

Achieving full coverage of small enterprises in the UK

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The issue

Until recently ONS had access to 3 tax/administrative sources to populate the SBR.

Because of tax thresholds these do not cover very small enterprises.

Gap estimated in National Accounts. But policy users need more detail about these entities.

Currently the SBR sourced from

VAT Turnover > £85,000

PAYE/NI – Paying an employee > £6,000

Company registrations- filtered out certain small cases.

Around 2.7m enterprises on SBR

Very small businesses have weak coverage

Policy context

Two key policy areas need very small business coverage:

Entrepreneurship – births/deaths, survivals of business

Business Population Estimates (BPE) – total number of businesses in the UK. Estimated at 5.5m by Business department (BEIS)

Policy need

The BPE publication cannot provide detailed regional/geographical breakdown.

Full SBR coverage would allow better understanding of small businesses and entrepreneurship

UK Business Demography

Lot of policy interest by government and academics

But businesses have to reach the UK tax thresholds before they are on the radar.

How many are born and die under the radar?

Achieving full coverage

By understanding the UK tax regime.

We know that with 5 sources we will have complete coverage.

UK does not have a unique identifier, so dealing with duplication where sources overlap is a challenge.

New data sources

Using a new legal gateway, ONS will access 2 new tax sources:

Self assessment tax

Corporation Tax

These will fill the gap at the bottom for all formal businesses

Self Assessment

Small sole proprietors and partnerships pay tax annually through this system

Have to register once they start trading

Number could be large ~ 3m. Some duplication with PAYE system

Those missing from the SBR are all very small. In aggregate still very small.

Corporation tax

As well as providing extra stratification variables such as Assets.

Will provide better evidence of company trading activity – full accounts.

So we can manage the SBR better, instead of swamping it with very small companies that have little activity.

Replace BPE publication

Eventually this will allow Business Register estimates to replace BPE

Will get better population numbers, as well as better industry and geographical details

Cost effectiveness of achieving full coverage

High cost to get full coverage. Will need to match and manage 5 sources, instead of 3

Benefit mostly for external policy users

Sampling strategy for very small businesses will be needed.

Questions ??