Office for National Statistics

Statistical bulletin

UK business; activity, size and location: 2017

UK businesses broken down by legal status, industry, region, employment and turnover size bands.

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1 . Main points

- The number of Value Added Tax (VAT) and/or Pay-As-You-Earn (PAYE) businesses in the UK continued to grow to 2.67 million in March 2017 compared with 2.55 million in March 2016, which is consistent with the performance of the broader UK economy.

- The number of companies and public corporations has continued to rise and represents 70.7% of total UK businesses, which has offset a gradual fall in sole proprietors and partnerships.

- The largest industry group is professional, scientific and technical, making up 17.9% of all registered businesses in the UK.

- London remained the region with the largest number of businesses, representing 18.9% of the UK total.

2 . Things you need to know about this release

UK business: activity, size and location, 2017 is produced from an extract taken from the Inter-Departmental Business Register (IDBR) recording the position of units as at 10 March 2017.

This publication represents the businesses registered with HM Revenue and Customs (HMRC) for Value Added Tax (VAT) and/or Pay-As-You-Earn (PAYE). The Department for Business, Energy and Industrial Strategy (BEIS) produces Business Population Estimates, which seek to provide full coverage of all types of businesses in the UK including an estimate of the unregistered business population.

In 2015, we extended the coverage of businesses in this release to include a population of solely PAYE-based businesses that were previously excluded because of a risk of duplication. In total 105,000 businesses were added in 2015. Improvements in matching of administrative data and research into those units excluded has indicated that the risk of duplication is very small. The addition of these businesses brings the publication in line with Business Demography and the BEIS Business Population Estimates publication. A more detailed note explaining these changes is available. These businesses have been included in the previous years' estimates shown in this statistical bulletin to provide a comparable time series.

For the purpose of this release the term "business" is used to represent an enterprise. An enterprise can be defined as the smallest combination of legal units (generally based on VAT and/or PAYE records) that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit.

Please note the figures in the tables use disclosure methods and are rounded individually. Therefore the sum of component items may be slightly different to the totals shown.

To support this release, datasets are available in an Excel Workbook and at NOMIS in greater geographical and industrial detail. However, for various reasons, multiple business registrations can be recorded at a single address and this can distort data for smaller geographical areas.
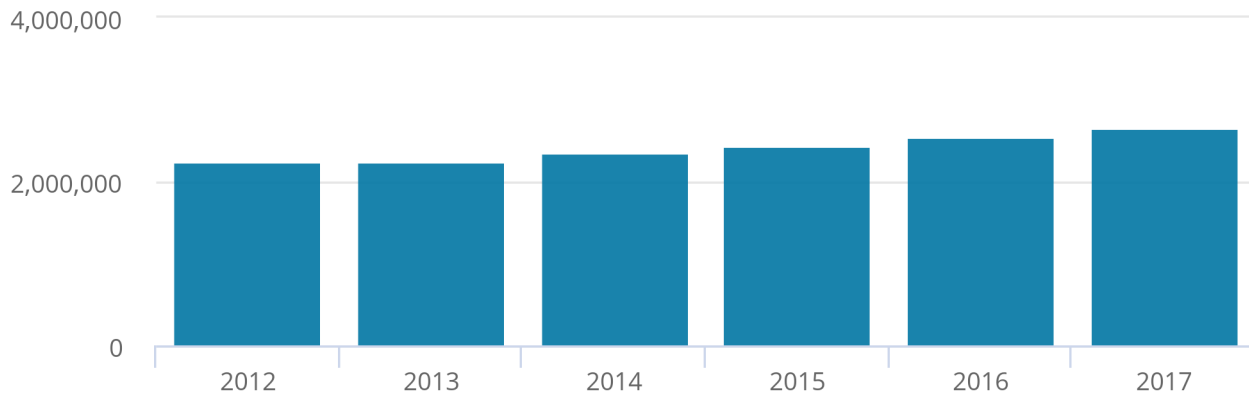
3 . Economic context

The increasing number of Value Added Tax (VAT) and/or Pay-As-You-Earn (PAYE) businesses has continued its upward trend from the previous year, consistent with the performance of the broader UK economy (Figure 1). In the 12 months to Quarter 1 (Jan to Mar) 2017, gross domestic product (GDP) rose by 1.8% following growth of 1.9%. in the 12 months to Quarter 1 2016.

Figure 1: Number of Value Added Tax (VAT) and/or Pay-As-You-Earn based businesses

UK, 2012 to 2017

Figure 1: Number of Value Added Tax (VAT) and/or Pay-As-You-Earn based businesses

UK, 2012 to 2017

Source: Office for National Statistics

Notes:

1. Between 2013 and 2014 HM Revenue & Customs (HMRC) introduced a Real Time Information system for PAYE.

Similarly, the labour market strengthened with the employment rate rising from 74.2% in the three months to March 2016 to a then record high of 74.8% in the three months to March 2017. Alongside the employment rate, the redundancy rate has fallen from 4.2 per 1,000 employees in the three months to March 2016 to 3.5 per 1,000 employees in the three months to March 2017. This figure is based on the amount of people who were made redundant out of all workers employed. Higher retention of jobs within the labour market may indicate a stronger and more productive workforce, consistent with the increase of VAT and/or PAYE businesses.

In August 2016 the Bank of England made the decision to decrease the already historically low base rate from 0.5% to 0.25%. As this decision reduces commercial loan rates, it could encourage more businesses to set up, as they can take advantage of cheaper repayments of capital investments.

A notable development is sterling's sharp depreciation in mid-2016 following the EU referendum vote. While sterling's depreciation has contributed to a pickup in Consumer Prices Index (CPI) inflation and weighed on household real income growth, it has also supported margins for exporters. Alongside increased strength in global demand, this is likely to encourage the set-up of export-oriented businesses.
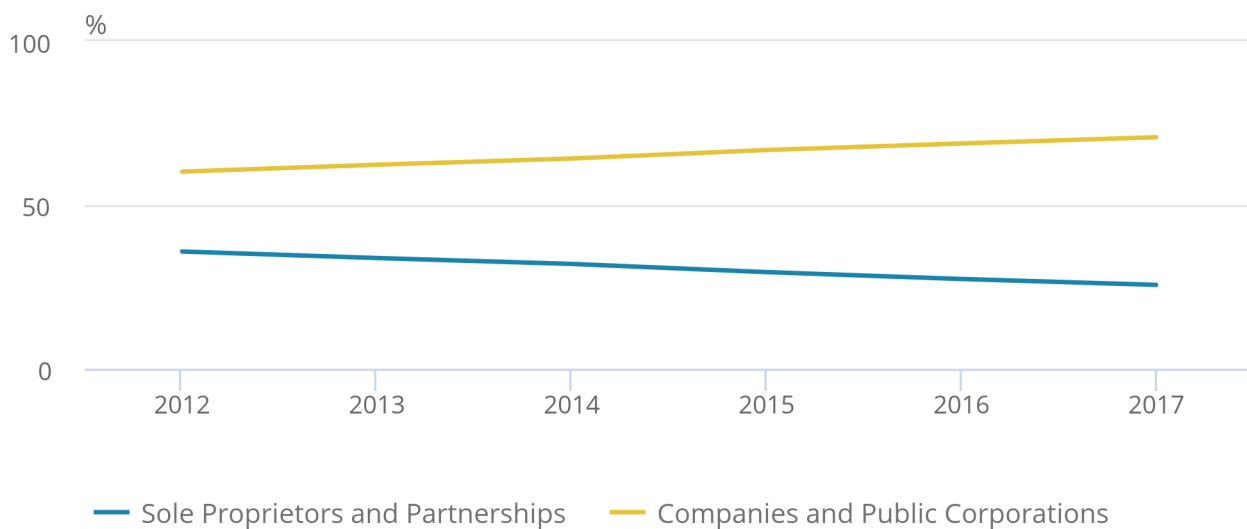
4 . Business counts by legal form

Between March 2016 and March 2017, there was an increase of 7.4% in corporate businesses, while there was a reduction of 2.6% in the number of sole proprietors and partnerships.

Figure 2: Percentage of Value Added Tax (VAT) and/or Pay-As-You-Earn based businesses by year

UK, 2012 to 2017

Figure 2: Percentage of Value Added Tax (VAT) and/or Pay-As-You-Earn based businesses by year

UK, 2012 to 2017

Source: Office for National Statistics

Corporate businesses (companies and public corporations) represented 70.7% of total businesses, up 1.9 percentage points from 68.8% in 2016; of the corporate business figure, 47.1% is made up of single employee limited companies, which have increased by 72,000 between 2016 and 2017. Single employee limited companies have always been prevalent in the construction industry but recent years have also seen a marked increase in the transport and storage, health and education sectors.

Sole proprietors represented 17.5% of total businesses, down 1.2 percentage points from 18.7% in 2016. Partnerships represented 8.1% of total businesses, down 0.7 percentage points from 8.8% in 2016.

General government and non-profit making bodies represented 3.8% of total businesses, the same percentage as shown in 2016.

5 . Business counts by broad industry

In 2017, the professional, scientific and technical sector accounted for the largest number of businesses, with 17.9% of all registered businesses in the UK; however, this only contributed 7.3% to overall gross domestic product (GDP). Wholesale, retail and repair of motor vehicles was the second largest sector, with 14.1% of all businesses registered. This represented 10.7% of the overall service industry's contribution to GDP of 78.8%.

The professional, scientific and technical sector had the largest growth in numbers between 2016 and 2017, an increase of 20,000 businesses. This was followed by business administration and support services, which also increased by 19,500.

Table 1: Number of Value Added Tax (VAT) and/or Pay-As-You-Earn businesses by broad industry group, UK, 2015 to 2017

Count given to the nearest thousand

	2015	%	2016	%	2017	%
Agriculture, forestry and fishing	147	6.0	148	5.8	148	5.5
Production	142	5.8	146	5.7	149	5.6
Mining, quarrying and utilities	12	0.5	13	0.5	14	0.5
Manufacturing	130	5.3	133	5.2	135	5.1
Construction	284	11.6	302	11.8	320	12.0
Wholesale and retail; repair of motor vehicles	369	15.0	370	14.5	375	14.1
Motor trades	72	2.9	73	2.9	75	2.8
Wholesale	104	4.3	104	4.1	103	3.9
Retail	192	7.9	192	7.5	197	7.4
Transport and storage (inc. postal)	83	3.4	93	3.6	109	4.1
Accommodation and food services	146	6.0	148	5.8	150	5.6
Information and communication	193	7.9	207	8.1	217	8.1
Finance and insurance	49	2.0	52	2.1	56	2.1
Property	88	3.6	91	3.6	93	3.5
Professional, scientific and technical	436	17.8	459	18.0	479	17.9
Business administration and support services	194	7.9	208	8.2	228	8.6
Public administration and defence	7	0.3	7	0.3	7	0.3
Education	40	1.7	42	1.6	48	1.8
Health	106	4.3	113	4.4	120	4.5
Arts, entertainment, recreation and other services	166	6.8	168	6.6	169	6.3
TOTAL	2,449	100	2,555	100	2,669	100

Source: Office for National Statistics
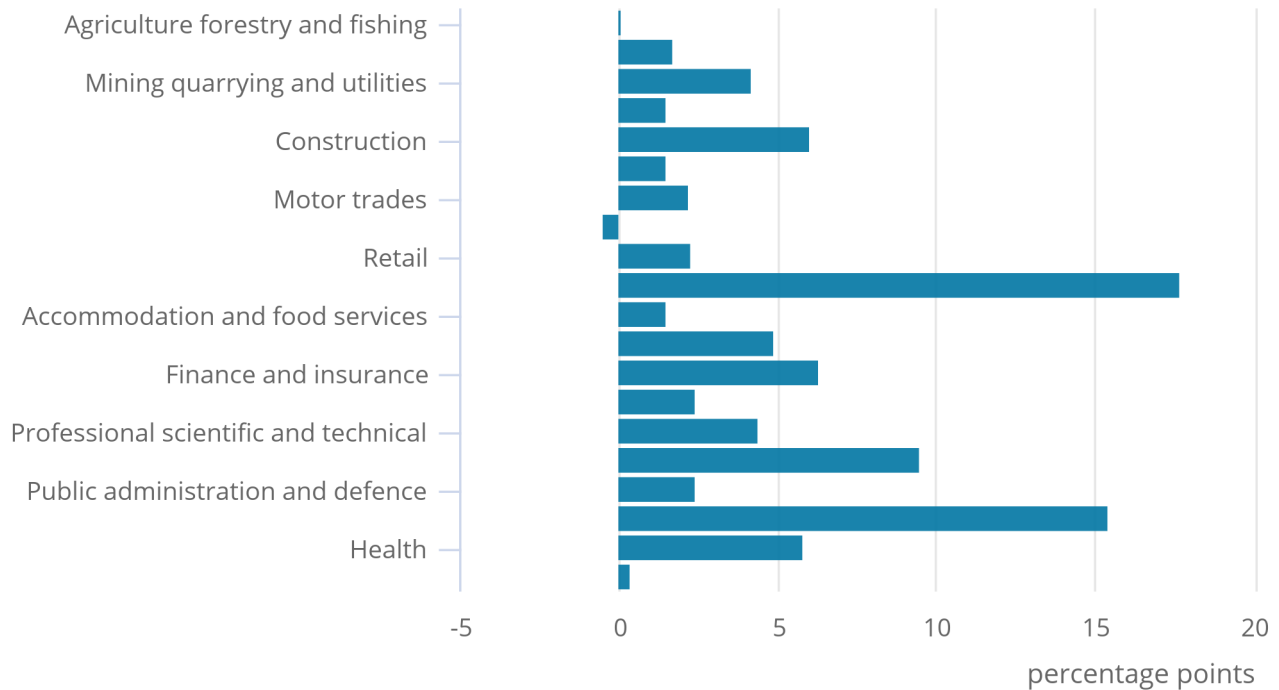
Notes:

1. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

Figure 3: Percentage growth by industry

UK, 2016 to 2017

Source: Office for National Statistics

6 . Business counts by UK region

Between 2016 and 2017, all regions saw an increase in the number of businesses, with the East experiencing the greatest percentage increase of 6.8%, representing nearly 17,000 businesses.

London accounted for the largest number of businesses in March 2017, with 18.9% of the UK total. The growth of businesses in London accounts for 25.2% of total growth in the UK.

The region with the next largest share of businesses was the South East, at 15.1%.

Between 2015 and 2017, the number of Value Added Tax (VAT) and/or Pay-As-You-Earn (PAYE) businesses in London as a proportion of all regions increased by 0.7 percentage points, from 18.2% in 2015 to 18.9% in 2017. Whereas the number of VAT and/or PAYE businesses in Scotland decreased as a proportion from 6.9% in 2015 to 6.5% in 2017.

Table 2 provides the number of businesses in every region and the percentage contribution of each region to the UK total.

Table 2: Number of Value Added Tax (VAT) and/or Pay-As-You-Earn based businesses by region

Count given to the nearest thousand

	2015	%	2016	%	2017	%
North East	66	2.7	68	2.7	70	2.6
North West	236	9.6	245	9.6	260	9.7
Yorkshire and The Humber	172	7.0	178	7.0	185	6.9
East Midlands	165	6.7	173	6.8	177	6.6
West Midlands	192	7.8	201	7.9	213	8.0
East	243	9.9	254	9.9	271	10.2
London	445	18.2	477	18.7	506	18.9
South East	377	15.4	392	15.3	404	15.1
South West	221	9.0	227	8.9	234	8.8
Wales	98	4.0	100	3.9	103	3.8
Scotland	168	6.9	172	6.7	175	6.5
Northern Ireland	67	2.7	69	2.7	71	2.6
TOTAL	2,449	100	2,555	100	2,669	100

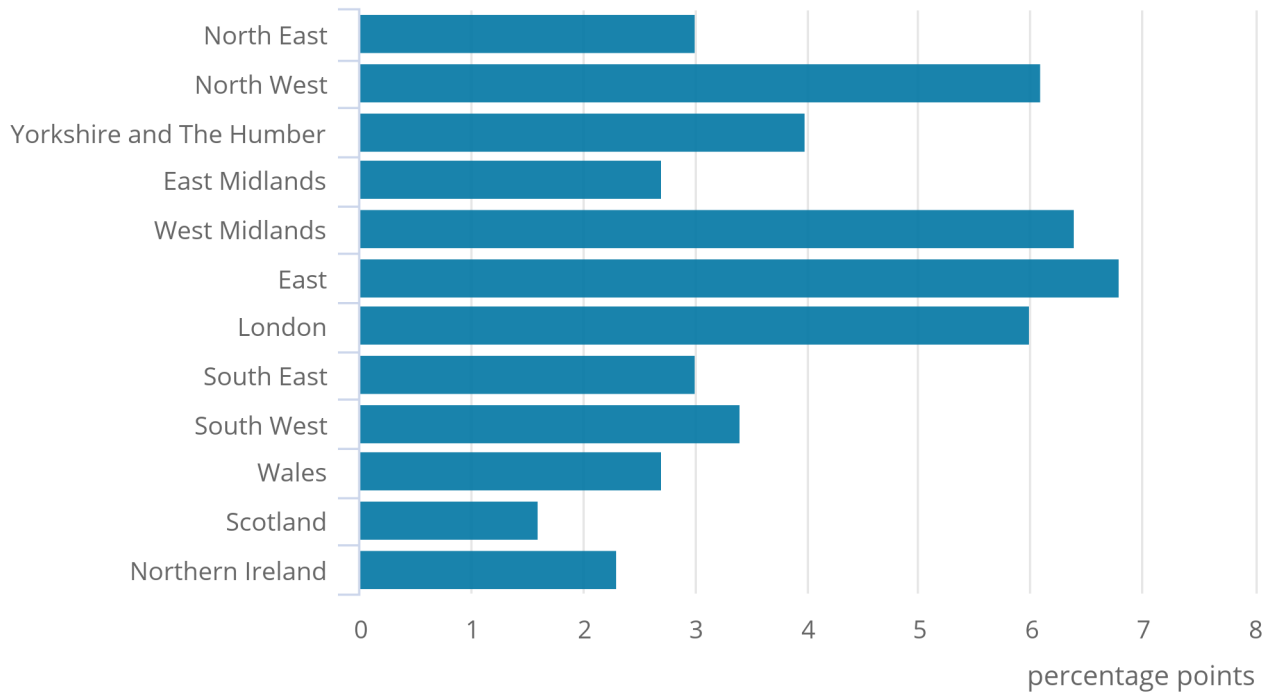Source: Office for National Statistics

Notes:

1. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

Figure 4: Percentage growth by region

UK, 2016 to 2017

Source: Office for National Statistics

7 . Local unit site information

Local units are sites that belong to a business. In March 2017, there were 3.13 million local units belonging to Value Added Tax (VAT) and/or Pay-As-You-Earn (PAYE) based businesses, compared with 3.01 million in March 2016, a rise of nearly 119,000 (4.9%). Out of the 2.67 million VAT and/or PAYE businesses, only 59,000 (2.2%) operate from more than one site. These operated a total of 519,000 local units.

Table 3: Number of PAYE as 'Value Added Tax (VAT) and/or Pay-As-You-Earn businesses and their associated local units

	Number of local units					
	1	2 to 4	5 to 9	10 to 19	20 or more	Total
Business	2,610,015	46,775	6,695	2,595	2,730	2,668,810
Local units	2,610,015	111,645	42,400	34,275	331,050	3,129,385

Source: Office for National Statistics

8 . Quality and methodology

The UK business: activity, size and location Quality and Methodology Information report contains important information on:

- the strengths and limitations of the data and how it compares with related data

- users and uses of the data

- how the output was created

- the quality of the output including the accuracy of the data