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Tax Compliance

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WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

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- 3 Management Style September 1993
- 4 Financial ManagementDecember 1993

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- 2 Pensions February 2004
- 3 Work-Life Balance..... July 2004

2004-05 (Vol.2)

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2006 (Vol.3)

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- 2 Managing IT May 2006
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- 2 The Ageing Workforce..... April 2007
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2008-09 (Vol.5)

- 1 The London 2012 Olympic And Paralympic Games..... April 2008
- 2 Competition: Small Firms Under Pressure.....January 2009

WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

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The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

HIGHLIGHTS

This is the sixteenth of a series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **Tax Compliance**. The principal findings were as follows:

- **Time spent on self-assessed tax system** - over 40% of respondents fear that the new self-assessment tax systems will take more time and cost more. Comments on questionnaires expressed strong opinions about the administrative burdens imposed on small firms by the tax system in general.
- **Accountants** - more than three-quarters of respondent firms (78%) now have their tax returns prepared by a qualified accountant, compared with 70% five years ago.
- **Payroll services** - 78% of respondents carry out payroll services - the calculation of tax and other deductions from wages and salaries and the preparation of payslips - internally.
- **Corporation tax changes** - the vast majority (88%) of respondents did not have problems with earlier changes to the corporation tax system, and in the few cases where they did, the problems were resolved by accountants.
- **Obligations arising from self-assessed tax system** - although only 62% of small firm respondents feel prepared for self-assessment, 79% are nonetheless aware that the new system imposes obligations on employers as well as employees and the self-employed.
- **Awareness of extra information needed** - 63% of respondents are aware of the fact that they will need to supply more information to employees about their remuneration to help them with their tax returns. Over half (52%) were not aware that the new self-assessment shifts tax assessment of income from the preceding to the current year.
- **Increased demands** - a significant minority (42%) expect that the new self-assessment systems will take more time and cost more, whilst only 6% felt the new system would make tax returns easier and/or less costly, and 11% had no specific concerns.
- **Penalties** - only 22% are particularly worried about penalties, which according to accountants amongst our respondents, are an issue for concern.

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The Trust acknowledges the help provided by Graham Bannock & Partners Ltd, David Purdy, The Open University and The University of Westminster in designing the survey, processing data and analysing the results.

The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds Bank plc in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds Bank plc.

MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds Bank/Small Business Research Trust Management Report addresses one or more highly topical small business management issues. In this survey we focus on ***Tax Compliance***.

Past surveys have covered:

1993: Vol.1

- No.1 Surviving The Recession***
- 2 Using Your Time***
- 3 Management Style***
- 4 Financial Management***

1994: Vol.2

- 1 Purchasing***
- 2 Quality Standards & BS 5750***
- 3 Management Succession***
- 4 Customers & Competitors***

1995: Vol.3

- 1 Information Technology***
- 2 Holidays***
- 3 Company Vehicles***
- 4 Pricing Policies***

1996: Vol.4

- 1 Training***
- 2 A Day in the Life***
- 3 Financial Management***

It is planned to cover the following management issues in future:

- Attitudes to 'Europe'
- Recruitment
- I.T.

THE SAMPLE

This report is based on responses received from a panel of some 350 small businesses situated in the Northern, Midland and Southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. Over half of the participating firms employ fewer than 10 people and over one-third of the firms are less than 5 years old.

RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during September/October 1996.

TAX COMPLIANCE

The administration of the taxation system clearly arouses strong feelings among our respondents. Over a quarter of respondents took the opportunity to add comments to their questionnaires, slightly more than usual. Almost half of these comments were related to the cost burdens imposed on business. Many of the comments were bitter:

"I have been fined £100 because a tax return was inadvertently returned 5 days late...the (government)... should be concentrating their efforts on the people who are defrauding the country of £billions and not on a small businessman trying to do his best."

"We are all prisoners....unpaid tax collectors."

"Small firms - and small firm people - will, as always, be badly hit by this new tax regime...when, oh when, will Government learn that... small firms need help, not continued kicks in the teeth ?"

"We seem to spend more time working for the taxman than anyone else !"

"The concept of 'random audit' of taxpayers' affairs does not even approach the concept of reasonableness and fairness usually associated with UK law. The only hope is that random selection will pick out a Member of Parliament at an early stage."

There was a glimmer of cynical humour in the last quote, but this appeared again only in one other case:

"Democracy and welfare rely on taxes. Avoidance is selfish. Compliance is selfless. Utopia will hold a middle course. Dream on !"

As we show later on in this report, the vast

majority of firms use a qualified accountant or, in a minority of cases, a book-keeper, to prepare tax returns and many other comments from respondents underlined this fact while implying that they did not understand the details themselves:

"We are lucky to be big enough to use a qualified accountant, but I do pity the small firm."

"It is vital to make full use of your accountant, not only for convenience, but for the company's tax planning as a whole."

"We leave it to our accountants and payroll bureau to ensure we comply."

Two respondents, in response to a question about their awareness of specific tax obligations in connection with the new self-assessment system (Question 7) commented in identical terms:

"All options 'No' (Not aware) - Accountant will deal with all tax matters."

Two of our respondents, both accountancy firms, stated that many firms do not understand the new self-assessment system. One wrote:

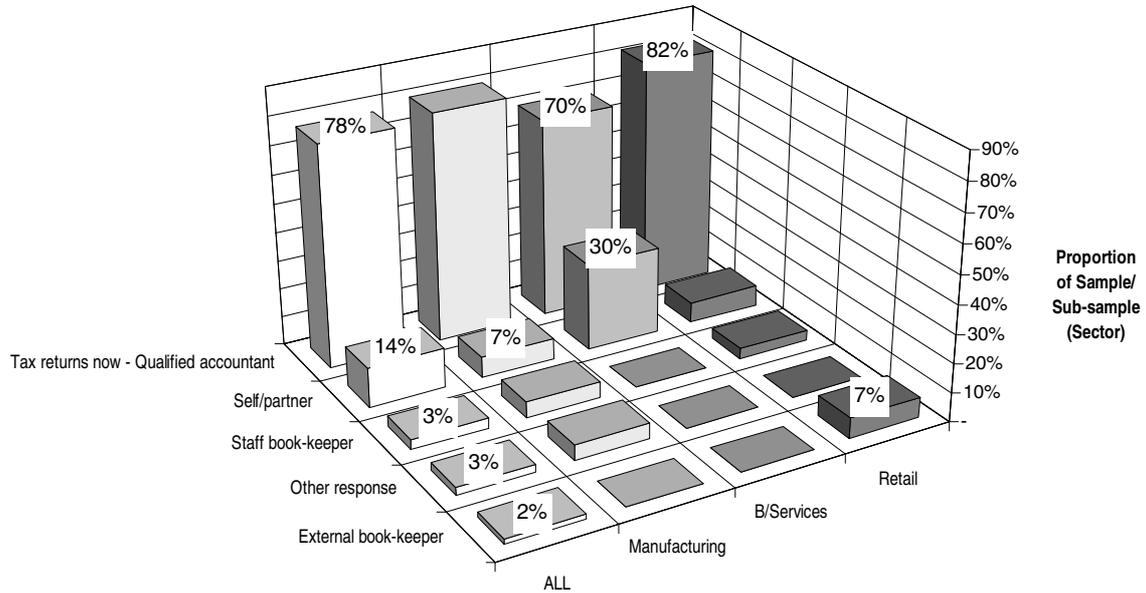
"Many self-employed taxpayers do not know the implications of the new system and the penalties that will be rigidly imposed for non-compliance..."

Two respondents could not understand why the tax system could not be simplified:

"Why the administration of NI and PAYE could not be fully integrated is a mystery."

"Why can't book work, VAT etc, be much more simplified - it all puts costs and pressures on small business people ?"

**Fig 1 - PREPARATION OF TAX RETURNS AT PRESENT:
BY SECTOR**



Only three out of 30 respondents making comments exhibited confidence (though, of course, most were simply leaving it all to their accountants), for example:

"We have knowledge of self-assessment income tax by attending seminars."

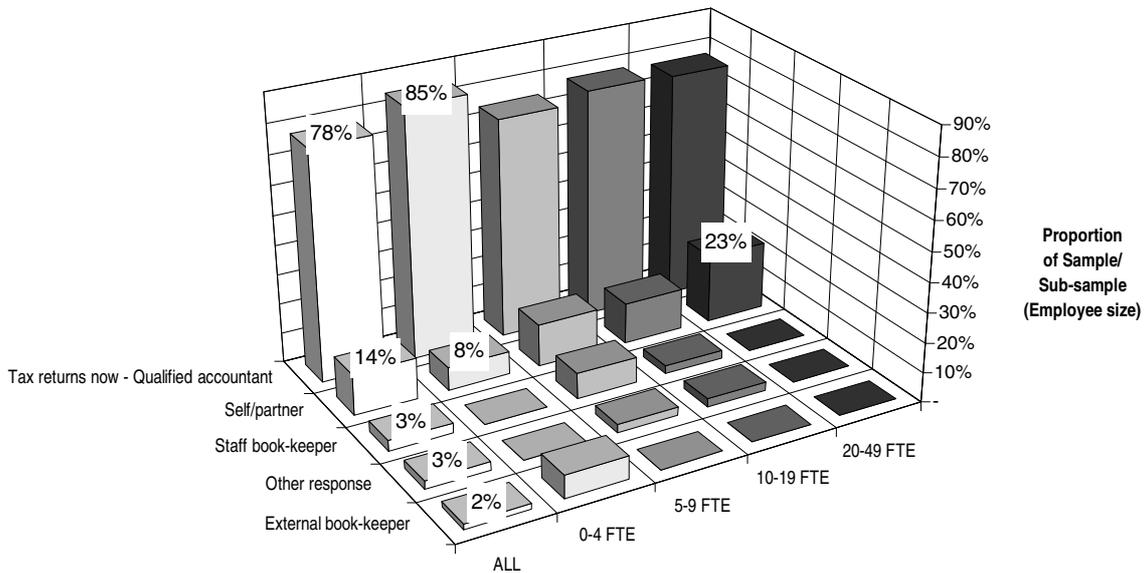
"We are seriously concerned that we are missing something because of all the fuss made. Other than that, we think we're on top of it."

PREPARATION OF TAX RETURNS

Tax returns are prepared by a qualified accountant in more than three quarters of respondent firms (78%). In only 14% of firms are returns prepared by the owner or his partner (**Figure 1**). Tax returns are left to an internal or external book-keeper in only 5% of cases. The heavy use of accountants is common to all sectors, firm size groups and regions.

The smallest firms (0-4 FTE) are the most likely to use an accountant or an external book-keeper. In somewhat larger firms (5-9 FTE) there is more likely to be an internal book-keeper, with no use of external book-keepers except in the bottom size band. Tax returns are more likely to be prepared in house the larger the firm.

**Fig 2 - PREPARATION OF TAX RETURNS AT PRESENT:
BY EMPLOYEE SIZE**



Respondents were also asked who prepared their tax returns five years ago. The comparison between the two time periods is shown in **Table 1**. The trend towards shifting tax return work to the professional accountant is very clear. Overall, 78% of firms now use an accountant for this purpose compared

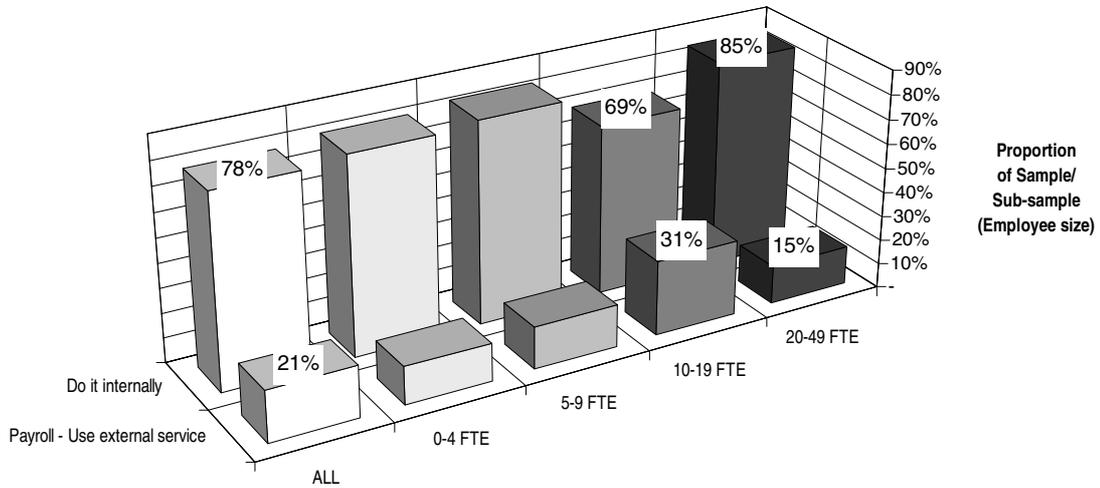
with 70% five years ago. This trend is common to all activity sectors and most firm size bands and there has been a particularly large shift for the smallest (0-4 FTE) band.

In only 14% of firms does the owner or partner now prepare tax returns compared

Table 1 - BY WHOM TAX RETURNS ARE PREPARED NOW (AND 5 YEARS AGO)

Tax Returns Prepared by:	All	Manu- facturing	Business Services	Retail/ Dist.	Full-time employees (FTE)			
					0-4	5-9	10-19	20+
Qualified Accountant	78% (70%)	80% (71%)	70% (67%)	82% (71%)	85% (69%)	74% (74%)	78% (67%)	74% (68%)
Self/Partner	14% (16%)	7% (13%)	30% (24%)	7% (14%)	8% (12%)	14% (17%)	14% (19%)	21% (16%)
Staff book-keeper	3% (3%)	5% (5%)	- (-)	4% (-)	- (-)	9% (9%)	3% (-)	- (-)
External Book-keeper	2% (2%)	- (2%)	- (-)	7% (4%)	8% (4%)	- (-)	- % (3%)	- (-)
Other and non-response	4% (10%)	7% (10%)	- (9%)	- % (11%)	- % (16%)	3% (-)	6% (12%)	- % (5%)
TOTAL	100% (100%)	100% (100%)	100% (100%)	100% (100%)	100% (100%)	100% (100%)	100% (100%)	100% (100%)

Fig 3 - USE OF PAYROLL SERVICES: BY EMPLOYEE SIZE



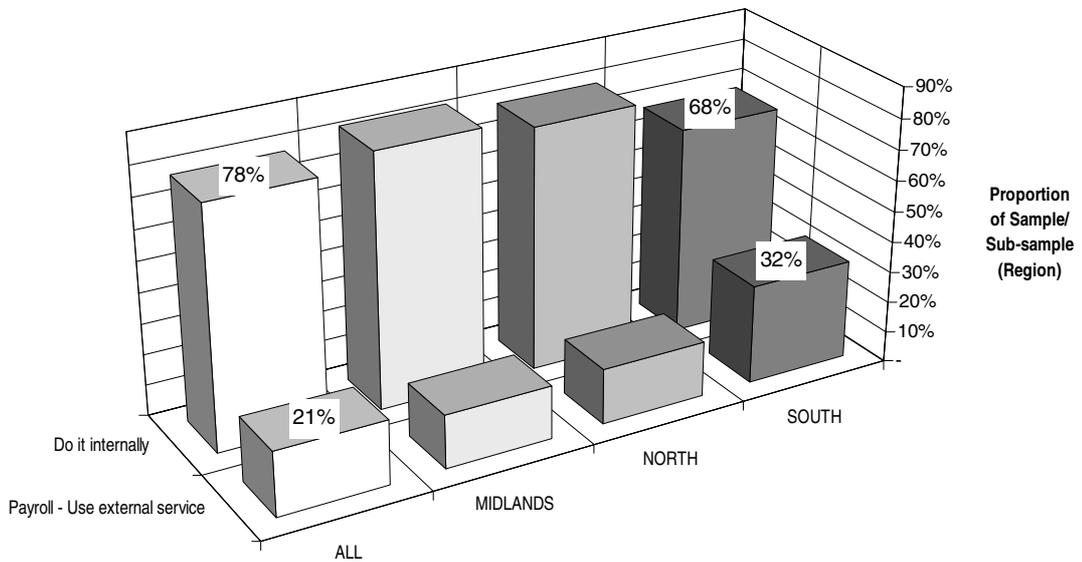
with 16% five years ago. Overall, there has been no change in the proportion of firms using a book-keeper, internal or external, though the overall figures conceal an increase in the use of book-keepers by retailers and a decline in their use by manufacturers. Readers should note that interpretation of Table 1 is affected by small sample sizes and non and other responses. In some cases, work on corporation tax returns and PAYE/NI returns is not done by the same people (the former is more likely to be left to the accountant).

PAYROLL SERVICES

One option for small firms is to use an external payroll service provided by a bank or specialist firm to calculate tax and other deductions from wages and salaries and prepare pay slips. Alternatively, this work can be done internally by the owner or a book-keeper or it may be done externally by an accountant or outside book-keeper.

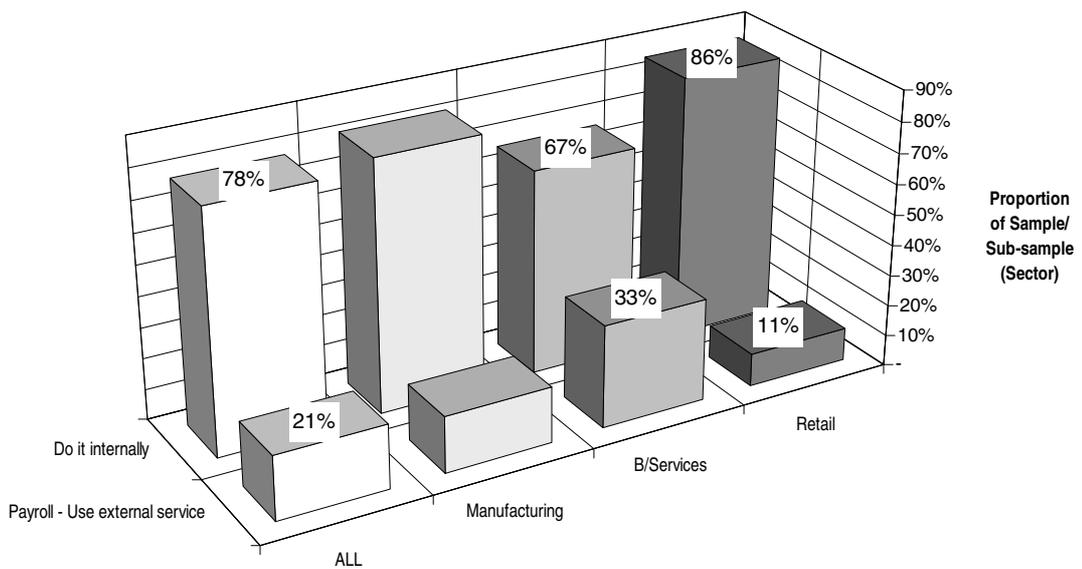
Figure 3 shows that 78% of our respondents do this work internally. The smallest firms (0-9 FTE) and the largest (20+ FTE) are least likely to use payroll services and firms in the 10-19 FTE band the most likely. At the upper end of the size range, we have already seen, firms tend to have in-house facilities for accounting and tax work. However, perhaps amongst the smaller firms, more might consider the economics of payroll services.

Fig 4 - USE OF PAYROLL SERVICES: BY REGION

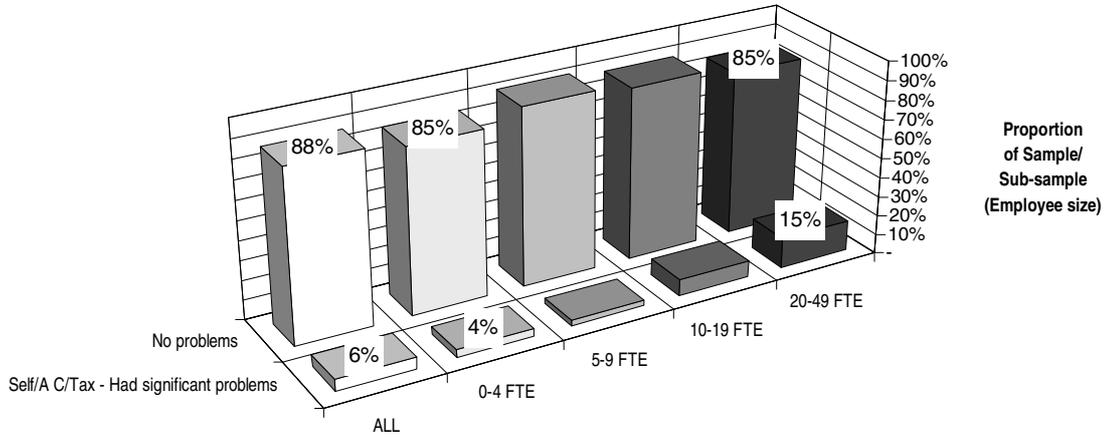


Payroll services do seem to be more widely used in the South of the country than in the North and Midlands (**Figure 4**) and most in business services and least in retailing (**Figure 5**).

Fig 5 - USE OF PAYROLL SERVICES: BY SECTOR



**Fig 6 - PROBLEMS WITH NEW CORPORATION TAX SYSTEM:
BY EMPLOYEE SIZE**

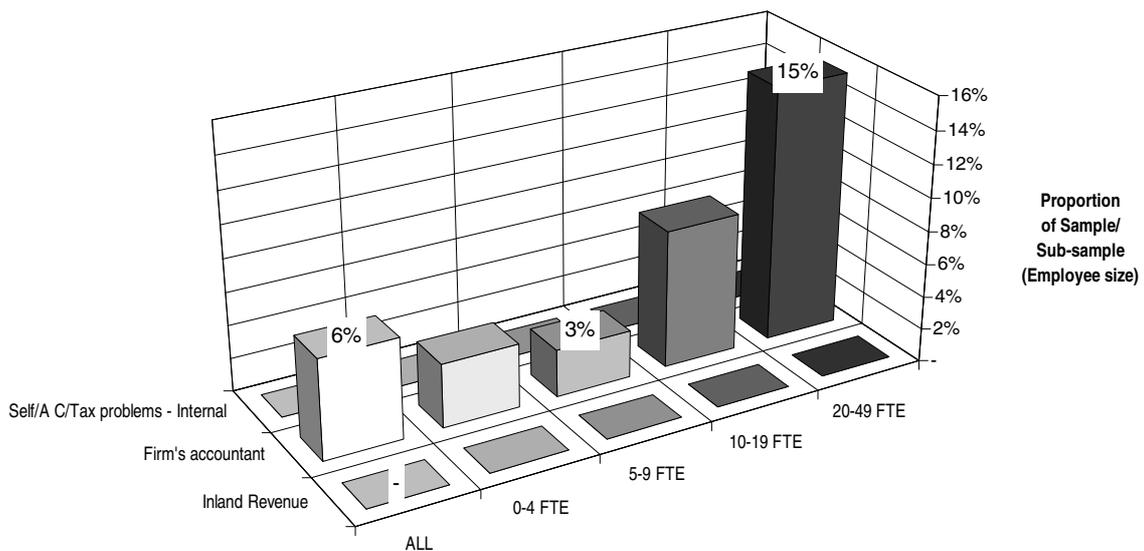


CORPORATION TAX

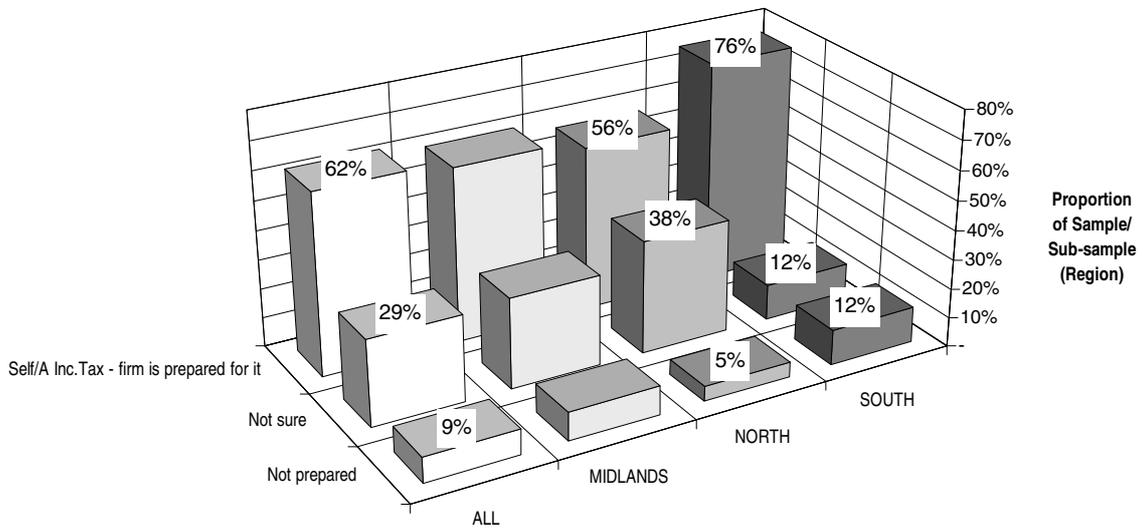
Although self-assessment for income tax is only being introduced now, corporation tax shifted to a 'file and pay' system from

October 1993 onwards. Respondents were asked whether or not they had significant problems with the changes to the corporation tax system and, if so, where they got help. The vast majority

**Fig 7 - AID WITH NEW CORPORATION TAX PROBLEMS:
BY EMPLOYEE SIZE**



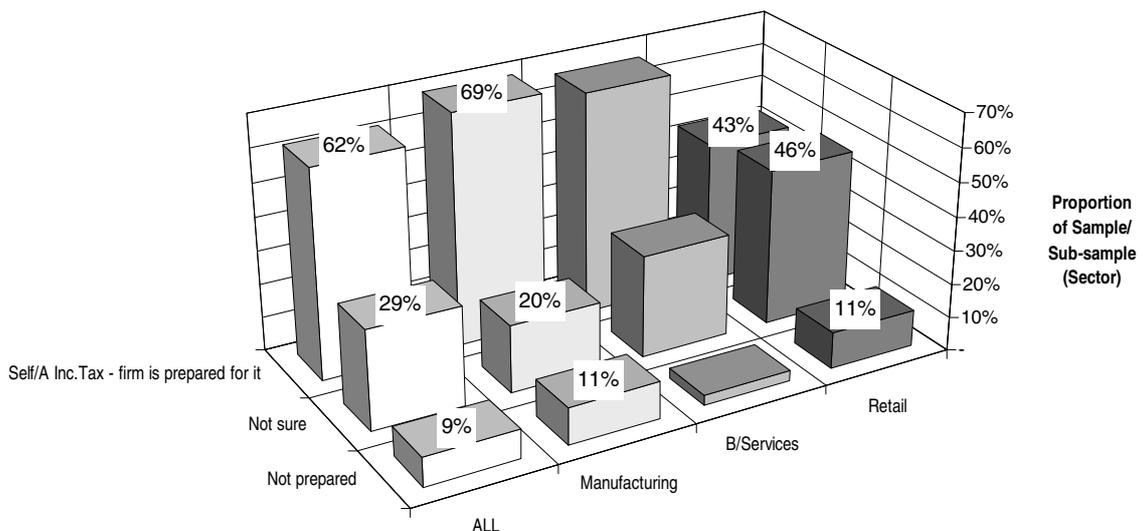
**Fig 8 - READINESS FOR SELF-ASSESSED INCOME TAX:
BY REGION**



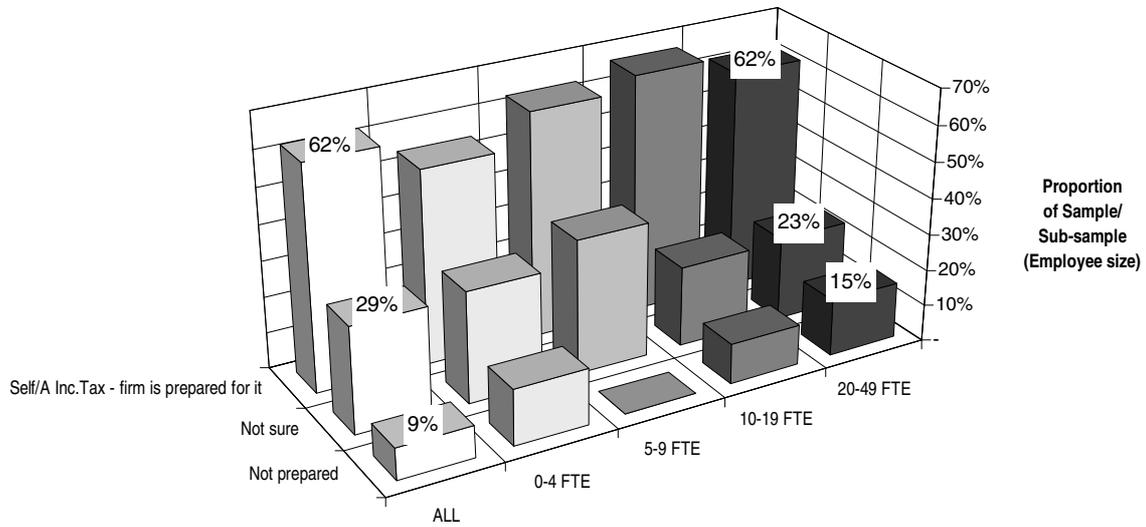
(88%) did not have problems (**Figure 6**) and in a few cases where they did, the problems were resolved by the accountant. This confirms the major role of accountants in business taxation and

perhaps explains why few problems were experienced. In no case was the Inland Revenue identified with resolving the problems (**Figure 7**). Inevitably, as figures 6 and 7 show, larger firms (20+FTE) were

**Fig 9 - READINESS FOR SELF-ASSESSED INCOME TAX:
BY SECTOR**



**Fig 10 - READINESS FOR SELF-ASSESSED INCOME TAX:
BY EMPLOYEE SIZE**



more likely to experience difficulties with corporation tax since these firms are more likely to be incorporated and therefore subject to the tax.

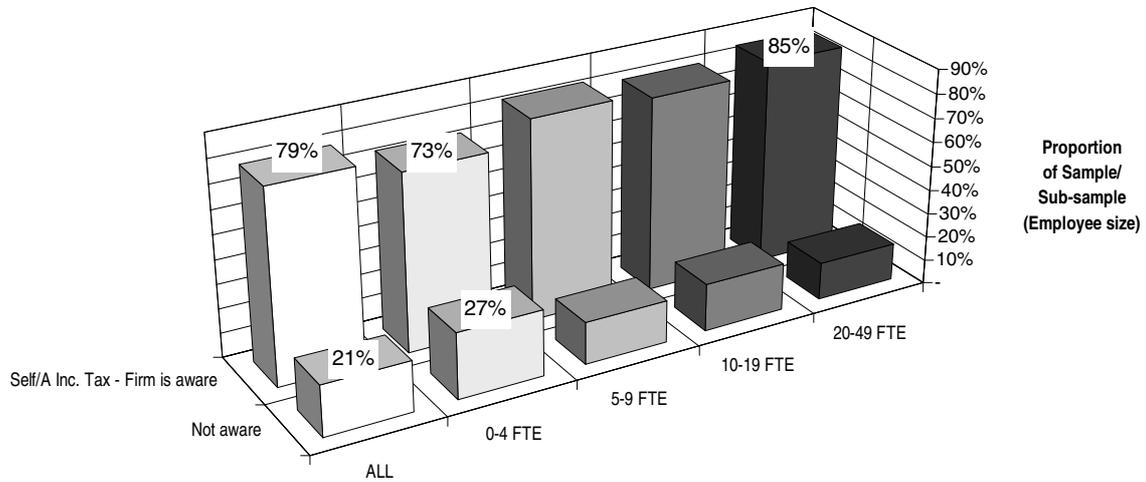
SELF-ASSESSED INCOME TAX

Many small firms are not confident that they are fully prepared for the new self-assessment system. Overall, 29% are not sure and 9% are not prepared, a total of 38% (**Figure 8**).

Firms in the South are more confident about their state of preparedness than those in other regions. Retailers seem least prepared (**Figure 9**). As might be expected, confidence increases with firm size (**Figure 10**).

Given widespread lack of preparedness, it is perhaps surprising that, although overall only 62% of respondents feel prepared for self-assessment, nonetheless 79% are aware that the new system imposes obligations on employers as well as employees and the self-employed (**Figure 11**). Again, this awareness tends to improve with increasing firm size. There is little significant difference between regions. Retailers appear to be less well informed than firms in other sectors (**Figure 12**) though this will probably be a size rather than a sectoral effect, since retailers are more likely to be in the bottom size band.

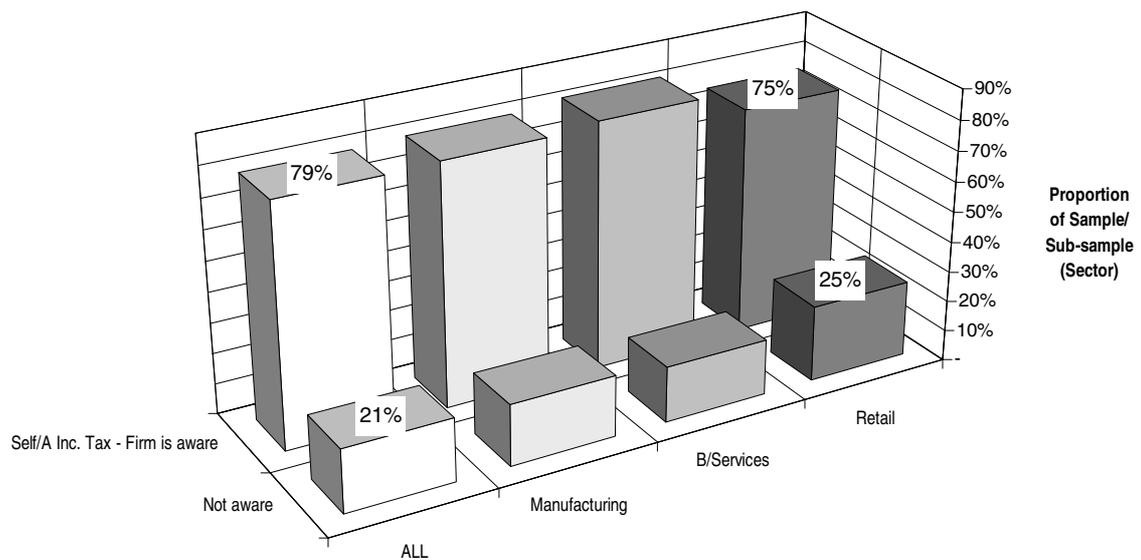
Fig 11 - AWARENESS OF EMPLOYERS' OBLIGATIONS (SELF-ASSESSED INCOME TAX): BY EMPLOYEE SIZE



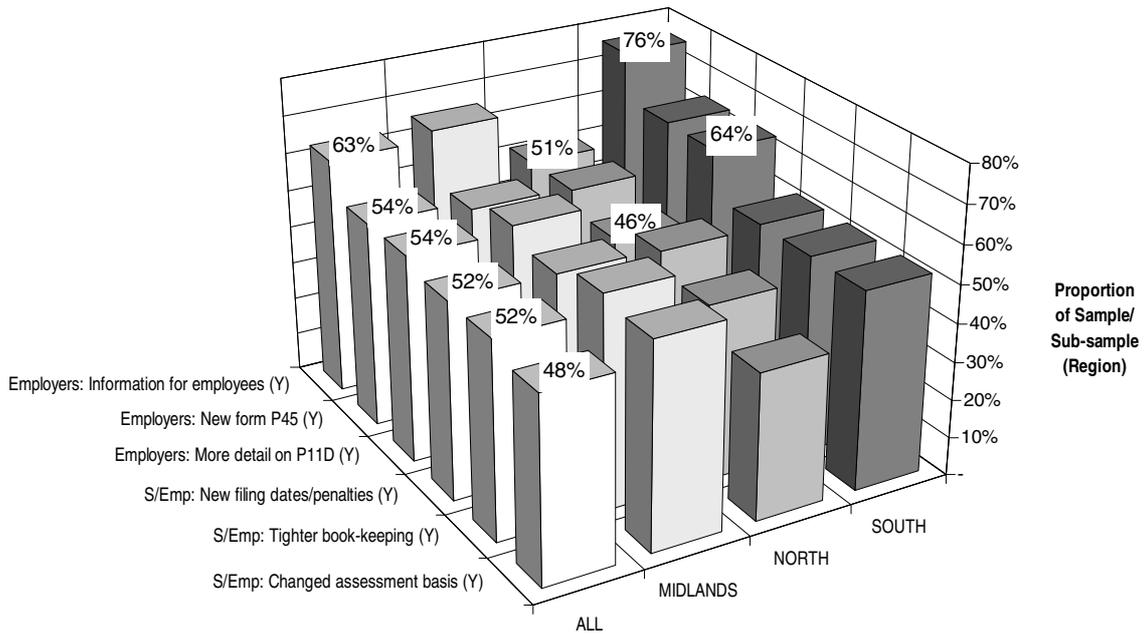
In terms of specific obligations for employees under the new system, respondents are most aware of the fact that they will need to supply more information to employees about their

remuneration to help them with their own tax returns (**Figure 13**). Some 63% of respondents know about these requirements but only 54% knew about the new P45 form and additional detail on

Fig 12 - AWARENESS OF EMPLOYERS' OBLIGATIONS (SELF-ASSESSED INCOME TAX): BY SECTOR

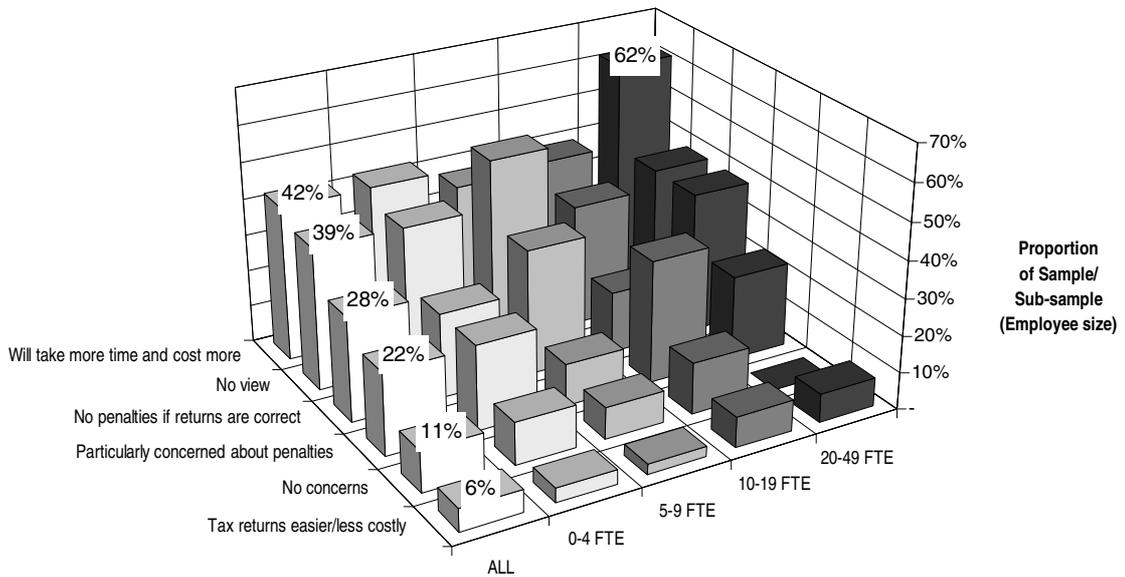


**Fig 13 - AWARENESS OF SPECIFIC TAX OBLIGATIONS:
BY REGION**



the P11D form on which employers give details of benefits received by higher paid employees. Somewhat fewer (48 - 52%) knew about the new obligations for the self-employed though this is to be explained by the fact that while most respondents were employers, far fewer were self-employed. Only 48% of respondents claimed to be aware of the new assessment basis which shifts tax assessment of income from the preceding to the current year. There were no significant differences in the patterns between regions or sectors but awareness clearly improves with firm size.

**Fig 14 - VIEW OF NEW SELF-ASSESSED TAX SYSTEMS:
BY EMPLOYEE SIZE**

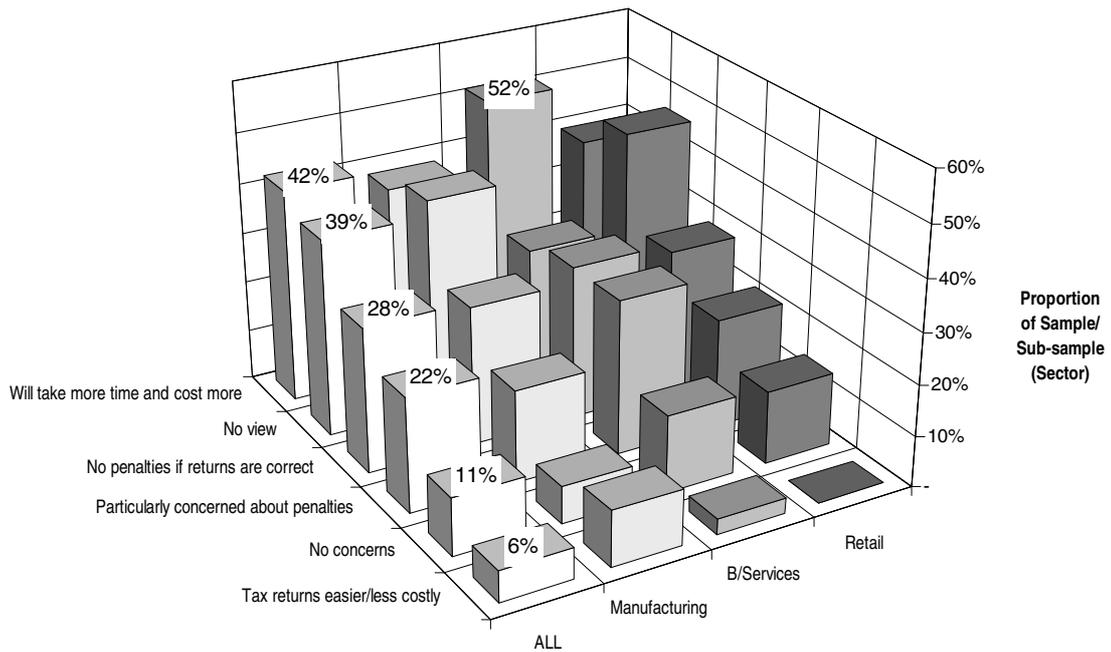


VIEWS ON SELF-ASSESSMENT

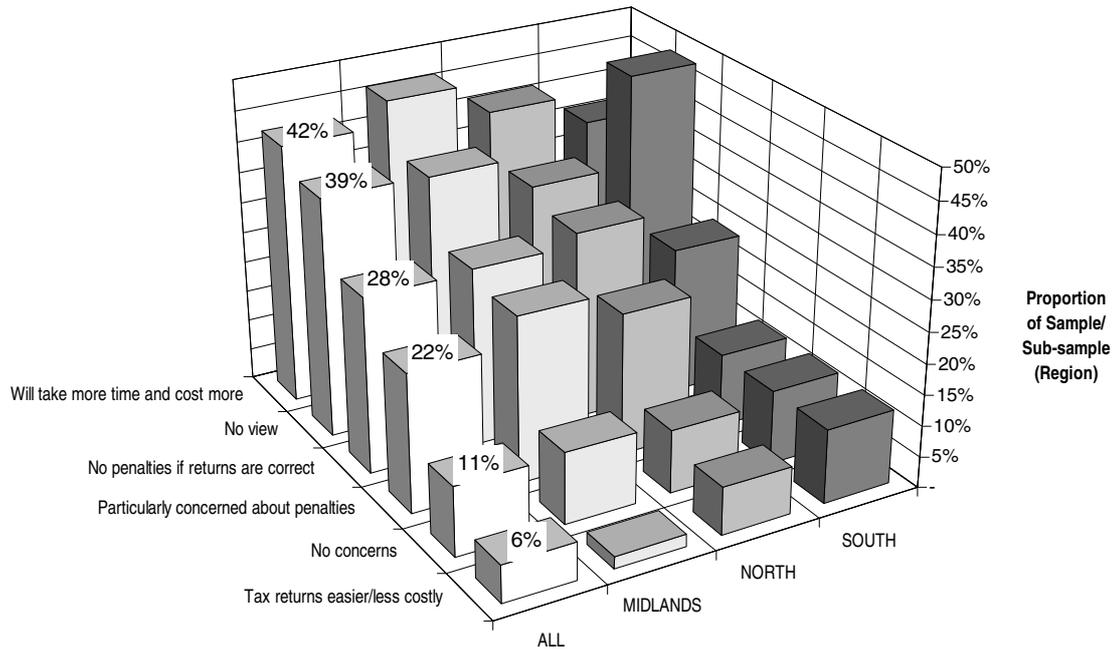
A large minority of respondents (42%) expect that the new self-assessment systems will take more time and cost

more (Figure 14). There is no clear size effect here, so a proportion of firms in all size bands expect to be adversely affected and this is true for activity sectors and regions (Figures 15 and 16). Only

**Fig 15 - VIEW OF NEW SELF-ASSESSED TAX SYSTEMS:
BY SECTOR**



**Fig 16 - VIEW OF NEW SELF-ASSESSED TAX SYSTEMS:
BY REGION**



6% felt that the new system would make tax returns easier and/or less costly and only 11% had no specific concerns. However, 39% had no view about the new system, either, we presume, because they were not sufficiently familiar with it or because they have not yet had practical experience of it.

Only 22% were particularly concerned about penalties, which according to the accountants amongst our respondents, are an issue for concern. Somewhat more (28%) appear not to be concerned about penalties, knowing that these will not be levied if returns are correct. Readers should note that in giving their overall views in Question 8, respondents were invited to place a tick against all of the views listed that applied, so that the percentages of responses are not additive.

CONCLUSION

Small firms are continuing to shift the work of tax administration away from the owners to professional accountants as the system becomes more complex. Many are not confident that they fully understand the new self-assessment systems and the self-employed in particular may be underestimating the risk of incurring penalties. More generally, small business owners are concerned about the administrative burdens and costs imposed by the tax system.

RESPONDENTS' COMMENTS

A major selection of respondents' comments is shown on the following pages.

MANUFACTURING

Bar Fitting. Shopfitting. Joinery Manufacturing	<i>"We have knowledge of self-assessed income tax by attending seminars."</i>
Cash Register Ribbons and Stationery	<i>"We are lucky to be big enough to be able to use a qualified accountant, but I do pity the small firm."</i>
Computer Hardware and Software	<i>"It is vital to make full use of your accountant, not only for convenience, but for the company's tax planning as a whole."</i>
Electrical Control Panel Manufacturer	<i>"Will there be enough accountants to cope?"</i>
Heat Exchangers, Water Cooling Systems	<i>"It is another cost passed from government to employers/employees."</i>
Manufacture & Distribution of Industrial Fasteners	<i>"[It is] Important that government provides ongoing support for small businesses during change over."</i>
Manufacturers of Imitation Food Models	<i>"We leave it to our accountants and payroll bureau to ensure we comply."</i>
Manufacturing Broom Clamps and Holders, Yard Scrapers	<i>"[It's] Just another burden to bear for the self-employed."</i>
Printing	<i>"I have been fined £100 because a tax return was inadvertently returned 5 days late. I think in this situation the [government] department concerned should be concentrating their efforts on the people who are defrauding the country of £billions and not on a small businessman trying to do his best."</i>
Printing	<i>"Yet more work added to the employer."</i>
Printing, Graphic Design, Copy Service	<i>** Complicates system</i> <i>* Possibly help accountants and book-keepers etc. for their benefit</i> <i>* [The] Tax office will spend their time and go after those who try to avoid paying their tax, which will cost us more, who pay for the professional [services] already."</i>
Production of Plastic Mouldings	<i>"We are all prisoners. When we started our business we had, and still have, the freedom to choose what we do - but we must act as unpaid tax collectors and accept all the conditions and penalties handed down to us by governments."</i>
Products for the Building Industry	<i>"The main concern we would have if more legislation involves companies in extra work - as it often does - increasing year on year - inc. costs (e.g. SSP - SMP payments)."</i>
Publishing	<i>"Small firms - and small firm people - will, as always, be badly hit by this new tax regime. With 3,380,000 small firms (DTI figures) with 0-9 staff (i.e. the UK's only hope for full employment), when, oh when, will Government learn that these small firms need help, not continual kicks in the teeth?"</i>

MANUFACTURING continued

Publishing. Trade and Leisure magazines	<i>"Why the administration and collection of NI and PAYE could not be fully integrated is a mystery."</i>
Sub-contract Engineers	<i>"Once again we are asked to learn, organise and implement a change - free of charge for the government - and to be liable to a fine if we get it wrong."</i>

BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"Most self-employed taxpayers do not know the implications of the new system and the penalties that will be rigidly imposed for non-compliance. I have my doubts that the Inland Revenue can match their timetables to the ones imposed on taxpayers. However, the penalties for non-compliance will rest with the taxpayer."</i>
Audit Accountancy and Taxation	<i>"The concept of 'random audit' of taxpayers' affairs does not even approach the concept of reasonableness and fairness usually associated with UK law. The only hope is that random selection will pick out a Member of Parliament at an early stage."</i>
Chartered Accountants	<i>"We are in for an interesting first couple of years of self-assessment until everybody really appreciates the new system. We have been planning for some time but it is inevitable that some of our clients, despite reminders, will not join the 'club' until it is too late."</i>
Design Consultancy - mainly Packaging	<i>"This government professes to want to cut Red Tape for small business - what it continues to do, is to impose more and more paperwork/penalties on SMEs. Control visits from the benefits agency/Class 1A NI Inspectorate/PAYE/VAT/Health & Safety just go and on. It is virtually impossible to avoid financial penalties. Do the rest of the E.U. members operate under such a burden ?"</i>
International Freight Forwarding Services	<i>"We seem to spend more time working for the tax man than anyone else !"</i>
Telephone Marketing and Telephone Sales Company	<i>"No comments. It will be introduced (self-assessment) so we will have to work [to] the system. After one or two years it will be the norm."</i>

RETAIL AND DISTRIBUTION

Forklift Trucks	<i>"Yet again, we are unpaid tax collectors."</i>
Garden Design & Implementation	<i>"Why can't book work, VAT etc., be much more simplified - it all puts costs and pressures on small business people."</i>
Garden Sundries Distribution	<i>"[There is] Too much responsibility put onto employers with very little knowledge and help available."</i>
Hardware and Pet Store	<i>"Democracy and welfare rely on taxes. Avoidance is selfish. Compliance is selfless. Utopia would hold a middle course. Dream on !"</i>
Operating Public Houses	<i>"[We] Need [a] qualified accountant at all times."</i>
Selling and Support of Computer Hardware and Software	<i>"We will need to do more ourselves and rely on the accountant for technical help rather than donkey work."</i>
Suppliers of Woodscrews, Adhesives, Fixings &c.	<i>"The removal of corporation tax from small businesses (or certainly a form of tax-free allowance to allow profits to fund growth) would significantly reduce the annual end-of-year scramble to reduce our tax liabilities !"</i>
Wholesale Bathroom Products Distributor	<i>"We are seriously concerned that we are missing something because of all the fuss made. Other than that we think we're on top of it."</i>

ADDENDUM - ADDITIONAL INFORMATION

As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey. The analyses involve key variables, and **industry sector, region and employee size** are those most frequently used as they are reasonably reliable indicators and less prone to misinterpretation.

Industrial sectors - based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution. From 1996 onwards, firms falling outside these 3 bands - previously classified as 'other' - are now allocated to the foregoing sector which offers the closest match.

Regions - firms are also classified according to their physical location, namely, North, Midlands and the South.

Employee size - finally, firms are placed

in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee ('FTE' = full-time equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the sectoral and regional analyses, but have been **excluded** as a '50+FTE' band in the **employee-size** analyses (the 'All' band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

DISTRIBUTION OF FIRMS

The highest concentration is in business services (47%), followed by manufacturing, see **Figure 17**.

Fig 17 - INDUSTRIAL SECTOR: BY REGION

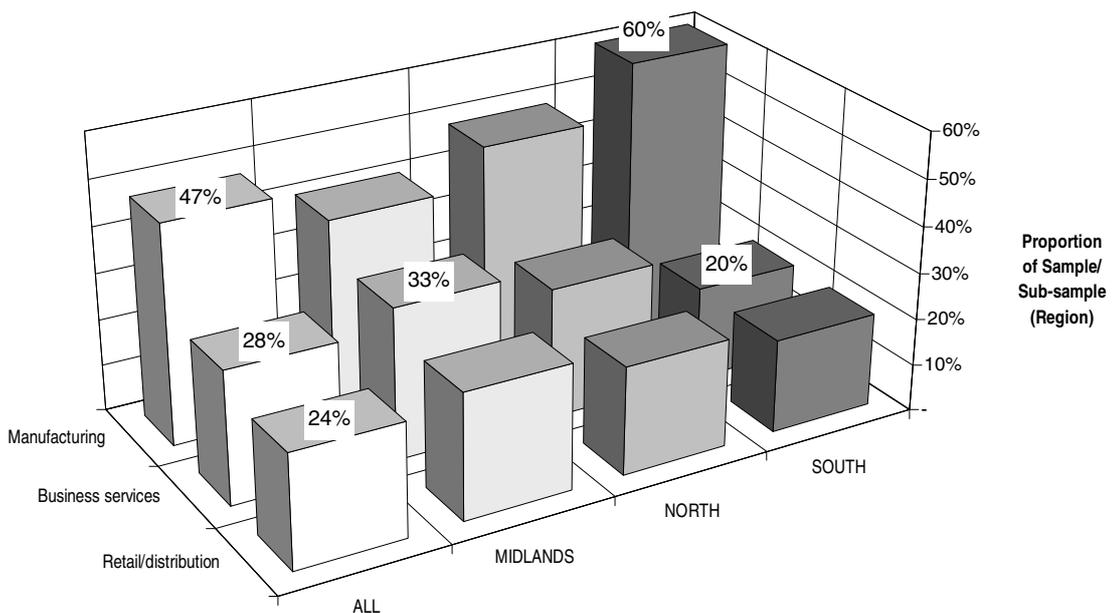
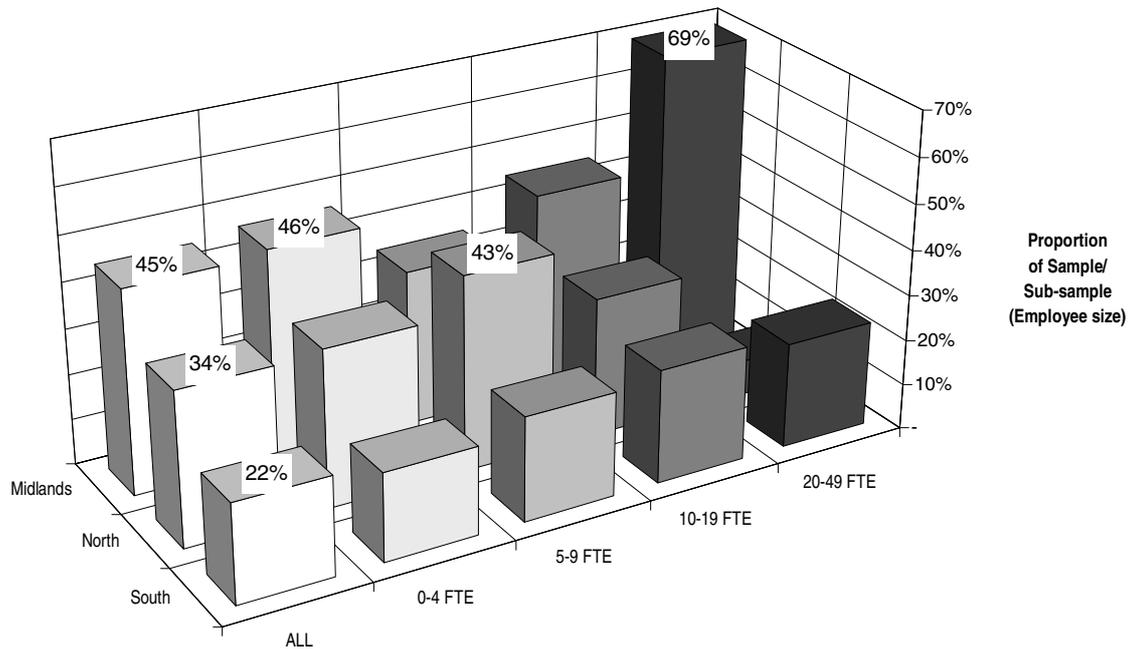


Fig 18 - REGION: BY EMPLOYEE SIZE

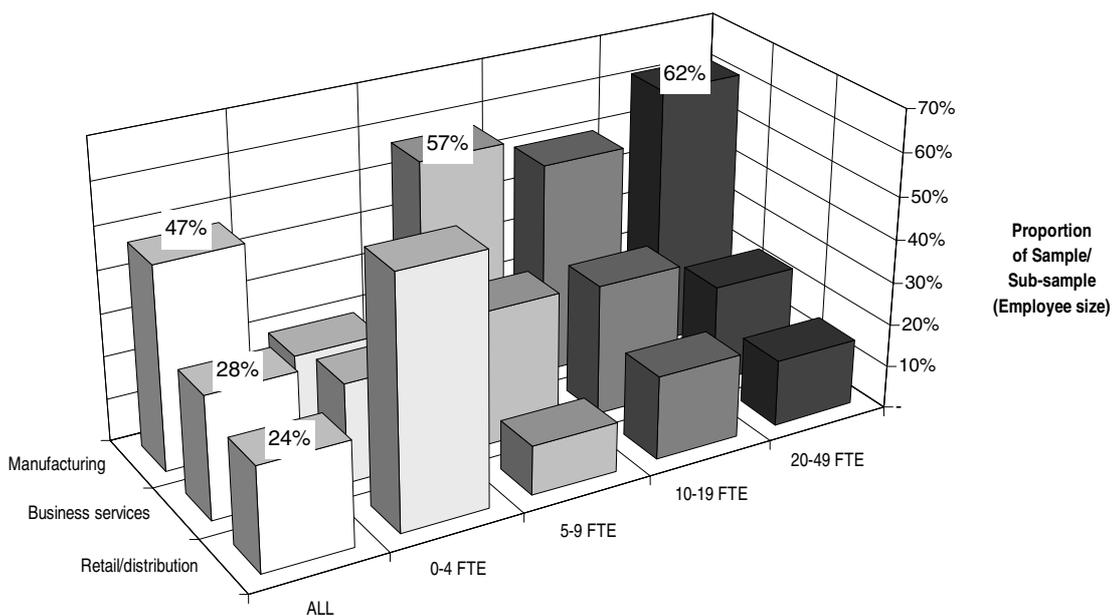


The sub-sample in the **Midlands** for this survey has 46% of the smallest businesses (see **Figure 18**).

The **Manufacturing** and **business**

services firms in the sample tend to be **larger**, in terms of employees, whereas the firms in **retailing/distribution** tend to have **fewer full-time equivalent employees** (**Figure 19**).

Fig 19 - INDUSTRIAL SECTOR: BY EMPLOYEE SIZE





This questionnaire will take approximately 5-10 minutes to complete - most answers require only a single tick. All information received will be treated in complete confidence. **PLEASE DESPATCH AS SOON AS POSSIBLE.**

MANAGEMENT ISSUE: Tax Compliance

- 1** Please indicate the number of people working in your business (including yourself):
- Full-time : _____ A
- Part-time (16 hours/wk or less)..... : _____ B

- 2** Tax returns - By whom are these prepared now, and who prepared these 5 years ago:
- Just ONE ✓ in each column*
- | | NOW | 5 Years Ago | |
|---|--------------------------|--------------------------|----------------------------|
| Yourself/partner..... | <input type="checkbox"/> | <input type="checkbox"/> | A |
| <i>OR</i> Staff book-keeper..... | <input type="checkbox"/> | <input type="checkbox"/> | B |
| <i>OR</i> External book-keeper..... | <input type="checkbox"/> | <input type="checkbox"/> | C |
| <i>OR</i> Qualified accountant..... | <input type="checkbox"/> | <input type="checkbox"/> | D |
| <i>OR</i> Other (Please state): | <input type="checkbox"/> | <input type="checkbox"/> | E |
| | 1 | 2 | |
| <hr/> | | | |
| Not applicable (e.g. current business not trading 5 years ago)..... | | | <input type="checkbox"/> F |

- 3** Payroll - Do you use a payroll service for your business ?
- Just ONE ✓ only*
- Yes - We use a payroll service A
- OR* No - We do it ourselves B

- 4a** Self-assessed Corporation Tax (October 1993 onwards) - Did you have significant problems when it was introduced ?
- Just ONE ✓ only*
- Yes (then go to question 4b)..... A
- OR* No (then skip next question and go to question 5) . B

- 4b** Self-assessed Corporation Tax - If you had significant problems when it was introduced, who resolved them:
- Just ONE ✓ only*
- Yourself/partner or staff book-keeper A
- OR* Your accountant..... B
- OR* The Inland Revenue C
- OR* Other (please state): D
- _____

5 **Self-assessed Income Tax (April 1996 onwards) - Is your firm prepared for the new system ?** *Just ONE ✓ only*

Yes..... A

OR No B

OR Not sure C

6 **Self-assessed Income Tax - Are you aware that the new system also imposes obligations on employers, as well as on employees and the self-employed ?** *Just ONE ✓ only*

Yes..... A

OR No B

7 **New tax obligations - Are you aware of the following specific obligations:** *Just ONE ✓ for each row* YES NO

Concerning the self-employed:

- New filing dates and penalties A

- Change of basis of assessment B

- Tighter requirements for record keeping C

Concerning employers:

- Requirements to provide information to employees D

- New form P45 E

- More information on P11D F

Y N

8 **New self-assessment tax systems - Overall, what is your view of them:** *✓ Against all which apply*

Will make tax returns easier and less costly A

Will take more time and cost more for my firm B

Penalties will not apply if our returns are correct C

Particularly concerned about financial penalties..... D

No view at this stage..... E

No concerns..... F

9 **Tax compliance - If you have any strong views about the topic, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services), then please comment**

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