

## Legal and accountancy businesses generate £15.5bn for UK Treasury

By Barney Thompson

02<sup>nd</sup> August 2017

Legal and accountancy businesses and their workers generated £15.5bn in taxes last year, according to a report that illustrates the scale of the combined sector's role in the UK economy.

In all, 60,470 firms — ranging from the Big Four accountants and the elite “magic circle” law firms to small businesses and sole traders — employed 693,000 people in the UK in various roles, from partners to back-office workers.

That amounts to almost a quarter of all legal and accountancy employees in the EU, making Britain the largest employer in the sector, ahead of Germany and France.

The report was compiled by PwC for The CityUK, the lobby group for financial and related services. While PwC regularly calculates the gross tax contribution of the financial services sector, estimated at £71.4bn, this is the first time it has examined legal and accountancy activities.

The sector's tax contribution comprised £6.4bn in taxes immediately borne by businesses, such as partner tax, corporation tax and business rates, and £9.1bn in related taxes they collected, including staff income tax and VAT charged to customers.

This total amounted to 2.5 per cent of receipts in the UK in the year to the end of June 2016, the report said, or a sum roughly equivalent to what the government spent on police services in the same year.

Miles Celic, chief executive of TheCityUK, said: “This expertise isn't just located in London. Right across the UK, centres of excellence, including Manchester, Bristol and Edinburgh, are adding value to the UK economy.”

He added: “These are also the areas we expect to see the most growth in the coming years as we move through Brexit and beyond.”

The sector's contribution to the economy is not all positive, however. Data from the Office for National Statistics released earlier this year showed that, along with banking, telecoms, energy suppliers and management consultancy, legal and accountancy services were among the sectors mainly responsible for Britain's stubbornly poor productivity growth over the past decade.

“This is a very mature market now,” said Tony Williams, head of the legal consultancy Jomati, “and the growth we saw in recent decades has come to an end. That has been a challenge on productivity . . . and I don't think firms are paying enough attention to it.”

But Mr Williams also said the report demonstrated the dominance of the UK in the European market for legal and accountancy services.

“When people say that other centres around Europe will take London's work [after Brexit], you have to ask, who has got the same depth of infrastructure?” he said.

The PwC study focused on 15 of the largest firms, which it did not identify, and used that information, allied to other data sources, to estimate salaries and taxes across the sector as a whole.

# FINANCIAL TIMES

While pay was significantly higher at the larger firms, the report added that small businesses, with operations dependent on local activities, are likely to be less affected by Brexit than bigger outfits.

Work for the biggest legal and accountancy firms is closely linked to activity in the financial services sector, and the City is watching closely for signs of the impact on areas such as mergers and acquisitions or international trade of Britain's departure from the EU.

*Available Online: <https://www.ft.com/content/b2959074-7798-11e7-a3e8-60495fe6ca71>*