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VAT HIKE BLOW FOR SMALL BUSINESSES

Today's budget announcement that VAT will rise to 20% from 17.5% will be a blow to Britain's 4.8 million small businesses^[1] says uSwitchforBusiness.com, the independent and impartial energy brokerage service for small businesses. Not only will it cost SMEs money to implement, but it could also have a negative impact on future trading:

- Last year's VAT changes cost 878,000 SMEs (18%) up to £1,000 each to implement^[2]
- 22% of SMEs say that today's move will be another cost to their business^[3]
- 33% are worried that today's VAT hike will deter consumers from spending^[3]
- 19% are concerned that they will be forced to pass the cost on and this may impact their competitiveness^[3]
- 13% say that profits will suffer as their costs will go up^[3].

Jake Ridge, small business energy expert at uSwitchforbusiness.com, says: "Today's move means more uncertainty for Britain's SMEs. Small businesses are looking to the Government to help safeguard their future – instead of improving their chances, today's VAT hike stacks the odds higher against them.

"Small businesses are battling to recover from the recession. The VAT hike will not only cost many money to implement, but it will also make trading even harder. SMEs are concerned that the VAT increase will deter consumers from spending, push costs up and make it harder for them to compete. Just one in ten small business owners (10%) think that today's move will not have an impact on their business^[3].

"Clearly the message from the Government today is that small businesses along with everyone else will have to feel some pain. SMEs have no option but to carry on battering 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

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Notes to editors:

Research referred to in the notes below was 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: '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
3. In response to the question 'There have been suggestions that VAT could be increased to 20% this year - what do you think of this?'

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