



## **UK Competitiveness Survey Results and Analysis**

- **Only 7% of respondents rate the UK as a very attractive place to invest, although 51% of respondents rate the UK as a fairly attractive place to invest in the insurance sector.**
- **14% of respondents think the UK corporation tax system is very uncompetitive, with a further 57% thinking it is fairly uncompetitive. If the UK tax system is unchanged then 29% of respondents think there will be a sharp drop in the number of insurance companies domiciled in the UK over the next 5 years and 52% think it will drop slightly.**
- **26% of respondents would be seriously tempted to move abroad for work and a further 37% of respondents would be slightly tempted to move abroad for work as a result of the changes in income tax for higher rate tax payers.**

### **Introduction**

This report contains the results from the UK Competitiveness Survey. The findings reinforce the recommendations in the recent ABI publication *UK Competitiveness: the way forward for insurance*, as well as the Insurance Industry Working Group’s publication *Vision for the insurance industry in 2020*.

The survey was sent to senior personnel (CEOs and Financial Directors) within the UK insurance sector. The results represent the findings from the 75 completed responses.

### **Overall Competitiveness**

Overall less than 60% of respondents think that the UK is an attractive place to invest. Those generating less than 50% of their premium income in the UK are more likely to find the UK unattractive - 46% compared to 38% for those with more than 50% of premiums coming from the UK.

**Table 1 Overall how do you rate the UK as a location to invest in the insurance sector?**

	<b>&lt;50% UK Premiums</b>	<b>&gt; 50%UK Premiums</b>	<b>Total</b>
The UK is very attractive place to invest	11%	3%	7%
The UK is a fairly attractive place to invest	43%	59%	51%
The UK is a fairly unattractive place to invest	43%	35%	39%
The UK is very unattractive place to invest	3%	3%	3%

**Source** ABI Research

## Tax competitiveness – corporate taxation

Overall 71% of respondents think the UK's corporate tax regime is very or fairly uncompetitive. This rises to 76% for those who generate more than 50% of their premium income from outside the UK.

If the UK tax system is unchanged then 29% of respondents think there will be a sharp drop in the number of insurance companies domiciled in the UK over the next 5 years and 52% think it will drop slightly. As roughly 60% of companies review their tax domicile at a senior level at least every 2 to 3 years, this is not an empty threat.

One of the problems companies face is the predictability of the tax regime, with roughly 50% finding it very or relatively unpredictable.

**Table 2 How competitive do you think the UK corporate tax system is?**

	<50% UK Premiums	> 50%UK Premiums	Total
Very competitive	0%	3%	1%
Fairly competitive	24%	32%	28%
Fairly uncompetitive	62%	51%	57%
Very uncompetitive	14%	14%	14%

Source ABI Research

**Table 3 If the UK tax system remains unchanged over the next five years, what do you expect will happen to the number of insurance companies domiciled in the UK for tax purposes?**

	<50% UK Premiums	> 50%UK Premiums	Total
It will fall sharply	39%	19%	29%
It will fall slightly	42%	62%	52%
It will stay about the same	14%	19%	16%
It will increase slightly	6%	0%	3%
It will increase sharply	0%	0%	0%

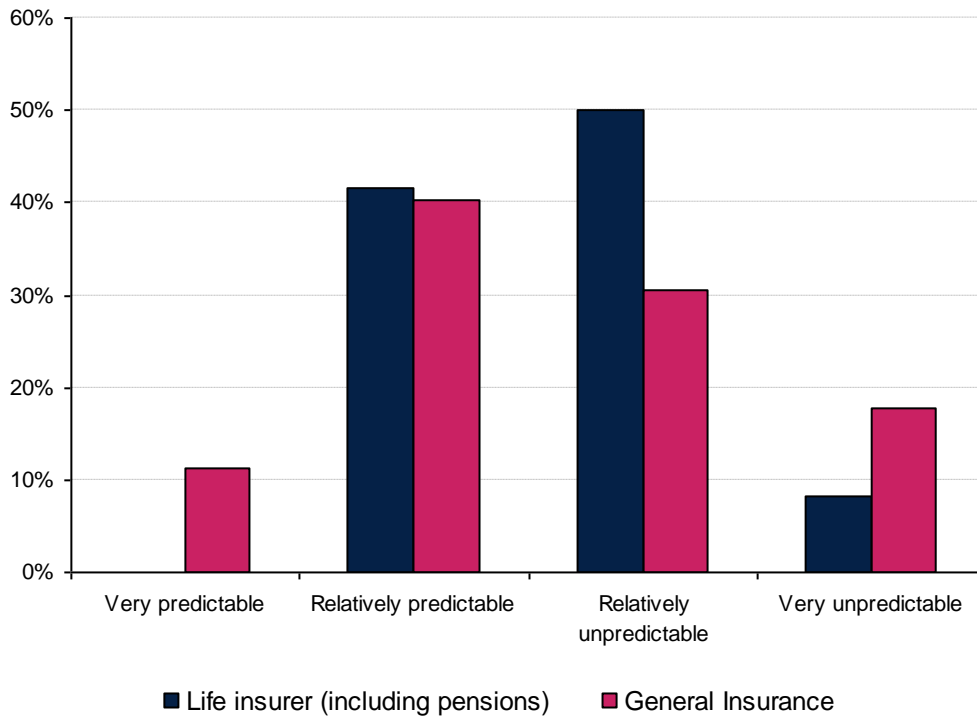
Source ABI Research

**Table 4 How often do you review the issue of tax domicile at a senior level within your organisation?**

	<50% UK Premiums	> 50%UK Premiums	Total
At least once a year	32%	25%	29%
Roughly every two to three years	43%	17%	30%
Roughly every four or five years	5%	11%	8%
Roughly every six to ten years	3%	14%	8%
Less than once every ten years	5%	6%	5%
Never	11%	28%	19%

Source ABI Research

**Figure 1 How predictable do you find the UK tax system?**



Source ABI Research

### Tax Competitiveness – personal taxation

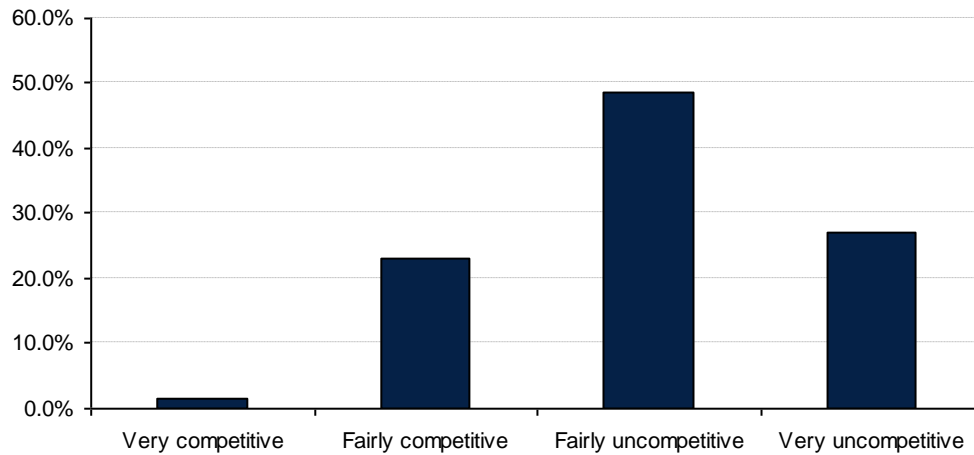
Less than 25% of respondents feel that the UK’s system of personal taxation is competitive. 26% of respondents would be seriously tempted to move abroad for work and a further 37% of respondents would be slightly tempted to move abroad for work as a result of the changes in income tax for higher rate tax payers.

**Table 5 Does the recent change in income taxes rates for higher rate tax payers mean that you personally would be:**

	<50% UK Premiums	> 50%UK Premiums	Total
Seriously tempted to move abroad for work	30%	22%	26%
Slightly tempted to move abroad for work	30%	44%	37%
On balance probably inclined to remain in the UK for work	38%	25%	32%
Definitely inclined to remain in the UK for work	3%	8%	5%

Source ABI Research

**Figure 2 How competitive do you think the UK system of personal taxation is?**



**Source** ABI Research

### **Importance of potential tax changes**

Of the potential tax changes assessed in the survey, cutting the rate of corporate tax to 25% was seen as most important, with 44% ranking that option as number 1. Reversing the introduction of 50% higher rate tax, was the second most popular option. However, both exempting overseas branches from UK corporation tax and reforming the controlled foreign companies rules also scored highly. 25% also ranked reversing the changes to tax relief on pensions as their first or second priority.

For the 28% of respondents who are not domiciled in the UK for tax purposes, a cut in the rate of corporation tax to 25% would tempt 19% back to the UK and cutting it to 20% would tempt a total of 38% back.

**Table 6 Six potential tax changes the Government could make are:**

- A. Reversing the 50% higher rate of tax
- B. Reversing the changes to tax relief on pensions
- C. Exempting overseas branches from UK corporation tax
- D. Reforming the controlled foreign companies rules
- E. A promise of no further change to the tax regime for a 3 year period
- F. Cutting corporation tax to 25%.

Please rank these potential tax changes based on how you think they would impact on the likelihood of you increasing investment in the UK:

Rank	1	2	3	4	5	6	Total Score
F. Cutting corporation tax to 25%.	44%	18%	21%	5%	6%	10%	325
A. Reversing the 50% higher rate of tax	14%	18%	18%	22%	21%	8%	241
C. Exempting overseas branches from UK corporation tax	14%	22%	9%	18%	18%	16%	227
D. Reforming the controlled foreign companies rules	13%	13%	21%	15%	18%	20%	219
B. Reversing the changes to tax relief on pensions	10%	15%	10%	25%	19%	21%	205
E. A promise of no further change to the tax regime for a 3 year period	4%	15%	22%	15%	18%	25%	195

**Source** ABI Research

**Notes** where 1 = 'biggest impact on increasing the likelihood of UK investment' and 6 = 'smallest impact' (if you think an option would have no impact, or would reduce the likelihood of you investing, please do not select it). Total score for each option calculated by allocating the highest score (6) to each response ranking the option as most important, then allocating a score of 5 to each response ranking it second most important etc.

**Table 7 What is the maximum level of UK corporation tax that would tempt you to domicile in the UK for tax purposes? (Those who are currently not domiciled in the UK only)**

	Count	Percent
Less than 28% but more than 25%	1	5%
25%	3	14%
20%	4	19%
15%	2	10%
10%	3	14%
Less than 10%	1	5%
There is no level - the rate of corporation tax is not the issue	7	33%

**Source** ABI Research

## Treats to the UK's competitiveness

The two most important threats to the UK's competitiveness are the regulatory regime and the tax system. Over 70% of respondents see the UK's regulatory regime as the biggest, or second biggest threat to UK competitiveness, and over 55% think that the UK's corporate tax system is one of the top two threats.

**Table 8 Looking forward, here are seven factors which have potential to undermine the UK's position as a leading insurance centre:**

- A. The UK's regulatory regime
- B. The UK's corporate tax regime
- C. The UK's personal tax regime
- D. The UK's skill base
- E. The UK's position as a relatively open economy
- F. Critical mass in the UK insurance sector
- G. Reductions in UK government spending.

Please rank these factors by their importance for ensuring the UK's position as a leading insurance centre:

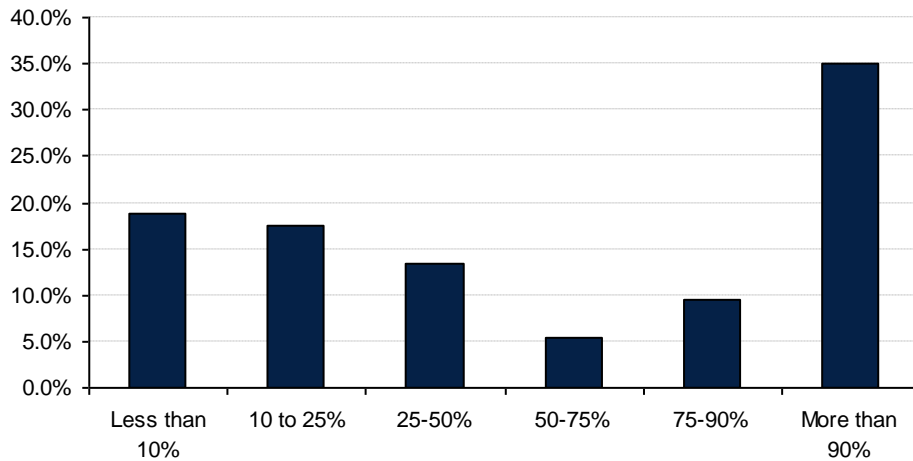
Rank	1	2	3	4	5	6	7	Total score
A. The UK's regulatory regime	52.8%	19.4%	17.4%	4.5%	1.6%	1.6%	.0%	427
B. The UK's corporate tax regime	16.7%	38.9%	21.7%	16.4%	6.3%	1.6%	.0%	385
C. The UK's personal tax regime	6.9%	11.1%	21.7%	14.9%	22.2%	19.7%	5.1%	274
D. The UK's skill base	6.9%	13.9%	14.5%	28.4%	15.9%	16.4%	5.1%	267
E. The UK's position as a relatively open economy	8.3%	9.7%	15.9%	22.4%	23.8%	16.4%	1.7%	265
F. Critical mass in the UK insurance sector	6.9%	6.9%	8.7%	10.4%	22.2%	31.1%	11.9%	210
G. Reductions in UK government spending	1.4%	.0%	.0%	3.0%	7.9%	13.1%	76.3%	91

**Source** ABI Research  
**Notes** where 1 = 'most important' and 7 = 'least important' (if you think a factor has no importance, please do not select it). Total score for each option calculated by allocating the highest score (7) to each response ranking the option as most important, then allocating a score of 6 to each response ranking it second most important etc.

## The insurers represented in the survey

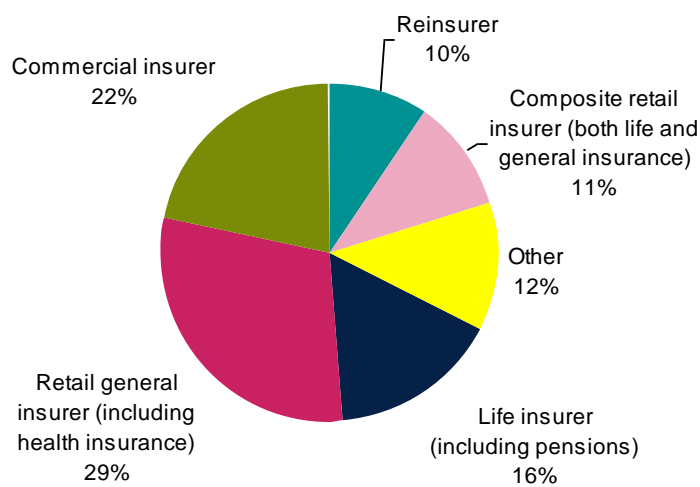
Survey respondents were very representative of the insurance industry, and there was a good spread of respondents across size and lines of business, as well as UK focused versus international businesses.

**Figure 3 At group level, what proportion of your organisation's worldwide insurance premiums are generated in the UK?**



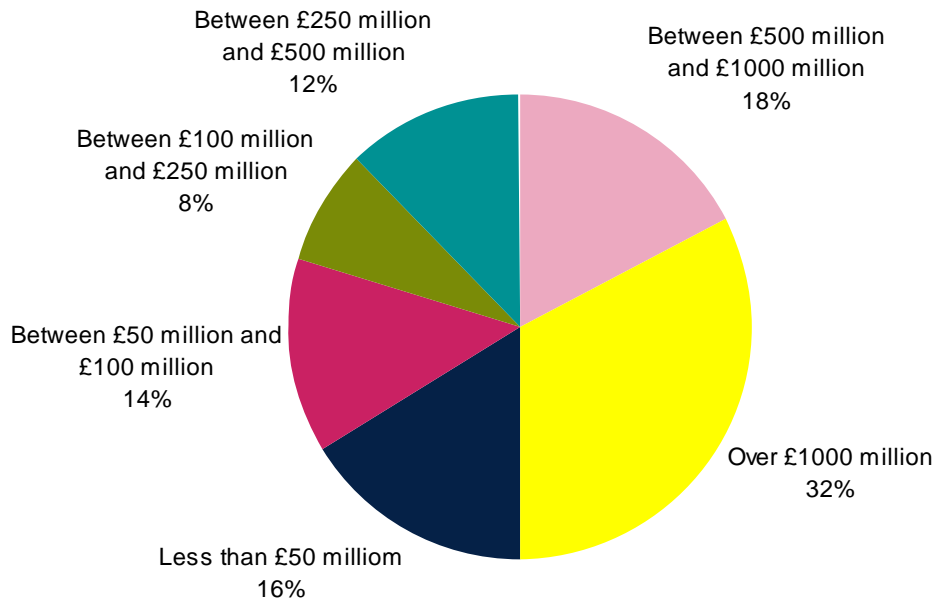
Source ABI Research

**Figure 4 Is your organisation mainly a:**



Source ABI Research

**Figure 5 How big is your group's UK gross written premium income?**



**Source** ABI Research

**Author:** Rebecca Driver, Director of Research and Chief Economist, ABI, Gary Jackson, Statistical Analyst, ABI and Farida Mumin, Statistical Analyst, ABI

Any queries about this report should be directed to Rebecca Driver ([rebecca.driver@abi.org.uk](mailto:rebecca.driver@abi.org.uk) telephone +44 (0)20 7216 7432). Alternatively, queries about this report or other information available from the ABI can be directed to the Research Helpdesk at [research@abi.org.uk](mailto:research@abi.org.uk), telephone +44 (0)20 7216 7390.