Total Tax Contribution survey of the members of the Association of British Insurers (ABI)

September 2024

Contents

1	List of figures	3
2	Foreword	4
3	Executive summary	5
4	Overview of contents	7
5	Purpose and outline of the survey	8
6	Total Tax Contribution of the ABI membership in the UK	11
7	Profile of taxes borne and collected by survey participants	13
8	Comparing the different tax profiles of general and life insurers	17
9	Trends in tax payments	19
10	Employment taxes	22
11	Total Tax Contribution in context	24
12	Appendices	25

List of figures

Figure 1	Overview of changes to rates of taxation	10
Figure 2	Total Tax Contribution of the ABI membership in the UK for the 2024 survey	11
Figure 3	Total Tax Contribution of the ABI membership: Comparison of the results from all surveys	12
Figure 4	Total taxes borne by survey participants	13
Figure 5	Taxes borne by percentage: Comparison of the results from all surveys	14
Figure 6	Taxes collected by survey participants	15
Figure 7	Taxes collected by percentage: Comparison of the results from all surveys	16
Figure 8	Total Tax Contribution of survey participants by type of tax	16
Figure 9	Profile of total taxes borne for general and life insurers	17
Figure 10	Total taxes collected profile for general and life insurers	18
Figure 11	Profile of Total Tax Contribution for general and life insurers	18
Figure 12	Trend in Total Tax Contribution between the 2022 and 2024 surveys	19
Figure 13	Trend in taxes borne between the 2022 and 2024 surveys	19
Figure 14	Trend in taxes collected between the 2022 and 2024 surveys	21
Figure 15	Employment taxes borne and collected by survey participants	22
Figure 16	Comparison of employment taxes per employee from UK TTC studies	22
Figure 17	Trends in employment taxes (on a like-for-like basis)	23
Figure 18	Taxes borne and collected as a percentage of value distributed	24

Foreword

ABI Members contribute a record £18.5bn to UK economy

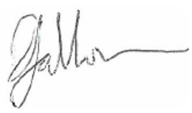
The UK insurance and long-term savings industry is a vital contributor to the UK economy and society, especially in times of crisis and uncertainty. As the country recovers from the economic challenges of the COVID-19 pandemic and the subsequent cost-of-living crisis, it is important to recognise the role and value of our industry in supporting the public finances and providing resilience and protection to millions of customers.

This year's report, prepared by PwC for the Association of British Insurers (ABI), is the seventh in a series of Total Tax Contribution (TTC) surveys that measure our members' tax payments and economic contributions in the UK. For the first time, this year's report captures the impact of International Financial Reporting Standard 17 (IFRS 17), a new accounting standard for insurance contracts which had a knock-on effect on the industry's tax profile.

As we approach the first Budget of a new government, the report gives context to the value distributed by the industry, which includes taxes, wages and salaries, profit after taxes, and financing costs. The results show that the Government received 51.5% of the value distributed by the industry in taxes borne and taxes collected in 2024. This illustrates the significant contribution our industry makes to the public purse and the wider society, and highlights both the exceptional growth in IPT revenues as well as the PAYE tax withheld and collected in respect of payments to pensions savers by way of drawdown or annuity. The survey bolsters our calls for a cut to the standard rate of IPT demonstrating the increased burden being suffered by policyholders who are doing the responsible thing and protecting themselves with insurance.

The survey also highlights the different tax profiles of general and life insurers, the increasing burden of irrecoverable VAT and the growth in employment taxes and wages. These trends reflect the diversity and complexity of our industry, as well as the challenges and opportunities it faces in the changing tax and regulatory environment.

I would like to thank the participating companies for their support and cooperation in providing the data for this survey. I hope it will help business leaders and other stakeholders to recognise the importance of our industry's continued engagement with the tax agenda and its role in supporting the UK's economic recovery and growth.



Daniel Gallon

Assistant Director, Head of Taxation

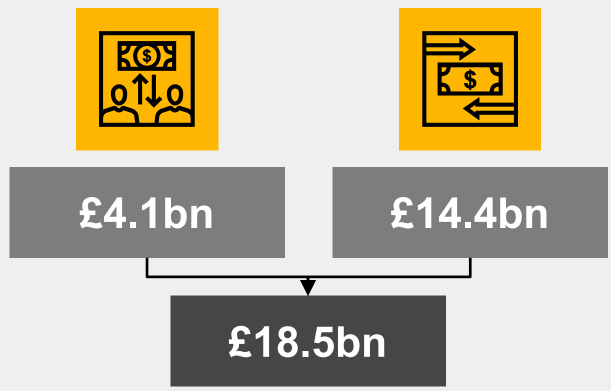
Association of British Insurers (ABI)

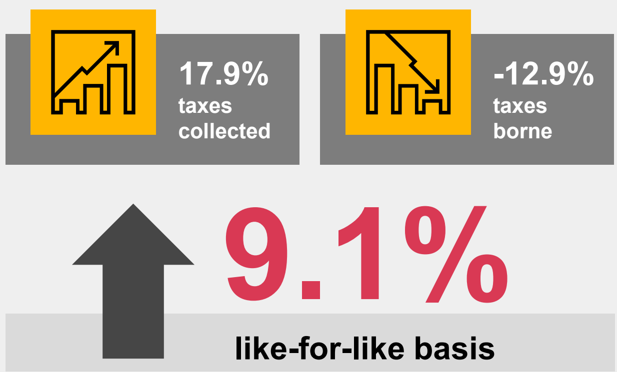
Executive summary

The key findings from this survey show:

We estimate that the TTC for the ABI membership is £18.5bn, the highest since the study began and has more than doubled since the financial crisis (£8.2bn in 2008).

- The ABI membership contributed significantly to the UK economy despite economic uncertainty. ABI members paid an estimated TTC (including taxes borne and taxes collected) in the region of £18.5bn[1], comprising £4.1bn of taxes borne and £14.4bn of taxes collected, or 2.0% (2022: 2.1%) of total UK government tax receipts in 2024 (the year to 31 March 2024).



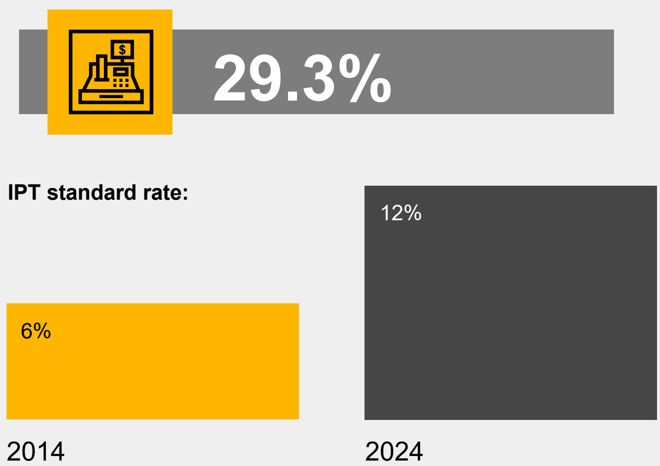


On a like-for-like basis, TTC has increased by 9.1% since the last study.

- As a result of a 17.9% increase in taxes collected and a 12.9% decrease in taxes borne, TTC has increased 9.1% on a like-for-like basis since the last study.
- The increase in taxes collected has been largely driven by IPT and PAYE on annuities.
- The decrease in taxes borne has been driven by corporate income taxes, due to the adoption of IFRS17 and the use of tax losses

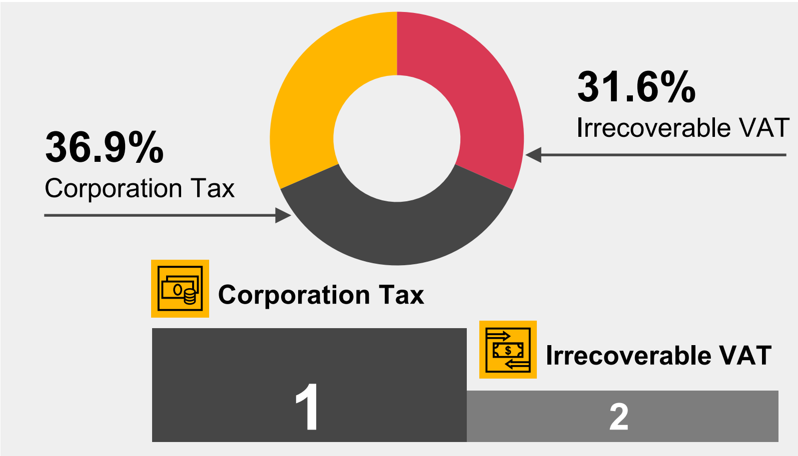
IPT makes up a significant portion of the ABI membership's taxes.

- IPT remains a substantial component of the industry's tax obligations, with 29.3% of the TTC attributable to IPT.
- The standard rate of IPT was 6% in 2014, but following 3 increases during the period between 2015 to 2017, it has now doubled to 12%.



[1] The TTC for 2022 was £17.2bn with £4.8bn of taxes borne and £12.4bn of taxes collected.

Executive summary (continued)

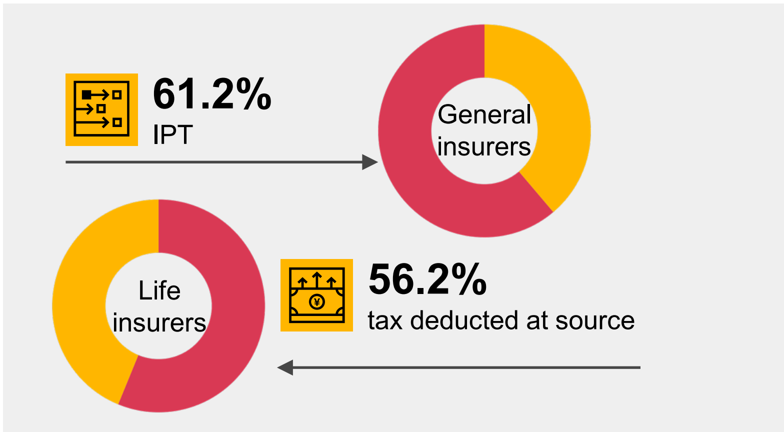


Irrecoverable VAT is a significant tax borne for the ABI membership.

- Irrecoverable VAT is the second largest tax borne after Corporation Tax, accounting for 31.6% (2022: 25.8%) of the total.
- Irrecoverable VAT increased due to a combination of market conditions, operational adjustments, and specific industry factors.

General and life insurers experience differing tax profiles.

- IPT is a significant tax for general insurers and accounts for 61.2% (2022: 57.4%) of the TTC profile. This is the highest proportion since the study began.
- For life insurers, the most significant tax is tax deducted at source (including PAYE on annuities and drawdowns), which accounts for 56.2% (2022: 45.1%) of TTC.
- This emphasises the stark differences in the tax profiles of the different sub-sectors.



6.9% ↑ **wages and salaries**

2.7% ↑ **employment taxes borne**

7.6% ↑ **employment taxes collected**

1.6% ↑ **Number of employees**

300,000 individuals

Wages, salaries, and employment taxes have increased during the period.

- The ABI membership has shown resilience through the post-pandemic period and cost-of-living crisis by continuing to support employment.
- Since the last study, wages and salaries have risen by 6.9% on a like for like basis, alongside an increase in employment taxes borne of 2.7% and an increase in employment taxes collected of 7.6%.[2]
- The number of employees increased by 1.6% on a like-for-like basis.
- The insurance and long-term savings industry employs over 300,000 individuals[3] with highly-skilled, lifelong careers, two-thirds of whom are outside of London.[4]

[2] These are like-for-like trends, including participants who have provided wages, number of employees and employment taxes for 2022 and 2024.

[3] In total, survey participants employed 94,985 people (2022: 96,666).

[4] Source: https://www.abi.org.uk/globalassets/files/publications/public/abi/abi-manifesto-2024.pdf

Overview of contents

This report is structured as follows: first, we explain the purpose and outline of the survey, the study methodology and key changes in statutory tax rates. We then present the latest TTC of the ABI membership in the UK, and look at the trends since 2007. This is followed by the detailed profiles of the taxes borne and collected by the survey participants, and the different tax profiles of general and life insurers. The trends in tax payments between the 2022 and 2024 surveys are then examined followed by a more detailed look at employment taxes. Finally, we put the TTC into the context of the value distributed by the industry to different stakeholder groups.

Purpose and outline of the survey

The primary objective of this survey is to showcase the significant contributions made by members of the ABI to the UK's public finances. In the current year, participation has seen a slight decrease with twenty-one companies (down from twenty-nine in 2022) providing data on their UK tax payments for their accounting period ending in the year to 31 March 2024. This year marks the seventh survey conducted by PwC for the ABI, employing a consistent methodology that allows for a comparative analysis of the results over time.

TTC methodology

The methodology employed in these surveys, developed by PwC, encompasses both taxes borne and taxes collected. Taxes borne refer to all taxes that are levied on a company, constituting a cost that directly impacts its financial results. This category includes Corporation Tax, irrecoverable VAT, and employers' National Insurance contributions (NIC). Taxes borne represent the direct fiscal contributions of a company. On the other hand, taxes collected are those that a company gathers on behalf of the Government, such as employee Income Tax and NIC through payroll, IPT charged to customers, and PAYE deducted by insurance companies administering pension funds. Although these are taxes of employees and customers, they are collected and remitted by the company, thus forming part of its indirect contribution to tax revenues and creating an administrative compliance obligation for the company.

How we collected the data

This seventh survey has been carried out using data provided by twenty-one companies on all their UK tax payments. The companies taking part in the survey represent 73.5% (2022: 76.9%) of the total Gross Written Premiums (GWP) written by the entire ABI membership for that year. The results are therefore representative of the ABI membership as a whole.[5] They cover general insurance business (including motor vehicle liability and other insurance, fire and other damage to property, marine, aviation and railway rolling stock and general liability, and other general business) and life insurance business (including protection, pensions, linked long-term insurance savings products, permanent health insurance and other life business). The results are a measure of cash taxes paid, covering both taxes borne and taxes collected. They provide information that would not otherwise be in the public domain since this is not information the companies are required to disclose in their financial reports. PwC has anonymised and aggregated the data provided by the insurance companies to produce the survey results. PwC has not verified, validated, or audited the data and cannot, therefore, give any undertaking as to the accuracy of the survey results. When we refer to data published by the Government and HMRC, this is clearly indicated.

[1] The TTC for 2022 was £17.2bn with £4.8bn of taxes borne and £12.4bn of taxes collected.

[2] These are like-for-like trends, including participants who have provided wages, number of employees and employment taxes for 2022 and 2024.

[3] On an overall basis, survey participants employed 94,985 people (2022: 96,666).

[4] Source: https://www.abi.org.uk/globalassets/files/publications/public/abi/abi-manifesto-2024.pdf

[5] The GWP figure was provided by the ABI.

Purpose and outline of the survey (continued)

The period covered

This survey covers the tax payments made by ABI member companies during their accounting periods ending in the tax year to 31 March 2024, with all participants sharing a common calendar year-end of 31 December 2023.

In the current survey, we analyse the insurance industry's trajectory post-COVID-19, amid the cost-of-living crisis. We also scrutinise the repercussions of the interest rate rises in 2022 and 2023, particularly the influence on corporate income tax payments within the sector. The cumulative impact of these events on the UK tax payments by the insurance sector is reflected in the survey's findings. With a consistent methodology applied across all seven surveys, we are able to draw meaningful comparisons and track the evolution of the ABI membership's tax contributions.

Changes to the UK tax regime which affect the results

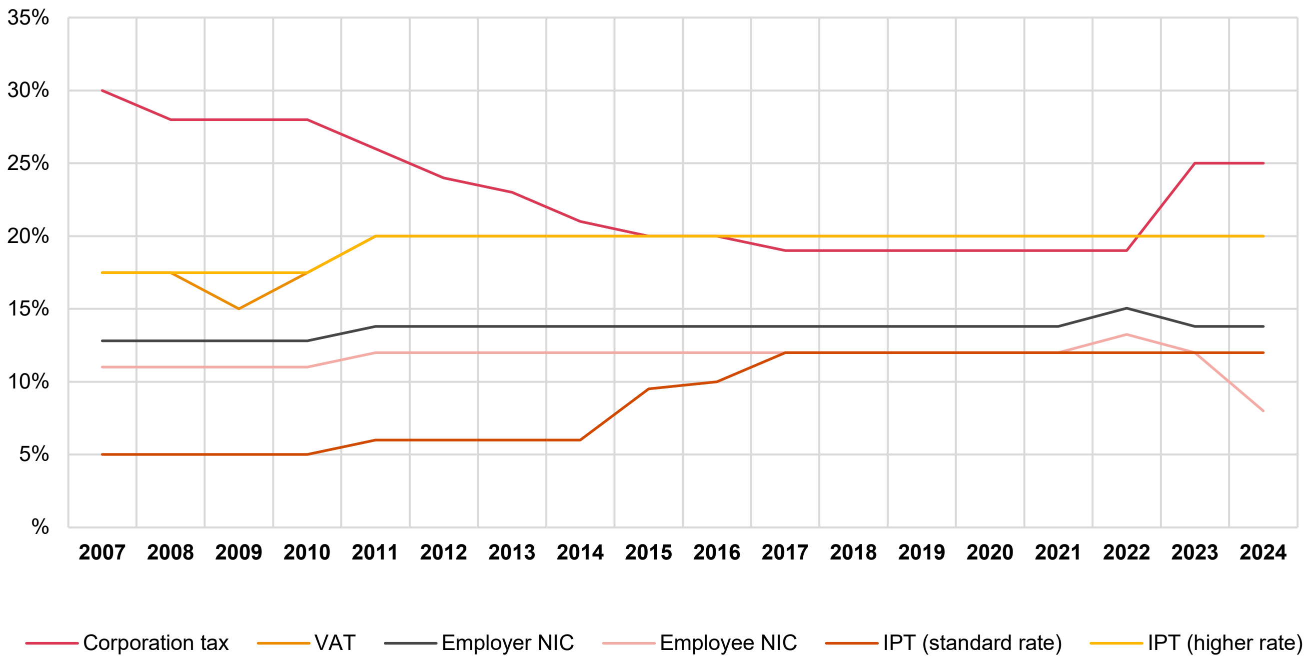
Looking at previous years, the trend in overall contribution and the profile of taxes has been influenced by both legislative (including the introduction of new taxes and changes to the rates of existing taxes) and economic changes. The changes, or lack thereof, are outlined in more detail below:

- The blended statutory rate of Corporation Tax was 19% from 1 April 2017 until 1 April 2023. From April 2023 the main rate increased to 25% for companies with profits above £250,000, and a small profits rate of 19% was announced for companies with profits of £50,000 or less.

Purpose and outline of the survey (continued)

- The change in the quarterly instalment payments (QIP) for 'very large' companies for accounting periods beginning on or after 1 April 2019, establishing a different payment schedule of Corporation Tax.
- The standard rate of IPT from 2017 onwards is 12%. There have been no changes in the higher rate of IPT since 2011, which remains at 20%.
- The VAT rate has been 20% since 4 January 2011.
- The rate of employers' NIC was 13.8% from 6 April 2011 to 6 April 2022, when it increased to 15.05%. It returned to 13.8% on 6 November 2022 and has since remained unchanged.
- Employee's NIC was 12% from 6 April 2011 until 6 April 2022 when it increased to 13.25%. It then returned to 12% on 6 November 2022, reduced further to 10% on 6 January 2024, before finally falling to 8% on 6 April 2024.
- The Business Rates multiplier has increased since 2020. In 2022, the multiplier increased from 50.4p to 51.2p.
- The Economic Crime Levy (ECL) came into effect in April 2022 as an annual charge for companies who are supervised under the Money Laundering Regulations and whose UK revenue exceeds £10.2 million per year. The levy is applicable to insurance activities.[6]

Figure 1 Overview of changes to rates of taxation



Fiscal changes, such as the tax rate changes discussed above, and political and economic events such as COVID-19 and the 2022 interest rate rises all affect the TTC of ABI members. These impacts are discussed in the following sections of the report.

[6] During the year ended 31 December 2023, study participants paid £4m in ECL.

Total Tax Contribution of the ABI membership in the UK

Total Tax Contribution in 2024

Based on the tax payment information provided by the 21 (2022: 29) members of the ABI who participated in this year's study, we have estimated that the ABI's UK membership made a TTC of approximately £18.5bn (2022: £17.2bn) for the fiscal year ending on 31 March 2024. This total is broken down into £4.1bn (2022: £4.8bn) of taxes borne and £14.4bn (2022: £12.4bn) of taxes collected. The estimated TTC accounts for 2.0% (2022: 2.1%) of the total Government tax receipts for the same period. The data collected demonstrates the significant role that the industry continues to play in contributing to public finances.

Figure 2 shows the profile of the TTC of the ABI members that provided study data, and of the extrapolated TTC for the ABI membership as a whole.[7]

Figure 2 - Total Tax Contribution of the ABI membership in the UK for the 2024 survey

£'bn	Survey participants	The ABI membership	% of total Government receipts
Corporation Tax	1.1	1.3	1.6%[(a)]
Other taxes borne	1.8	2.8	
Total taxes borne[8]	2.9	4.1	0.4%
Taxes collected	9.6	14.4	1.5%
Total Tax Contribution	**12.5**	**18.5**	**2.0%[(b)]**

(a) Percentage of Government Corporation Tax receipts.

(b) Percentage of all Government receipts.

[7] Extrapolation has been carried out on a conservative basis. Extrapolation is an estimate based on the proportions of taxes borne and taxes collected to GWP established in the survey. The 2024 TTC extrapolation has been carried out separately for life insurers and general insurers based on the GWP data from the preceding year which is the latest data available.

[8] Total sums may not add up due to rounding.

Total Tax Contribution of the ABI membership in the UK

Comparison of the results from the seven surveys

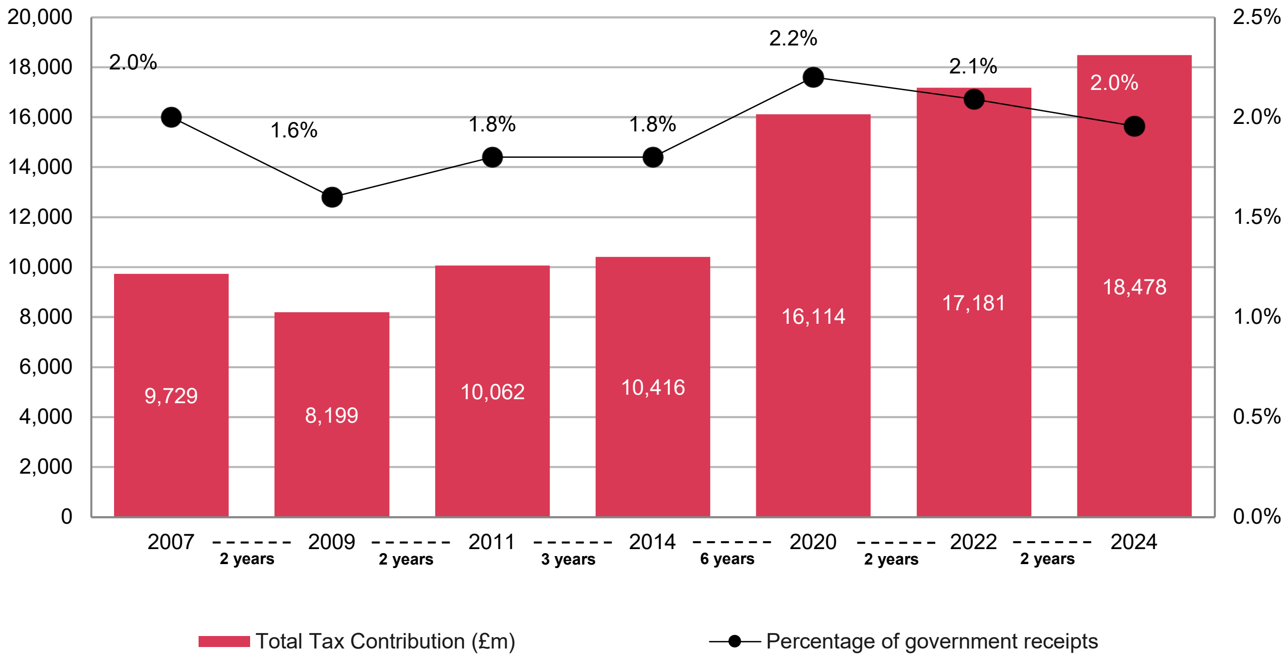
Figure 3 presents the ABI membership's TTC across seven surveys, both as an absolute figure and as a percentage of total Government tax receipts. The chart demonstrates the almost 70% increase in the Total Tax Contribution of the ABI membership since the 2009 survey.

In 2024, the TTC from ABI members increased to an unprecedented £18.5bn, up 7.6% from 2022 Of this, £4.1bn is attributed to taxes borne by the companies, while £14.4bn represents taxes collected on behalf of third parties.

This increase is largely owing to the rises in tax deducted at source, irrecoverable VAT and IPT collected, consistent with the like-for-like trend discussed in the 'Trends in Tax Payments' chapter.

With the exception of 2009, when TTC declined largely due to a decrease in Corporation Tax and stamp duties in line with the economic downturn and the ensuing recession, the amount of TTC paid by the membership has increased in every study. This has been driven by a number of factors, with increases in CIT and irrecoverable VAT paid in 2011 and 2014, and increases in IPT and taxes collected at source, such as PAYE on annuities between 2014 and 2020. In 2022, the estimated TTC grew a further 6.6%, predominantly due to increases in tax deducted at source.

Figure 3 - Total Tax Contribution of the ABI membership: Comparison of the results from all surveys



We estimate that the Total Tax Contribution for the entire ABI membership has increased by **7.6%** between the 2022 and 2024 surveys.

Source: Extrapolated totals in each survey.

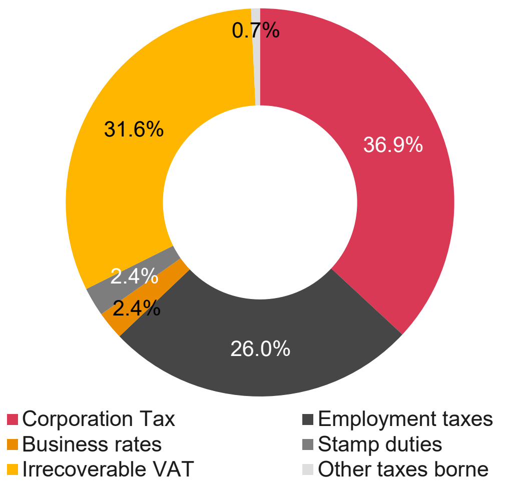
Profile of taxes borne and collected by survey participants

The study not only examines the amounts of taxes borne and collected by participants, but also looks at the relative proportions of different taxes.

Profile of taxes borne in 2024

Figure 4 shows the total tax borne by the twenty-one insurance firms participating in this year's study.

Figure 4 - Total taxes borne by survey participants



For every £1 of Corporation Tax paid, there is an additional **£1.71** in other business taxes borne.

Source: Study participants. Results are on an overall basis.

Corporation Tax constitutes the largest tax borne by participants, accounting for 36.9% (2022: 46.0%) of the total. Irrecoverable VAT follows closely at 31.6% (2022: 25.8%), while employment taxes account for 26.0% (2022: 21.3%) of the total. Corporation Tax remains a significant tax for UK insurers. For each £1 paid in Corporation Tax, survey participants paid another £1.71 in other taxes borne (2022: £1.17).

Trends in the profile of taxes borne since 2007

Legislative changes, and changes in the wider economic landscape, have impacted the profile of taxes borne by survey participants since 2007, as shown in Figure 5. In 2007, Corporation Tax was the largest tax borne by participants at 60.7% of the total taxes borne, while irrecoverable VAT made up just 16.0%.Despite fluctuations over the years, Corporation Tax remained the highest tax borne, but the overall share has significantly to 36.9% in 2024, whilst irrecoverable VAT has grown to 31.6% of the total.

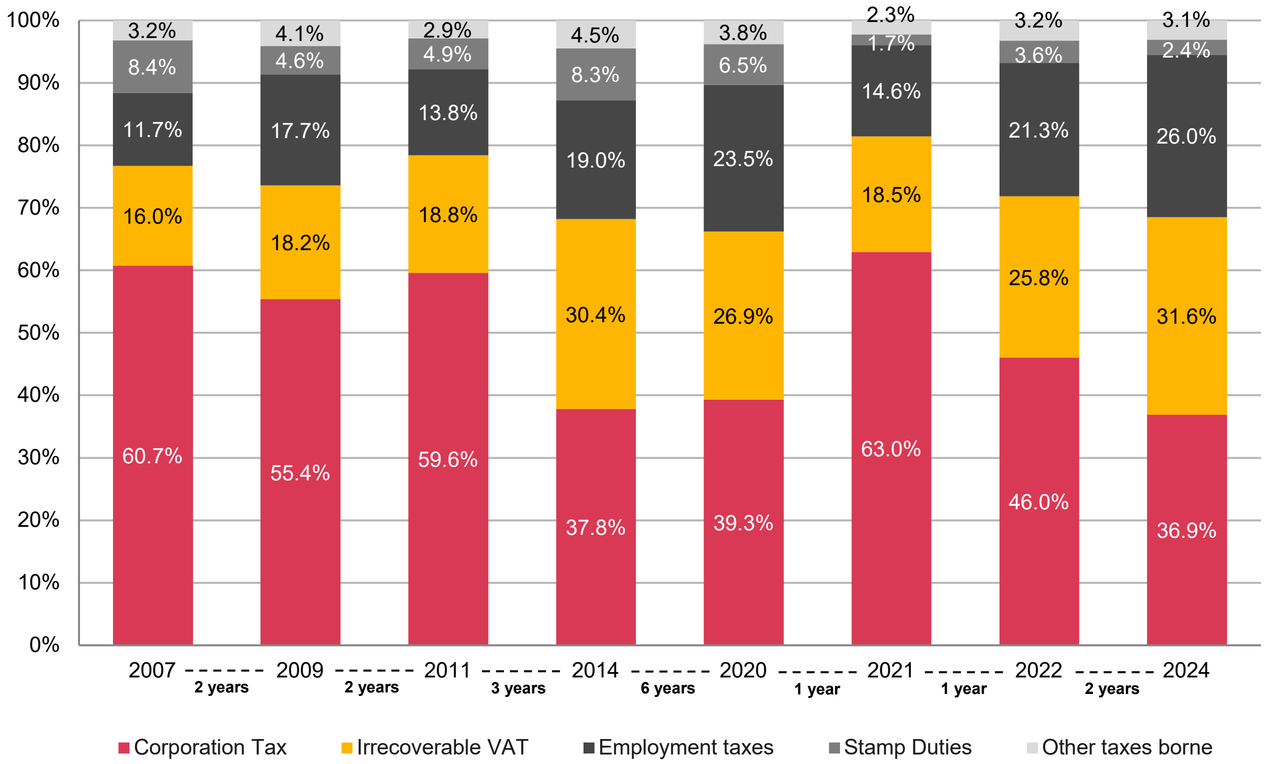
The proportion of Corporation Tax temporarily surged from 39.3% in 2020 to 63.0% in 2021, due to the transition period of the quarterly instalment payments regime. This led to the inclusion of an additional quarterly instalment in the 2021 period. The fall in Corporation Tax from 46.0% to 36.9% between 2022 and 2024 is significantly influenced by the combined effects of IFRS 17 and IFRS 9 adoption and the interest rate rises of 2022/23 causing economic and accounting losses. These result in both tax losses carried forward and transitional adjustments related to the adoption of the new IFRS standards which combine to reduce the Corporation Tax due. The transitional adjustments are required to avoid double taxation of profits. The balance of tax losses carried forward, which, for some insurers, increased notably following the interest rate rises in the last two years, may take several years to unwind. The proportion of Corporation Tax has now fallen back to levels similar to those seen in 2014 and 2020.

Employment taxes borne have been relatively stable, underscoring their enduring significance. The uptick since 2021 is attributable to the increase in wages during this period.

The increase in irrecoverable VAT for UK insurers from 25.8% to 31.6% between 2022 and 2024 is due to a combination of market conditions, operational adjustments, and specific industry factors.

Profile of taxes borne and collected by survey participants (continued)

Figure 5 - Taxes borne by percentage: Comparison of the results from all surveys



In previous surveys, Corporation Tax formed the greater proportion of taxes borne. The shares of corporation taxes and irrecoverable VAT are now more similar.

Source: Study participants in each year. Results are on an overall basis.

Profile of taxes collected in 2024

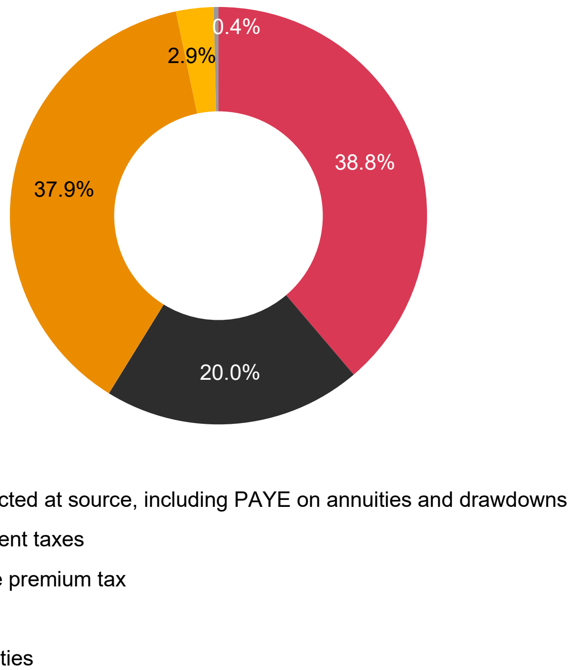
Figure 6 shows the profile of taxes collected for the survey participants.

The amounts of taxes collected have consistently exceeded the amounts of taxes borne by survey participants, with this difference increasing further this year. For every £1 of Corporation Tax paid by the ABI members surveyed, there is another £8.06 (2022: £5.37) in taxes collected. Collecting these taxes on behalf of the Government represents a significant compliance obligation for the ABI membership. The systems required to ensure compliance are rigorous, and minor discrepancies can lead to significant consequences under the current penalty frameworks.

In the 2024 survey, the proportion of tax deducted at source, including PAYE on annuities/drawdowns, and IPT collected by general insurers have equalised. Tax deducted at source, including PAYE on annuities/drawdowns, was the largest tax collected at 38.8% (2022: 36.4%). IPT collected by ABI members accounted for 37.9% of the total (2022: 39.4%). Employment tax collected (both employers' NIC and PAYE) also plays a significant part in the tax collected profile, amounting to 20.0% (2022: 20.1%).

Profile of taxes borne and collected by survey participants (continued)

Figure 6 - Taxes collected by study participants



For every £1 of Corporation Tax paid, there is an additional **£8.06** in taxes collected.

Source: Study participants. Results on an overall basis.

Trends in the profile of taxes collected since 2007

As shown in Figure 7, the proportion of IPT increased significantly after the 2014 survey when the standard IPT rate was 6%. Three rate rises during the period from 2015 to 2017, increased the rate to 12%. Since the 2021 survey, IPT has slowly decreased as a proportion of taxes collected, although it increased in absolute terms between 2022 and 2024 (£3.4bn to £3.6bn).

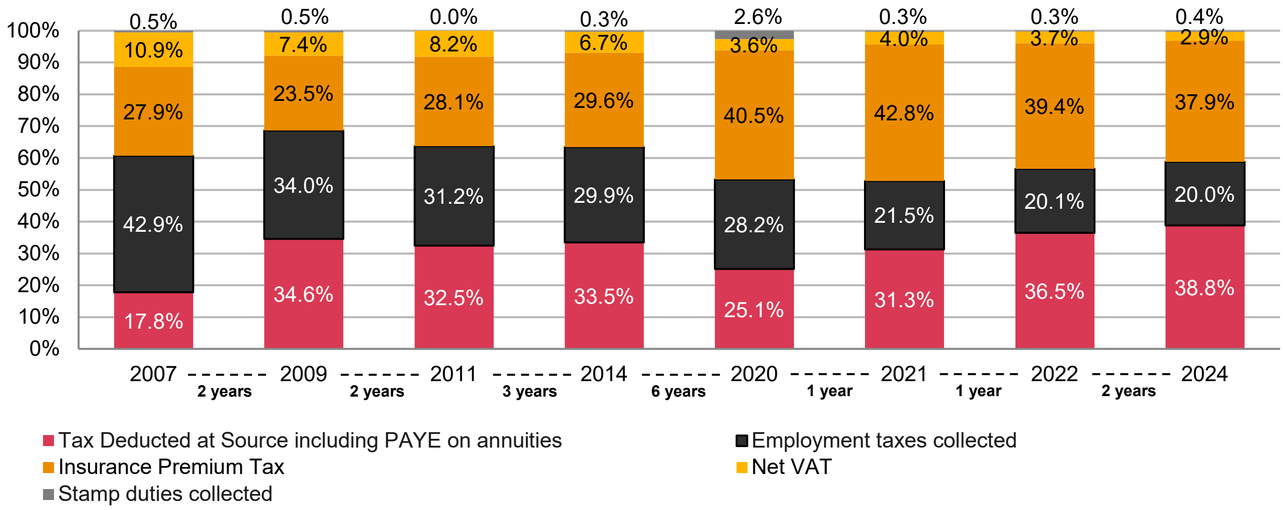
Tax deducted at source, paying PAYE on annuities/drawdowns has increased between 2022 and 2024 both as a percentage of taxes collected, and in absolute terms from £3.2bn to £3.7bn. The increase in tax deducted at source may be explained by the increase in the drawdowns of pensions by £4.1bn from 2022 to 2024.[9]

Between 2022 and 2024, the profile of taxes collected has remained relatively consistent.

[9] In 2023 to 2024, £15.3bn in taxable payments was withdrawn from pensions which were flexibly accessed. This has increased from £12.9bn in 2022 to 2023 and £11.2bn in 2021 to 2022. For more information: https://www.gov.uk/government/statistics/personal-and-stakeholder-pensions-statistics/private-pension-statistics-commentary.

Profile of taxes borne and collected by survey participants (continued)

Figure 7 - Taxes collected by percentage: Comparison of the results from all surveys

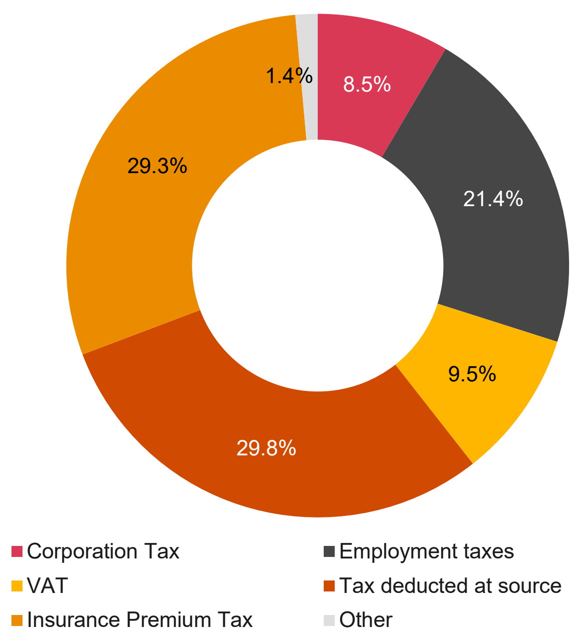


Source: Study participants in each year. Results on an overall basis.

Profile of Total Tax Contribution

Figure 8 combines the figures for taxes borne and taxes collected to demonstrate the TTC profile of the survey participants. Taxes deducted at source, including PAYE on annuities and drawdowns, made up the largest component of tax paid by insurers to UK public finances at 29.8% (2022: 26.0%) of the TTC. IPT is the next largest, at 29.3% (2022: 28.3%). This is followed by employment taxes borne and collected at 21.4% (2022: 20.5%). VAT borne and collected by participants accounts for 9.5% (2022: 10.1%) of the total, and Corporation Tax made up 8.5% (2022: 13.2%) of the total.

Figure 8 - Total Tax Contribution of survey participants by type of tax



Source: Study participants. Results are on an overall basis.

In the next section, we look at the profile above from a sub-sector perspective, split between general and life insurers.

Comparing the different tax profiles of general and life insurers

In this section, we look at the different tax profiles of general and life insurance activities.

General insurers provide a range of, usually short term, insurance policies designed to protect individuals and businesses against the risk of financial losses due to potential future events. These events are typically unrelated to the life or death of an individual. General insurance includes motor, home, travel, business and private medical insurance.

Life insurers specialise in products that are primarily concerned with the life and health of individuals, such as protection, pensions, linked long-term insurance savings products, permanent health insurance and other life business. Life insurance policies are typically long-term contracts, where the insurer promises to pay a sum of money upon the death of the insured person or after a set period. Life insurance is often used to provide financial security for dependents, pay off debts, or as a means of investment or savings. As well as whole- and term-life insurance it includes annuities and critical illness cover.

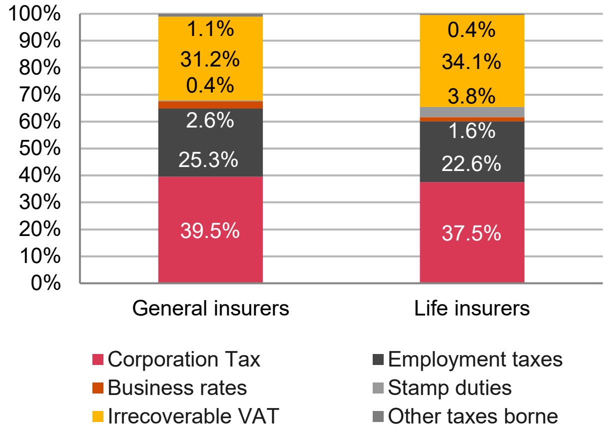
Based on their own classifications, we split the survey participants into nine general insurers (2022: thirteen), six life insurers (2022: eight) and six composite (2022: eight) insurance companies. The composite companies provided further data allowing us to apportion their tax payments between general and life insurance activities.

Taxes borne

Figure 9 shows the profile of taxes borne for general and life insurance survey participants in 2024. In line with 2022 survey results, Corporation Tax is the most significant tax paid by general insurers, at 39.5% (2022: 36.9%). This is followed by irrecoverable VAT at 31.2% (2022: 33.1%) of the whole, and employer's NIC at 25.3% (2022: 25.6%).

For life insurance companies, Corporation Tax (including tax charged in respect of both policyholder and shareholder profits) is the most significant tax borne, but at 37.5% it has decreased significantly since the previous survey (2022: 61.0%) due to the adoption of new accounting standards and use of tax losses. Irrecoverable VAT is the second largest tax borne at 34.1% (2022: 18.7%). Employers' NIC is slightly higher for life insurance companies than for general insurers, at 22.6% (2022: 14.3%) of the total tax borne.

Figure 9 - Profile of total taxes borne for general and life insurers



Source: Study participants. Results on an overall basis

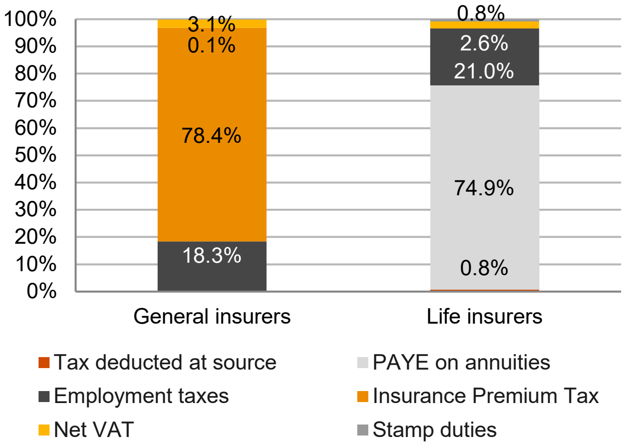
Taxes collected

As shown in Figure 10, there is a very significant difference in the tax profile of taxes collected by general insurers and life insurers. IPT remains the most significant tax collected by the general insurers, at 78.4% (2022: 77.3%) of the total, and PAYE on annuities and drawdowns is the most significant tax collected by life insurers, at 74.9% (2022: 71.1%) of the total.

Jointly, general and life insurance companies participating in this year's study collected IPT and tax deducted at source (including PAYE on annuities and drawdowns) amounting to £6.2bn (2022: £6.5bn). The significance of these taxes demonstrates the notable administrative burden that the insurance industry faces from taxes with a sector-specific impact such as IPT and PAYE on annuities and drawdowns, which companies collect and administer on behalf of the UK government.

Comparing the different tax profiles of general and life insurers (continued)

Figure 10 - Total taxes collected profile for general and life insurers



General and life insurance companies that participated in the study collected **£6.2bn** of tax deducted at source (including PAYE on annuities and drawdowns) and Insurance Premium Tax (IPT) combined.

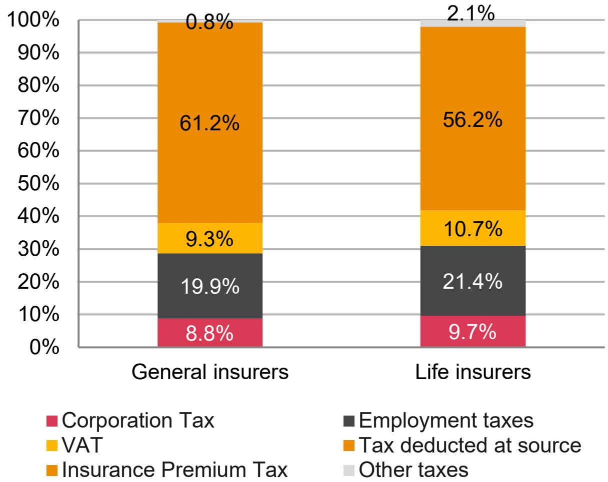
Source: Study participants. Results on an overall basis

Total Tax Contribution

Figure 11 shows the profile of TTC for general and life insurance survey participants in 2024. Analysing taxes borne and taxes collected together not only reaffirms the dominance of specific taxes within each sector's contribution, but also underscores the significance of these taxes in the broader context of the TTC. The data suggests that IPT and tax deducted at source are not merely prominent within the tax mix but are crucial to the overall TTC of the ABI membership.

IPT continues to be the most significant tax for general insurers at 61.2% (2022: 57.4%) of the TTC, whereas tax deducted at source (including PAYE on annuities and drawdowns) is the most substantial for life insurers at 56.2% (2022: 45.1%).

Figure 11 - Profile of Total Tax Contribution for general and life insurers



Source: Study participants. Results on an overall basis

Trends in tax payments

Trends between the 2022 and 2024 surveys

In this section, we look, on a like-for-like basis, at the trends in the tax payments of the nineteen insurance companies that provided data for both the 2022 and 2024 surveys.[10] This allows us to understand the impact on insurance companies of changes in the various taxes that make up the taxes borne and taxes collected, including any changes in the statutory tax rates.

Total Tax Contribution

Figure 12 shows the trend in TTC for the companies providing data for both the 2022 and 2024 surveys. This group's TTC has increased by 9.1%, driven by the taxes collected.

Figure 12 - Trend in Total Tax Contribution between the 2022 and 2024 surveys

	Absolute percentage change	Percentage change of total
Total taxes borne	-12.9%	-3.7%
Total taxes collected	+17.9%	+12.8%
Total		**9.1%**

Taxes borne

Total taxes borne has decreased by 12.9% for the companies in the 2022 and 2024 surveys. As shown in Figure 13, Corporation Tax is the primary driver, contributing 16.8 percentage points to this decrease. This decrease is influenced by the adoption of the new accounting rules for the insurance sector and the utilisation of tax losses, which is discussed further below. Business Rates also saw a small decrease (-0.2 percentage points), broadly consistent with the 2022 study. The overall decrease in taxes borne was partly offset by increases in irrecoverable VAT (4.2 percentage points) and employment taxes (2.3 percentage points).

[10] Data is included in the trend analysis only where a company participated and provided data for the same taxes in both surveys.

[11] Profits in 2022 and 2024 are not directly comparable due to the change in accounting standards.

[12] For profits taxed at the shareholder rate, the use of tax loss carryforwards is now capped at 50% of taxable profits in the year.

Figure 13 - Trend in taxes borne between the 2022 and 2024 surveys

Taxes borne	Percentage change
Corporation Tax	-16.8%
Employment taxes borne	2.3%
Irrecoverable VAT	4.2%
Business Rates	-0.2%
Stamp duties	-2.3%
Other taxes borne	-0.1%
Total	**-12.9%**

Corporation Tax trends

The tax regime for life insurance companies is different from that for general insurance companies, and the link between profitability[11] and Corporation Tax is complex. Life insurers pay Corporation Tax on investment returns associated with traditional life investment products under the UK 'I-E' tax regime. Broadly, this captures investment returns less management expenses, so a direct correlation with shareholder profit would not be expected for this segment of business. The element of Corporation Tax arising on policyholder investment returns will be volatile depending on market movements. In 2020, for example, there were significant increases in bond and gilt values, leading to large investment returns and associated Corporation Tax payments. These reversed in 2021, giving rise to losses and significantly reduced Corporation Tax payments.

As shown in Figure 13, Corporation Tax paid has driven 16.8 percentage points of the decrease in taxes borne between 2022 and 2024. On an individual basis, Corporation Tax payments reduced by 35.9%.

These trends are influenced by a few factors: the adoption of IFRS 17 and IFRS 9 and the economic and accounting losses caused by the increasing interest rates in 2022 and 2023. These factors result in both tax losses carried forward[12] and transitional adjustments related to the adoption of the new IFRS standards, reducing the amount of Corporation Tax due. The transitional adjustments are necessary to avoid the double taxation of profits.

Trends in tax payments (continued)

The ability to use tax losses in future periods is particularly relevant for insurers where significant differences in claim amounts from year-to-year lead to fluctuations in profits and losses.[13]

For some insurers, the balance of available unused tax losses increased considerably after the interest rate rises towards the end of 2022 and may require several years to unwind.

Concurrently, the accounting standard used for determining the accounting treatment of insurance contracts changed from accounting standard IFRS 4 to IFRS 17 for accounting periods beginning on or after 1 January 2023. This is a significant shift in the accounting for insurance contracts and impacted the measurement of liabilities and hence the recognition of profits.[14] IFRS 17 contains more extensive disclosure requirements than IFRS 4 and requires preparers to provide both qualitative and quantitative disclosures about insurance contracts within scope. It aims to provide a more accurate representation of an insurer's financial position, performance, and risk exposure, thereby enhancing comparability across the industry. As a result of the adoption of IFRS 17, insurers restated their accounts for 2023 and 2022.

Tax Treatment of IFRS 17 Transitional Adjustment

For those insurers using IFRS for their entity accounts (on which tax is based), the adoption of IFRS 17 had significant tax impacts, driven by the transitional adjustments in their accounts. The tax treatment of these adjustments varies across jurisdictions and insurance sub-sectors. In the UK, the tax treatment for general insurers and life insurers differs significantly.

For general insurers, the transitional adjustments due to the adoption of IFRS 17 are taxed immediately in the year of transition, generally resulting in higher tax liabilities for general insurers in 2023.

Conversely, UK life insurers were required to spread the tax impact of the IFRS 17 transitional adjustment over a decade,[15] mitigating the immediate fiscal impact on this sub-sector. The impact of the transition (i.e. whether it generated taxable or deductible amounts in 2023 and beyond) varied according to the types of policies but overall there were significant tax deductions arising in the sector. This extended timeframe, combined with the use of tax losses, has reduced the amount of Corporation Tax paid by life insurers in our 2024 data.[16]

While the overall amount of Corporation Tax paid by insurers has fallen between 2022 and 2024, this is the net effect of higher Corporation Tax payments for general insurers, and lower payments from life-insurers. The difference is caused by the different tax treatments of their IFRS 17 transitional adjustments and, for life insurers, the use of tax losses generated in earlier years.

Taxes collected

As shown in Figure 14, total taxes collected increased by 17.9% between 2022 and 2024 for the nineteen companies providing data for both surveys. It shows how particular taxes contributed to this trend. The increase is mainly driven by a higher amount of IPT, which has increased by 10.0 percentage points. In previous years, there has been a general increasing trend of IPT collected receipts, increasing from £2.7bn in 2022 to £3.4bn in 2024 on a like-for-like basis. According to Government data, the increase in IPT largely reflects rising car insurance premiums from 2022 to 2024. Additionally, higher levels of international travel have contributed to greater revenue from travel insurance within this period.[17]

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[13] A recent increase in claims is attributed to the climate crisis. The ABI revealed that payouts reached £1.4bn in Q2, marking the highest total in seven years. The increase in the second quarter was driven by weather-related claims, with damage to UK homes from storms, rain, and frozen pipes costing £144m. The ABI says total payouts are on track to exceed £4.9bn this year.

[14] LAM16010 - IFRS 17 Transitional Provisions: Overview: SI2022/1165.

[15] LAM16010 - IFRS 17 Transitional Provisions: Overview: SI2022/1165.

[16] LAM16020 - IFRS 17 Transitional Provisions: Calculation, trading apportionment and treatment of the transitional amount: SI2022/1165/Regulations 3-6.

[17] Insurance Premium Tax (IPT) commentary (July 2024).

Trends in tax payments (continued)

Figure 14 - Trend in taxes collected between the 2022 and 2024 surveys

Taxes collected	Percentage change
IPT	10.0%
Tax deducted at the source	7.5%
Employee income tax (PAYE)	2.2%
Stamp Duty Reserve Tax (SDRT)	-0.1%
Employee NIC	-2.0%
Net VAT	0.3%
Total	**17.9%**

The second largest driver is tax deducted at source, which includes PAYE deducted by insurance companies administering pensions on behalf of other companies. It increased by 7.5 percentage points since 2022.

The rise in tax deducted at source could be partly explained by the higher number of pension plans accessed for the first time in 2022/23, an increase of 4.8% to 739,535 compared to 2021/22 (705,666).[18]

The increase in pension withdrawals can be attributed to a confluence of social factors. The COVID-19 pandemic and its aftermath, for instance, has had a profound impact on individuals' financial decisions, likely compelling many to tap into their pension pots earlier than anticipated, either to supplement their reduced income or as a financial bridge during unemployment.

For some, the pandemic may have also served as a catalyst for early retirement decisions. More recently, the escalating cost-of-living crisis has exerted additional pressure on living standards amidst rising expenses.

While Employee Income Tax (PAYE) and net VAT also contributed to the increase by 2.2 and 0.3 percentage points, this has been partially offset by a slight decline in SDRT and employee NICs.

[18] Retirement income market data 2022/23.

Employment taxes

Employment taxes paid by the ABI membership

The ABI membership makes a significant contribution to the UK economy through employment. ABI members employ highly skilled, well-paid employees. Taxes on employment provide a more stable source of revenue for the Government than Corporation Tax receipts, which can be volatile and depend on profitability and the economic cycle.

Figure 15 shows that the total employment taxes borne and collected by the survey participants comprise £706.5m (2022: £719.6m) of employers' NIC, £15.3m (2022: £8.0m) of PSA (tax on benefits), £24.4m (2022: £19.9m) in net Apprenticeship Levy, £1,609.9m (2022: £1,251.5m) of Income Tax deducted under PAYE and £315.1m (2022: £493.2m) of employees' NIC.

Figure 15 - Employment taxes borne and collected by survey participants

Employment taxes borne	£ million
Employers' NIC	706.5
PSA (tax on benefits)	15.3
Net Apprenticeship Levy	24.4
Total employment taxes borne	**746.2**
Employment taxes collected	
Employees' NIC	315.1
PAYE	1,609.9
Total employment taxes collected	**1,925.0**
Total employment taxes borne and collected	**2,671.2**

As the economy recovers from the impacts of the COVID-19 pandemic, employment levels and wages amongst the ABI membership increased, leading to higher tax collections, as highlighted in the 'Trends in employment taxes' section.

Wages and salaries and employment taxes per employee

The insurance sector employs over 300,000 people in the UK[19] and pays an average[20] of £28,124 per employee in employment taxes to the UK public finances (taxes borne £7,857 and taxes collected £20,266). Employment taxes per employee indicate the direct contribution to the UK Exchequer for each job created or maintained in the insurance sector.

Figure 16 below shows how the average employment taxes per employee paid by ABI members to the UK public finances compare to those paid by participants in the 100 Group and the broader UK financial and related professional services.[21]

Figure 16 - Comparison of employment taxes per employee from UK TTC studies

Employment taxes per employee – overall average	2024 (£)
ABI TTC survey participants.	28,124
100 Group survey[22]	14,601
UK-based financial and related professional services[23]	30,500

[19] 2024 ABI Manifesto, available here: https://www.abi.org.uk/globalassets/files/publications/public/abi/abi-manifesto-2024.pdf.

[20] The average employment tax per employee was calculated by taking the total employment taxes for the survey population and dividing it by the total number of employees in the population.

[21] This study was commissioned by the City of London Corporation and TheCityUK in 2024, covering the period ending in 31 March 2023.

[22] The 100 Group of Finance Directors, 2023 Total Tax Contribution survey for the 100 Group. The latest survey results were used as reference. Available at: https://the100group.co.uk/2023/12/2023-total-tax-contribution-survey/.

[23] The City of London Corporation and TheCityUK, 2024 Total Tax Contribution of UK-based financial and related professional services. The latest survey results were used as reference. Available at: https://www.theglobalcity.uk/PositiveWebsite/media/Research-reports/The-Total-Tax-Contribution-of-UK-based-financial-and-related-professional-services-2023.pdf.

Employment taxes (continued)

The ABI's employment taxes per employee, at £28,124, are significantly higher than the 100 Group's average of £14,601. This disparity can be attributed to the nature of the industries and their levels of pay. Employees in the insurance sector typically have higher-paid roles with substantial benefits, leading to higher employment taxes. In contrast, the 100 Group encompasses a broader range of industries, including sectors with lower average wages, resulting in lower employment taxes per employee. However, the ABI's figure is slightly lower than the broader UK-based financial and related professional services average of £30,500, reflecting the competitive but varied compensation structures within the financial services industry. This is also influenced by the regionally diverse nature of the insurance industry, with two thirds of workers being based outside of London.[24]

Trends in employment taxes

Figure 17 shows the trends in employment taxes for ABI members that provided data for the 2022 and 2024 surveys.

Figure 17 - Trends in employment taxes (on a like-for-like basis)

	Percentage change
Employment taxes borne	2.7%
Employment taxes collected	7.6%
Total employment taxes	**10.3%**

Source: Study participants that provided data in both 2022 and 2024 surveys.

The employment taxes borne and collected increased by 10.3%. This was primarily driven by an increase in wages and salaries (6.9%). The number of people employed by survey participants also experienced a small increase at 1.6%.

[24] 2024 ABI Manifesto, available here: https://www.abi.org.uk/globalassets/files/publications/public/abi/abi-manifesto-2024.pdf.

Total Tax Contribution in context

Value distributed

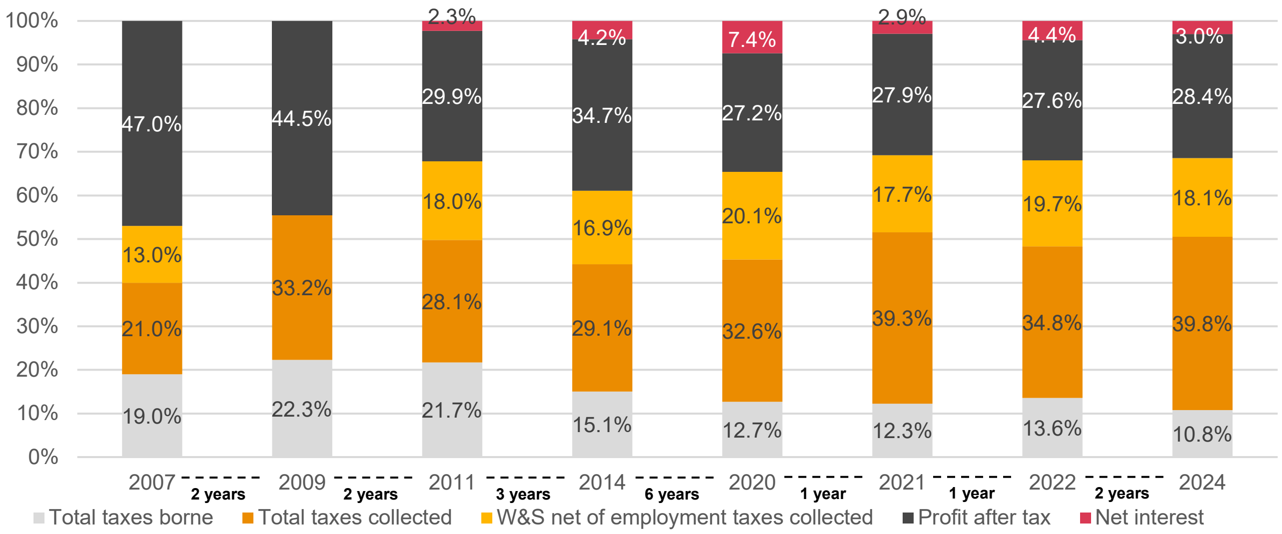
Aside from providing data on their UK total taxes borne and collected, survey participants also supplied data on other aspects of their UK economic footprint, including the wages and salaries (W&S) paid to employees and profit after taxes (amounts retained by the companies for reinvestment and distribution to their shareholders). This allows us to put the amounts paid by companies to the UK Government into the context of amounts paid to, or available for, other stakeholder groups. This shows how value is distributed across these different groups of stakeholders (including employees, shareholders and government) in the ABI membership .

Figure 18 shows that, in 2024, the UK Government received 50.5% (2022: 48.4%) of value distributed by insurance companies in taxes borne (10.8%) and taxes collected (39.8%), reflecting the increased levels of TTC between 2022 and 2024. The total proportion of taxes borne and taxes collected has ranged from a low of 40.0% in 2007 to a high of 55.5% in 2009.

This variability reflects the economic conditions impacting the insurance industry. The financial crisis years stand out as an anomaly, with the industry experiencing significant losses, which in turn affected the value distributed by the companies. The subsequent years saw a gradual stabilisation, with the TTC settling into a narrower band, indicative of the sector's recovery and the evolving tax landscape.

In recent years, the trend has been towards an increasing TTC. This is a testament to the sector's resilience and its growing contribution to the public finances. The ABI membership's role in the economy is multifaceted, and its tax contributions are a significant aspect of this, underpinning the sector's importance to the overall fiscal health of the country. The data underscores the industry's contribution to the Exchequer, despite the challenges and changes it has faced over the years.

Figure 18 - Taxes borne and collected as a percentage of value distributed: Comparison of the results from all surveys



2024 survey results show that UK Government is still the largest beneficiary of the value distributed by the survey participants. Taxes borne and collected paid to the government account for over half of the value distributed, at 50.5%.

Source: Data provided by study participants on an overall basis. Data was not available for profit after tax and net interest in 2009 due to the losses arising due to the aftermath of the financial crisis.

Appendices

Appendix I – List of UK taxes borne and collected by insurance companies

Types of taxes borne and collected by insurance companies

	Tax borne	Tax collected
Profit taxes		
Corporation Tax	✓	
PAYE on annuities		✓
Tax deducted at source		✓
Property taxes		
Business Rates	✓	
Stamp Duty Land Tax	✓	
Stamp Duty Reserve Tax	✓	✓
People taxes		
Income Tax under PAYE		✓
PAYE Settlement Agreements (PSA - tax on benefits)	✓	
Employees' National Insurance Contributions		✓
Employers' National Insurance Contributions	✓	
Net apprenticeship levy	✓	
Product taxes		
Air passenger duty	✓	
Customs duties	✓	
Economic Crime Levy	✓	
Insurance Premium Tax[25]	✓	✓
Irrecoverable VAT	✓	
Net VAT		✓
Vehicle excise duty	✓	
Environmental taxes		
Landfill tax	✓	
Carbon Reduction Commitment	✓	
Congestion charge	✓	
Climate change levy	✓	
Fuel duties	✓	

[25] IPT is charged on premiums. Consistent with previous periods IPT is treated as a tax collected as economically the cost is usually borne by the customer, notwithstanding that HMRC sometimes refer to it as a tax on insurance companies.

Appendices (continued)

Appendix II – Data provided

Taxes borne		Total (in £)
Profit taxes	Corporation Tax	1,060,993,023
Property taxes	Business Rates	67,594,490
	Stamp Duty Land Tax	22,274,902
	Stamp Duty Reserve Tax	46,893,631
People taxes	PSAs (tax on benefits)	15,341,535
	Employer's NIC	706,545,816
	Net apprenticeship Levy	24,438,198
Product taxes	Air passenger duty	998,127
	Economic Crime Levy	4,156,000
	Fuel duties	95,195
	Insurance Premium Tax	15,023,802
	Irrecoverable VAT	908,955,677
	Vehicle excise duty	4,609,476
Environmental taxes	Climate change levy	538,327
	Congestion charge	1,000
	Landfill tax	1,464
	Total	**2,878,460,663**

Taxes collected		Total (in £)
Profit taxes	Tax deducted at source - PAYE on annuities and drawdowns	3,663,610,527
	Tax deducted at source - other	63,098,144
Property taxes	Stamp Duty Reserve Tax	34,989,553
People taxes	PAYE	1,609,952,111
	Employee NIC	315,068,350
Product taxes	Net VAT	279,709,989
	Insurance Premium Tax	3,645,232,794
	Total	**9,611,661,468**

Appendices (continued)

Appendix III – Glossary of taxes

This section provides further detail on some individual taxes.

	Description
Taxes borne include:	
Irrecoverable VAT	When a business supplies goods and services to its customers, it generally charges VAT and offsets against any VAT incurred on purchases used to run the business (input VAT). Where the services supplied by a company are VAT exempt, VAT is not charged to customers. This is the case for many FS activities; therefore, FS companies cannot recover their input VAT, leading to irrecoverable VAT.
Apprenticeship Levy	This was introduced in 2017 and is a levy on UK employers with annual pay bills over £3m, at 0.5% of the annual pay bill. The revenue from the apprenticeship levy is intended to fund new apprenticeships, and the TTC framework also captures the amounts claimed by participants to pay for apprenticeship training.
PAYE Settlement Agreements	A PAYE Settlement Agreement (PSA) enables employers to make a single annual payment to HMRC to settle all tax and NIC due on certain expenses and benefits provided to employees.
Economic Crime Levy	This is an annual charge that came into effect April 2022 for companies who are supervised under the Money Laundering Regulations and whose UK revenue exceeds £10.2 million per year. The levy is applicable to insurance activities.
Taxes collected include:	
Tax deducted at source	Tax is deducted at source on certain payments made by insurers companies and paid to HMRC. Tax is deducted at source from: • Royalty payments. • Interest paid to companies in some circumstances. • PAYE deducted by insurance companies in respect of pension business. • Property income distributions made by real estate companies.
Insurance Premium Tax (IPT)	IPT is levied on general insurance contracts and is collected by insurance companies on insurance policies sold (excluding life insurance policies).
Stamp Duty Reserve Tax (SDRT) and stamp duty (SD)	SDTR is paid on shares traded electronically. It is a tax borne where a company trades shares on its own account and a tax collected where a company trades shares on behalf of a third party. Stamp duty is paid on shares traded using a physical document.
Net VAT	VAT is a tax collected by companies on the sale of goods and services. VAT is separately identified on the sales invoice. Input VAT suffered by the company on its purchases can be offset against the output VAT charged on the sale to customers, and it is the net VAT that is paid over to tax authorities. Net VAT is treated for the purposes of this report as a tax collected. In some cases, the company may be unable to set off input VAT, and it becomes irrecoverable. To the extent that VAT is irrecoverable, it is a tax borne, as mentioned above.

Appendices (continued)

Appendix IV – List of abbreviations

ABI - Association of British Insurers

CIT - Corporation Tax

ECL - Economic Crime Levy

GWP - Gross Written Premiums

HMRC - His Majesty's Revenue and Customs

I-E - Investment returns minus expenses

IFRS 4 - International Financial Reporting Standard 4

IFRS 17 - International Financial Reporting Standard 17

IPT - Insurance Premium Tax

NIC - National Insurance Contributions

PAYE - Pay As You Earn

PSA - PAYE Settlement Agreement (tax on benefits)

PwC - PricewaterhouseCoopers

Q2 - Second quarter

QIP - Quarterly Instalment Payments

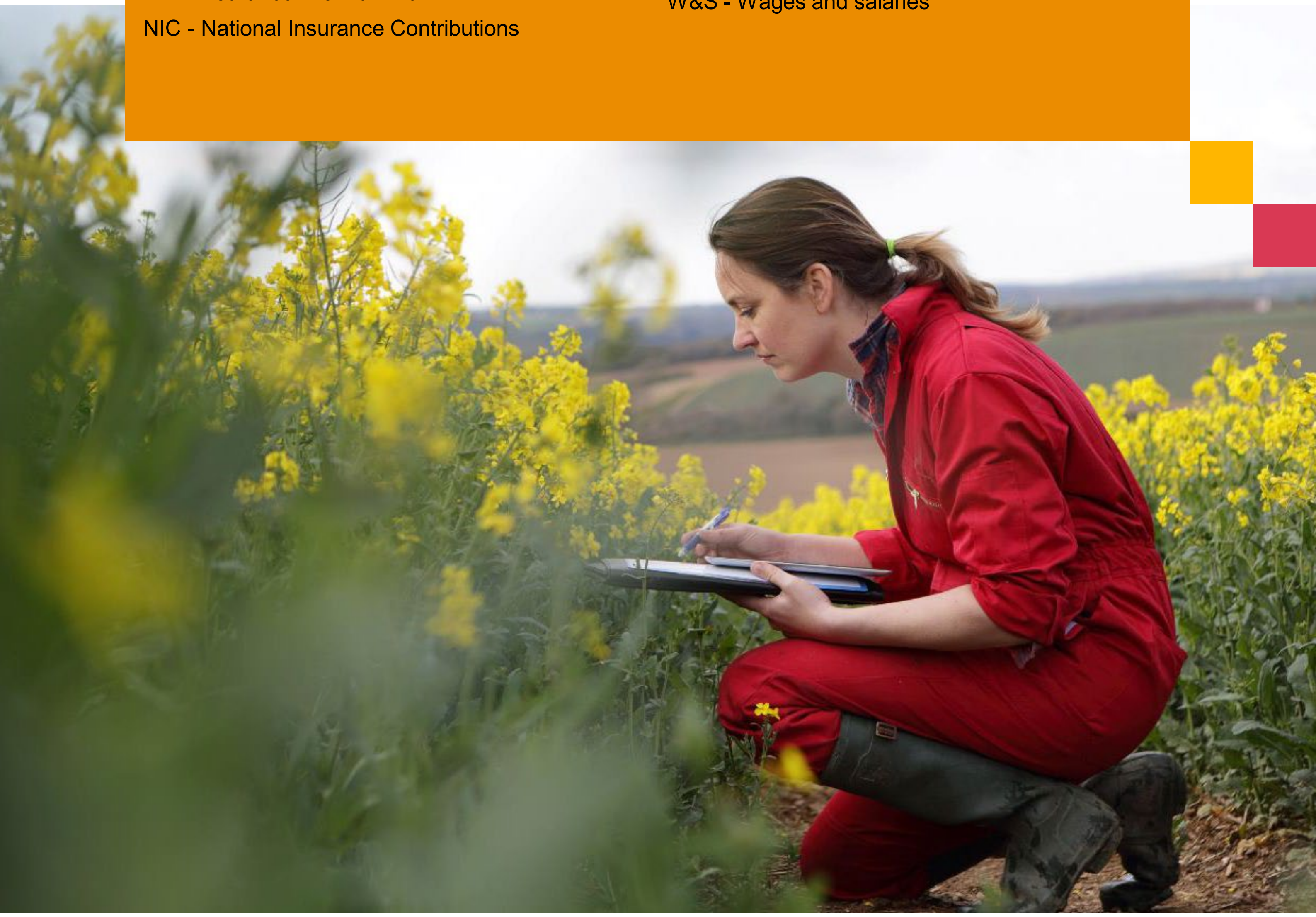
SD - Stamp duty

SDRT - Stamp Duty Reserve Tax

TTC - Total Tax Contribution

VAT - Value Added Tax

W&S - Wages and salaries



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