

IOD says simpler tax and late payment are biggest issues for contractors

Late payment, and simplification of the tax system are among the most pressing priorities for the UK Government in its efforts to improve conditions for small business.

One Million More Small Businesses

This neglect is in despite of the fact that the number of small businesses has risen by almost 1 million since 1994, providing work for an extra 1.5 million people, according to official figures published by the Department of Trade and Industry in August. The total number of businesses operating in the UK rose by 2.9 per cent last year to almost 4.5m, the highest level since current records began in 1994, the DTI said. About 99 per cent of these businesses employed fewer than 50 workers

Yet there is clear evidence that the Government is not developing policy to help small business. In a report issued late last month, the London-based Institute of Directors criticised the Government for lack of action on key issues for small business.

In the paper, entitled "The SME Glass Ceiling – Growth Obstacles in 2007," which identifies a series of priority issues for action by the new small business ministry, which is now called the Department for Business, Enterprise and Regulatory Reform. While regulation, taxation and education continue to be of concern to business of all sizes, the report identifies five issues that are crucial to the future growth of small business in the UK:

- o Late payment
- o Lack of business finance
- o National Insurance contributions
- o Business rates
- o Levels of government business support

Commenting on the report, Miles Templeman, Director General of the IoD, said: "While figures for start-ups in business are broadly favourable, this report demonstrates some clear obstacles to growth, which need tackling before they become endemic."

14 Urgent Steps

To this end the IoD have laid out 14 urgent steps that government needs to take in order to make significant progress in improving conditions for small business.

Citing the key issue of late payment, Miles Templeman added:

"At present there are gaps in the Government's policy programme on SME issues. For example, late payment was highlighted as the factor causing the most significant negative impact on smaller companies, yet government have withdrawn support and reduced funding on the very initiatives aimed at tackling this growing problem. The new ministerial team at BERR will be judged by how they tackle our members' issues over the next 12 months."

The Institute of Directors is calling for a government-led investigation into the extent of late payment, its consequences, and potential solutions. For its part, the BERR has indicated its willingness to support the already existing late payment legislation. But no concrete steps have yet been outlined.

The report also calls for measures to simplify the UK's tax system. As most contractors have noted, the UK tax system is the most complex in the world. Several expert organisations including the Chartered Institute for Taxation and the Institute of Chartered Accountants have made the same demand: that tax on small business should be straightforward and easy to comply with.

While the Government has announced its intentions to make small business taxation simpler, no clear policy has yet been indicated.

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“ The need for simplified taxation for small business is critical ”
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