

Companies' tax figures that do not add up

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February 16 2006

The UK's leading companies cut their published estimates of what they owed the tax man by more than £5bn last year, according to research which may cast doubt on the value of the accounts upon which investors rely.

In an analysis of the tax affairs of the 50 biggest firms for the **Tax Justice Network**, researchers found accounts detailing them were riddled with apparent anomalies.

With big adjustments to the amounts companies said they owed for prior periods frequently included in accounts, shareholders were left unclear about how much firms might have to pay.

The task of assessing the value of companies was further complicated by the fact that their sums often did not appear to add up. The research suggested the kind of material mis-statements auditors are employed to find were commonplace in the accounts.

"The research shows significant and increasing adjustments in the FTSE-50's tax liabilities which their auditors are not commenting upon," said John Christensen of the Tax Justice Network. "Regulators, investors and the public can't have confidence when auditing firms aren't raising queries about accounts that don't add up to the tune of millions of pounds."

In an analysis of the accounts published by the UK's 50 biggest stock-market listed companies between 2000 and 2004, researchers found adjustments to companies' estimates of the tax bills of preceding years grew significantly in scale and frequency.

In the 2000 accounts 26 companies reported adjustments totalling £333m. In 2004, 43 companies disclosed adjustments worth £1.75bn altogether. Over the period companies reduced their estimates of their profit and loss account charges for tax by a total of £5.2bn, compared with increases totalling £650m.

The 2004 accounts for all companies should have included a tax creditor figure equal to the amount due at the start of the year, plus the tax charge for that year less what was paid over during the year. However, in 85% of cases the creditor disclosed in the accounts seemed to be at least £10m out.