Owner-managed businesses and their tax

An interim report on the views of small businesses

Dr Alan Southern and James Meyrick

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Dr Alan Southern
Senior Lecturer
University of Liverpool
Management School
Chatham Street
Liverpool
L69 7ZH

Telephone: 0151 795 3820
alan.southern@liverpool.ac.uk

James Meyrick
Small Business Research Trust
PO Box 299
Knutsford
Cheshire
WA16 6WN

Telephone: 01565 626029
james.meyrick@smallbusinessgroup.org.uk

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1. Introduction

This is an interim report on the views of small business owner managers on regulation and taxation. Systems of economic regulation and business taxation in advanced developed economies are sophisticated and complex, evolving as they have over long periods of industrialisation and providing important sources of revenue for government. Taxation, such as income tax, corporation tax, national insurance taxes and uniform business rates are part of a greater cost to the SME sector that also includes the costs of compliance. Those owner-managed businesses that act as a collector of PAYE and VAT on behalf of UK Government, are also required to administer their own taxation, including the deduction of taxes from employees. Many commentators have noted how, in the UK, regulation and taxation presents a number of challenges and in some cases, barriers to the development of small and medium size enterprises.[1]

This report provides an indication of how owner-managed businesses have adapted to recent changes in taxation legislation. The next section looks generally at business regulation and taxation and notes the disproportionate burden experienced by small firms. This is followed by an overview of the sample characteristics of firms who took part in the survey. Evidence on the perceptions of owner managers on taxation and legal structures is then provided. This shows, for example, how legal structure is an important contributory factor in the debate on taxation. This section is followed by a general discussion about high technology-based firms and taxation, which purports to show that firms of this type experience the taxation and regulatory burden in a disproportionate manner when compared to other firms. Finally, the report finishes by summarising the main points concerning owner managed businesses and their tax. This document has been prepared by Dr Alan Southern, Senior Lecturer at the University of Liverpool Management School and James Meyrick, Research Assistant to the All Party Parliamentary Small Business Group.

[1] The work of Francis Chittenden, Panikkos Poutziouris and their colleagues has been instrumental to the way we understand UK taxation and the SME in recent years. This report acknowledges their expertise and draws on their work as appropriate. See Chittenden, F., Poutziouris, P. and Michaelas, N. (2000) Small business taxation: an agenda for growth, NatWest Bank, Small Business Services: London; Poutziouris, P., Chittenden, F. and Michaelas, N. (1999) Modelling the impact of taxation on the small-business economy: the NatWest/MBS tax index for the self employed, sole traders, and partnerships, *Environment and Planning C: Government and Policy*, 17, pp. 577-592.

2. UK business regulation and taxation

Business regulation and taxation are often referred to as the regulatory burden. Because of this the three areas of employment, environmental (ecological) and tax regulation become entwined into one regulatory burden, which it is argued, disproportionately affect small firms greater than large firms. The cost to the small firm of complying with regulations in each of these areas consists of the administration of government legislation that demands constant record keeping by owner managers. Those businesses employing less than 20 employees often experience compliance at a cost of more than a third compared with those firms who have 500 or more employees. Yet disguised in this general figure are differences that are much more subtle. Some large firms can actually benefit from regulations, for example those who hold cash, collected on behalf of government, until it is due to be paid over. Smaller firms actually incur net costs that, in reality, may be several times higher than large firms.[2]

It is true that the regulatory burden is often used as an interchangeable term with UK taxation. While this is not quite accurate there can be little doubt that the extensive costs to the small firm from taxation have remained constant over the past three decades, despite efforts from various governments to address this. This has become more acute as the processes of globalisation have impacted on taxation systems in many countries. Globalisation has the potential to distort the national tax base when, for example, many multi-national corporations exercise their capacity to take into account taxation structures when making investment decisions. Current estimates concerning the overall tax contribution of large firms *vis a vis* small firms indicate that the former account for around 77% of UK tax revenue. Nevertheless, tax reform, tax reduction, the reduced cost of capital and greater levels of tax evasion have all been associated with globalisation.[3]

The effects of taxation in recent years on small businesses and their owner managers have, however, been varied. The Government have noted how the increasing number of owner-managed small firms is challenging the definition of taxation and national insurance, particularly as the boundary between income from self employment and the remuneration of

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[2] For an extensive introduction to this field in an international context see Chittenden, F., Kauser, S. and Poutziouris, P. (2002) *Regulatory Burdens of Small Business: A Literature Review*, Small Business Service: Sheffield.

[3] Poutziouris, P., Chittenden, F., Watts, T. and Soufani, K. (2003) A comparative study of the impact of taxation on the SME economy: the case of UK and US – New York State in the year 2000, *Environment and Planning C: Government and Policy*, 21, pp.493-508. See also chapter 3 of the 2004 Budget Report *Prudence for a purpose: A Britain of stability and strength*, HM Treasury.

owner-managers has become blurred. In part, the actions initiated through the 2004 Budget are, according to Government, designed to reinforce tax compliance by the 'smallest companies' while seeking to avoid additional compliance costs on those businesses that, effectively, are already acting properly. Nevertheless, even something such as a change in legal structure, a process that many businesses have historically gone through as part of their development, can complicate the firms' tax environment.

Table 1 provides an indication of the total tax burden of sole traders compared with that of an incorporated business. Typically, a firm would become incorporated to support the development of the ownership structure that would enable formal processes of involvement (and later if need be, disassociation) of additional directors, a move often associated with new capital investment. The key difference between a sole trader and incorporated business rests with the latter including corporation tax, and directors income tax and national insurance contribution. There are also understated differences within the small firm population, something we touch on below.

Table 1. A basic model of total direct tax burden[4]

Sole Trader Total Direct Tax: Owner-Manager Income Tax + Owner-Manager National Insurance Contribution + Employer's National Insurance Contribution + Employees Income Tax + Employees National Insurance Contribution + Uniform Business Rate
Incorporated Business Total Direct Tax: Corporation Tax + Directors Income Tax + Directors National Insurance Contribution + Employer's National Insurance Contribution + Employees Income Tax + Employees National Insurance Contribution + Uniform Business Rate

The remainder of this report serves to demonstrate a number of taxation concerns to the owner-managed small business that are of a generic concern. At the same time however, it should be again reiterated that the experience of the regulatory burden and taxation system differs within the small firm sector and this is worth bearing in mind.

[4] Ibid.

3. Characteristics of the survey sample

This was an opportunistic survey distributed to members of the Forum of Private Business, Shout 99 subscribers, and the questionnaire was also made available on the websites of the Forum of Private Business and the All Party Parliamentary Small Business Group. The survey sampled over 500 firms and based on a descriptive examination, provided a similar pattern of responses to the UK distribution of VAT registered firms in terms of size and geography.

Table 2. Survey sample by turnover (last financial year)

Turnover band	**Responses**	**%**
Less than £19,999	34	7
£20,000 - £49,999	86	17
£50,000 - £149,999	233	46
£150,000 - £249,999	37	7
£250,000 - £499,999	47	9
£500,000 - £749,999	17	3
£750,000 - £999,999	15	3
£1 million - £2.9 million	27	5
Over £5 million	9	2
Total	505	100

Table 2 indicates that 70% of the firms who participated had a recorded last financial year turnover of less than £150,000. Only 7% recorded a turnover of greater than £1 million. Figure 1 (below) indicates the sample by size of firm. Micro-sized firms employ less than 10 people, small firms employ between 10 and 49 people and medium-sized firms employ between 50 and 249 people. The survey was mainly made up of micro-sized firms, some 85% in total, with small firms accounting for 13% and medium-size enterprises just under 2%. This compares with the national figures of 95%, 4% and 1% respectively.

Figure 1. Survey sample by firm size (employment)

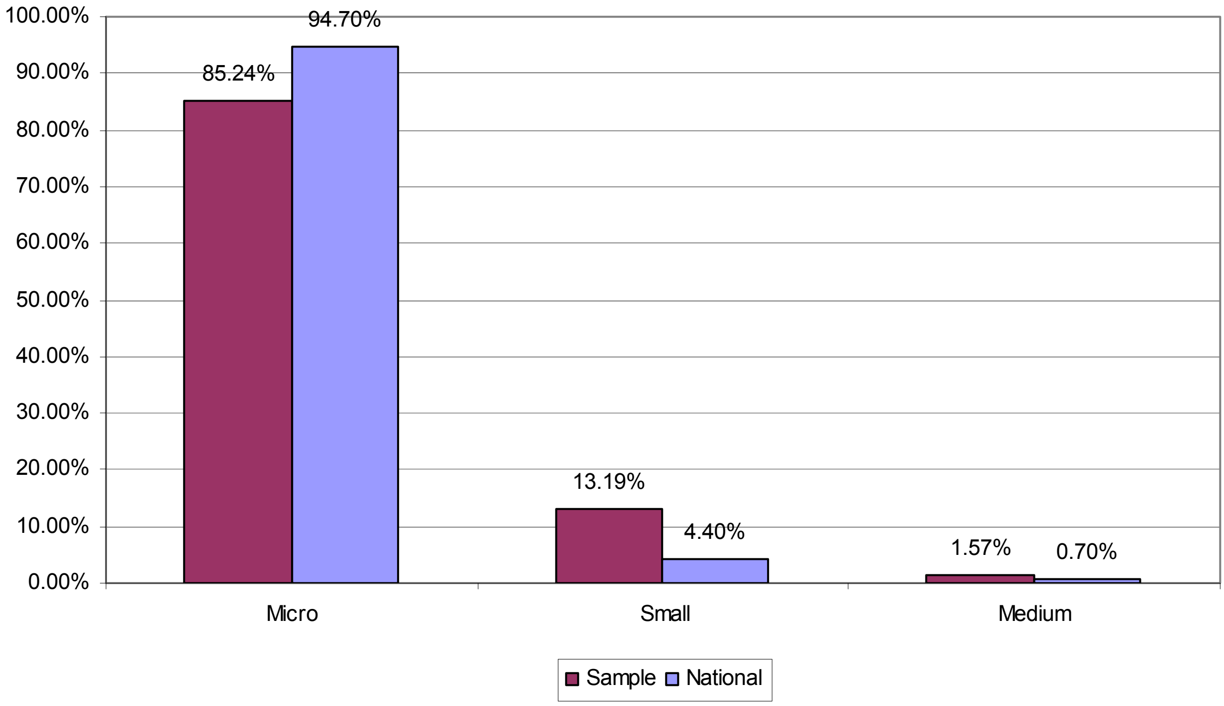
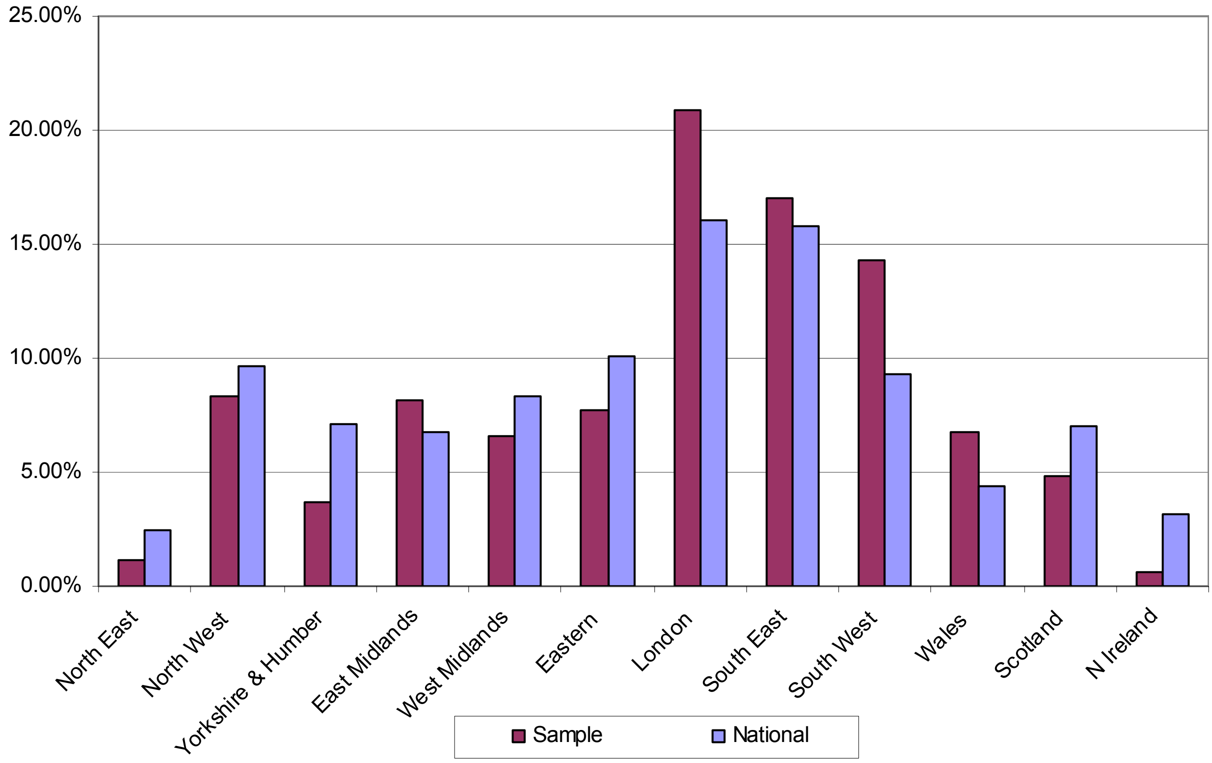


Figure 2 (below) shows the survey responses by geographic region. Of the 517 firms who recorded their location, 38% were in London or the South East, compared with the national VAT figure of 32%. There were low absolute responses from firms in the regions North East and Northern Ireland with only 6 and 3 firms respectively responding to the survey. Nearly one in three firms who responded were less than five years old, while 25% were aged between 11 and 20 years. Around 9% were between 21 and 50 years of age, although 14% were new business start ups, being less than two years old.

The survey also contained some inherent bias. As Table 3 shows, by sector there is an obvious skew towards businesses in the ‘computer and related activities sector’ with nearly 50% of all responses in this category. In addition, a further 23% of respondents indicated that they were in the ‘other business services’ classification. Together these two sectors account for seven out of ten responses. The relevance of this is two-fold. On the one hand, there is the question of the general representation of this survey to the small firm sector as a whole based on this work. Clearly on the basis of sector there is a clear bias towards two types of sector and as such, caution must be taken when generalising about the small firm population per se. Certainly in the absence of any other information this work should provide an indication of owner manager perceptions of taxation and in part, the regulatory burden.

Figure 2. Survey sample by region



However, the second point relevant to this is that the high technology sector has experienced particular problems with taxation and regulation in recent years. This survey therefore provides us with the opportunity to tentatively enquire about the perceptions of taxation among high technology service based firms and we explore this further below (see section 7).

Table 3. Survey sample by business sector

Sector	Response	%
Post, courier and telecoms	1	0
Computer and related activities	245	47
Construction and building-related activities	21	4
Financial services	10	2
Health and social work	8	2
Hotels, restaurants, bars and catering	12	2
Manufacturing	32	6
Mining and Quarrying	1	0
Other business services	117	23
Other personal services	14	3
Real estate activities	8	2
Retailing	23	4
Transport and related activities	13	3
Wholesale trade	11	2
Total	516	100

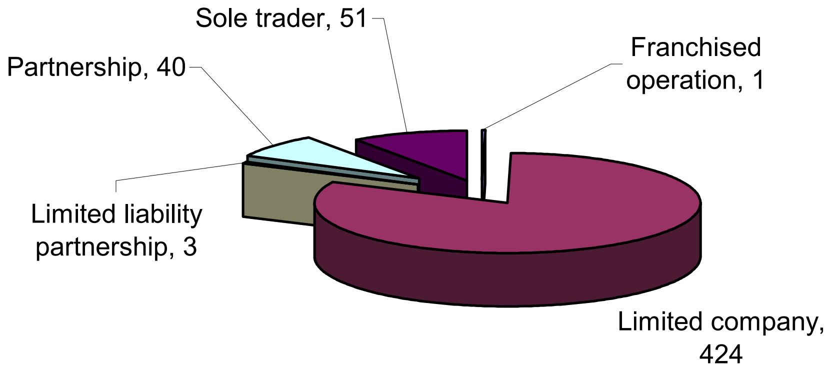
4. Change in legal structure

As noted above, it has previously been thought that small firms have tended to change their legal structure from sole trader to an incorporated status, for example, as a response to developing the business. Indeed, in the 2004 Budget Report it was stated that:

> "the Government believes that transition to the corporate legal form can be an important step in the development of a business, and can assist small businesses in realising their growth potential by providing flexibility in access to external finance, improving governance and managing risk"[5]

Firms were therefore, asked about their current legal form of their business and eight out of ten firms responding stated that their current legal form was as a limited company, as Figure 3 shows. A further 10% stated that they were sole traders and another 8% were constituted as a partnership.

Figure 3. What is the legal form of your main business?



It was interesting therefore, that 22% of all respondents had changed their legal structure in recent years, and of those firms who had, 67% of these had previously acted as a sole trader. In fact the movement in legal form has tended to take one of two routes, from sole trader to limited company with 64% indicating this movement, or from a partnership to limited company with 21% of firms changing this way.

[5] Cited from the 2004 Budget Report *Prudence for a purpose: A Britain of stability and strength*, HM Treasury, p.120.

Table 4. Movement in legal form

Original legal structure: moved from	**Moved to: current legal structure**				
	Franchised operation	Limited company	Limited liability partnership	Partnership	Sole trader
Franchised operation		1	0	0	0
Limited company	0		0	0	2
Limited liability partnership	0	1		0	0
Partnership	0	23	2		8
Sole trader	0	72	0	3	
Total	0	97	2	3	10

This question was followed up by why the change had taken place. Respondents were offered a set of closed questions but those who were planning to make the change could also indicate what was influencing this decision. Thus, there were 182 recorded responses to this question; with the largest response of 25% citing potential lower taxation levels as the main motivation (see Table 5).

Table 5. The reason why a change in legal form took place, or is intended

Reason	**Responses**	**%**
To benefit from a lower tax level	46	25
To reduce the financial risk	37	20
In order to expand the business	21	12
To enable outside investment / raise capital	9	5
As a stipulation of a contract	24	13
After advice received	22	12
To reduce the administrative burden	7	4
Other reason	16	9
Total	182	100

Only 5% stated that the change in legal form was as a result of enabling outside investment to be attracted into their business. A further 12% wished to expand the business and another 20% to changed form to reduce financial risk. In addition, 13% of firms stated that changing legal form was related to a stipulation of a contract while 12% had responded to advice given.

This is interesting given that the intention from the 2004 Budget has been to encourage the move from self employment to incorporation as part of a planned step to growth. This, the Government argued, would address tax avoidance measures and by introducing a 19% minimum rate of corporation tax on distributed profits, profits could be reinvested. This is an issue we reflect on further in section 6.

At this stage however, there are two points to make about changes in legal form. First, that only 17% had sought to change their legal status directly for business expansion reasons including raising new finance. This may well challenge many orthodox views that such a change is for step-growth and development purposes and at least in the short-term, does not reflect the aims of government to encourage investment through new allowances announced in the recent Budget. Second, owner-managers do perceive that there are taxation benefits to be had from changing legal form. Whether this is a one-off response to the 2004 Budget remains to be seen. The Chancellor is seeking to tax profits of small firms by bringing them into line with other companies and thereby closing off existing an tax 'loophole' enabled by legal status. Undoubtedly further research is required to substantiate the views outlined here.

Good business advice is constantly recognised as a key resource for small firms. The survey asked respondents to comment on the advice they received in choosing a legal structure showing where advice was sought, and through a ranking method, indicating the satisfaction value of the advice received.[6] The results from this question are shown in Table 6. By far the most appreciated advice came from an accountant, scoring three times greater than the next valued source of advice, from a business colleague. Business Link and the Small Business Service were ranked 8th and 9th respectively from a list of 12.

Table 6. Where advice on legal form was received and satisfactory ranking

Rank position	**Score 1**		**Score 2**		**Score 3**		**Weighted results**	
	No.	%	No.	%	No.	%	Score	Index
1. Accountant	237	59.5	75	26.0	30	16.1	891	45.6
2. Business colleague	53	13.3	62	21.5	22	11.8	305	15.6
3. Solicitor	18	4.5	43	14.9	22	11.8	162	8.3
4. Relation / Friend	16	4.0	22	7.6	29	15.6	121	6.2
5. Bank Manager	6	1.5	30	10.4	40	21.5	118	6.0
6. Other	25	6.3	10	3.5	10	5.4	105	5.4
7. Trade Association	22	5.5	15	5.2	8	4.3	104	5.3
8. Business link	8	2.0	7	2.4	9	4.8	47	2.4
9. Small Business Service	4	1.0	12	4.2	4	2.2	40	2.0
10. Company Registration Agent	3	0.8	7	2.4	6	3.2	29	1.5
11. Nobody	6	1.5	3	1.0	4	2.2	28	1.4
12. Chartered secretary	0	0.0	2	0.7	2	1.1	6	0.3

[6] Respondents were asked to rank the sources of advice from 1 to 3, with 1 representing the most useful source of advice. Each score was totalled and then the following calculation was made: the total for scores of 1 was multiplied by 3, the total for scores of 2 was multiplied by 2, and the total for scores of 3 was multiplied by 1. The ranks were then totalled and a percentage figure calculated to provide a weighted index.

5. Levels of taxation

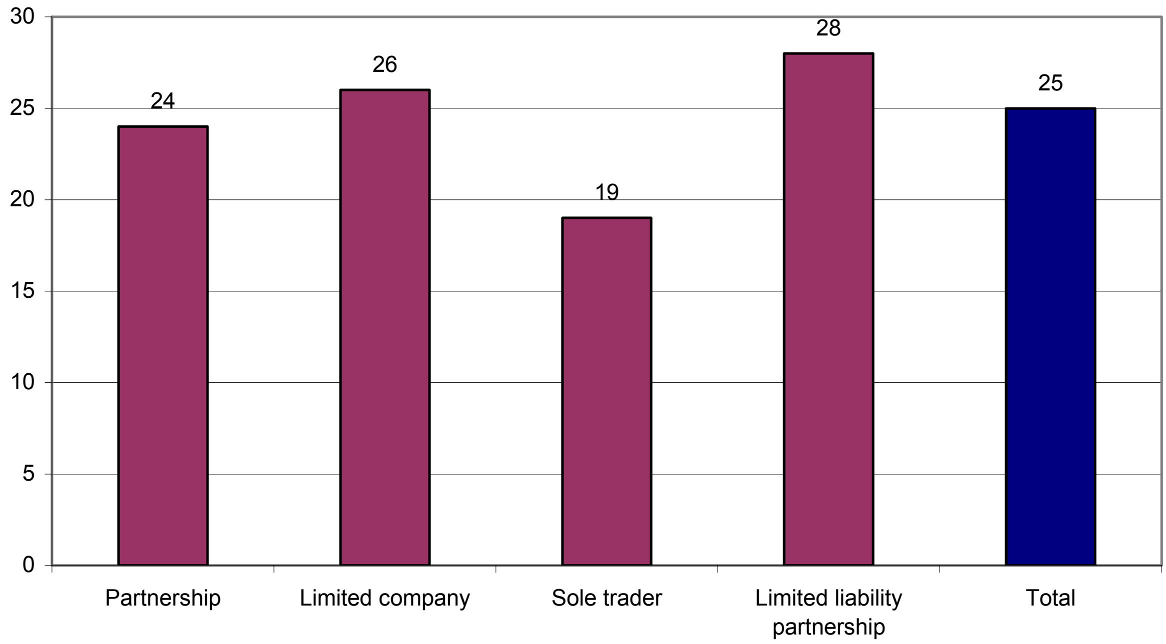
Respondents were asked about the proportion of business turnover taken through taxes. This question provided an indication of what owner managers believe they pay in taxation and may well understate the compliance costs referred to earlier (see section 2). There were 454 responses to this question, providing a mean response of 25.3%.

Table 7. Approximate percentage of business turnover taken through taxation

	Responses	Mean	Median
Tax as % of turnover	454	25.3%	24.8%

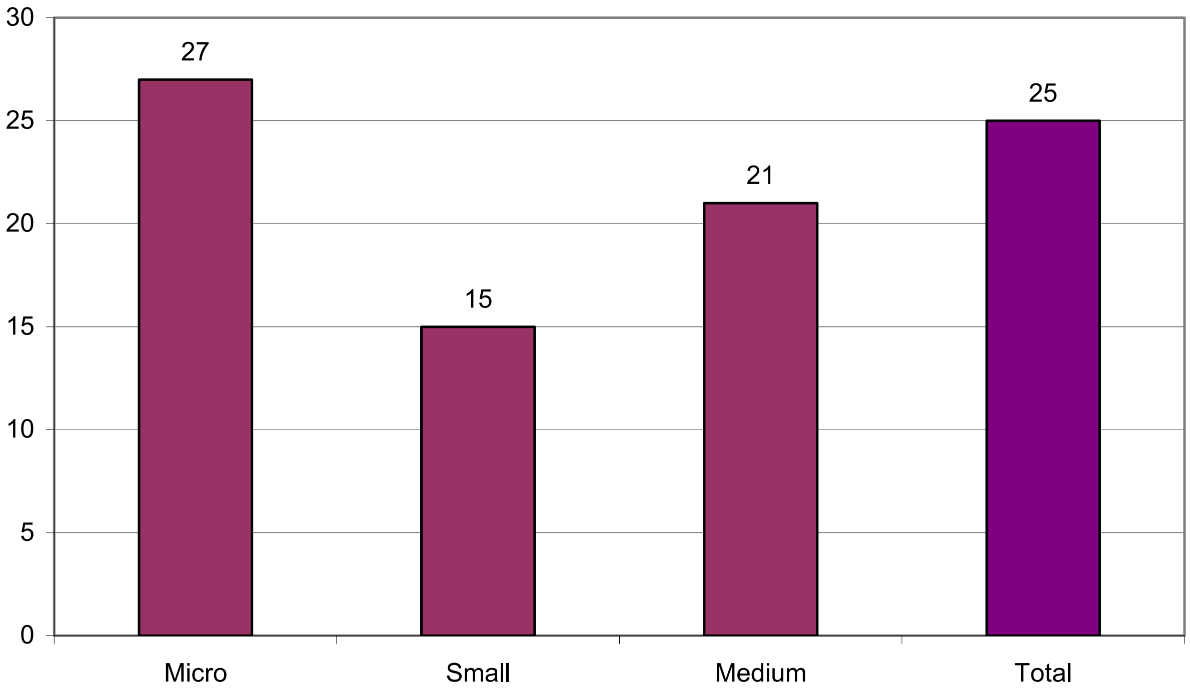
Figure 4 provides more detail on this, comparing mean levels of percentage of business turnover taken through taxation by type of legal structure the business has. It would appear from this chart that the perception of owner managers is that sole traders pay less tax as a proportion of turnover than other forms of business. Sole traders state that just below 20% of their total business turnover is taken by taxes and this compares with incorporated businesses, at just over 26%, and limited liability partnerships at 28%. There were 446 responses to this question.

Figure 4. Mean % of business turnover taken through taxation by firm legal structure



When we looked at the proportion of business turnover taken through taxation by size of firm (micro, small and medium) there was again some slight variance. There were 440 responses received to this question and it indicated that owner managers in small firms believe that they pay less in tax than owner managers in other sized firms. In the smallest size firm, the micro firm, owner managers deem the levels of taxation at 27% compared to 15% by those in small firms.

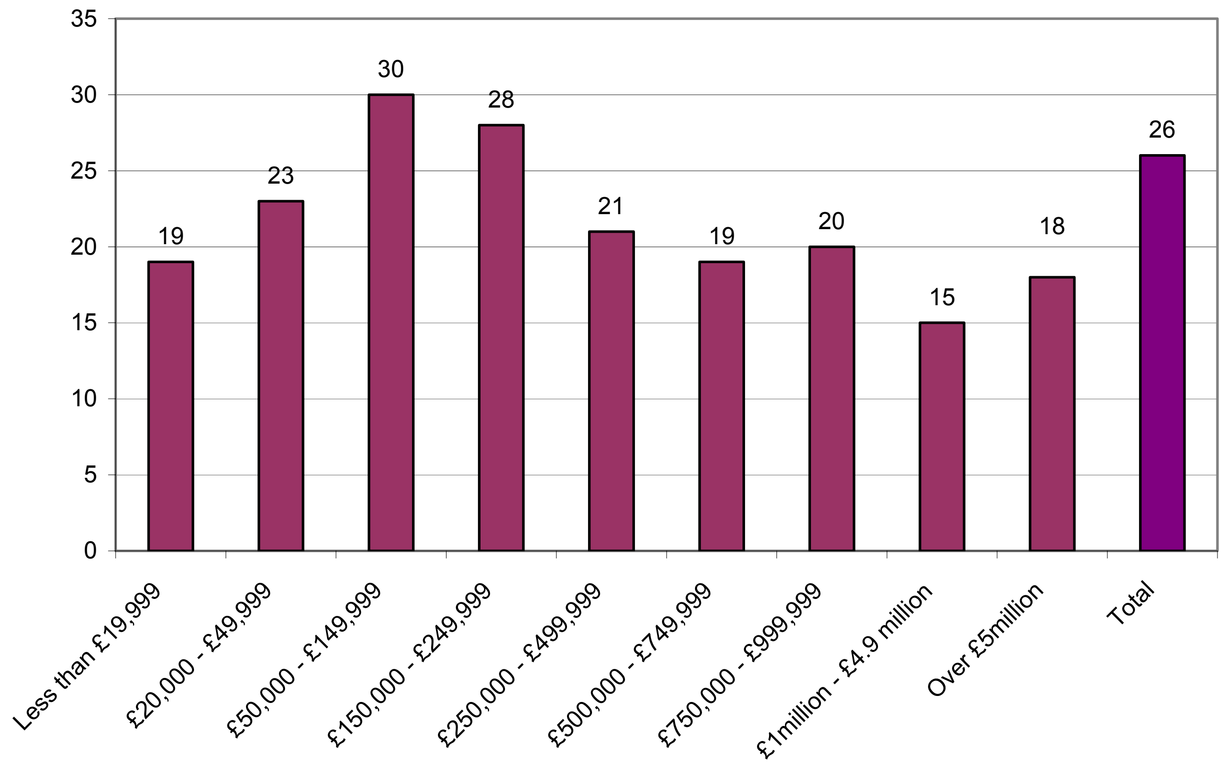
Figure 5. Mean % of business turnover taken through taxation by size of firm



By cross tabulating proportion of business turnover taken through taxation with turnover size there is again a variance to be noted. A reminder here for the reader that this is about perceptions of turnover that is taken up in taxation. It nevertheless indicates the size of firm by turnover were taxation is seen to be a more substantive issue. Those owner managers with a business in the turnover category of between £50,000 and £150,000 believe they pay out approximately 30% of business turnover in taxes. Out of the 438 responses used in this calculation, 214 fell into this classification. For those with a turnover of less than £20,000 (n=26) and for those with a turnover of between £500,000 and £749,000 (n= 15) the mean score in both was 19% of turnover accounted for through taxation. For the turnover category of £1 million to £4.9 million (n=22), the view was that taxes accounted for 15% of turnover.

The small number of responses in each of these classifications means that any extrapolation of these results should be treated with caution.

Figure 6. Mean % of business turnover taken through taxation by size of turnover



6. Regulatory change

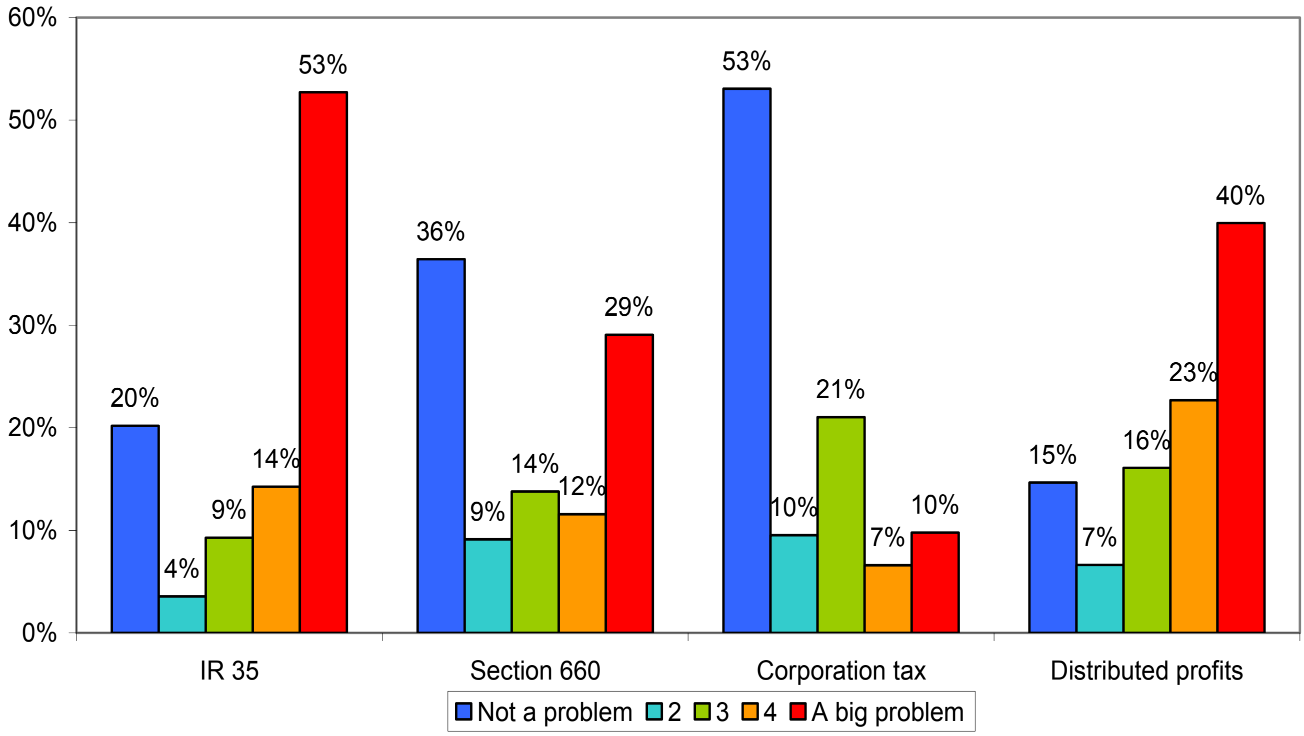
We asked firms about some of the potential affects from recent regulatory change. In particular, the following issues were cited in the question as being possible problem areas for some firms:

- IR 35 – This allows the Inland Revenue to treat fees paid to a company or a partnership as an individual's personal salary and therefore become liable to Class 1 National Insurance Contributions and PAYE.
- Section 660A – Known as the 'settlements legislation', this is a situation where an individual enters into an arrangement to divert income to someone else (for instance it could be the spouse of the individual concerned) and in the process, tax can be saved.
- 0% rate of corporation tax – This is a focus on profits below £10,000, which only applies to retained profits and those that are distributed to other companies.

- Proposed 19% tax on distributed profits – This measure is intended to ensure that when profits are distributed after 31 March 2004 (to individuals or trustees) the profits out of which they have been paid will be subject to a minimum rate of 19% corporation tax.

Figure 7 provides an overview of how owner managers responded to this question. The response was categorised through a variation of the Likert scale where 1 equated with no potential or actual problem, and 5 equated with potential (or actually) a 'big problem' for the firm.

Figure 7. Regulatory change and their potential affect on the small firm



With respect to IR 35, fees to a company or partnership regarded as individual salary and therefore subject to PAYE and NIC, more than half of firms believed this to be a problem area. There were 421 responses to this question with 222 stating this is likely to be a problematic aspect of regulatory change. The mean score for this was 3.8 therefore tending towards owner manager perception of a tax problem.

With respect to Section 660A, the settlements legislation, there was a bi-polar response to this, with roughly the same amount of firms recording this to be a problem as those indicating it not to be problematic. There were 406 responses to this. This is by no means contradictory, as it could be that this change could prove difficult for some owner managers and not problematic at all for others. The mean score of 2.6 indicates this regulatory change is not perceived as too difficult a challenge for most owner managers.

With respect to the 0% rate of corporation tax, with the focus on profits below £10,000, 53% of the 409 responses from owner managers felt this was not likely to be a problem. The mean figure of responses to this question was 2.1.

Finally, with respect to the minimum rate of 19% corporation tax, aimed at ensuring rates of taxation encourage reinvestment, 40% of owner managers (169 responses from a total of 423) felt that this was possibly problematic. The mean score for this question of 3.7 further indicates that, along with another 23% of responses (n=96), this is likely to be perceived as a problem taxation area and potential regulatory burden.

Respondents were asked to what extent a further change in legal structure, specifically a separate legal structure for the self-employed, would be beneficial. There were 477 responses to this question, with a further 37 saying this was not applicable to their particular circumstances. Of the 477 40% indicated that yes a separate legal form for the self employed would be beneficial (n=208), while 70 (14%) stated that it would not. Demonstrating the complexity that surrounds this question, a further 39% (n=199) answered that they did not know if a new legal structure would help them or not.

For those who had answered in the affirmative, they were then asked what characteristics this legal structure would have. Table 8 provides a breakdown of responses, with total affirmative responses at 208. Again, this was provided through a set of closed responses with nine options, of which she or he could tick any number. The most popular characteristics proved to be the ability to build up reserves for investment, with nine out of ten responses citing this as preferable, and limited liability with only slightly less respondents at 88%.

Table 8. The characteristics of a new legal structure for the self employed

	Response (from the 208 affirmatives)	**%**
Able to build up reserves for investment	190	91.4
Limited liability	183	88.0
0% tax on first £10,000 profit	162	78.0
Able to claim R & D tax credits	159	76.4
Informal accounts	159	76.4
Easy to withdraw capital	158	76.0
Entitled to raise business capital	155	74.5
In law the owner is the manager	119	57.2
Owners taxed on business profits	119	57.2

7. Brief comments on high technology service based firms and taxation

In section 3 it was noted that this survey has an inherent bias to it, in that a disproportionate number of respondents came from computer and related activities sector. It is worthwhile therefore, at this point, to consider briefly additional points that specifically relate to this sector. Obviously, the taxation and regulatory system apply to computer and related activities firms in the same manner as in other sectors, but work previously undertaken suggests small high technology service based firms do experience the tax burden differently.[7]

Earlier research has demonstrated that small high technology firms pay proportionately higher levels of tax in comparison to low technology small firms. This seems to be an odd state of affairs given that the former are readily cited as the type of company needed to support general levels of economic development, both in terms of local economic development and on

[7] The points here draw on the work of Poutziouris, P., Chittenden, F., Michaelas, N. and Oakey, R. (2000) Taxation and the performance of technology-based small firms in the U.K., *Small Business Economics*, 14, pp.11-36.

aggregate, for the country as a whole. In absolute terms high technology firms appear to pay less tax than low technology firms, yet as a proportion of total assets high technology firms do pay greater levels of tax.

Because of this it has been argued, by Poutziouris et al,[8] that the current tax system is disproportionately detrimental to those high technology firms that, despite high initial start up costs, manage to survive. This difference occurs because variables such as size of business, age of business, asset structure and liability have an impact on taxation. In fact firms from the high technology sector face a higher tax burden in comparison to other firms because

> "they are younger, smaller and more profitable, but also because they are more financially constrained and fail to utilise valuable interest and depreciation tax allowances."[9]

As high technology firms are generally younger and smaller than low technology firms there appears to be an additional tax burden experienced by the former. Through comparing the total tax to total asset ratio between high and low technology firms, it would seem that age has a negative relationship with tax for high technology service based firms, exactly the type of business that has been captured in this survey. Table 9 compares this tax burden, albeit relying on data that now is somewhat dated, during the period 1993 to 1996. In addition, while the association between firm size and taxation is less pronounced, it is the case that with high technology firms the smaller the firm, the greater the level of tax burden.

Table 9. Total taxes to total assets tax burden on service based firms[10]

Sector	1-5 years old	6-10 years old	Over 10 years old
High Tech Services	47.2%	46.3%	44.6%
Low Tech Services	32.9%	33.6%	25.7%

To this can be added how high technology firms generally exhibit lower levels of borrowing to total assets than their lower technology counterparts. This has the effect of reducing the ability to use loans to shield income from taxation. In part the Government have made an attempt to respond to this, yet as this survey has indicated, the experience of owner managers has led to a perception of a disproportionate burden through new taxation initiatives, as

[8] Ibid.
[9] Ibid. p.34.
[10] Ibid. p.24.

demonstrated in Figure 7. In addition, the potential for computer based service firms to include intangible assets on the company balance sheet is limited. This means that, in the case of such high technology service based firms, many development costs are simply absorbed into operating expenditure, which ultimately is part of the profit calculation and subject to taxation.

While initially the bias inherent in this survey led to some concern about the levels of generalization to be made from the results, this work has managed to capture businesses that are mainly young, micro in size and with a turnover of less that £150,000. Also over 80% have limited company status, so it would seem that many of these businesses have similar characteristics to those outlined in this section. In 1997-1998 it was estimated that incorporated small high technology firms contributed less than 1% of the total tax revenue, equating to about £2 billion. There is scope therefore for considered reflection by policy makers on the perceived difficulties of regulation and taxation that this group experiences.

8. Summary

In summary, this interim report has been able to raise a number of contemporary concerns about the systems of regulation and taxation facing the owner managed business. Income tax, corporation tax, national insurance taxes and uniform business rates form part of a broader level of costs to the small firm that, in addition, face a disproportionate burden from the costs of compliance. Owner managed businesses act as a collector of PAYE and VAT on behalf of UK Government and they are also required to administer their own taxation, including the deduction of taxes from employees. This comes at a much greater cost to the small firm.

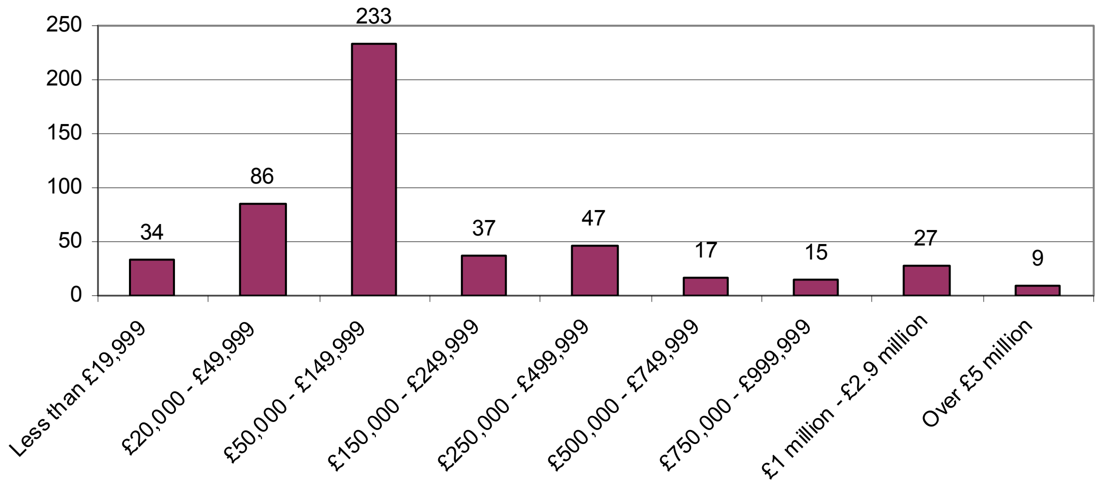
There can also be little doubt that these systems are complicated and challenge, indeed frustrate, many owner managers. There is also little doubt that government in general seeks to develop systems of taxation that are fair and relatively simple. The paradox is the complexity associated with taxation for the small firm and this is entirely due to the disproportionate effect of compliance costs. This opportunistic sample survey has provided an indication of the movement away from sole trader to limited company status among many of the respondents.

It would appear that this result is an intriguing development in response to the intended outcome from the 2004 Budget that sought to encourage the move to incorporation from self employment as part of a planned step to growth. According to respondents here, this move has taken place to enable benefits from lower tax levels and to reduce the financial risk. While owner managers believe that about 25% of their turnover is taken by taxation, it is notable that, by far, it is the accountant who is seen and trusted as a good advisor on taxation and regulation. Two areas likely to give rise to concern involve IR 35 and proposed 19% tax on distributed profits. These concerns contrast with the desire to build up reserves for investment as a key structural taxation issue that Government can and should afford to look at. Finally given the emphasis on new technology based firms, many of the points captured in this survey may prove to be pertinent to this sector in a specific sense.

Overall, greater levels of research into this field are justified. Any moves that would suggest, for example, that an amended regulatory structure of self employment is required that would enable greater levels of research and development and investment to be ploughed back into the firm, needs to be grounded in more extensive based levels of enquiry. This report has only been able to scratch the surface of a persistent set of challenges to owner managers and policy officials alike.

9. Appendices

Survey sample by turnover



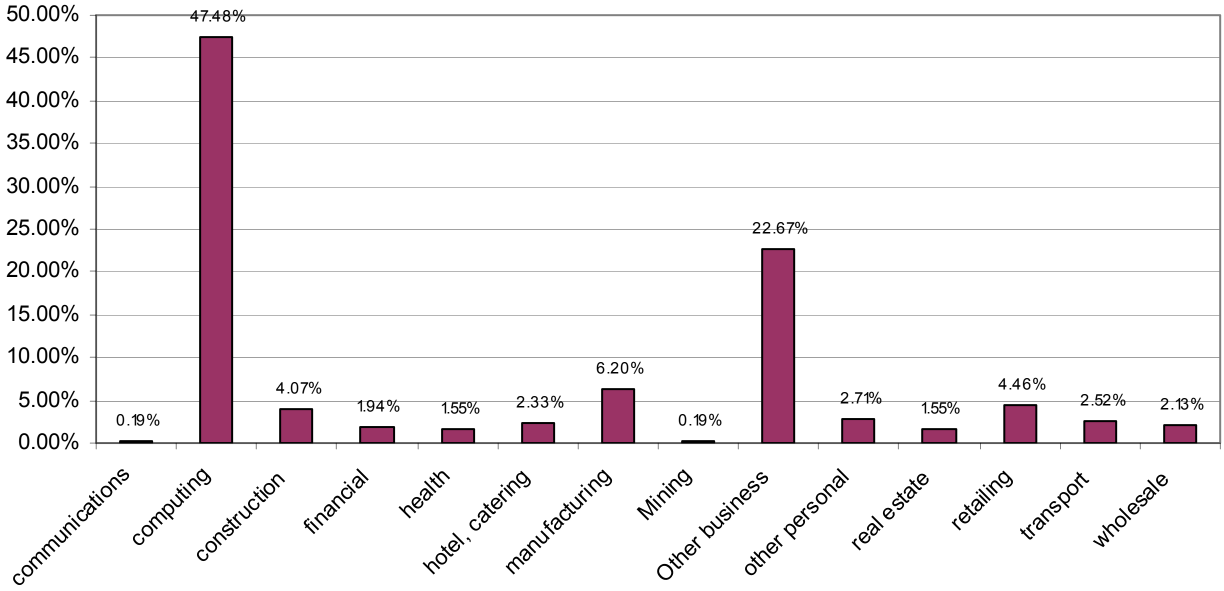
Survey sample by size of firm

	Responses	Sample %	National %
Micro	433	85.24%	94.70%
Small	67	13.19%	4.40%
Medium	8	1.57%	0.70%
Total	508		

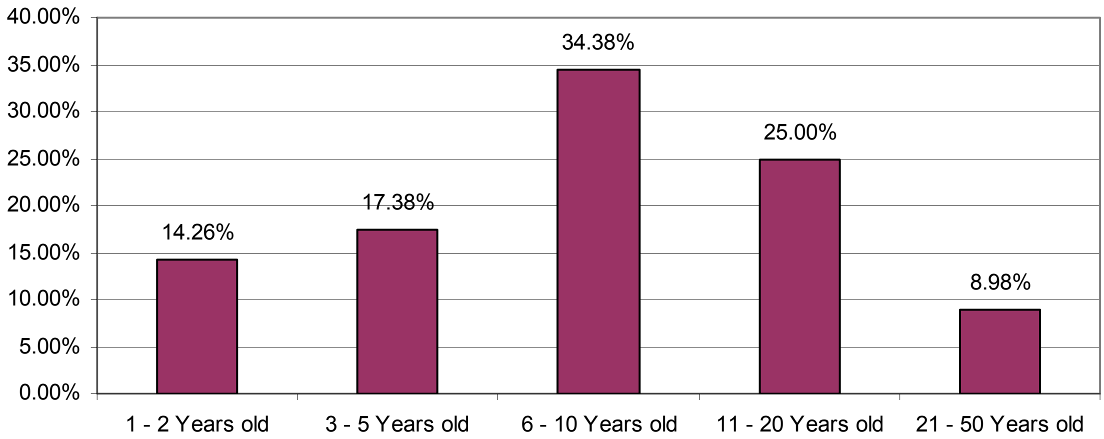
Survey sample by UK region

Region	Responses	Sample %	National %
North East	6	1	2
North West	43	8	10
Yorkshire & Humber	19	4	7
East Midlands	42	8	7
West Midlands	34	7	8
Eastern	40	8	10
London	108	21	16
South East	88	17	16
South West	74	14	9
Wales	35	7	4
Scotland	25	5	7
Northern Ireland	3	1	3
Total	517	100	100

Survey sample by sector



Survey sample by age of respondent's principal business



END