

15 July 2010

**VAT Increase and NI Measure could Force Spending Decrease and Inhibit
Expansion, say Britain's SMEs**

Safestore, London, UK, 15 July 2010: 30 percent of British SMEs say that the increase in VAT, from 17.5 to 20 percent, as outlined in the recent Budget, would be detrimental to their business, with 19 percent saying they plan to freeze or lower employee salaries due to the budgetary measure and increased costs, according to YouGov research commissioned by Safestore, the UK's leading self storage business.

This is a real blow to the SME sector, which employs over 12 million people in the UK, accounts for 99 percent of businesses in the UK and contributes £1100 billion to the economy (source: Department of Business Innovation and Skills).

A further 31 percent of respondents in the study, which gauged initial reactions to the Budget from 503 small business decision makers, do not believe that the National Insurance (NI) measure, which raises the threshold at which employers start to pay NI by £21 a week, will encourage expansion of their business.

The research also showed that 65 percent of SMEs believe the VAT increase would herald no change for their business, signalling that the majority of small UK businesses might be struggling to perceive how the VAT issue and other budgetary measures will affect them come the New Year. Some key findings from the research:

- 36 percent of SMEs said the VAT increase will have the biggest negative effect on their business
- 19 percent said they are set to lower or freeze salaries as a result of the measures outlined in the Budget and associated increased costs
- 31 percent of small businesses do not believe that the NI measure will encourage their businesses to expand

Commenting on the research, John Walker, National Chairman of the Federation of Small Businesses said: "This research highlights the feelings of small firms about the potential problems they face come the New Year. For many, the increase in VAT to 20 per cent in January 2011 could put businesses at serious risk. The increase will especially hurt small firms who will have to pass the increase on to their customers, unlike big business which can absorb the cost. Even the move last year to decrease VAT by the previous administration cost small businesses up to £1,500 in bureaucracy alone.

"Research by the Federation of Small Businesses, shows that 70 per cent of firms are operating below capacity and need an incentive to take on staff. As this poll shows, many businesses do not believe that they will be able to take on more staff unless there is a full reversal of National Insurance increases to fully offset the perceived 'tax on jobs' which the previous administration initiated."

Clare Levi, managing director of Takkoda, a greetings card and gift company gave her view on the research: "The VAT hike is bound to hit all small businesses where it hurts. Even the announcement has meant a change in behaviour – our customers are being much more cautious in terms of what they order. At Takkoda we are mindful of keeping costs down – for example, we took the decision to set up an office and warehouse at our local storage facility as opposed to renting traditional office space – this has ensured we keep rental costs and rates to a minimum."

Neil Riding, COO of Safestore commented: "We are experiencing a large number of SMEs coming to us, trying to find cost effective, flexible ways to run their businesses. As the need to drive overheads down increases in light of measures outlined in the Budget, we anticipate a surge of enquiries coming from small companies, anxious to cut costs whilst trying to maintain business as usual."

ENDS



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All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 503 small business decision makers. Fieldwork was undertaken between 24th - 28th June 2010. The survey was carried out online.

Notes to Editors

Safestore:

Safestore is the UK's largest and Europe's second largest self storage provider. Its principal operations are located in the UK, where it has 95 stores including three business centres with a further 22 stores in Europe.

Safestore provides secure self-storage facilities which is an increasingly attractive solution to the growing storage needs for both business and domestic customers.

Safestore has a strong track record in managing and developing its assets. With over 37,000 customers and a national network Safestore has a thorough understanding of the evolving needs of its customers and a robust operation platform from which to continue to deliver sustained growth.

Safestore Holdings plc is a FTSE All-Share self storage company. www.safestore.com

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