

# Improving the Coverage of UK Business, Activity, Size and Location

## Summary

- The coverage of the 2015 UK Business publication has been extended to include a population of solely PAYE based businesses. The introduction of these businesses is not a result of new PAYE births onto the IDBR. These businesses have been operating for a number of years, but due to the risk of duplication have been held outside of the UK Business population.
- The improvement in coverage is estimated to have increased the UK Business population by 105,000, representing a 4.5% increase in the number of businesses in the population.
- Of the 105,000 additional businesses, most were within the 1-4 employment size band having shown an increase of 91,000 (86%), with all businesses having less than 20 employment.
- The UK business population now stands at 2.45 million businesses, compared with 2.34 million based on the old definition.
- The improvement in coverage also led to an increase in the number of local units (sites) by an additional 105,000.
- The UK Business local unit population now stands at 2.91 million compared to 2.80 million based on the old definition.

## Background

The Inter-Departmental Business Register (IDBR) is a statistical business register comprising of over 2.4 million businesses. The IDBR combines information on Value Added Tax (VAT) traders, Pay As You Earn (PAYE) employers and incorporated businesses registered at Companies House. It covers all sectors of the UK economy, other than some very small businesses (those without employees, and with turnover below the tax threshold) and some non-profit making organisations.

Since the introduction of PAYE onto the IDBR in the 1990's, PAYE only businesses that have been raised onto the IDBR undergo an extensive matching process to link with a VAT trader or incorporated business already within the population. Those units that do not match are referred to as non-corporate PAYE employers. The matching process is carried out in order to minimise the risk of duplication. Those non-corporate PAYE employer businesses (PAYE records with no link to VAT or incorporation with Companies House), have been held outside of the population because of the risk of duplication with VAT records where matching has been unsuccessful. As these businesses are employers, it was thought that most would have sufficient turnover to require a VAT registration. The 2014/2015 VAT registration threshold is £79,000.

## Changes to the UK Business Population

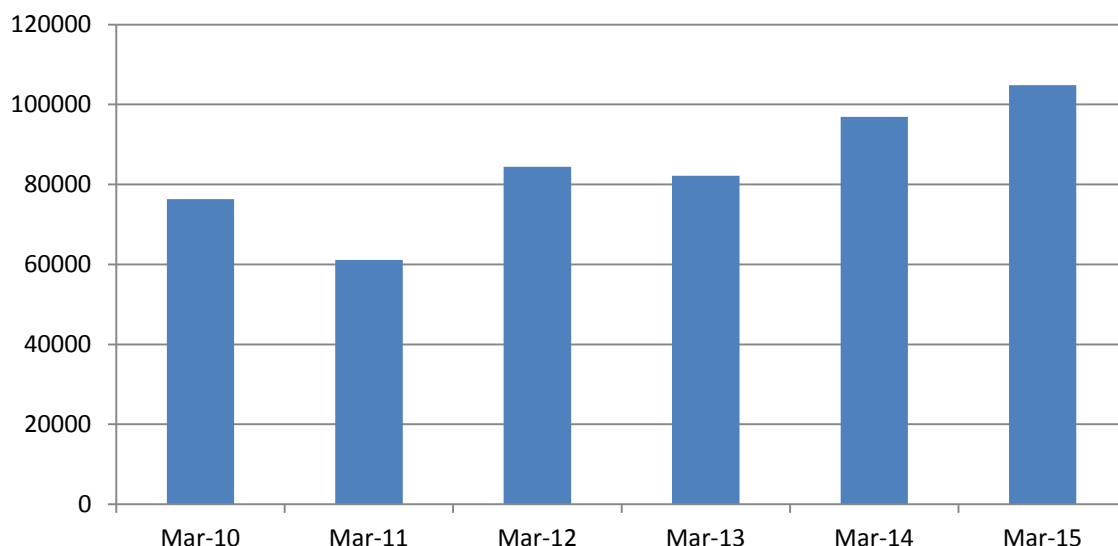
The UK Business population had previously excluded non-corporate PAYE employers that did not match to a VAT trader, unless they were in a VAT exempt industry or previously contacted by the ONS (proved) via survey. This was because of the potential risk of duplication with VAT based businesses.

Businesses that operate a PAYE scheme are reported to ONS, by HMRC, on a quarterly basis. These businesses are employing someone, and paying them above the PAYE threshold, currently set at £481 per month (2014/2015 tax year). The employment value that is held on the IDBR businesses in these cases is an average of the last four quarters of PAYE returns.

These businesses undergo extensive matching on the IDBR against existing businesses, in order to reduce duplication. Matching is conducted against all units on the IDBR including VAT records and details of incorporated businesses with Companies House. Where a PAYE unit is matched to a second source of information (VAT or Companies House) these are included in the population. PAYE units that do not match to either VAT or Companies House, which by their nature are non-corporate PAYE employers, have previously been held back from the business population. Although these businesses are employers, it was previously thought that most would have sufficient turnover to hold a VAT registration. The 2014/2015 VAT registration threshold is £79,000.

As the IDBR is a live business register, it is continually changing as new data is received. Non-corporate PAYEs have continued to grow, increasing the under-coverage of businesses in the business publication. Figure 1 below shows the growth over the past five years of the non-corporate PAYEs.

**Figure 1: Count of non-corporate PAYE employers**



As a result of a programme of work, ONS is now confident that there is minimal duplication of businesses and therefore, it is safe to add these units to the ONS UK business population.

Users should note that the introduction of these additional businesses is not the result of new PAYE births onto the IDBR. These businesses have been operating for a number of years, but due to the risk of duplication have been held outside of the UK Business population. All the affected businesses added are non-corporate with less than 20 employment<sup>(1)</sup>.

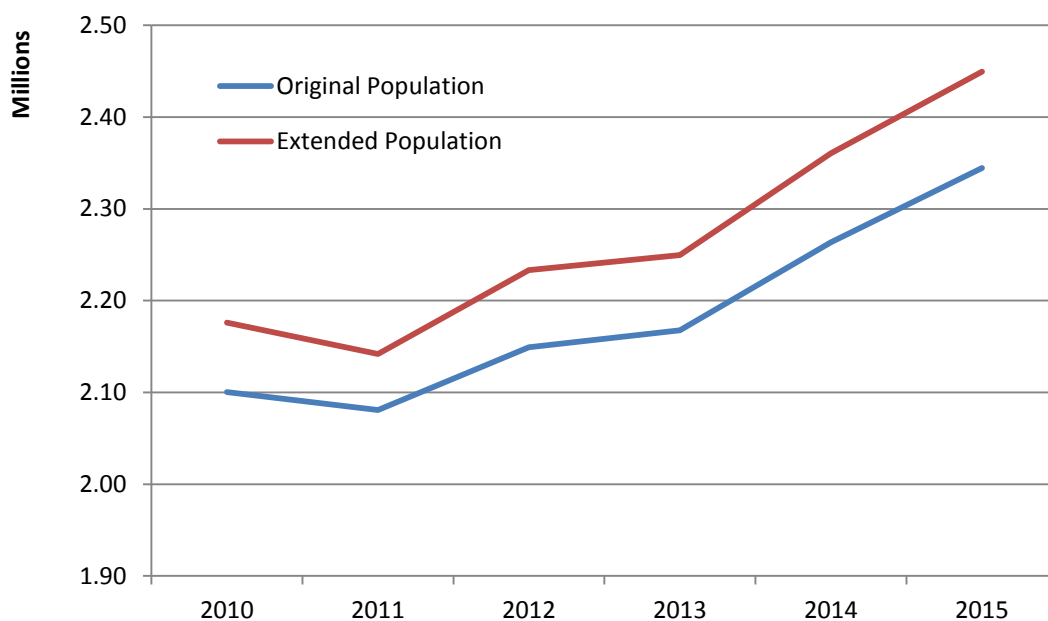
Users should be aware that ONS Business Demography and BIS Business Population Estimates already include these non-corporate PAYE businesses. These publications have included them historically in order to achieve the maximum coverage of business activity.

## Impact on the UK Business Activity Size and Location Publication

### Business Count

As at March 2015 there are approximately 105,000 businesses that meet the exclusion criteria and have been moved into the UK Business Population. Of these units 86% were in the 1-4 employment size band, with all businesses having less than 20 employment. Figure 2 below shows the impact of extending the publication population in terms of business counts.

**Figure 2: Proposed impact on Count in UK Business Publication**



<sup>1</sup> Those businesses that have more than 20 employment are surveyed by ONS via a quarterly proving survey (Business Registers Survey) in order to try to establish more information about the business prior to moving them into the population. These businesses are therefore excluded from this update

## Standard Industrial Classification

In many industrial divisions the impact of this change is small. The table below shows the changes in business count by broad industry group, before and after the introduction of the non-corporate PAYE employers.

**Table 1: Count of businesses within the UK Business population before and after implementation of the non-corporate PAYE employers.**

Enterprises			
Description	2015 Original Population	2015 Extended Population (Published)	% difference
Agriculture, forestry & fishing	146,500	146,900	0.2
Production	138,900	142,100	2.3
<i>Mining, quarrying &amp; utilities</i>	<i>11,800</i>	<i>11,900</i>	<i>1.1</i>
<i>Manufacturing</i>	<i>127,100</i>	<i>130,100</i>	<i>2.4</i>
Construction	276,100	284,400	3.0
Wholesale and retail; repair of motor vehicles	359,400	368,600	2.6
<i>Motor trades</i>	<i>69,100</i>	<i>71,900</i>	<i>4.1</i>
<i>Wholesale</i>	<i>103,600</i>	<i>104,300</i>	<i>0.6</i>
<i>Retail</i>	<i>186,700</i>	<i>192,500</i>	<i>3.1</i>
Transport & storage (inc. postal)	80,400	82,600	2.7
Accommodation & food services	133,500	146,500	9.7
Information & communication	191,300	192,700	0.8
Finance & insurance	48,400	49,200	1.5
Property	86,300	88,100	2.1
Professional, scientific & technical	420,400	435,700	3.6
Business administration and support services	168,200	194,200	15.5
Public administration and defence	5,900	6,700	13.2
Education	39,000	40,400	3.7
Health	102,300	105,700	3.3
Arts, entertainment, recreation and other services	148,000	165,700	12.0
<b>TOTAL</b>	<b>2,344,600</b>	<b>2,449,400</b>	<b>4.5</b>

Data rounded to the nearest hundred.

Analysing the data at the level of SIC(2007) Class (4 digit), nearly half of all non-corporate PAYE employers added are clustered in one of five SIC(2007) classes.

- 82.99 Other business support service activities n.e.c. saw an increase of 18,600 units, 17.7% of total non-corporate PAYE employers (105,000)
- 96.02 Hairdressing and other beauty treatment increased by 10,000 units, 9.5% of total non-corporate PAYE employers
- 56.10 Restaurants and mobile food service activities increased by 9,800 units, 9.3% of total non-corporate PAYE employers
- 74.90 Other professional, scientific and technical activities n.e.c. increased by 9,700 units, 9.2% of total non-corporate PAYE employers
- 96.09 Other personal service activities n.e.c. increased by 3,700 units, 3.5% of total non-corporate PAYE employers

The concentration of non-corporate PAYE employers across these SIC(2007) classes is due to the profile of these businesses. It is possible for these businesses to operate small scale service activities, trading below the VAT threshold.

### **Local Unit (site) Information**

The increase of 105,000 in the business count, as a result of the inclusion of non-corporate PAYE employers, is mirrored at the level of Local Unit (site).

The local unit (site) count has grown by 105,000 as these small businesses are all estimated to operate from a single site.

A local unit is a business or part thereof (e.g. a workshop, factory, warehouse, office, etc) situated in a geographically identified place.

### **Further Information**

For further information relating to the UK Business: Activity, Size and Location publications please email: [IDBRDAS@ons.gov.uk](mailto:IDBRDAS@ons.gov.uk) or contact: +44 (0) 1633 456902 or

For general queries relating to IDBR please email: [IDBR.Helpdesk@ons.gov.uk](mailto:IDBR.Helpdesk@ons.gov.uk) or contact +44 (0) 1633 455200