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Cut employment costs and VAT: Medium-sized businesses write Autumn Statement wish list in Grant Thornton survey



The UK's medium-sized businesses (MSBs) are calling for the Chancellor to cut employment costs and VAT to stimulate growth and boost jobs in the Autumn Statement.

A survey of MSBs^[1] conducted by financial and business advisory firm Grant Thornton UK LLP, has identified the top issues MSBs want to see tackled by George Osborne next week.

43% said National Insurance (NI) and other employment costs should be the number one priority for the Chancellor.

Other highlights include:

- **33%** said the priority should be a reduction in **VAT rates**
- **13%** wanted to see action to reduce **energy costs** above all else

^[1] The sample size was approximately 8,000 UK-based Financial Directors, surveyed between 19-22 November 2013 (6% response rate overall, in line with market research regulations)

- **8%** said the most important issue to them is the **corporate tax rate**

Asked what the key drivers of business growth had been over the last 12 months:

- **39%** said **access to finance and capital markets**

Leeds-based Jonathan Riley, Grant Thornton's UK Head of Tax, said: "National Insurance and other employment costs stood out as the number one issue that MSBs want the Chancellor to address, with companies saying a cut would result in more jobs across all sectors.

"The UK's 34,100 MSBs are the engine room of the UK economy, employing 4.2 million people and they are set to contribute £305 billion to UK GDP in 2013^[2].

"These businesses have shown more resilience during the recession than big and small firms and it's critical that the Chancellor takes these warnings about employment costs seriously or he may risk stifling job creation in the businesses the UK depends on for future growth.

"Decreasing VAT would boost business confidence, spending and investment. It would also further reduce inflation, although this would take a little time to filter through into the headline measures.

"However, the recently touted reduction to 15%, without imposing VAT on other goods currently exempt, would create a £25 billion hole. Realistically, this is unaffordable in the current economic state."

The government estimates that a 1% cut to employer's NI rates will cost the Exchequer £4.2 billion. Grant Thornton's analysis shows that if employers take on new employees, as a result of a cut to employer's NI rates, the cost to the Exchequer could be reduced by 27%, because of the additional PAYE and NI contributions paid.

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Jonathan Riley is **available for comment**.

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Notes to Editors

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^[2] CEBR *Agents of Growth* report (2013)



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The research survey was carried out by [Q&R](#). The sample size was approximately 8,000 Financial Directors, with a 6% response rate overall, in line with market research regulations.