

Understanding the Reasons for Incorporation

Draft Survey (v3)

Version date: 7th October 2020

RECORD:
VERSION
RESPONDENT ID
DATE OF INTERVIEW
START TIME
FINISH TIME
DURATION

INTRODUCTION

Companies House and the Department for Business, Energy and Industrial Strategy (BEIS) are carrying out this survey to understand business owners' reasons for setting up their business as a company or sole trader. Your responses will help us understand what matters most to business owners and the importance of limited liability and its role in encouraging company formation.

The survey will take about 15 minutes to complete. The answers you give will be treated in confidence and **no personally identifiable information** will be collected in the survey. The data will be analysed at an aggregate level and it will not be possible to identify any particular individual, business, or address in the results.

[LINK TO PRIVACY NOTICE – COMPANIES HOUSE POLICY]

At the end of the survey, you will be able to enter a free draw to win an Apple iPad Pro ([terms of the free draw](#)). LINK TO COMPANIES HOUSE T&Cs FOR FREE DRAW

[TBD – further text instructing respondents how to answer survey in light of ongoing COVID-19 pandemic restrictions.]

SECTION A: SCREENING & QUOTAS

RESPONDENT SCREENING

Q1. Are you an owner of a small business?

PROVIDE 'MORE INFORMATION' AS A POP-UP ROLLOVER BOX

Note: For the purpose of this survey, a small business is defined as having 0 - 9 employees. If you own more than one business, please answer for your main business in terms of what you spend most time and effort on.

SHOWCARD 1: MORE INFORMATION

- **Business owner**: the person(s) legally responsible for running the business and making decisions on its behalf (e.g. founding director of a company, or sole trader/proprietor).
- **Small business**: for this survey, a business with 0 - 9 employees, not including the business owner(s).
- A small business can have **legal status** as:
 - **Sole trader**: a person who is the single owner of a business, entitled to keep all profits after tax has been paid, but liable for all losses.

or

 - **Limited liability company**: legally a separate entity to the people that own the business (so-called "limited liability company") limiting their liability to the nominal value of shares held, meaning that the business finances are not directly connected to the business owners (i.e. shareholders).

or

 - **Partnership**: a form of business relationship where persons come together intending to make a profit.

SINGLE CODE

- | | | |
|---|--|-----------------------------------|
| 1 | Yes - owner of a small business operating as a <u>sole trader</u> | GO TO Q4 |
| 2 | Yes - owner (i.e. main shareholder or joint shareholder) of a small business operating as a limited <u>company</u> | ASK Q2 |
| 3 | Yes - partner of small business operating as a <u>partnership</u> | THANK & CLOSE |
| 4 | No - not a business owner | THANK & CLOSE |

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5 Don't know

[THANK & CLOSE](#)

Q2. Are you the only owner (i.e. shareholder) of the company?

SINGLE CODE

1 Yes

[GO TO Q4](#)

2 No

[ASK Q3](#)

Q3. Are you involved in the management and decision-making in the company?

SINGLE CODE

1 Yes

[CONTINUE](#)

2 No

[THANK & CLOSE](#)

Q4. In what year did you set up your business?

[DROP DOWN LIST IN REVERSE ORDER, STARTING AT 2020.](#)

[SAMPLING QUOTA QUESTIONS \[TBD\]](#)

Q5. Has your business ever had any other legal status (i.e. sole trader, limited company, or partnership)?

SINGLE CODE

1 Yes

2 No

3 Don't know

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SAMPLING QUOTA QUESTIONS [TBD]

Q6. [ASK IF Q5 = 1] **What other legal status has your business had? Please select all that apply.**

MULTICODE

- 1 Sole trader
 - 2 Limited company
 - 3 Partnership
 - 4 Don't know
-

Q7. **Please can you indicate the size of your business by revenue (annual turnover)?**

SINGLE CODE

- 1 <£10,000
 - 2 £10,000 - £85,000
 - 3 £85,000 - £250,000
 - 4 £250,000 - £1,000,000
 - 5 £1,000,000 - £2,000,000
 - 6 £2,000,000+
-

Q8. **Please can you indicate the number of employees your business has?**

SINGLE CODE

- 1 0
- 2 1
- 3 2 - 4
- 4 5 - 9
- 5 More than 10

[THANK & CLOSE](#)

Q9. Which industry sector does your business operate in (Standard Industrial Classification)?

PROVIDE 'MORE INFORMATION' FOR TYPES OF BUSINESS IN EACH SECTOR AS A POP-UP ROLLOVER BOXES

SINGLE CODE

- 1 Agriculture, forestry and fishing
 - 2 Mining and quarrying
 - 3 Manufacturing
 - 4 Electricity, gas, steam and air conditioning supply
 - 5 Water supply; sewerage, waste management and remediation activities
 - 6 Construction
 - 7 Wholesale and retail trade; repair of motor vehicles and motorcycles
 - 8 Transportation and storage
 - 9 Accommodation and food service activities
 - 10 Information and communication
 - 11 Financial and insurance activities
 - 12 Real estate activities
 - 13 Professional, scientific and technical activities
 - 14 Administrative and support service activities
 - 15 Public administration and defence; compulsory social security
 - 16 Education
 - 17 Human health and social work activities
 - 18 Arts, entertainment and recreation
 - 19 Other service activities
 - 20 Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
 - 21 Section U Activities of extraterritorial organizations and bodies
-

SECTION B: EXPERIENCE AND PERCEPTIONS

Q10. [ASK IF Q1 = 1 AND Q5 = 2 OR 3] **How familiar are you with company incorporation?**

SHOWCARD 2: COMPANY INCORPORATION

[Note for testing – ask question to sole traders who did not switch from limited company or partnership.]

SINGLE CODE

- 1 Very familiar
- 2 Somewhat familiar
- 3 A little bit familiar
- 4 Not at all familiar
- 5 Don't know

Q11. [ASK IF Q1 = 2 AND Q6 = 1 AND/OR 3] **In what year was your company incorporated (i.e. became a limited company)?**

[Note for testing – ask question to owners of businesses that started as sole trader or partnership and then became incorporated.]

DROP DOWN LIST IN REVERSE ORDER, STARTING AT 2020.

Q12. [ASK IF Q1 = 1 AND Q6 = 2 AND/OR 3] **In what year did your business change to a sole trader?**

[Note for testing – ask question to owners of businesses that switched to sole trader from limited company or partnership.]

DROP DOWN LIST IN REVERSE ORDER, STARTING AT 2020.

SHOWCARD 2: INCORPORATION

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Q13. [ASK IF Q1 = 1] Do you think that you will incorporate your business in the future (i.e. become a limited company)?

[Note for testing – ask question to sole traders.]

OPEN CODE FOR TESTING

RECORD - RECORD RESPONSES ON SCALE “VERY LIKELY” TO “NOT VERY LIKELY”, INCLUDING “DON’T KNOW”

Q14. Did you seek advice from any of the following when making your decision on the legal status of your business – i.e. whether to operate as a sole trader or limited company? Please select all that apply.

MULTICODE

ROTATE

- 1 Accountants
 - 2 Family
 - 3 Business advisers
 - 4 People in the trade / sector
 - 5 Solicitors
 - 6 Other (please specify)
 - 7 None of these
- GO TO Q17 IF Q1 = 2 OR GO TO Q18 IF Q1=1
-

Q15. [ASK IF Q14 ≠ 7] What topics did you seek advice on, when making your decision on the legal status of your business? Please select all that apply.

MULTICODE

ROTATE

- 1 Tax liability
- 2 Administrative requirements
- 3 Business ambition and market prospects
- 4 Growing the business - turnover
- 5 Growing the business - number of employees
- 6 Other (please specify)

[Note for testing – test understanding of terminology around “legal status” versus “business status”.]

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Q16. [ASK IF Q14 ≠ 7] How important was the advice you received to making your decision on the legal status of your business?

SINGLE CODE

- 1 Very important
- 2 Fairly important
- 3 Important
- 4 Slightly important
- 5 Not at all important

PROBE FULLY

Q17. [ASK IF Q1 = 2] Overall, what factors were important to you in making your decision to operate as a limited company?

RESPONSE OPTIONS

- A Very important
- B Fairly important
- C Not important
- D Did not consider
- E Don't know

ROTATE

- 1 Greater protection if the business failed - i.e. limited liability
- 2 Lowering tax and National Insurance liabilities
- 3 Maximising tax-free income (i.e. dividends)
- 4 Business reputation and professional status
- 5 Opportunities to grow the business
- 6 Easier to access business finance
- 7 Making it easier to secure contracts
- 8 Required to set-up limited company to secure work contract
- 9 Professional (e.g. lawyers or accountants) advice on the best legal status for your business
- 10 Work life balance
- 11 Family reasons
- 12 Being able to selling the business in the future
- 13 Being able to transfer ownership in the future
- 14 Providing a company pension
- 15 Securing the company name to stop others from using it
- 16 Made redundant, decided to set up own business
- 17 Experience of other people I know in setting up a limited company
- 18 Experience of other people I know in setting up as a sole trader
- 19 Other (please specify)

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[Note for testing – ask question to owners of incorporated companies.]

[Note for testing – we need to know whether IR35 “people who chose to incorporate to gain employment” are recorded here; otherwise, would a follow-up question here work?]

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Q18. [ASK IF Q1 = 1] Overall, what factors were important to you in making your decision to operate as a sole trader?

[Note for testing – ask question to sole traders.]

RESPONSE OPTIONS

- A Very important
- B Fairly important
- C Not important
- D Did not consider
- E Don't know

ROTATE

- 1 Work life balance
 - 2 Family reasons – e.g. be at home for children
 - 3 Professional (e.g. lawyers or accountants) advice on the best legal status for your business
 - 4 Flexibility around managing my time
 - 5 Be my own boss / only being accountable to yourself
 - 6 Most relevant structure to run own business – e.g. no assets, no hire of facility, etc.
 - 7 Freedom to pick and choose jobs
 - 8 Ability to go away / take avacation when I want
 - 9 Made redundant, decided to set up own business
 - 10 Ease of setting up the business
 - 11 Keep all the profits
 - 12 No public record of accounts
 - 13 No need to file annual report and accounts
 - 14 Easy to change business structure
 - 15 Experience of other people I know in setting up a limited company
 - 16 Experience of other people I know in setting up as a sole trader
 - 17 Other (please specify)
-

SECTION C: CHOICE TASKS

Currently there are around 5.8 million businesses in the UK that employ fewer than 50 people. In comparison, the number of “bigger” businesses in the UK with more than 50 employees is less 40,000.

- Most small businesses have no employees (approx. 4.5 million; roughly 76%). Most of these are sole traders (approx. 3.3 million), although there is also a sizeable number of limited companies with no employees (approx. 1 million).
- Businesses that have employees are mostly limited companies. Most employ fewer than 10 people. There are around 0.6 million companies with up to 4 employees and 0.2 million with 5 – 9 employees. A further 0.15 million companies have between 10 – 49 employees.

The table below shows the differences between a limited company and sole trader.

SHOWCARD 3

	Company	Sole trader
Business owner	Company shareholder(s)	Self-employed
Limited liability	Company is separate legal entity from business owner's individual finances	No legal separation – business owner responsible for any losses
Minimum capital requirement	None	None
Set-up	Register with Companies House One-off incorporation fee File annual accounts, confirmation statements and notify changes	Register for self-assessment tax with HMRC
Business tax	Corporation tax on company profit £85,000 turnover threshold for VAT	£85,000 turnover threshold for VAT
Tax paid by business owner	Combination of dividend tax, national insurance and income tax	National insurance and income tax via self-assessment
Employment	Can hire employees	Can hire employees

Q19. How aware were you of the differences between a sole trader and a limited company?

[Note for testing – check if “aware” is the appropriate wording – i.e. vs. familiar or some other legal status.]

SINGLE CODE

- A Very aware of differences
 - B Fairly aware of differences
 - C Have heard of them but not very aware of differences
 - D Not aware of differences
 - E Don't know
-

Q20. Thinking about differences between sole traders and limited companies, how important would you say the following are in deciding on the legal status of a business?

[Note for testing – check if this question duplicates responses in Section B. Question wording might need to change a little to avoid that.]

RESPONSE OPTIONS

- A Very important
- B Fairly important
- C Not important
- D Did not consider
- E Don't know

ROTATE

- 1 Cost of registering as a limited company (incorporation fee)
 - 2 Time to complete incorporation process
 - 3 Requirement to file accounts and other records with Companies House
 - 4 Limited liability for business owner
 - 5 Corporate tax rates
 - 6 Dividend tax rates
 - 7 Personal tax rates (income tax and national insurance)
 - 8 Access to credit for business
 - 9 Reputation of business
 - 10 Status as a business owner
 - 11 Protection of company name
 - 12 Other (please state)
-

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CHOICE TASK INTRODUCTION

In the next set of questions, you will be presented with some choices about how your business could be formed and operate. The purpose of these questions is to help us understand which aspects of company incorporation are most important to business owners.

For example, it could be that business owners would prefer to change some parts of the legal status of the business but not others. You will see options like this in the choices shown to you. Your responses will help inform decisions about company incorporation that Companies House and the Department for Business, Energy and Industrial Strategy (BEIS) could make in the future.

Please also be assured that the purpose of this exercise is not to understand how much money can be charged for company incorporation. Your choices will help us understand what matters most to business owners. The amount of money your business is prepared to pay for limited liability provides an indication of its value to small businesses.

The next few screens explain the choices you will be offered in more detail. Please take time to read each screen as it will help you answer the choice questions.

[Note for testing – explain that two alternative choice questions are being trialled.]

DCE INTRODUCTION

You will be asked the option for the legal status of your business – A, B, or C – that you would prefer most as business owner. You will be asked to make 6 choices in total, each time choosing between 3 alternatives.

EXAMPLE CHOICE CARD

NEW SCREEN

In each choice, two of the options will present a change from the current legal status of your business. One option will always be to keep the current legal status and situation for your business.

When thinking about each option, please consider all of the pros and cons and what would be the best legal status for your business.

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Note for testing – inform respondents post survey that fee variation is necessary to understand the value of the different aspects of incorporation. It should not be interpreted as an intention to raise fees: fees are set on a cost recovery basis and the Government has no intention of changing this approach.

BUDGET REMINDER

When making your choices please consider each option carefully and think about what is important to you and your business. Please also consider:

- Your business's overall income and expenses
 - Any money your business pays will not be available to spend elsewhere, and
 - Other costs may go up or down affecting the amount of money your business has to spend in general
-

DCE QUESTIONS

Q21. [For your first choice] Which option do you prefer?

PRESENT CHOICE CARDS. INCLUDE POP-UP/ROLLOVERS WITH ATTRIBUTE DESCRIPTIONS

CHOICE NO.	OPTION A	OPTION B	  OPTION C
1	1	2	3
2	1	2	3
3	1	2	3
4	1	2	3
5	1	2	3
6	1	2	3

FOLLOW-UPS

Note for testing: probe for both BWS and DCE choices

Q22. Considering the information and instructions provided, how easy or difficult was it to answer the choice questions?

SINGLE CODE

1	Very easy	GO TO Q24
2	Fairly easy	GO TO Q24
3	Neither easy nor difficult	GO TO Q24
4	Fairly difficult	ASK Q23
5	Very difficult	ASK Q23

Q23. ASK IF CODE 4 OR 5 AT Q22 Were the choice questions difficult because...?

- 1 It was hard to decide which option you preferred for your business
 - 2 Not enough information was provided on the alternative options to make the choices
 - 3 The instructions for the choice questions were not clear
 - 4 Other (please state) RECORD
-

Q24. How important was each feature of the options that you were presented to the choices that you made?

RESPONSE OPTIONS

- A Very important (considered it in all choices)
- B Quite important (considered it in most choices)
- C Not very important (ignored it in most choices)
- D Not at all important (ignored it in all choices)
- E Don't know

ROTATE

- 1 Liability
 - 2 Public record
 - 3 Minimum capital requirement
 - 4 Tax paid by business owner
 - 5 Business name registration
 - 6 Annual fee for business registration
-

Q25. How did you make your choices between the different options?

OPEN CODE FOR TESTING

RECORD

Q26. ONLY ASK IF RESPONDENT SELECTED NO CHANGE X OR MORE TIMES You selected 'no change' in most of your choices. What was the main reason for this?

OPEN CODE FOR TESTING

RECORD

SECTION D: FOLLOW-UP QUESTIONS

Q27. How much do you think that your responses to this survey will be taken into consideration by Companies House and the Department for Business, Energy and Industrial Strategy (BEIS) to inform decisions that...

RESPONSE OPTIONS

- A A lot
- B A moderate amount
- C A little
- D Not at all
- E Don't know

ROTATE

SINGLE CODE

- 1 Influence the options that are available to set up and run a business
- 2 Result in changes to what business owners pay to set up and run a business

Q28. [ASK IF Q27 = D] Why don't you think your responses will be taken into consideration by the government?

MULTICODE

ROTATE

- 1 The survey describes a situation which is not a realistic scenario
- 2 The questions are based on a hypothetical (rather than 'real life') choice
- 3 As an individual my responses don't have a real impact on decision-making
- 4 The government doesn't listen to business owners like me when making decisions
- 5 Don't know
- 6 Other (please state)

Q29. To what extent do you agree with the following statements?

RESPONSE OPTIONS

- A Strongly agree
- B Tend to agree
- C Neither agree nor disagree
- D Tend to disagree
- E Strongly disagree
- F Don't know

ROTATE SINGLE CODE

- 1 Company incorporation is too easy. It should be made more restrictive to reduce the number of businesses that are limited companies.
 - 2 Company incorporation is good for businesses and good for the economy, it should be encouraged by the government.
 - 3 Tax and legal reasons are enough incentive to decide whether to operate as a sole trader or limited company.
 - 4 It is important for business owners to focus on non-financial reasons for being a sole trader or limited company, such as reputation, level of control, and privacy.
 - 5 The benefits that limited companies receive from incorporation can be attained in other ways.
 - 6 The decision to operate as a limited company or sole trader has little impact on the success of a business and business owners should not put too much time and effort to deciding whether to incorporate or not.
 - 7 A limited company is more professional than an unincorporated business.
 - 8 An owner of an unincorporated business has more control than an owner of a limited company.
 - 9 Incorporation unlocks advantages to running a company that sole traders do not have access to.
 - 10 Being a sole trader offers more freedom than a limited company.
-

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Q30. How important do you think the legal status of business is to the following factors that influence the success of the business?

RESPONSE OPTIONS

- A Very important
- B Somewhat important
- C A little bit important
- D Not important
- E Don't know

ROTATE

- 1 The financial security of the business
- 2 The reputation of the business
- 3 The reputation of the business owner or director
- 4 The level of risk assumed by the business owner or director
- 5 The ability to secure work and contracts
- 6 The ability to recruit staff
- 7 Other (please state)

RECORD

Q31. Overall, how has your business been impacted by the COVID-19 (coronavirus) pandemic and restrictions placed on the day-to-day activities of businesses and households?

RESPONSE OPTIONS

- A Not impacted
- B Impacted
- C Prefer not to say
- D Don't know

SINGLE CODE - ROTATE

- 1 Reduced sales / revenue / turnover for this year
 - 2 Impacts on suppliers / contractors
 - 3 Reduced employee numbers permanently – i.e. redundancies
 - 4 Reduced employee numbers temporarily – including furlough
-

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Q32. Which, if any, COVID-19 (coronavirus) business support schemes has your business taken up? Please select all that apply

MULTICODE
ROTATE

- 1
 - 2
 - 3
 - 4
 - 5
-

Q33. How has your business revenue changed since this time last year?

SINGLE CODE

- 1 Up significantly
 - 2 Up slightly
 - 3 The same
 - 4 Down slightly
 - 5 Down significantly
-

Q34. How confident do you feel about the outlook for your business in the coming 12 months?

SINGLE CODE

- 1 Very confident
 - 2 Somewhat confident
 - 3 Not so confident
 - 4 Not at all confident
 - 5 Don't know
-

SECTION E: RESPONDENT PROFILE

Please could you now answer some final questions about you and your business. This information will help check that we have surveyed a range of business owners across the UK.

Q35. Where is your business located? If your business has more than one site in the UK, please answer for the site where you are based.

SINGLE CODE

- 1 East Midlands
 - 2 East of England
 - 3 Greater London
 - 4 North East
 - 5 North West
 - 6 Northern Ireland
 - 7 Scotland
 - 8 South East
 - 9 South West
 - 10 Wales
 - 11 West Midlands
 - 12 Yorkshire and the Humber
 - 13 Isle of Man and Channel Islands
-

Q36. Please can you indicate your age

SINGLE CODE

- 1 18-24
 - 2 25-34
 - 3 35-44
 - 4 45-54
 - 5 55-64
 - 6 65+
-

Q37. Please indicate your gender

SINGLE CODE

- 1 Male
 - 2 Female
 - 3 Prefer to identify another way
 - 4 Prefer not to say
-

Q38. At what level did you complete your education? If you are still studying, which level best describes the highest level of education you have obtained until now?

SINGLE CODE

- 1 O levels / CSEs / GCSEs (any grades)
 - 2 A levels / AS level / higher school certificate
 - 3 NVQ (Level 1 and 2). Foundation / Intermediate / Advanced GNVQ / HNC / HND
 - 4 Other qualifications (e.g. City and Guilds, RSA/OCR, BTEC/Edexcel))
 - 5 First degree (e.g. BA, BSc)
 - 6 Higher degree (e.g. MA, PhD, PGCE, post graduate certificates and diplomas)
 - 7 Professional qualifications (teacher, doctor, dentist, architect, engineer, lawyer, etc.)
 - 8 No qualifications
 - 9 Prefer not to say
-

Q39. Which the following best describes your ethnic group?

SINGLE CODE

- 1 White British
 - 2 White Irish
 - 3 Mixed - White and Black Caribbean
 - 4 Mixed - White and Black African
 - 5 Mixed - White and Asian
 - 6 Indian
 - 7 Pakistani
 - 8 Bangladeshi
 - 9 Black Caribbean
 - 10 Black African
 - 11 Chinese
 - 12 Other (please state) RECORD
 - 13 Prefer not to say
-

Q40. Finally, considering all the information that you have been given, overall, how easy or difficult was it to answer the questions in this survey?

SINGLE CODE

- 1 Very easy
- 2 Fairly easy
- 3 Neither easy nor difficult
- 4 Fairly difficult
- 5 Very difficult
- 6 Don't know / prefer not to say

Q41. And, did you think this survey was (select all that apply):

MULTICODE

- 1 Interesting
 - 2 Easy
 - 3 Too long
 - 4 Difficult to understand
 - 5 Educational
 - 6 Unrealistic / not credible
 - 7 Other (please state) RECORD
 - 8 None of these
-

SURVEY CLOSE

That's the end of the survey. Thank you for your time and help, it is very much appreciated.

Note for testing: prize draw for pilot and main survey only