

For immediate release: Monday 21st June, 2010

PROPOSED VAT HIKE 'BAD FOR BUSINESS' SAY 87% OF SMES

The VAT hike expected to be announced in tomorrow's emergency Budget will come as a blow to Britain's 4.8 million SMEs^[1], according to a recent study by uSwitchforbusiness.com, the independent and impartial energy brokerage service for small businesses. 87% of SMEs say the potential rate rise will have a negative impact, with a third of these (33%) predicting it will deter consumer spending^[2].

Last year's VAT changes cost 878,000 SMEs (18%) up to £1,000 each to implement^[3]. Faced with another potential increase 22% of SMEs say that it will be another cost for their business to bear^[2]. 19% are concerned that they will be forced to pass the cost of the hike on to customers and that this could affect their ability to compete effectively. 13% say that profits will suffer as a result^[2].

Jake Ridge, small business energy expert at uSwitchforbusiness.com, says:

"SMEs seem to be very clear about one thing – a VAT rise will be bad for business. They need support from the Government to help safeguard their future – a VAT hike could be one blow too many for businesses who have faced the brunt of the recession and are now battling their way to recovery.

"A VAT hike will not only cost businesses money to implement, but it will also make trading even harder, putting consumers off spending and pushing costs up making it harder for them to compete. Just one in ten small business owners (10%) think that a hike in VAT will not have an impact on their business^[2].

"If a VAT hike is announced then SMEs will have no option but to carry on battenning down the hatches and keeping a tight lid on costs. In the struggle to remain competitive no business can afford to be paying over the odds for the very basics such as their gas and electricity."

For more information visit www.uSwitchforbusiness.com or call 0800 093 06 07

-Ends-

For more information please contact:

Jo Ganly, uSwitch.com on 0207 802 2915 or joganly@uswitch.com

Katie Hayward, Lansons Communications on 020 7294 3631 or katieh@lansons.com

Lisa Grando, Lansons Communications on 0207 294 3669 or lisag@lansons.com

Notes to editors:

Research conducted between 1st and 8th March, 2010 with the uSwitch.com Small Business Opinion Panel amongst a sample size of 255 small business owners from a range of sectors.

1. Source: Department for Business Innovation & Skills - 4.8 million private sector enterprises in the UK in at the start of 2008.
2. In response to the question 'There have been suggestions that VAT could be increased to 20% this year - what do you think of this?'
3. In response to: 'How much did the VAT change to 15% and then the return to 17.5% in January this year cost you in total to implement?' 18.3% said it cost them up to £1,000. 18.3% of 4.8million = 878,400.

About us

uSwitch.com is a free, impartial, online and telephone-based comparison and switching service, helping consumers compare prices on gas, electricity, water, heating cover, home telephone, broadband, digital television, mobile phones and personal finance products including mortgages, credit cards, current accounts and insurance. In 2010 uSwitch.com celebrates ten years of saving customers money.

The service is also available via fax and post. Consumers should fax 020 7233 5933 or write to Customer Services, uSwitch.com, 111 Buckingham Palace Road, London, SW1W 0SR, with their postcode and usage details. uSwitch.com is owned by the Forward Internet Group, a privately funded collection of internet-based businesses focused on consumer engagement and innovation.