

# BERR

Department for Business  
Enterprise & Regulatory Reform



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## **Statistical press release** **Business start-ups and closures:** **VAT registrations and de-registrations in 2007**

Estimates of the number of enterprises registering and de-registering for VAT in 2007 are published today by the Department for Business, Enterprise and Regulatory Reform (BERR). The stock of VAT-registered enterprises at the start of 2008 is also released.

A dataset containing estimates for the period 1994-2007 for local areas, for Parliamentary Constituencies and for each of the UK's 200 main industries, is available on the BERR website (<http://stats.berr.gov.uk/ed/vat/index.htm>).

### **Summary**

The stock of VAT-registered enterprises increased by 57,900 (three per cent) during 2007, to reach 2.03 million at the start of 2008. There has been an increase in the stock of VAT-registered enterprises in every year since 1995, resulting in a 26 percent rise in the number of VAT registered businesses between the start of 1995 and the start of 2008.

In 2007, there were 205,700 new registrations - an increase of 13 percent on 2006 levels, and the highest number recorded since the series began in 1994<sup>1</sup>. There were 147,800 de-registrations in 2007 - an increase of two per cent on 2006 levels.

All regions and countries, and all but two major industrial sectors (agriculture and manufacturing), saw an increase in the stock of VAT-registered enterprises in 2007. All regions and countries and most industrial sectors saw an increase in the number of VAT registrations compared with 2006, and most regions, countries and industrial sectors saw an increase in the number of de-registrations.

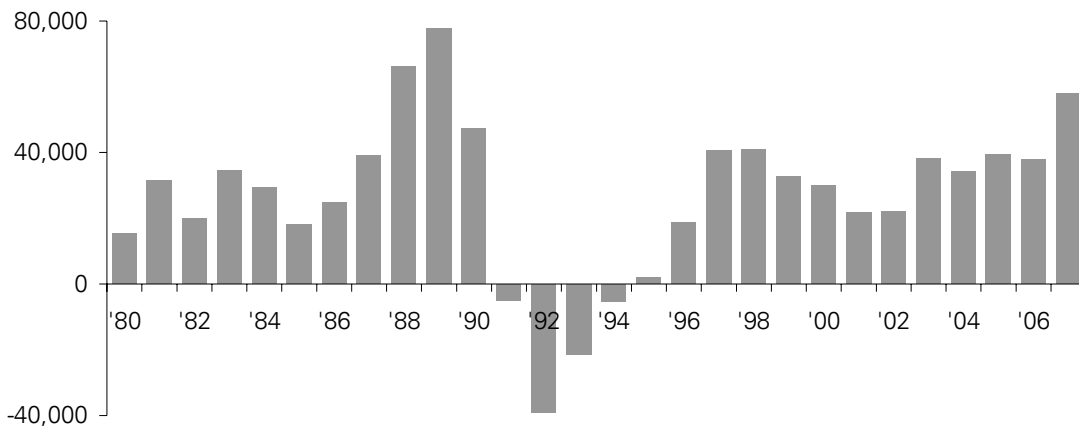
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<sup>1</sup> Note: this increase may partly reflect the impact of changes to tax rules relating to composite managed service companies in April 2007 – see paragraph 10 in the 'Notes to Editors' section at the end of this press release for more details.

## The stock of VAT registered enterprises, registrations and de-registrations

**Figure 1**

**Net change in the stock of VAT registered enterprises, 1980-2007<sup>1</sup>**



Source: BERR Enterprise Directorate (Statistics Team)

1. Increases in the VAT registration threshold in 1991 and 1993 mean the estimates are only broadly comparable over the period 1980-2007. Data for the period 1980-1993 are published separately at <http://stats.berr.gov.uk/ed/vat/index.htm>

There have been increases in the stock of VAT-registered enterprises in every year since 1995, resulting in a 26 per cent rise in the number of VAT registered businesses between the start of 1995 and the start of 2008 (Figure 1).

The number of new registrations increased by 23,700 (13 per cent) between 2006 and 2007 to 205,700, and the number of de-registrations increased by 3,500 (2 per cent) over the same period to 147,800 (Table 1). This is the highest number of new registrations recorded in the period covered by this publication (1994-2007). In 2007, there were 42 new registrations and 30 de-registrations for every 10,000 people aged 16 or over in the UK (Table 1).

**Table 1**  
**VAT registrations, de-registrations and stock**

UK, thousands, rate per 10,000 resident adults, percentage change

	Registrations		Deregistrations		Stock at start year
	'000	rate	'000	rate	
1994	166.4	36	171.8	37	1,620.1
1995	161.4	35	159.3	35	1,614.6
1996	165.1	36	146.4	32	1,616.7
1997	181.5	39	140.9	30	1,635.4
1998	180.7	39	139.8	30	1,676.1
1999	175.6	38	143.1	31	1,717.0
2000	177.8	38	147.7	31	1,749.6
2001	169.2	36	147.5	31	1,779.6
2002	176.2	37	154.0	32	1,801.3
2003	191.5	40	153.5	32	1,823.5
2004	184.0	38	149.7	31	1,861.6
2005	182.4	37	142.8	29	1,895.9
2006	182.1	37	144.3	29	1,935.5
2007	205.7	42	147.8	30	1,973.2
2008	..	..	..	..	2,031.1
change 06-07 ('000) <sup>1</sup>	23.7	4	3.5	0	57.9
change 06-07 (%) <sup>1</sup>	13.0	12	2.4	2	2.9

Source: BERR Enterprise Directorate (Statistics Team)

.. Not available

1. In the case of stock, the figures refer to change during 2007 (between start 2007 and start 2008).

## Industries

Only the Agriculture (including fishing) and Manufacturing sectors experienced a fall in the stock of VAT-registered businesses during 2007 (experiencing net losses of 2,200 and 400 respectively). All other sectors saw an increase in the stock of VAT-registered businesses. The largest net gain and percentage change was in Business Services, where the stock of VAT-registered businesses rose by 38,800 (a six per cent increase since the start of 2007). This industry sector has grown by nearly 240,000 businesses in the last ten years to 644,600, or 32 per cent of all VAT-registered businesses in the UK at the start of 2008. The industry with the second largest percentage change in stock of VAT-registered businesses was the Education and Health sector, which saw an increase of five per cent (1,600 businesses) between the start of 2007 and the start of 2008.

**Table 2****Numbers of enterprises registering and de-registering for VAT by industry, UK, 2007**

Thousands

	Registrations		Deregistrations		Stock		
		change		change	start of	change	% change
	2007	on 2006	2007	on 2006	2008	during 2007 <sup>1</sup>	during 2007 <sup>1</sup>
All industries	205.7	23.7	147.8	3.5	2,031.1	57.9	2.9
Agriculture, fishing	4.0	0.0	6.1	1.1	153.7	-2.2	-1.4
Mining, energy, water	0.2	0.1	0.2	0.0	2.0	0.1	3.8
Manufacturing	10.1	1.0	10.5	-0.3	152.5	-0.4	-0.3
Construction	25.9	2.5	16.6	1.1	244.0	9.3	4.0
Wholesale, retail, repairs	34.1	0.2	29.6	-1.2	401.3	4.5	1.1
Hotels, restaurants	18.0	-0.7	14.2	-1.1	145.5	3.8	2.7
Transport, communication	8.5	0.2	6.9	-0.1	85.9	1.6	1.9
Finance	1.7	0.0	1.5	0.1	21.8	0.2	0.9
Business services	89.5	20.3	50.7	3.4	644.6	38.8	6.4
Education, health	3.2	0.4	1.7	0.1	32.8	1.6	5.1
Other services	10.6	-0.3	10.0	0.4	146.9	0.6	0.4

Source: BERR Enterprise Directorate (Statistics Team)

In 2007, most sectors saw an increase in the number of registrations and an increase in the number of de-registrations compared with 2006 (Table 2). The Business Services sector saw the largest increase in registrations, with 20,300 more in 2007 than in 2006. The largest fall in the number of registrations was in Hotels and Restaurants (700).

In 2007, the largest increase in de-registrations was also in the Business Services sector, where de-registrations rose by 3,400. The Wholesale, Retail and Repairs sector saw the largest fall in de-registrations, with 1,200 less than in 2007 than in 2006.

### Regions and local areas

Overall, there was an increase of 57,900 (three per cent) in the stock of VAT-registered enterprises during 2007 and all countries and regions in the UK saw an increase in their stock (Table 3). In terms of absolute numbers, London saw the biggest increase (13,600), and Northern Ireland saw the smallest (700). In percentage terms, London saw the largest increase in stock (4.4 per cent) and Northern Ireland saw the smallest (1.1 per cent).

#### Number of registrations and de-registrations

In 2007, all regions and countries (except Northern Ireland, which saw a fall of less than 100) saw an increase in the number of registrations compared with 2006 and all regions and countries (except the West Midlands) saw an increase in the number of de-registrations (Table 3).

There were 41,300 registrations in London in 2007, the largest number of any English region, closely followed by the South East, where there were 32,000 registrations. London saw the largest absolute increase in registrations (6,400). London also saw the largest absolute increase in de-registrations of any English region, up 700 on 2006 levels. In the West

Midlands, the only region or country to see a decrease in de-registrations, de-registrations fell by 100.

**Table 3**  
**Numbers of enterprises registering and de-registering for VAT by country and region, 2007**

Thousands

	Registrations		Deregistrations		Stock		
	2007	change	2007	change	start of 2008	change during 2007 <sup>1</sup>	% change during 2007 <sup>1</sup>
		on 2006		on 2006			
United Kingdom	205.7	23.7	147.8	3.5	2,031.1	57.9	2.9
North East	5.8	1.1	3.7	0.2	52.3	2.1	4.1
North West	20.6	2.5	14.7	0.5	194.7	6.0	3.2
Yorkshire and the Humber	14.5	1.7	10.8	0.3	145.2	3.8	2.7
East Midlands	13.3	0.9	9.5	0.1	139.1	3.7	2.8
West Midlands	15.7	0.9	12.1	-0.1	167.1	3.7	2.2
East of England	19.7	2.2	14.7	0.5	204.7	5.0	2.5
London	41.3	6.4	27.7	0.7	321.6	13.6	4.4
South East	32.0	3.3	23.2	0.2	319.9	8.8	2.8
South West	17.0	1.5	12.5	0.2	191.1	4.5	2.4
England	179.9	20.6	128.8	2.6	1,735.7	51.1	3.0
Wales	6.8	0.3	5.7	0.3	87.3	1.1	1.3
Scotland	14.6	2.8	9.6	0.5	141.9	5.0	3.6
Northern Ireland	4.4	0.0	3.7	0.1	66.2	0.7	1.1

Source: BERR Enterprise Directorate (Statistics Team)

### Registration and de-registration rates

Regions with a high registration rate also tend to have a high de-registration rate (Table 4). There are also large regional variations. In London there were 68 registrations and 45 de-registrations for every 10,000 residents aged 16 or over in 2007, compared to just 28 registrations and 18 de-registrations in the North East (Table 4). London had the highest business density rate at the start of 2008 (527 VAT-registered businesses for every 10,000 resident adults) and the North East had the lowest (249 VAT-registered businesses for every 10,000 resident adults).

**Table 4**  
**Rates of registration, de-registration and stock per 10,000 resident adults by country and region, 2007**

Number per 10,000 resident adults

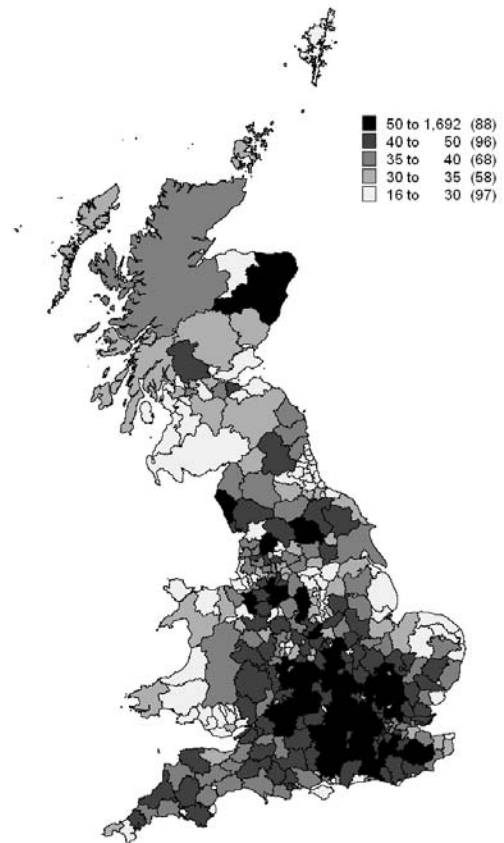
	Registrations		Deregistrations		Stock	
	2007	change on 2006	2007	change on 2006	start of 2008	change during 2007
United Kingdom	42	4.5	30	0.5	411	8.3
North East	28	5.0	18	0.8	249	8.3
North West	37	4.3	26	0.8	350	9.2
Yorkshire and the Humber	35	3.8	26	0.4	345	5.7
East Midlands	37	2.1	27	-0.1	388	6.3
West Midlands	36	2.0	28	-0.4	386	6.6
East of England	43	4.4	32	0.8	447	5.9
London	68	10.2	45	0.9	527	19.5
South East	48	4.5	34	-0.1	476	8.4
South West	40	3.1	29	0.2	449	4.8
England	43	4.6	31	0.4	419	8.9
Wales	28	1.0	24	1.2	360	1.8
Scotland	35	6.5	23	0.9	336	9.3
Northern Ireland	32	-0.6	27	0.4	480	-1.0

Source: BERR Enterprise Directorate (Statistics Team)

All regions and countries except Northern Ireland saw an increase in the number of VAT registrations per 10,000 residents aged 16 or over in 2007, compared to 2006 (Table 4). All regions and countries except the West Midlands, East Midlands and the South East saw an increase in the number of VAT de-registrations per 10,000 residents aged 16 or over during the same time period. All regions and countries except Northern Ireland saw an increase in the number of VAT-registered businesses per 10,000 residents aged 16 or over at the start of 2008, compared to the start of 2007.

Figure 2 shows how VAT registration rates vary across the UK at a local area level. Rates range from 16 registrations per 10,000 resident adults in Easington Local Authority to 1,691 in the City of London.

In general, VAT registration rates are higher in London and surrounding regions. There are a number of clusters of low registration rates across the UK, such as the North East of England, South West Scotland, and South Wales.



**Figure 2**  
**VAT registration rates in 2007 by local area<sup>1</sup> (registrations per 10,000 resident adults)**

<sup>1</sup> Local areas are Scottish Council Areas, London Boroughs, and Unitary Authorities/ Local Authority Districts in the rest of England and Wales.

## **National Statistics**

National Statistics are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. You can find a range of National Statistics on the Internet – [www.statistics.gov.uk](http://www.statistics.gov.uk)

## Notes to editors

1. VAT registrations and de-registrations are the best official guide to the pattern of business start-ups and closures. They are an indicator of the level of entrepreneurship and of the health of the business population. As such they are used widely in regional and local economic planning.

2. These figures do not, however, give the complete picture of start-up and closure activity in the economy. Some VAT exempt sectors and businesses operating below the threshold for VAT registration are not covered. At the start of 2008, the VAT threshold was an annual turnover of £67,000. At the start of 2007, 2.0 million of the estimated 4.7 million enterprises in the UK were VAT-registered.

3. However, some businesses do voluntarily register for VAT even though their turnover is below the threshold. Data for 2007 shows that around a fifth of all registrations have turnover below the VAT threshold.

4. To make the figures as comparable as possible over time, a number of adjustments are made. The registration figures for recent years are increased slightly to allow for the small number of registrations that take more than a few months to be reported. Similarly, the de-registration figures are decreased slightly to take account of dormant businesses which were classed as de-registered, but that have subsequently been found to be active again.

5. Many factors influence the pattern of business start-ups. Among the most important are economic growth (encouraging new ventures and creating demand for business and personal services), the level of industrial restructuring and contracting out, and the stock of people with management or small business experience.

6. The source of these figures is the Inter-Departmental Business Register (IDBR). It contains records of all businesses registered for VAT and is administered by the Office for National Statistics (ONS).

7. Some VAT-registered enterprises are excluded from the series, since details of their location or date of de-registration are not known. This is to avoid misleading comparisons of data. More detail is available in the accompanying guidance note on the BERR website.

8. Two free electronic datasets are available from the BERR website:

- estimates for every country, region, county, unitary authority, local authority district and parliamentary constituency in the UK, 1994-2007, plus more detailed estimates for each of the UK's main 200 or so industry sectors;
- a separate dataset for the period 1980-1993. Large increases in the compulsory VAT registration threshold in 1991 and 1993 mean that these figures should not be compared directly with the 1994-2007 file.

9. The datasets are available to download from the BERR website at <http://stats.berr.gov.uk/ed/vat/index.htm>. Estimates of registrations and de-registrations covering the period 1994 to 2006 published in November 2007 have been revised in this

year's publication. A guidance note, also on the website, gives details of the methodology and the revisions.

10. The registrations estimates released show that in 2007 there were the highest number of registrations in the period covered by the series (206 thousand). It is likely that these figures partly reflect the impact of changes of the tax rules in April 2007 surrounding Managed Service Companies (see <http://www.hmrc.gov.uk/employment-status/msc.htm> for more details) where businesses registered as Managed Service Companies at one address (and excluded from our series – see paragraph 9 i in the Guidance note) de-registered and re-registered as single entities elsewhere.

11. A new Structural Business Statistics Regulation has been introduced by Eurostat, which requires the ONS to produce statistics on business births, deaths and survival rates. These statistics will be produced using definitions and methodology determined by Eurostat, which will ensure greater comparability across the EU.

These statistics will be published at the same time as this publication and will be available at: <http://www.statistics.gov.uk/pdfdir/bd1108.pdf>

12. To ensure a single methodology and source for users, this year will see the final publication of 'Business start-ups and closures: Vat registrations and de-registrations in the UK'. In future users will be directed to the ONS statistics for information on business start-up and closures. More information on the differences between the methodology and statistics will be put on our website alongside this publication (available at: <http://stats.berr.gov.uk/UKSA/ed/sa20081128.htm>) and will also be published in the December 2008 issue of Economic and Labour Market Review.

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