

UK Business: Activity, Size and Location, 2015



Coverage: UK

Date: **06 October 2015**

Geographical Area: **UK and GB**

Theme: **Business and Energy**

Headline figures

- The number of VAT and/or PAYE businesses in the UK is estimated to have risen by 89,000 (3.8%) between March 2014 and March 2015.
- Companies and public corporations' numbers have continued to rise and represent 66.8% of total businesses. The number of sole proprietors and partnerships has continued to decline and now represents 29.5% of total businesses.
- The largest industry group this year remains as professional, scientific and technical, with 17.8% of all registered businesses in the UK compared with 17.3% in 2014.
- London has the largest number of VAT and/or PAYE based businesses, with 18.2% of the UK total and has also experienced the largest growth of 6.9% between 2014 and 2015.

Summary

There were 2.45 million enterprises registered for VAT and/or PAYE in the UK in March 2015 compared with 2.36 million in March 2014, a rise of around 89,000 (3.8%).

In 2015, we have 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. These businesses have also been included in the previous years' estimates shown in this statistical bulletin in order to provide a comparable time series. Please see background note 2 for [more details](#).

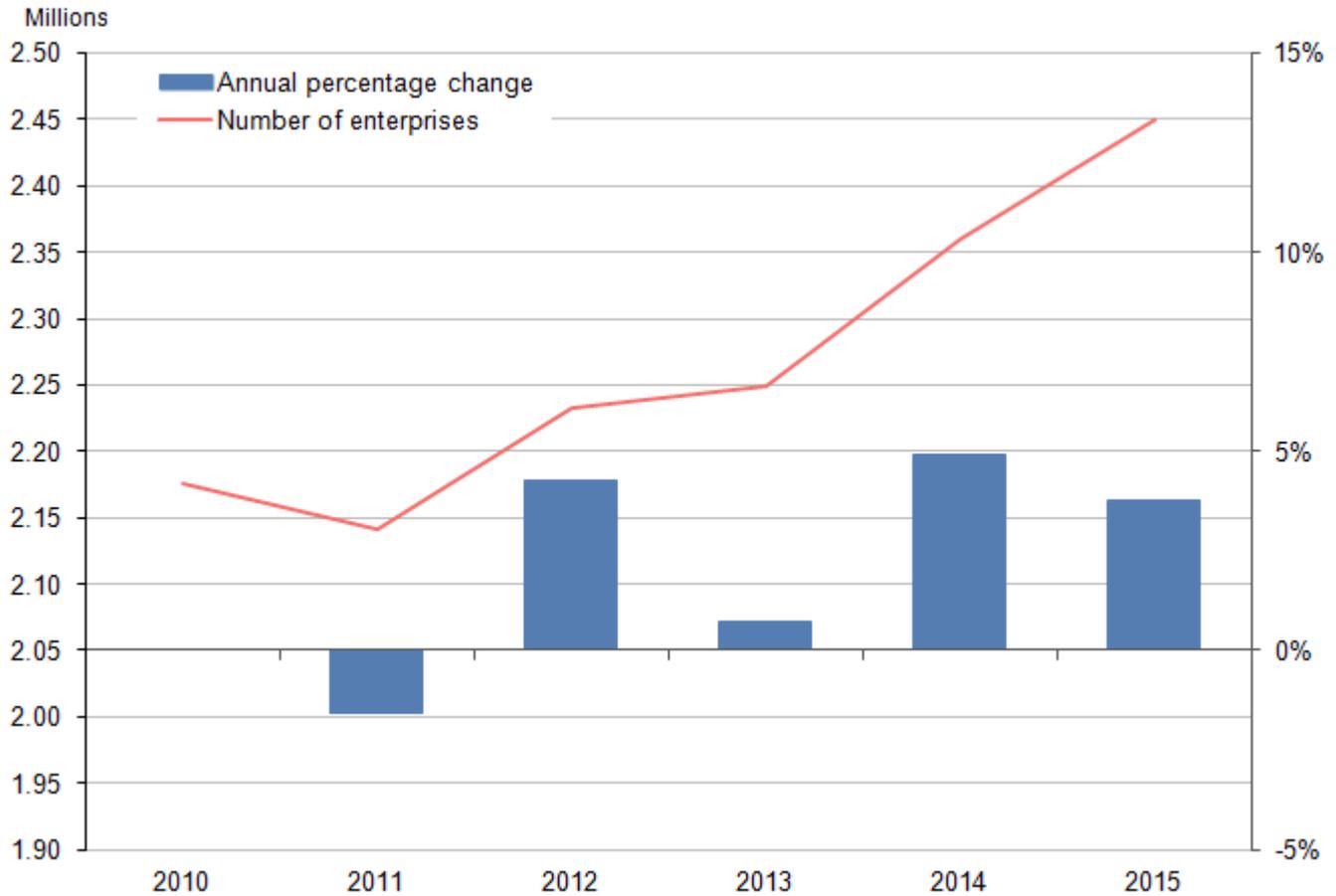
Economic context

The growth in the number of VAT and/or PAYE businesses (Figure 1) is broadly consistent with the performance of the UK economy in recent years. The recent economic downturn was the deepest

on record, as the UK experienced a peak-to-trough fall in real GDP of 6.0% between Quarter 1 (Jan to Mar) 2008 and Quarter 2 (Apr to June) 2009. As economic conditions worsened, the number of VAT and/or PAYE registered enterprises started to fall on a trend that continued until 2011: 2 years after the trough in GDP. This fall is also consistent with the reduction in the employment rate, which reached a low of 70.1% in the 3 months to September 2011.

Figure 1: Number of VAT and/or PAYE based enterprises

UK, 2010 to 2015



Source: Office for National Statistics

Notes:

1. Approximately 31,000 of the change between 2011 and 2012 was caused by improvements to HMRC computer systems leading to previously excluded businesses being added to the IDBR (See background note 8).
2. Between 2013 and 2014 HM Revenue & Customs (HMRC) introduced a Real Time Information system for PAYE (see background note 9).

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The subsequent pick up in business creation has tracked the growth in the employment rate, levelling off in 2013 before growing strongly in the most recent 2 years. The [September 2015 Economic Review](#) highlighted the strength of the recovery in the employment rate following the economic downturn. As the labour market began to recover in 2012, job-to-job moves – an indicator of labour market confidence – rose particularly sharply. During an economic upswing, the improvement in conditions may give workers the confidence they need to move between employers: this rise in confidence may also have an impact on workers' willingness to establish new businesses.

The strong increase in the number of registered businesses has also been reflected in the marked rise in the number of self-employed workers since 2011. [Our analysis of self-employed workers in the UK](#) highlighted how the rise in total employment following the downturn was predominantly from the self-employed. These trends suggest a revival of confidence in the labour market, which may in turn have been driving the growing number of registered businesses.

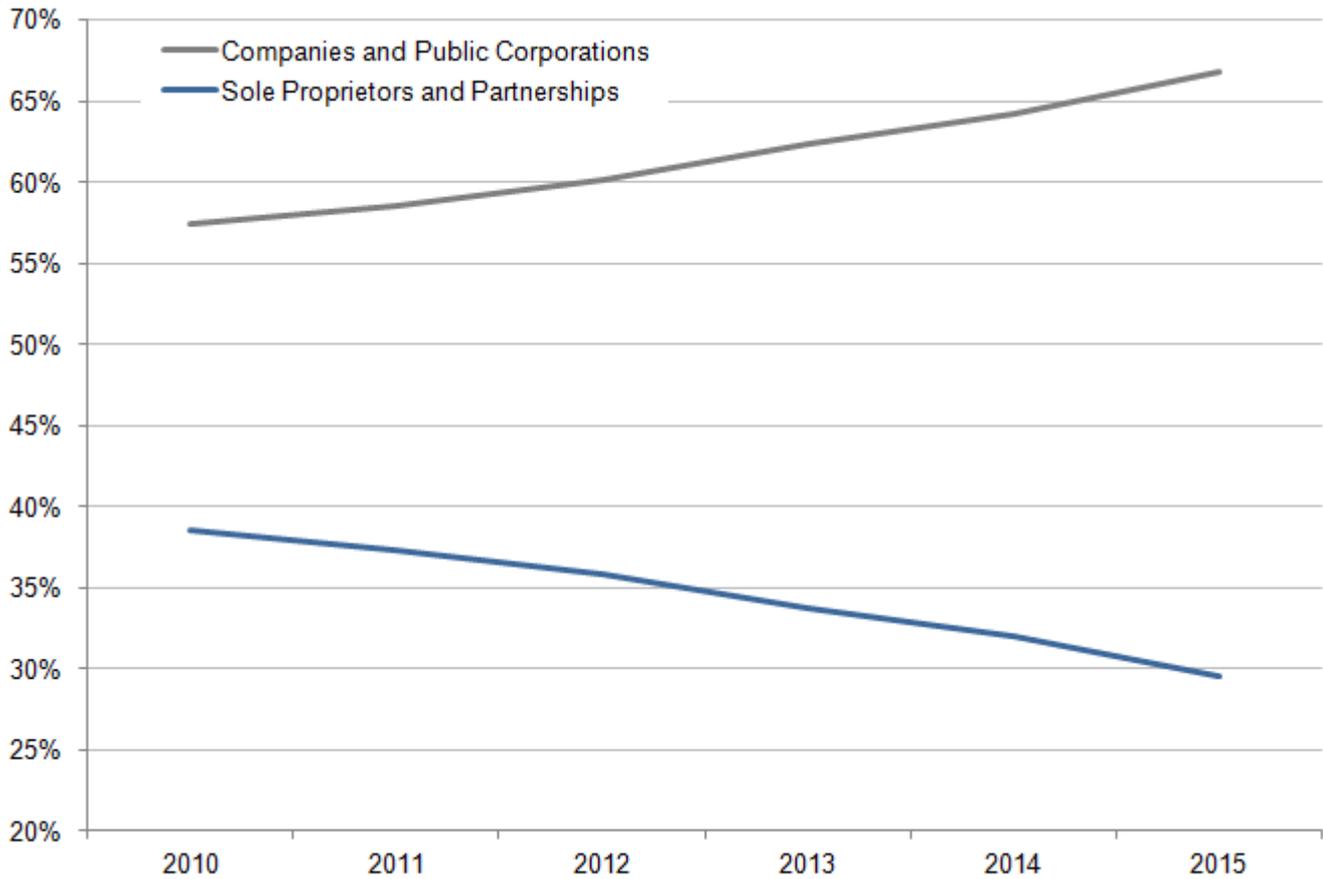
Broader economic indicators suggest that the economy has grown strongly over recent periods. [Output continued to grow in 2015](#) as [low inflation](#) and a [pick-up in nominal pay growth](#) have continued to support [consumer demand](#). Potential new businesses may also have been encouraged as interest rates were cut to record lows after the downturn. This impact may have been initially offset by credit rationing as the financial sector adjusted to the global shock. [As the availability of credit improved in 2012](#), corporate borrowing also recovered which may have helped support the growth in registered businesses. More recently, new business creation may have been boosted as falls in the oil price put downwards pressure on firms' operating costs.

Business counts by legal form

Between March 2014 and March 2015, there was an increase of 8.0% in corporate businesses, while there was a reduction of 4.2% in the number of sole proprietors and partnerships.

Figure 2: Percentage of VAT and/or PAYE based enterprises by year

UK, 2010 to 2015



Source: Office for National Statistics

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Corporate businesses (companies and public corporations) represented 66.8% of total enterprises, up 2.6 percentage points from 64.2% in 2014; of the corporate business figure, 44.3% is made up of single employee limited companies, which have increased by 73,000 between 2014 and 2015.

Sole proprietors represented 20% of total enterprises, down 1.7 percentage points from 21.7% in 2014. Partnerships represented 9.5% of total enterprises, down 0.8 percentage points from 10.3% in 2014.

General government and non-profit making bodies represented 3.7% of total enterprises, compared with 3.8% in 2014.

Business counts by broad industry

In 2015, the professional, scientific and technical sector accounted for the largest number of businesses, with 17.8% of all registered enterprises in the UK. Wholesale, retail and repair of motor vehicles was the second largest sector, with 15% of all enterprises registered, although it experienced a decrease in percentage share of UK enterprises, from 15.7% in 2014. The third largest sector was construction, with 11.6% in 2015.

The professional, scientific and technical sector had the largest growth between 2014 and 2015, an increase of 26,000 businesses. This was followed by business administration and support services which also increased by 14,000.

Table 1: Number of VAT and/or PAYE enterprise by broad industrial grouping

UK, 2013 to 2015

	Count given to the nearest thousand					
	2013	%	2014 ¹	%	2015	%
Agriculture, forestry & fishing	144	6.4	146	6.2	147	6.0
Production	139	6.2	140	5.9	142	5.8
Mining, quarrying & utilities	10	0.5	11	0.5	12	0.5
Manufacturing	129	5.7	129	5.5	130	5.3
Construction	264	11.7	274	11.6	284	11.6
Wholesale and retail; repair of motor vehicles	366	16.3	372	15.7	369	15.0
Motor trades	70	3.1	71	3.0	72	2.9
Wholesale	104	4.6	105	4.4	104	4.3
Retail	193	8.6	196	8.3	192	7.9
Transport & storage (inc. postal)	70	3.1	74	3.1	83	3.4
Accommodation & food services	139	6.2	145	6.2	146	6.0

	2013	%	2014 ¹	%	2015	%
Information & communication	167	7.4	181	7.6	193	7.9
Finance & insurance	46	2.1	45	1.9	49	2.0
Property	81	3.6	85	3.6	88	3.6
Professional, scientific & technical	377	16.8	409	17.3	436	17.8
Business administration and support services	162	7.2	181	7.7	194	7.9
Public administration and defence	6	0.3	7	0.3	7	0.3
Education	36	1.6	39	1.6	40	1.7
Health	92	4.1	99	4.2	106	4.3
Arts, entertainment, recreation and other services	160	7.1	164	6.9	166	6.8
TOTAL²	2,250	100	2,361	100	2,449	100

Table source: Office for National Statistics

Table notes:

1. See background note 9.
2. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

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Business counts by UK region

London accounted for the largest number of businesses in March 2015, with 18.2% of the UK total. The region with the next largest share of businesses was the South East, at 15.4%.

Between 2014 and 2015, all regions saw an increase in the number of businesses, with London experiencing the greatest increase of nearly 29,000 businesses representing a growth of 6.9% between 2014 and 2015. The growth of businesses in London accounts for 32.1% of total growth in the UK.

Table 2: Number of VAT and/or PAYE based enterprises by region

UK, 2013 to 2015

Count given to the nearest thousand

	2013	%	2014¹	%	2015	%
North East	60	2.7	64	2.7	66	2.7
North West	217	9.6	228	9.7	236	9.6
Yorkshire and The Humber	158	7.0	165	7.0	172	7.0
East Midlands	151	6.7	159	6.7	165	6.7
West Midlands	178	7.9	186	7.9	192	7.8
East of England	225	10.0	235	10.0	243	9.9
London	385	17.1	416	17.6	445	18.2
South East	350	15.6	365	15.5	377	15.4
South West	208	9.3	216	9.1	221	9.0
Wales	92	4.1	96	4.1	98	4.0
Scotland	158	7.0	164	7.0	168	6.9
Northern Ireland	67	3.0	67	2.8	67	2.7
TOTAL²	2,250	100	2,361	100	2,449	100

Table source: Office for National Statistics

Table notes:

1. See background note 9.
2. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

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Local unit site information

Local units are sites that belong to an enterprise. In March 2015, there were 2.91 million local units belonging to VAT and/or PAYE based enterprises, compared with 2.82 million in March 2014, a rise of nearly 89,000 (3.2%). Out of the 2.45 million VAT and/or PAYE enterprises, only 58,000 (2.4%) operate from more than 1 site. These operated a total of 516,000 local units.

Table 3: Number of VAT and/or PAYE enterprises and their associated local units

UK, 2015

	Number of local units					Total
	1	2 to 4	5 to 9	10 to 19	20 or more	
Enterprise	2,391,565	46,100	6,525	2,525	2,700	2,449,415
Local units	2,391,565	110,405	41,265	33,325	331,000	2,907,560

Table source: Office for National Statistics

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Background notes

1. UK Business: Activity, Size and Location is produced from an extract taken from the Inter-Departmental Business Register (IDBR) recording the position of units as at March of the reference year. Introduced in 1994, the IDBR provides the basis for the Office for National Statistics to conduct surveys of businesses.
2. In 2015, we have 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 have been 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 BIS Business Population Estimates, which both include these businesses. A more [detailed note](#) explaining these changes can be found on our website.
3. From 2014 onwards, our Data Explorer and Open API tool replaced reference tables, enabling users to access, use and customise our data more effectively. This has meant the tables are no longer produced and instead exist as a series of [dataset collections](#). This enables us to meet the Government's Open Data and Transparency policy.
4. To support this release, datasets are available at [NOMIS](#) and [ONS Data Explorer](#) in greater geographical and industrial detail. However, for various reasons, it is possible to get multiple

business registrations at a single address and this can distort data for smaller geographical areas.

5. Estimates presented in this release and the associated datasets are rounded to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used.
6. Although the statistics in this release are derived from the IDBR, the total count of live businesses is less than the Business Demography publication. This is mainly because the definition used in Business Demography of an active business is based on activity at any time in the year, whereas UK Business: Activity, Size and Location is based on an annual snapshot at a point in time.
7. This publication represents all enterprises that are registered for VAT and/or PAYE. The Department for Business Innovation and Skills (BIS) produce the [Business Population Estimates Publication](#). This estimates the total number of UK private sector businesses, including the unregistered business population. It also estimates the total number of businesses in the whole UK economy.
8. Approximately 31,000 of the change between 2011 and 2012 was caused by improvements to HM Revenue & Customs (HMRC) computer systems leading to previously excluded businesses being added to the IDBR. These businesses were registered before 2012, so distort the year on year change.
9. In 2014, HMRC information shows growing numbers of PAYE schemes and a rise in numbers of new scheme registrations. Those that are allied to company registration data have fuelled an increase in numbers of enterprises on the business register. While the growth in PAYE schemes coincides with the introduction of the Real Time PAYE reporting system (RTI), HMRC have indicated there are no technical reasons associated with RTI alone which would have increased the number of enterprises on the register during the period. HMRC have no evidence of behavioural changes in the timing of PAYE scheme registrations through the year.
10. Approximately 8,645 Composite and Managed Services Companies have been excluded where the address does not represent the location of the activities of these businesses to avoid giving a false impression of growth in these locations. Identification of Composite and Managed Services Companies may be incomplete, inflating business counts primarily in the Professional, Scientific and Technical sector. Further details on [Composite and Managed Services Companies](#) can be found on the HMRC website.
11. National Statistics are produced to high professional standards set out in the Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference.
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13. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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