

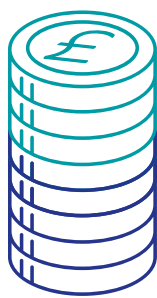
# THE TOTAL TAX CONTRIBUTION OF UK FAMILY BUSINESSES

A study prepared by PwC for the IFB Research Foundation to provide robust data on the tax contribution of family businesses to the public finances in the UK.

## ABOUT THE RESEARCH

This research briefing summarises some of the key findings from the IFB Research Foundation's report, The Total Tax Contribution of UK Family Businesses. The report, prepared by PwC for the IFB Research Foundation, provides robust data on the tax contribution of family businesses to the public finances in the UK. The full report can be downloaded [here](#).

We estimate that the family business sector as a whole made a contribution of around £225bn to the UK public finances in 2021



Comprising:  
**£74bn**  
in taxes borne, which are a cost to the business

**£151bn**  
in taxes collected from employees and customers

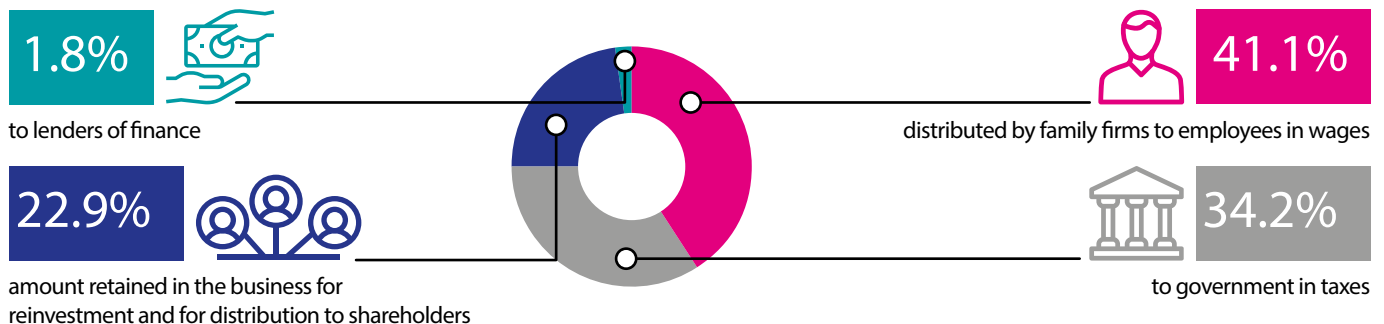


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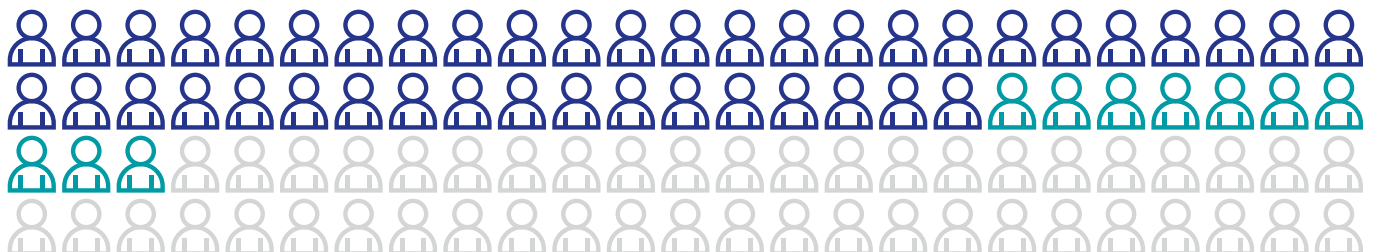
**27%**

of government receipts from all taxes in the UK

The largest element of value distributed by family firms in the study is to employees in wages, followed by amounts paid to government in taxes showing the valuable contribution made by family firms through employment and to the Exchequer.



The greatest contribution from study participants to the Exchequer is through employment taxes, 42.6 per cent of the Total Tax Contribution. Corporation tax is 10.0 per cent of the Total Tax Contribution.



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For every employee in the study, an amount of

**£11,468**

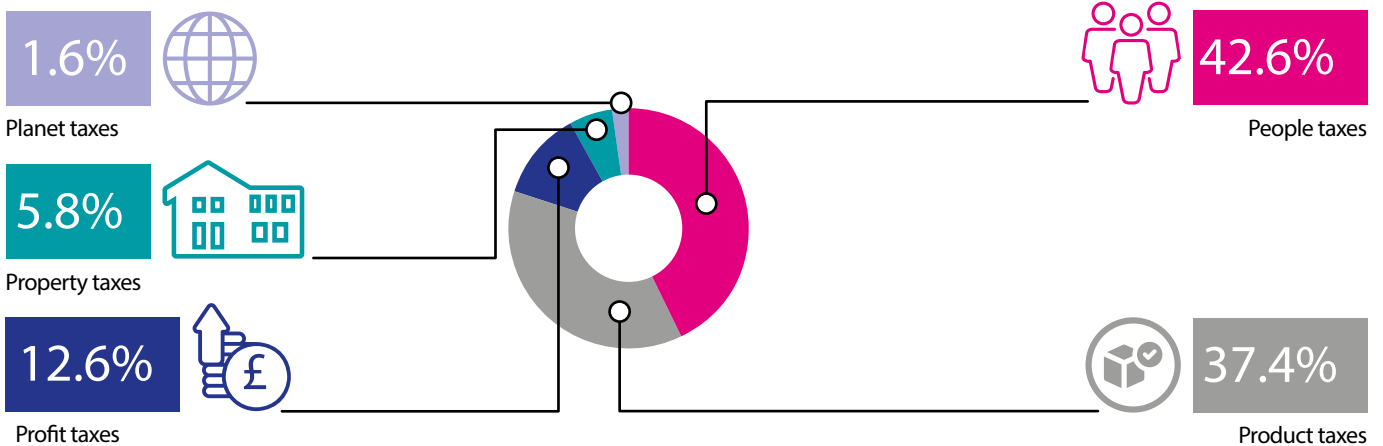
is paid in employment taxes

Family businesses play a valuable role in mentoring employees through apprenticeships



A range of family firms, by size and industry, provided data for the Total Tax Contribution study generating a rich bank of data. The 44 participating firms provided data for, on average, 10 taxes, 6.7 taxes borne and 3.3 taxes collected.

Taxes paid by study participants covered five tax bases, people, product, profit, property and planet taxes.



Compared to turnover and profit, the taxation of family businesses participating in the study is similar to large, non-family owned UK businesses



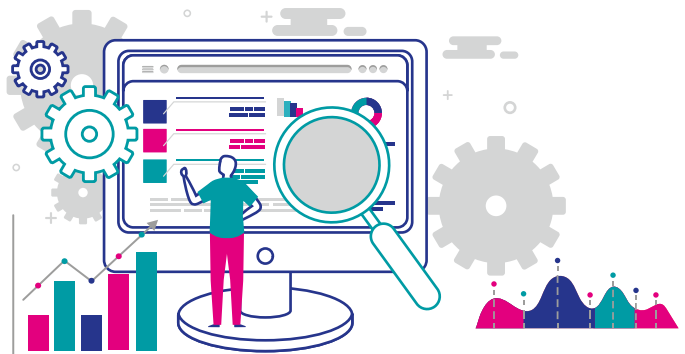
For every **£100** of turnover, family businesses in the study pay an average of **£18.50** in taxes borne and collected



Taxes borne by family firms in the study amount to **48.9%** of profit before taxes borne

Participating family firms told us that they used Total Tax Contribution data with tax authorities and policy-makers, to discuss the full range of taxes they pay.

Some made a public statement of their Total Tax Contribution to highlight the positive impact of their business on the public finances.



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## PURPOSE OF THE RESEARCH

There are limited data to inform the public tax debate on the contribution of family businesses in the UK. Corporation tax is the most visible tax when it comes to financial reporting and regulation, but many other business taxes are paid. The purpose of this study is to raise awareness and aid understanding of the tax contribution from the sector and inform policy decisions. As the Government looks for additional tax revenue, it will be looking to different sectors to raise taxes including the UK family business sector.

The contribution that a family firm makes through taxes, its Total Tax Contribution (TTC), is part of its sustainability message, and can enhance brand value. Many family businesses want to create an enduring legacy for future generations; they are concerned about the impact of their business on society and how to support their communities. Collecting robust data on all the taxes paid by family firms is an effective way of demonstrating the critical contribution that they make to the UK economy. Such data highlight the importance of family businesses to stakeholders including government, family business practitioners, students and researchers of family business, and the wider public.

This report, commissioned by the IFB Research Foundation, shows the anonymised results of the 44 firms participating in the TTC survey of family businesses.

## THE TOTAL TAX CONTRIBUTION METHODOLOGY

The study uses the PwC Total Tax Contribution methodology, which looks at all the different taxes that firms pay and administer, including corporation tax, employment taxes, VAT and other taxes. The study reports on the total taxes that are borne by these firms, and also on the taxes they administer and collect on behalf of the Government. The framework was developed over 15 years ago and has been used in several studies around the world (PwC, 2021).

The TTC methodology makes a distinction between taxes borne and taxes collected.

**Taxes borne** are all the taxes levied on a firm, which are its cost and affect its results. They include corporation tax, employers' national insurance contributions, irrecoverable VAT, and business rates. Taxes borne are a firm's direct contribution to tax revenues.

**Taxes collected** include employees' income tax and national insurance contributions administered through the payroll, and net VAT charged to customers. These are the taxes of employees and customers respectively but are collected from them by firms and paid over to the Government. Taxes collected are generated by a firm's business activity and are part of its indirect contribution to tax revenues.

## CONTRIBUTION OF THE FAMILY BUSINESS SECTOR TO THE UK ECONOMY

The TTC from the family business sector to the public finances in 2021 is estimated to be around £225bn, comprising £74bn (33 per cent) taxes borne and £151bn (67 per cent) taxes collected. The estimation used publicly-available data on turnover for the whole sector (ONS, 2023) alongside the study participants' data. This is an estimation only and is at the level of taxes borne and taxes collected, rather than by individual tax.

## TOTAL TAX CONTRIBUTION FOR STAKEHOLDERS

TTC is already used by a number of large listed businesses in both internal and external communication. A total of 50 companies in the FTSE 100 make a Total Tax Contribution disclosure (PwC, 2022a), often as part of their sustainability and Environmental, Social and Governance (ESG) reporting. While many family businesses do not face the same investor focus on ESG and contribution to society, as listed companies, TTC can help to emphasise the key role that family businesses play in the UK economy. As the focus on tax transparency increases, it is important for family businesses in the UK to explore ways to engage in the public tax debate in a positive, transparent, and informative manner.



# THE TOTAL TAX CONTRIBUTION OF UK FAMILY BUSINESSES

Each participant firm in the study received a confidential individual report showing their TTC. Many companies tell us that they found these reports useful for communicating with internal and external stakeholders.

Internally, TTC can be used to engage with management and employees to raise awareness of the taxes their company pays. It can be used in the management of taxes, to assess whether governance processes are sufficient for the broad range of taxes paid by the company. Information about a company's TTC can be a topic for discussion with

sustainability teams, as part of its ESG performance and social impact. Externally, TTC data has a role to play in firms' relationships with their stakeholders, such as HMRC, to engage on tax policy questions or to highlight the taxes paid by family businesses. For family firms that are listed businesses, TTC can be used with investors and fund managers, given their increasing interest in ESG (PwC, 2022b), and such data can be used in family business forums, to raise awareness of the contribution of family firms in taxes.

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ISBN 978-1-7392001-1-4

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