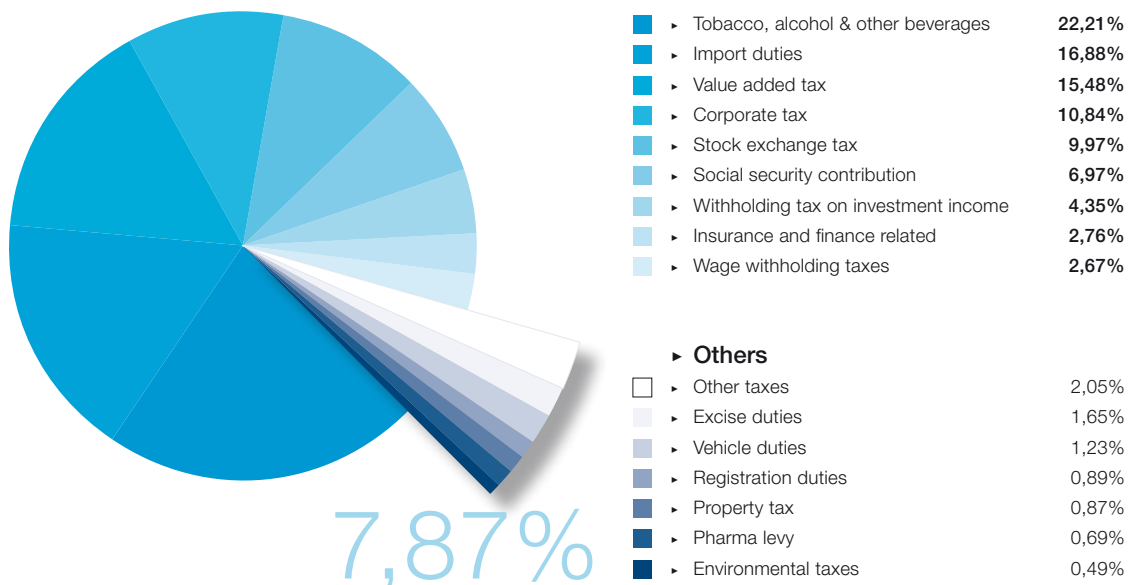
A little less than half of the time reported (49%) was spent by other departments than the tax department (e.g. finance or payroll), who play a role in tax compliance. This is considered to be an under-estimate as many participants found it difficult to provide data for these other departments. These departments play a key role in compliance for many taxes, including: employment tax and social security, VAT and import duties.

The data provided by participants on time spent has been translated into a monetary cost and added to the spend on external providers for compliance services, for the purposes of estimating the cost of compliance with Belgian taxes. This cost has then been compared with their tax payments.

For participants, the cost of compliance for all taxes on average in 2007 was 1,85% of total taxes borne, effectively representing a surcharge of this amount on these companies' tax bills.

This chart shows the percentage breakdown per tax for the total time spent on Belgian tax compliance for participants overall.

3.10 Time spent on compliance – percentage by tax



4

The picture for individual participants

The PwC TTC Framework uses the total tax rate as an indicator of the cost of all taxes borne. It is the most meaningful figure for companies as it paints a more complete picture of the real tax burden than the statutory corporate tax rate.

The total tax rate (TTR) figure compares all taxes borne to profit before all business taxes borne. It 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 (TTB) and the denominator is the profit before all business taxes borne (PBTTB). 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 PBTTB to be used as the denominator in the calculation. In comparing the TTR with the statutory corporate tax rate, the element of the TTR which represents corporate tax will always be below the nominal corporate tax rate of 33,99%.

The mean average total tax rate for companies included in the survey is 52,06% compared to 52,07% in the previous survey, indicating that the heavy burden remains unchanged despite all the measures that were intended to reduce the taxes.

We have considered whether taxes borne could be expressed as a percentage of PBT rather than PBTTB. A factor that possibly favours 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 TTR 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 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 did not adjust turnover for VAT collected, which is not reflected in turnover.

The mean average for taxes borne and collected as a percentage of turnover for companies participating in the survey is 15,98% compared with 18,96% in the previous survey. The range for participants is from -0,7%* to 46,50%.

The final measure we 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. For the current survey the employment taxes borne and collected per employee are EUR 37.115, compared with EUR 36.756 in the previous. The range for survey participants is from EUR 20.264 to EUR 61.339.

* A negative ratio is the result of VAT refunds.

5

International comparisons

The PwC TTC Framework is used internationally and surveys with leading business organisations have been carried out in a number of other countries, using the same methodology. This allows the results in Belgium to be compared with the results for large business in Australia, Canada, India, the Netherlands, South Africa, Switzerland, the UK and the US.

The PwC TTC Framework is now a well understood and accepted approach to measuring the impact of the tax system on business. Our Total Tax Contribution studies around the world provide extensive data on how the tax system impacts large business. The studies use the same methodology in each country, so we are able to compare the results. This facilitates an objective comparison of the competitiveness of national tax systems.

The studies have elicited strong interest from business, government and other stakeholders. The size of the tax contribution and the administrative burden have been of particular interest. Our studies provide data that would not otherwise be available.

PricewaterhouseCoopers has conducted total tax contribution studies in Canada, the United States, Belgium, Ireland, the Netherlands, the United Kingdom, Switzerland, Australia, South Africa and India. Additional studies are underway in France, Germany and Luxembourg. And it is planned to bring the survey to Mexico and Japan as well.

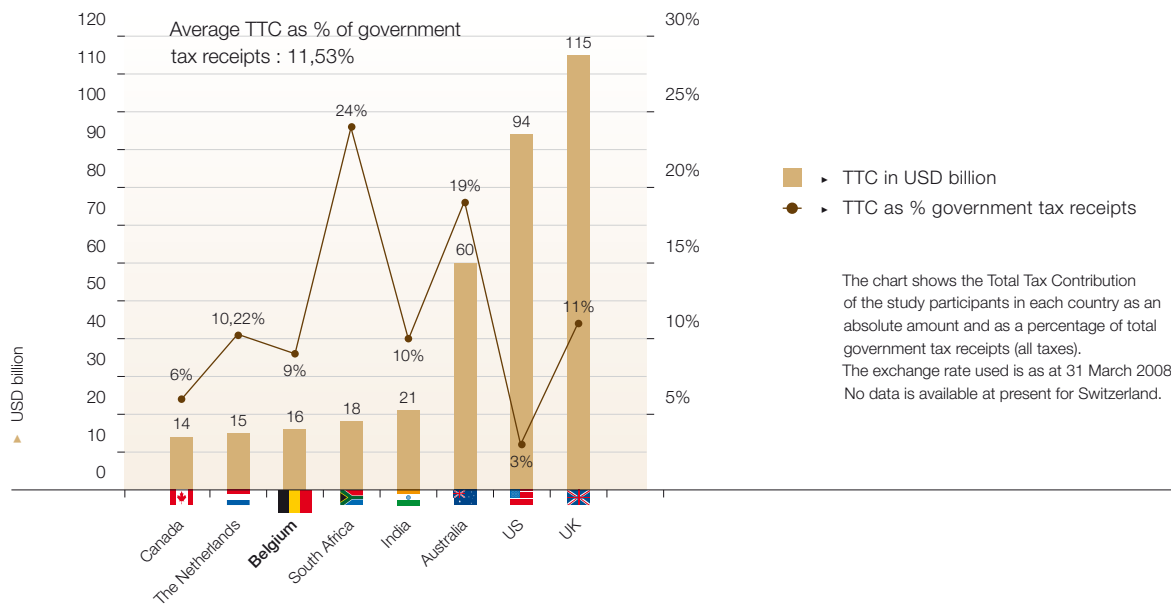
The PwC Total Tax Contribution Framework and its methodology are currently in use in a number of different countries. Results from selected countries are discussed and compared below. It should be noted however that the periods covered can vary by country.

The total taxes borne and collected by the participants in the Belgian survey represent 10,22% of government tax receipts. This compares to approximately 3% in the US and 9% in the Netherlands. The comparable figures for the UK and Australia are approximately 11% and 19% respectively.

International

5.1

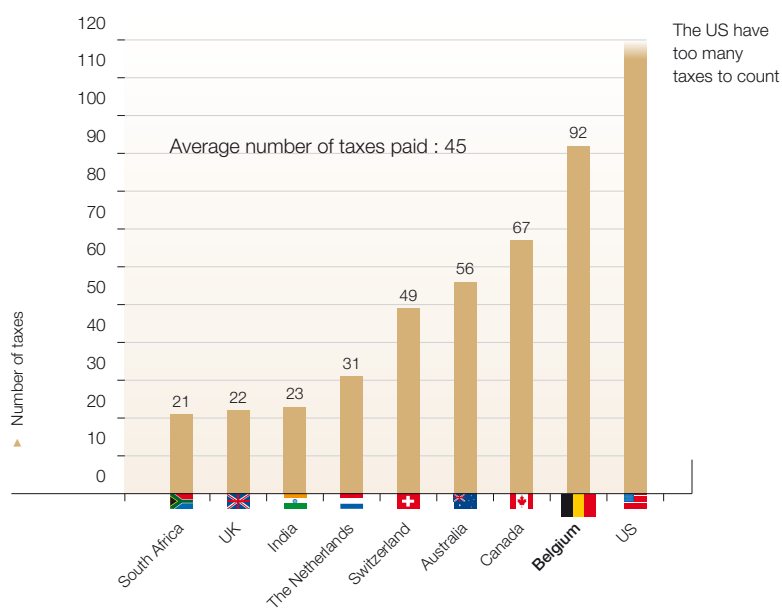
Comparison of the Total Tax Contribution for participants overall



comparisons

5.2

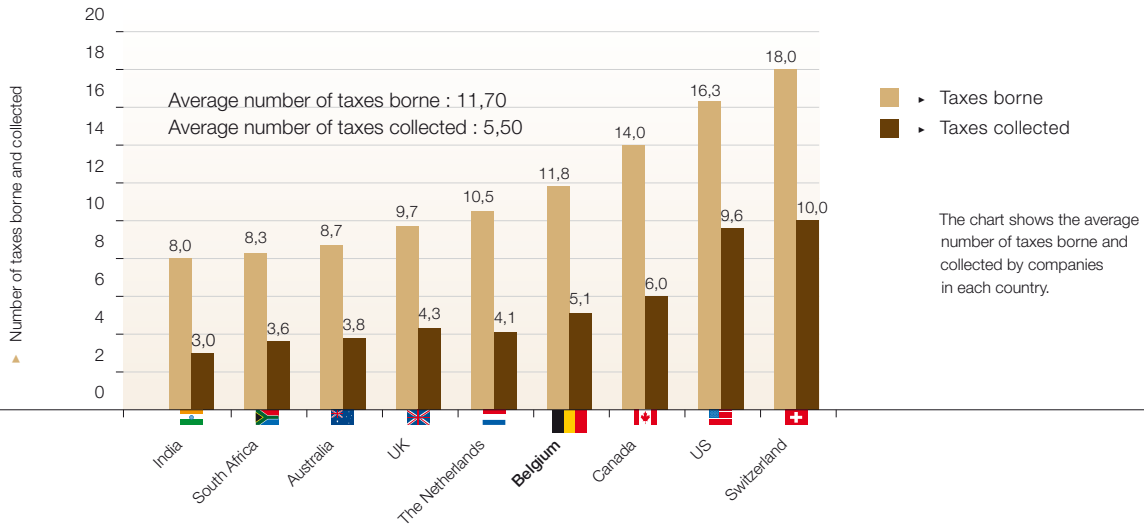
Comparison of the number of taxes paid by companies in each country



The total number of taxes that companies pay can vary widely from country to country. In the UK the total number is 22, while in the US they are too numerous to count. But looking at the average number of taxes borne and collected by companies participating in the survey (see figure 5.3), we find that the figure for companies in the UK is 9,7 for taxes borne and 4,3 for taxes collected. Companies in Belgium bear an average of 11,8 taxes and collect 5,1. In the Netherlands, the figures are 10,5 and 4,1 respectively, and for Canada it is 14,0 and 6,0. Companies in the United States pay on average 16,3 taxes and collect on average 9,6.

The chart shows the number of different taxes either borne or collected by companies in each country.

5.3 Comparison of the Total Tax Contribution for participants overall



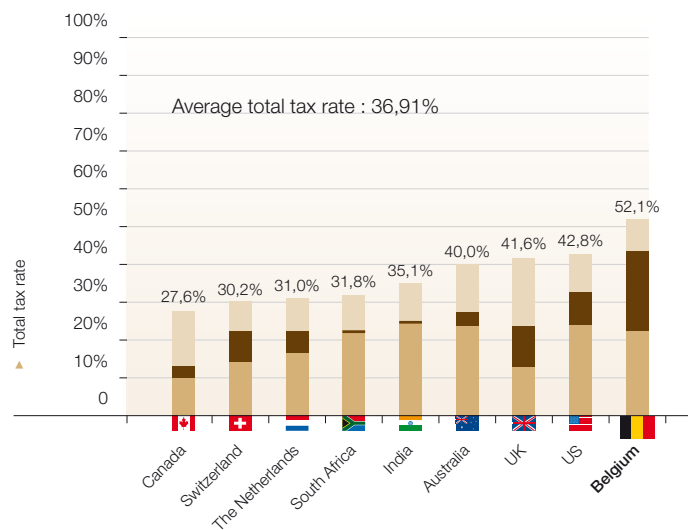
total tax rate

5.4 Comparison of the average total tax rate

A comparison of the average total tax rate shows that companies in Belgium pay the highest rate of 52,1%, followed by the US at 42,8%. The UK is lower at 41,6%, and the rate in Australia is 40,0%. Canada has the lowest average total tax rate at 27,6%. The Netherlands is at 31%.

- Corporate income tax
- Labour taxes
- Other taxes borne

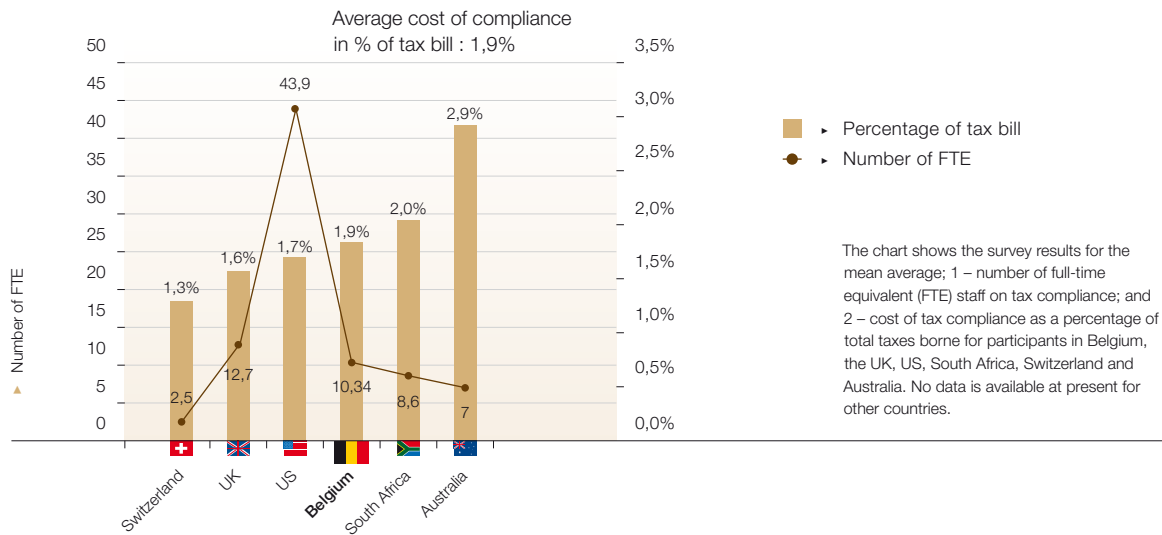
The chart shows the mean average TTR in each country split out into corporate income tax, labour taxes and other taxes borne.



tax compliance

5.5

Comparison of the average cost of tax compliance



The TTC Framework also measures the cost of tax compliance for business across all the different taxes borne and collected. The cost of compliance has also been measured in five countries so far in addition to Belgium – Australia, South Africa, Switzerland, the UK and the US.

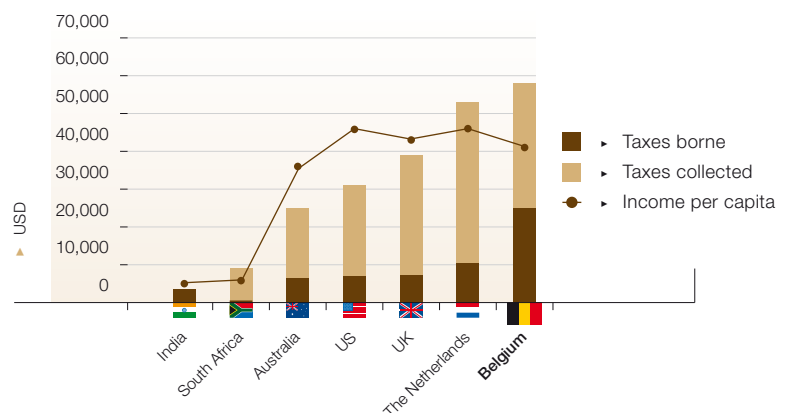
In Belgium the cost of tax compliance is equivalent on average to an extra 1,9% on the total bill for all taxes borne. It compares to 1,3% in Switzerland, 1,7% in the US and 2,9% in Australia. It should be emphasised that the cost is measured here in relation to the size of tax payments. The level of resources needed on average in the US is much larger than in Belgium; 44 full-time equivalent staff compared to 10, but the average size of taxes borne for large US companies operating across the US is much bigger.

The TTC Framework also measures employment taxes borne and collected per employee, which is an indicator of the multiplier effect in employment taxes of jobs created or maintained. The chart on the right shows the mean average result for participants in each country. It also shows 2008 income per capita taken from the World Development Indicators database from the World Bank.

employment taxes

5.6

Comparison of the average employment taxes borne and collected per employee



Employment taxes borne includes taxes and social security which are the employer's cost. Employment taxes collected includes income tax and social security contributions withheld by the employer. Chart shows mean average for each country. Chart also shows 2008 income per capita taken from World Development Indicators database of the World Bank. The exchange rate used is as at 31 March 2008. No data is available at present for other countries.

6

Use of the survey

After five years of these surveys, the PwC TTC Framework is now a well understood and accepted approach to measuring the impact of the tax system on business. The companies that participate in the surveys receive an individual report on their own TTC; and they use this information about their own tax affairs in many different ways. It is a useful tool not only for businesses but also for policy makers.

The 2009 UK TTC survey surveyed participating companies on the usage they made of their own TTC data. 83% of the respondents are using these data, often in multiple ways:

- ▶ the most popular (48%) use of the data is to highlight within the company the importance of other taxes as well as corporate tax;
- ▶ 41% of respondents share their TTC report with others in the company, such as corporate responsibility, corporate reporting or external relations colleagues;
- ▶ 39% use it to brief their board on (UK) taxes;
- ▶ 24% also use their TTC data in managing their taxes – in their tax strategy and planning, or tax risk management;
- ▶ 21% use it in the management of the tax function;
- ▶ 20% use it to benchmark against industry peers;
- ▶ 18% use it for identifying tax efficiencies.

The Total Tax Contribution Framework provides a valuable benchmark for making comparisons going forward. It also generates empirical data that is not otherwise available. And it helps inform the debate on tax policy and competitiveness in Belgium and other countries around the world. Thus it is a useful tool not only for businesses but also for policy makers.

We have included in this second edition of the survey one of the important requests we received from participants: to include data relating to compliance costs. These costs are often neglected when calculating the tax burden. But the cost of compliance is an integral component of this calculation.

We welcome feedback so that future surveys can match the needs of participants, as the development of the framework is a dynamic process. Going forward, our next survey will take place in a post-crisis environment. Thus the timing of the surveys will be such that it will be possible to have a snapshot of a company's total tax contribution before the crisis and after the crisis.

Transparency is a high priority of the Total Tax Contribution Framework. It is important that the findings of the survey are widely communicated so that government and business can act upon them. The survey can shed light on many aspects of a company's tax burden that may have previously been opaque, especially on a comparative basis with other companies. In short, it can provide essential management information. For example, the survey can help a company discover how the size, shape and activities of its tax department compare with those at other companies. Or the survey data can offer some insight into whether a company's budget for tax is in line with the industry standard.

The Total Tax Contribution Framework also provides easily understandable information on tax for stakeholders. When a company knows its Total Tax Contribution, it has at its disposal a powerful and positive message – and one that is often overlooked. Companies pay much more than just corporate tax. Social security contributions, for example, make up a large part of a company's tax contribution.

The next time a journalist calls, you can have data readily available to demonstrate how much more your company's contribution actually is. Even within a company, a company's total tax contribution can be valuable data to present to the board or the CEO.

“The Total Tax Contribution Framework is a useful tool not only for businesses but also for policy makers, informing the debate on tax policy and competitiveness.”

Gaining an understanding of your company's Total Tax Contribution will help you monitor and manage taxes to make better informed business decisions and communicate their economic impact in taxes:

Quantification: examines all business taxes borne and those collected on behalf of the government, then quantifies the total corporate contribution in taxes.

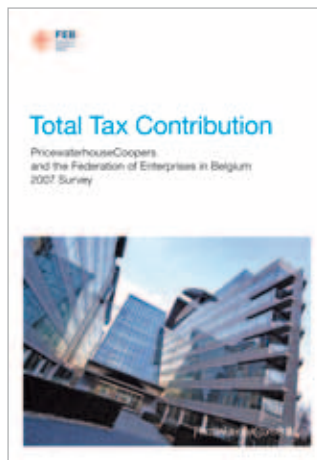
Management: provides benchmarking against competitors and within industry groupings, facilitates dialogue with the board, and brings focus to the management of tax cost and the allocation of tax resources.

Transparency: provides robust data for transparent external reporting of taxes paid and collected; links the company's economic contribution in taxes paid to corporate social responsibility reporting; and facilitates discussion with government and other interest groups.

information
for stakeholders



Appendix



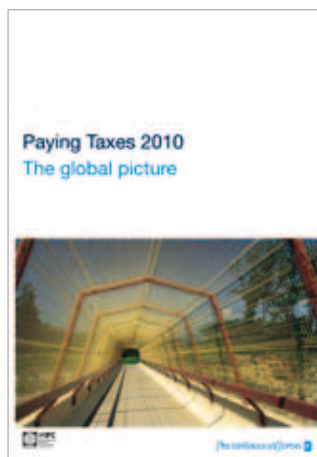
Total Tax Contribution
PricewaterhouseCoopers and the Federation of Enterprises in Belgium
2007 Survey
Published March 2008



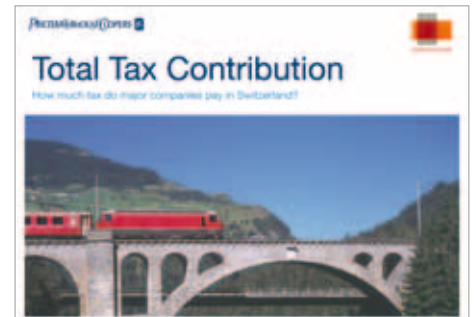
Tax Transparency Framework
A review of the tax communications of the largest listed companies in Belgium, the Netherlands and UK
Published October 2008



Total Tax Contribution
PricewaterhouseCoopers LLP 2009 survey for The Hundred Group in the UK
Published February 2010



Paying Taxes 2010: The global picture
Published jointly with the World Bank Group
Published November 2009



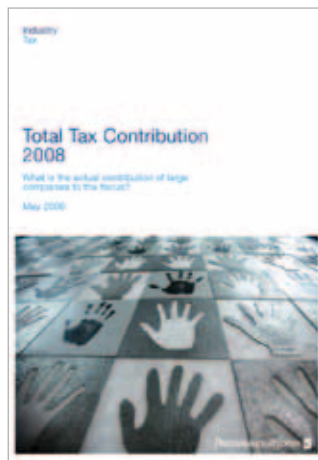
Total Tax Contribution
How much tax do major companies pay in Switzerland?
Published September 2009

Appendix I

Total Tax Contribution – PwC publications



Total Tax Contribution 2008
 Canada's tax regime: complexity and competitiveness in difficult times
 Published May 2009



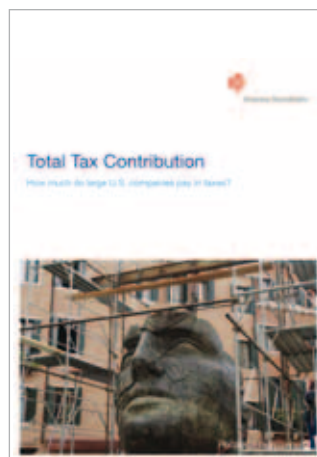
Total Tax Contribution 2008
 What is the actual contribution of large companies to the fiscus in South Africa?
 Published May 2009



What is your company's Total Tax Contribution?
 Australian 2008 survey results
 Published March 2009



Total Tax Contribution
 How much in taxes do Indian companies really pay?
 Published March 2009



Total Tax Contribution
 How much do large U.S. companies pay in taxes?
 Published February 2009



Total Tax Contribution
 PricewaterhouseCoopers LLP
 Global study for the mining sector
 Published January 2009

Appendix II

PwC and FEB contact details

Frank Dierckx

Managing Partner

PricewaterhouseCoopers Tax Consultants CVBA/SCRL



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 has worked and lived in the Netherlands, the USA, Luxemburg and Belgium. At this moment, Frank is the Managing Partner of PricewaterhouseCoopers Tax Consultants CVBA/SCRL in Belgium. He writes numerous articles and also gives 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 has been responsible for lobbying activities regarding all kind of tax policies for enterprises at Belgian, European and international levels for more than 9 years. 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 over 150 articles published in various fiscal newsletters. He is the coordinator of the survey within the FEB and the contact person for all the companies surveyed.

Frédéric Souchon

PricewaterhouseCoopers Tax Consultants CVBA/SCRL



Phone: +32 (0)2 710 72 51 – Email: frederic.souchon@pwc.be

Frédéric Souchon is a senior manager in the tax practice with particular experience in research projects and direct taxation. He is the primary point of contact in terms of TTC data collection and analysis in Belgium. Frédéric has project managed the Belgian TTC surveys and is involved in the feedback and discussions with participants about their own results. He also works on the Tax Transparency and Tax Freedom Day projects.

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