



Small businesses and the UK economy

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Section Economic Policy and Statistics

This note presents a statistical analysis of small businesses in the UK and information on small businesses government policy.

- In 2012, there were 4.8 million businesses in the UK.
- Over 99% of these businesses were small or medium sized businesses, employing less than 250 people.
- 4.6 million or 96% of all businesses were micro-businesses – employing 0-9 people.

Further information about statistics on businesses in the UK, including small businesses, can be found in the House of Commons Library Standard Note, [Business statistics](#). This note also includes further information on the sources of business statistics.

Further information on business by Parliamentary constituency is available in the House of Commons Library Standard Note, [Businesses by constituency](#).

Further information on support for small businesses is available in the House of Commons Library Standard Note, [Support for Small Businesses](#).

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1 Introduction

There is no single standard definition of what constitutes a small or medium sized business and various sources use different definitions. However, the following definitions are often used:

- a “micro” business is one with less than 10 employees;
- a “small” business is one with less than 50 employees;
- a “small or medium sized enterprise” is one with less than 250 employees.

2 Business statistics by size of business

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

Private sector businesses in the UK by number of employees

2012

	Number of enterprises (000s)	% change on year*	Employment (000s)	Turnover (£ billions)
No employees	3,557	6%	3,902	208
Micro (0-9 employees)	4,580	6%	7,750	624
Small (10-49 employees)	178	3%	3,471	454
Medium (50-249 employees)	30	-2%	2,909	450
Total SMEs (0-250 employees)	4,788	6%	14,130	1,529
Large (250+ employees)	6	2%	9,763	1,603
Total, all enterprises	4,794	6%	23,893	3,132
<i>SMEs as % of total</i>	99%		59%	49%
<i>Micro as % of total</i>	96%	-	32%	20%

Source: BIS, Business Population Estimates

Notes: Data relates to the start of 2012

Numbers rounded to the nearest 1000

*Approximately 53,000 of the increase in the total number of enterprises in 2012 is due to improvements to HMRC computer systems. This is equivalent to a 1.1% increase in 2012 compared with 2011

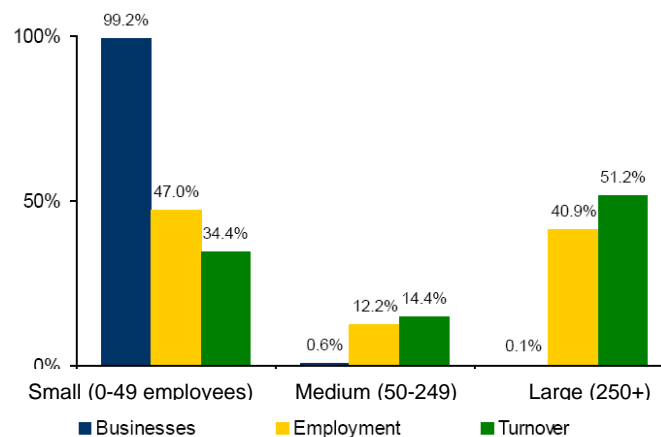
The usual definition of small and medium sized enterprises (SMEs) is any business with fewer than 250 employees. There were 4.8 million SMEs in the UK in 2012, which was over 99% of all business.

Micro-businesses are business with 0-9 employees. There were 4.6 million micro-businesses in the UK in 2012, 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 32% of employment and 20% of turnover. Large businesses, with more than 250 employees, accounted for less than 0.1% of businesses but 41% of employment and 51% of turnover, as the following chart shows.

Share of enterprises in the UK private sector, 2012

Source: BIS, *Business population estimates*, 2012, pp 4



3 SMEs and Government policy

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**;
- **set up new Enterprise Zones** (see Library Standard Note SN/EP/5942, *Enterprise Zones*; and
- **help SMEs access apprenticeships** (see Library Standard Note SN/EP/5997, *Apprenticeships and Small Businesses*).

Further information is also available in the Library Standard Note SN/BT/2992, *Support for Small Businesses*.

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

(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/table14-7.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.pdf¹

¹ HC Deb 24 October 2011 cc26W-27W