



THE DEPUTY LEADER OF THE HOUSE OF LORDS

Baroness Bennett of Manor Castle
House of Lords
London
SW1A0PW

02 March 2021

Dear Lady Bennett,

In the Financial Services Bill Grand Committee debate on 22 February, I stated that the financial services sector contributed nearly £76bn in tax receipts in the last financial year. I committed to write to you to clarify how that number is calculated.

As you correctly identified, the number comes from an annual report conducted by PwC, and commissioned by the City of London Corporation. This is the thirteenth year in which such a report has been published. The report splits the tax contribution of the financial services sector into two broad categories: those borne directly by firms themselves, and those collected from their customers and employees. In their most recent survey, they estimated the first of these numbers at £34.1bn, and the second at £41.5bn, for a total contribution of £75.6bn.

I understand that PwC base these numbers on data provided by 53 companies in the sector, including banks (including UK, international and challenger banks), insurers (including life and general) and other financial services sectors (asset managers, including real estate assets, and investment services). The firms included employ 37% of total UK financial services employees. The data they receive from these firms are then extrapolated to the sector as a whole to calculate the final figures. This extrapolation is partly based on published HMRC figures for corporation tax, bank surcharge and bank levy receipts paid by the financial services sector.

While the data used is not audited, the Government has no reason to believe that the numbers they provide are not credible and a fair reflection of the overall contribution of the sector. These numbers not only reflect the contribution the sector makes through corporation tax, employer National insurance and more, but also the valuable indirect contribution made to tax revenues through jobs created and services provided.

The consistent tax contribution highlighted by the PwC reports are a sign of a strong and vibrant Financial Services sector. As the Chancellor set out in his November

speech, the Government is committed to renewing the UK's position as the world's pre-eminent financial centre. It also welcomes the contribution made by the sector to funding vital public services and further recognises and welcomes the sector's contribution to the national COVID response, particularly through lending to SMEs.

I hope that you find this information helpful, and I look forward to further engagement with you on the Financial Services Bill. I am copying this letter to all those who spoke in the committee debate on Monday, and I am placing a copy of this letter in the Library.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Earl Howe', written in a cursive style.

EARL HOWE

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