

Statistical bulletin

UK business; activity, size and location: 2016

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



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1 . **Headline figures**

There were 2.55 million businesses registered for VAT and/or Pay As You Earn (PAYE) in the UK in March 2016 compared with 2.45 million in March 2015, a rise of around 105,000 (4.3%).

The number of companies and public corporations has continued to rise and represents 68.8% of total businesses. The number of sole proprietors and partnerships has continued to decline and now represents 27.4% of total businesses.

The largest industry group this year remains professional, scientific and technical, with 18.0% of all registered businesses in the UK compared with 17.8% in 2015.

London has the largest number of VAT and/or PAYE-based businesses, with 18.7% of the UK total and has also experienced the largest growth of 7.2% between 2015 and 2016.

2 . **Things you need to know about this release**

UK Business: Activity, Size and Location, 2016 is produced from an extract taken from the [Inter-Departmental Business Register](#) (IDBR) recording the position of units as at 11 March 2016.

This publication represents the businesses registered with HM Revenue and Customs (HMRC) for 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.

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 that all data are rounded to protect confidentiality. The figures in the tables are rounded individually therefore the sum of component items may be slightly different to the totals shown.

3 . **Economic context**

The upwards trend in the number of VAT and/or Pay As You Earn (PAYE) businesses (Figure 1) is reflective of the UK economy’s recent performance. In the 12 months to Quarter 1 (Jan to Mar) from 2014 to 2016, [GDP rose](#) by 2.6%, 2.9% and 2.0% respectively. [CPI](#) inflation was 1.6%, 0% and 0.5% in the years to March 2014, March 2015 and March 2016 respectively. This strong growth and low inflation may have provided a good environment for businesses to set up. Furthermore, through 2015 and 2016, the oil price has remained historically low which may have put downwards pressure on businesses’ operating costs.

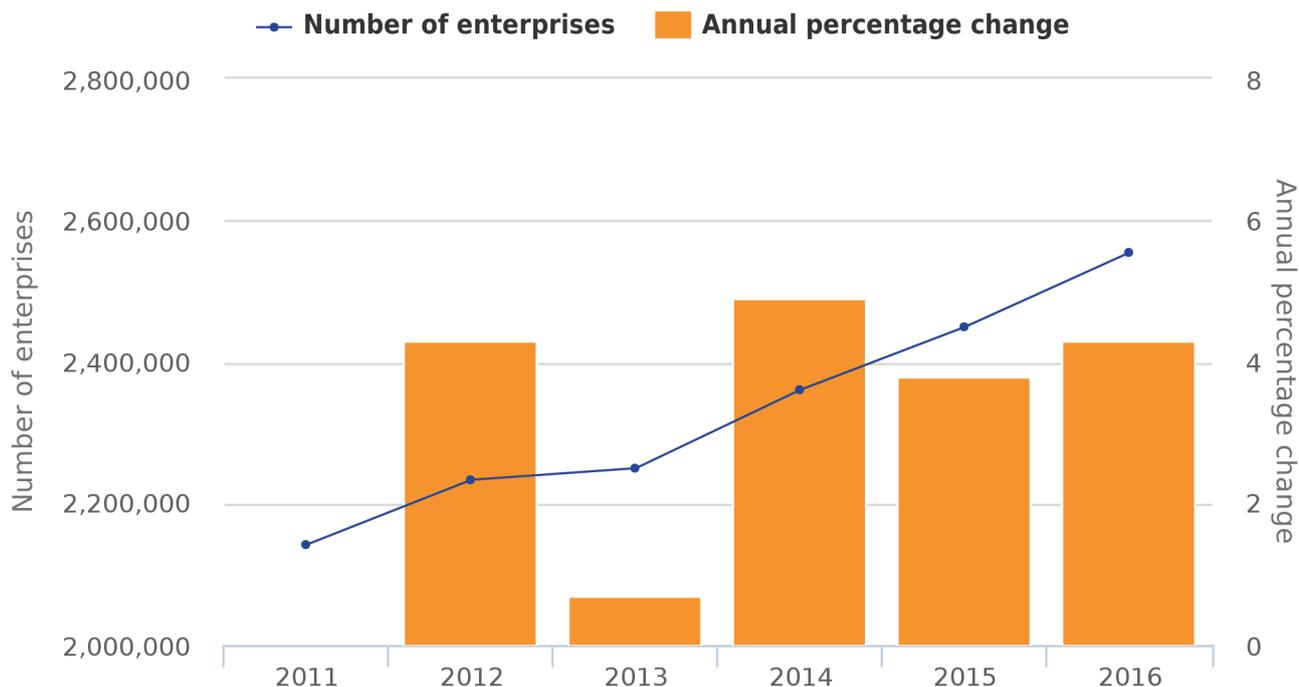
During the period from March 2011 to March 2016, the Bank of England base rate was 0.5%. This historically low rate may have encouraged more businesses to set up over the period. The base rate may be linked to commercial loan rates to businesses which are often required to start up and invest in fixed capital.

The employment rate rose from 70.5% in the 3 months to March 2011 to 74.2% in the 3 months to March 2016. The amount of people employed in the public sector from March 2011 to March 2016 fell when excluding reclassifications. The data suggest that the new employment growth from the 2011 to 2016 period was in the private sector. This is consistent with the continuing increase in the number of businesses which were set up between 2011 and 2016.

From the January to March period in 2011 to the same period in 2016, the redundancy rate fell from 4.9 to 4.1 per 1,000 employees ([LFS ILO time series](#)). This rate is based on the amount of people who were made redundant out of all workers employed. A lower rate may indicate a stronger job market and is consistent with the increase in the number of VAT/ PAYE businesses.

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

UK, 2011 to 2016



Source: Office for National Statistics

Notes:

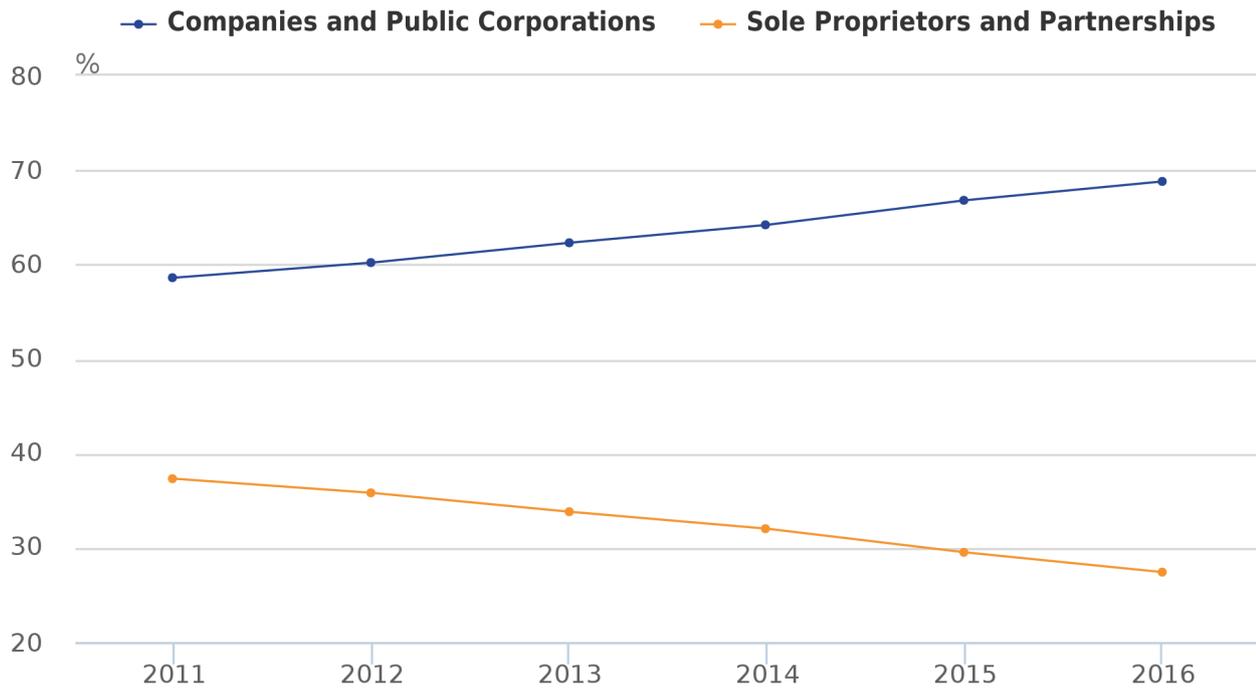
1. Approximately 31,000 of the change between 2011 and 2012 was caused by improvements to HMRC computer systems leading to previously excluded businesses being added to the IDBR (See background note 6).
2. Between 2013 and 2014 HM Revenue & Customs (HMRC) introduced a Real Time Information system for PAYE (see background note 7).

4 . Business counts by legal form

Between March 2015 and March 2016, there was an increase of 7.4% in corporate businesses, while there was a reduction of 3.1% in the number of sole proprietors and partnerships.

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

UK, 2011 to 2016



Source: Office for National Statistics

Corporate businesses (companies and public corporations) represented 68.8% of total businesses, up 2.0 percentage points from 66.8% in 2015; of the corporate business figure, 46.5% is made up of single employee limited companies, which have increased by 92,000 between 2015 and 2016.

Sole proprietors represented 18.7% of total businesses, down 1.3 percentage points from 20% in 2015. Partnerships represented 8.8% of total businesses, down 0.7 percentage points from 9.5% in 2015.

General government and non-profit making bodies represented 3.8% of total businesses, compared with 3.7% in 2015.

5 . Business counts by broad industry

In 2016, the professional, scientific and technical sector accounted for the largest number of businesses, with 18.0% of all registered businesses in the UK. Wholesale, retail and repair of motor vehicles was the second largest sector, with 14.5% of all businesses registered, although it experienced a decrease in percentage share of UK businesses, from 15.0% in 2015. The third largest sector was construction, with 11.8% in 2016.

The professional, scientific and technical sector had the largest growth between 2015 and 2016, an increase of 23,000 businesses. This was followed by construction which also increased by 17,000.

Table 1: Number of VAT and/or PAYE businesses by broad industrial grouping: UK, 2014 to 2016

	Count given to the nearest thousand					
	2014 ¹	%	2015	%	2016	%
Agriculture, forestry and fishing	146	6.2	147	6.0	148	5.8
Production	140	5.9	142	5.8	146	5.7
Mining, quarrying and utilities	11	0.5	12	0.5	13	0.5
Manufacturing	129	5.5	130	5.3	133	5.2
Construction	274	11.6	284	11.6	302	11.8
Wholesale and retail; repair of motor vehicles	372	15.7	369	15.0	370	14.5
Motor trades	71	3.0	72	2.9	73	2.9
Wholesale	105	4.4	104	4.3	104	4.1
Retail	196	8.3	192	7.9	192	7.5
Transport and storage (inc. postal)	74	3.1	83	3.4	93	3.6
Accommodation and food services	145	6.2	146	6.0	148	5.8
Information and communication	181	7.6	193	7.9	207	8.1
Finance and insurance	45	1.9	49	2.0	52	2.1
Property	85	3.6	88	3.6	91	3.6
Professional, scientific and technical	409	17.3	436	17.8	459	18.0
Business administration and support services	181	7.7	194	7.9	208	8.2
Public administration and defence	7	0.3	7	0.3	7	0.3
Education	39	1.6	40	1.7	42	1.6
Health	99	4.2	106	4.3	113	4.4
Arts, entertainment, recreation and other services	164	6.9	166	6.8	168	6.6
TOTAL²	2,361	100	2,449	100	2,555	100

Source: Office for National Statistics

Footnotes:

1 - See Background note 7

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

6 . Business counts by UK region

Between 2015 and 2016, all regions saw an increase in the number of businesses, with London experiencing the greatest increase of nearly 32,000 businesses representing a growth of 7.2%.

London accounted for the largest number of businesses in March 2016, with 18.7% of the UK total. The growth of businesses in London accounts for 30.5% of total growth in the UK.

The region with the next largest share of businesses was the South East, at 15.3%.

Between 2014 and 2016, the number of VAT and/or PAYE businesses in London as a proportion of all regions increased by 1.1 percentage points, from 17.6% in 2014 to 18.7% in 2016.

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 VAT and/or PAYE based businesses by region: UK, 2014 to 2016

	Count given to the nearest thousand					
	2014 ¹	%	2015	%	2016	%
North East	64	2.7	66	2.7	68	2.7
North West	228	9.7	236	9.6	245	9.6
Yorkshire and The Humber	165	7.0	172	7.0	178	7.0
East Midlands	159	6.7	165	6.7	173	6.8
West Midlands	186	7.9	192	7.8	201	7.9
East	235	10.0	243	9.9	254	9.9
London	416	17.6	445	18.2	477	18.7
South East	365	15.5	377	15.4	392	15.3
South West	216	9.1	221	9.0	227	8.9
Wales	96	4.1	98	4.0	100	3.9
Scotland	164	7.0	168	6.9	172	6.7
Northern Ireland	67	2.8	67	2.7	69	2.7
TOTAL²	2,361	100	2,449	100	2,555	100

Source: Office for National Statistics

Footnotes:

1 - See Background note 7

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

7 . Local unit site information

Local units are sites that belong to a business. In March 2016, there were 3.01 million local units belonging to VAT and/or PAYE-based businesses, compared with 2.91 million in March 2015, a rise of nearly 103,000 (3.5%). Out of the 2.55 million VAT and/or PAYE businesses, only 58,000 (2.3%) operate from more than one site. These operated a total of 514,000 local units.

Table 3: Number of VAT and/or PAYE businesses and their associated local units: UK, 2016

	Number of local units					Total
	1	2 to 4	5 to 9	10 to 19	20 or more	
Business	2,496,285	46,295	6,640	2,580	2,710	2,554,510
Local units	2,496,285	110,760	42,035	34,075	326,905	3,010,060

Source: Office for National Statistics

8 . Quality and methodology

The [UK business: activity, size and location Quality and Methodology Information document](#) 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

9. Background notes

1. In 2015, we extended the coverage of businesses in this release to include a population of solely Pay As You Earn (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 Department for Business, Energy and Industrial Strategy (BEIS) Business Population Estimates publication. A more [detailed note explaining these changes](#) can be found on our website. These businesses have been included in the previous years' estimates shown in this statistical bulletin in order to provide a comparable time series.
2. From 2014 onwards, our Data Explorer 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.
3. To support this release, datasets are available at [NOMIS](#) and [ONS Data Explorer](#) 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.
4. 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.
5. Although the statistics in this release are derived from the Inter-Departmental Business Register (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.
6. Approximately 31,000 of the change between 2011 and 2012 was caused by improvements to HM Revenue and 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.

7. In 2014, HMRC information showed a growing number of PAYE schemes and a rise in numbers of new scheme registrations. Those that were allied to company registration data fuelled an increase in numbers of businesses on the business register. While the growth in PAYE schemes coincided with the introduction of the Real Time PAYE reporting system (RTI), HMRC indicated there are no technical reasons associated with RTI alone which would have increased the number of businesses on the register during the period. HMRC have no evidence of behavioural changes in the timing of PAYE scheme registrations through the year.
8. Approximately 7,805 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, and business administration and support sectors. Further details on [composite and managed services companies](#) can be found on the GOV.UK website.
9. Details of the [policy governing the release of new data](#) are available from the [UK Statistics Authority website](#).