



## Small businesses and the UK economy

Standard Note: SN/EP/6078

Last updated: 9 December 2014

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Section: Economic Policy and Statistics

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This note presents a statistical analysis of small businesses in the UK, the role of small businesses in international trade, small businesses and GDP, small businesses and tax receipts and information on government policy towards small businesses.

- In 2013, there were 4.9 million businesses in the UK, over 99% of which were small and medium enterprises.
- Small and medium enterprises employed 14,424,000 people in the UK in 2013.
- The European Commission's SME Performance Review estimates the Gross Value Added of SMEs as €473 billion or 49.8% of the UK economy.

Further information about on small businesses can be found in the House of Commons Library Standard Notes:

- [Business statistics.](#)
- [Support for Small Businesses.](#)
- [Apprenticeships and Small Businesses.](#)

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# 1 Business statistics by size of business

The table below shows businesses in the UK broken down by the number of employees.

**Business statistics, UK private sector**

	Number of Enterprises			Employees	Turnover
	2013 (000s)	2014 (000s)	% change	2014 (000s)	2014 (£ billions)
Micro (0-9 employees)	4,671	5,010	7%	8,276	655
Small (10-49 employees)	186	195	5%	3,807	515
Medium (50-249 employees)	30	31	3%	3,075	477
<b>Total SMEs (0-250 employees)</b>	<b>4,887</b>	<b>5,236</b>	<b>7%</b>	<b>15,158</b>	<b>1,647</b>
Large (250+ employees)	6	7	17%	10,070	1,874
<b>Total (all businesses)</b>	<b>4,895</b>	<b>5,243</b>	<b>7%</b>	<b>25,228</b>	<b>3,521</b>
SMEs as % of total	99.8%	99.9%	-	60%	47%
Micro as % of total	95%	96%	-	33%	19%

Source: BIS, Business Population Estimates 2014

Notes: Numbers rounded to the nearest 1000; Data relates to the start of each year

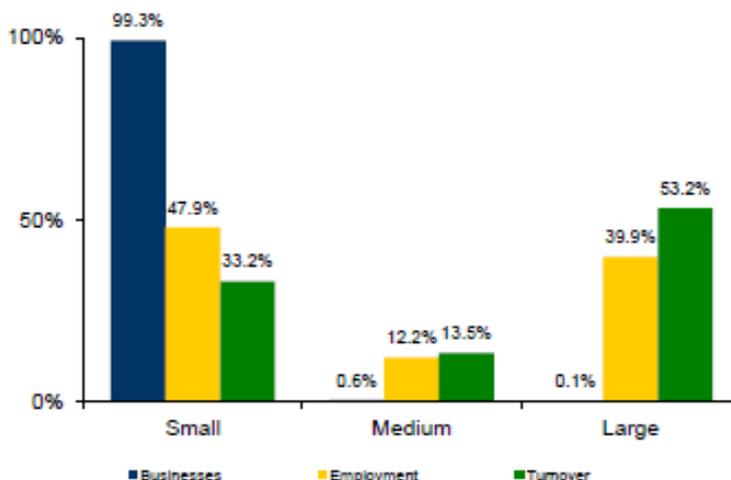
The usual definition of small and medium sized enterprises (SMEs) is any business with fewer than 250 employees. There were 5.2 million SMEs in the UK in 2014, which was over 99% of all business.

Micro-businesses are business with 0-9 employees. There were 5.0 million micro-businesses in the UK in 2014, accounting for 96% of all businesses.

Although the vast majority of businesses in the UK employ fewer than 10 people, this sort of business only accounts for 33% of employment and 19% of turnover. Large businesses, with more than 250 employees, accounted for less than 0.1% of businesses but 40% of employment and 53% of turnover.

## Share of enterprises in the UK private sector, 2014

Source: BIS, Business population estimates, 2014, p 4



## 2 SMEs and trade

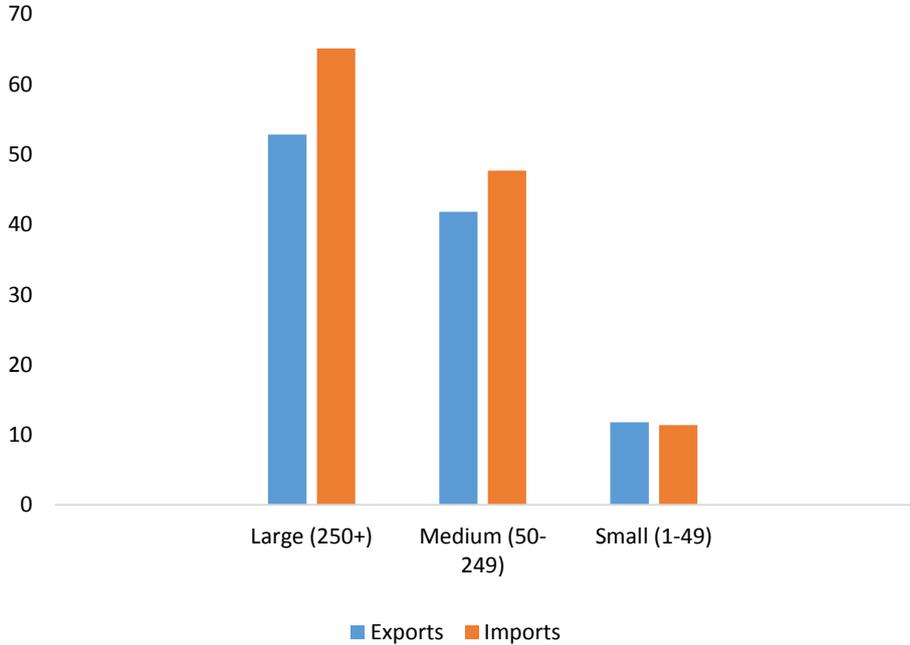
The number of businesses engaged in international trade in goods and services can be seen in the table and graph below. Again, while small businesses make up 99% of all business, they account for 12% of firms engaged in exports and 11% of firms engaged imports. Note these tables exclude non-registered businesses and businesses without any employees.

**% of UK registered businesses engaged in international trade, 2012**

	Exports	Imports
Large (250+)	52.8	65.1
Medium (50-249)	41.8	47.7
Small (1-49)	11.8	11.4

Source: Office for National Statistics

**% of registered businesses engaged in international trade in goods and services by size, 2012**



## 3 Government policy

The [2013 Autumn Statement](#) included some measures designed to benefit small businesses, including:

- The doubling of Small Business Rate Relief to April 2015,
- A business rates discount of up to £1,000 for retail premises with a rateable value up to £50,000

- The introduction of a £2,000 Employment Allowance from April 2014, making it cheaper to employ staff aged under 21.<sup>1</sup>

Following the Autumn Statement, the government launched the scheme [Small Business: GREAT Ambition](#) in December 2013, a series of measures designed to make it easier for small businesses to expand.<sup>2</sup> Specific measures included:

- The introduction of broadband vouchers, worth up to £3,000, to 22 cities across the UK designed to help more small firms access faster broadband connectivity.
- A commitment to increase the transparency of contract terms between small businesses and energy companies.
- Following on from the recommendation in [Lord Young's report](#), a new scheme designed to make it simpler for small firms to win public sector contracts, estimated to be worth £230 billion a year.
- A commitment to tackle the late payment of small firms supplying the public, ensuring small businesses who supply the public sector in a supply chain will be paid at the same time as large contractors.

In May 2013 Lord Young published the report [Growing your business: A report on growing micro businesses](#)<sup>3</sup>, following on from a report on entrepreneurship and start-ups published in May 2012. The report makes a number of policy recommendations for businesses employing less than 25 people, including:

- The establishment of a **Small Business Charter** and an award scheme to incentivise business schools to work alongside small business, both in an advisory capacity and through helping places students with small businesses.<sup>4</sup>
- A £30 million **Growth Vouchers programme** to find “innovative approaches to help SMEs overcome behavioural barriers to increasing growth.”<sup>5</sup>
- An increase in funding available for start-up loans to young people.
- The introduction of a pilot scheme for **SME Growth Loans** as part of the Enterprise Finance Guarantee Scheme.
- **£100 million of new funding to SMEs** from the Business Finance Partnership.
- A new “single market” commitment to ensure a simple and consistent approach is taken across public sector procurement. Government will consult public sector bodies and will make this a legal requirement.

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<sup>1</sup> HM Treasury, [Autumn Statement](#), Cm 8747, December 2013

<sup>2</sup> BIS [Small Business: GREAT Ambition](#), BIS 2013.

<sup>3</sup> Lord Young, [Growing your business: A report on growing micro businesses](#) May 2013.

<sup>4</sup> For further details see [Small Business Charter](#)

<sup>5</sup> Lord Young [Ibid](#), p 4.

## 4 Small businesses and tax receipts

The following parliamentary question provides information about tax receipts from small businesses (businesses with less than 50 employees):

**Luciana Berger:** To ask the Chancellor of the Exchequer what estimate he has made of the tax revenue raised from small businesses in the latest period for which figures are available; and how much and what proportion of such revenue was collected via (a) employee income tax, (b) employee national insurance contributions, (c) employer national insurance contributions, (d) business rates, (e) corporation tax, (f) Value Added Tax, (g) capital gains tax and (h) stamp duty land tax. [74605]

**Mr Gauke:** It is not possible to identify tax revenue raised from small businesses on a consistent basis as the necessary information on turnover, assets and employment is not routinely collected on tax returns for every head of duty. However, we are able to provide estimates for some taxes on a tax-specific definition of what constitutes a 'small business'.

(a), (b) and (c) We estimate that 21% (£45.4 billion) of pay as you earn (PAYE) received in respect of tax year 2010-11 came from small businesses. Small businesses are defined for this analysis as PAYE schemes with fewer than 50 employees. Businesses may have more than one PAYE scheme, so there may be cases where schemes have fewer than 50 employees but where the business itself has more.

(d) CLG statistics on national non-domestic rates are available using the following link. They do not have any information on receipts of business rates by size of business.

<http://www.communities.gov.uk/documents/statistics/pdf/1972031.pdf>

(e) Total corporation tax receipts across all businesses can be found on the HMRC website. Companies making profits for an accounting period at a rate of over £1.5 million annually must normally pay by instalments. Smaller companies will normally fall outside the instalment payment regime. Defining small company in this way, net small company payments in 2010-11 were £11.5 billion. The link is:

[http://www.hmrc.gov.uk/stats/corporate\\_tax/table11\\_1.xls](http://www.hmrc.gov.uk/stats/corporate_tax/table11_1.xls)

(f) Home VAT is VAT charged on supplies of goods or services made in the UK. For small businesses, defined for this category as those with turnover less than £10 million, the receipts from Home VAT is around £27 billion.

This is available on the UK Trade Info website. The link is:

<https://www.uktradeinfo.com/index.cfm?task=factvat>

(g) Capital gains tax statistics on assets by business and non business can be found in the HMRC website using the following link. However, we are unable to disaggregate these figures by business size. The link is:

[http://www.hmrc.gov.uk/stats/capital\\_gains/table14-6.pdf](http://www.hmrc.gov.uk/stats/capital_gains/table14-6.pdf)

[http://www.hmrc.gov.uk/stats/capital\\_gains/table14-7.pdf](http://www.hmrc.gov.uk/stats/capital_gains/table14-7.pdf)

(h) Stamp duty land tax statistics on all non-residential transactions can be found on the HMRC website. However, we are unable to disaggregate these figures by business size. The link is: [http://www.hmrc.gov.uk/stats/stamp\\_duty/table15-3.pdf](http://www.hmrc.gov.uk/stats/stamp_duty/table15-3.pdf) <sup>6</sup>

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<sup>6</sup> HC Deb 24 October 2011 cc26W-27W

## 5 GDP

The European Commission's [SME Performance Review](#) is used to monitor countries' progress in implementing the [2008 Small Business Act for Europe](#), which seeks to promote SMEs' growth by "helping them tackle the remaining problems which hamper their development."<sup>7</sup>

The 2013 Performance review describes the UK as having "a very competitive environment for SMEs compared to other EU Member States" which allowed UK SMEs to maintain a high level of employment throughout 2008-2012, going on to say "the outlook for 2014 is positive with increases expected in the number of SMEs, employment and value-added."<sup>8</sup>

This review goes on to estimate the Gross Value Added of SMEs as €473 billion or 49.8% of the UK economy, compared with the EU27 average 58.4%.

## 6 Plan for Growth

The Government's [Plan for Growth](#) published alongside the Budget in March 2011 highlighted a number of policies which, it stated, would be of "particular benefit" to SMEs. These included measures to:

- **minimise regulatory burdens** by introducing a moratorium exempting micro and start-up businesses from new domestic regulation for three years from 1 April 2011 and not extending the right to request time off to train to SMEs;
- **help SMEs access finance** with banks agreeing to increase finance available to SMEs by 15% in 2011;
- **reduce fixed costs for SMEs** by extending the small business rate relief holiday for one year from 1 October 2010 (see Library Standard Note, SN/PC/4998, [Small Business Rate Relief](#));
- **make it easier for SMEs to access public sector procurement** by eliminating the pre-qualification questionnaire for contracts below £100,000, by advertising procurement opportunities on Contracts Finder, and setting an "aspirational target" that a quarter of government contracts should be awarded to SMEs (see Library Standard note, SN/EP/6069, [Public Procurement: SMEs and Savings](#));
- **encourage exporting SMEs** by ensuring successful implementation of the Export Credits Guarantee Scheme and launch the Export Enterprise Finance Guarantee;
- **encourage innovation** by improving products and services available to support SMEs on issues relating to intellectual property and increase the rate of SME Research and Development tax relief to 200 per cent in 2011 and 225 per cent in 2012, subject to state aid approval;
- **make it easier for SMEs to get planning consent;**

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<sup>7</sup> European Commission, [SME Performance Review](#), November 2013.

<sup>8</sup> European Commission, [2013 SBA Fact Sheet, United Kingdom](#)

- **set up new Enterprise Zones** (see Library Standard Note SN/EP/5942, [Enterprise Zones](#); and
- **help SMEs access apprenticeships**