SMALL BUSINESS INSTITUTE

FAMILY BUSINESS UK

# Small Business Regulation

November 2026

# INTRODUCTION

The Department for Business, Innovation, Science and Trade set up a Small Business Regulatory Taskforce to develop practical recommendations to reduce regulatory burdens on small and medium-sized enterprises, and micro-businesses. This report presents the findings of a workstream examining the impact on SMEs from regulatory enforcement across regulators and local authorities on small business. This workstream was delivered by the Small Business Institute (SBI), the specialist research and policy arm of Small Business Britain (SBB), and Family Business UK (FBUK) in support of the Department for Business, Innovation, Science and Trade's commitment to reduce the administrative cost of regulation by 25%.

The findings draw on four focus groups held in July 2026, involving 30 businesses spanning hospitality, food production, retail, logistics, property, agriculture, professional services, events, the creative industries and the charity sector. They are complemented by two surveys conducted in parallel by SBI and FBUK. 341 small businesses across every nation and region of the UK responded to SBI's survey, and 536 SMEs responded to FBUK's survey.

The report also draws on written submissions to the Taskforce from Xero and eBay.

The findings of this report are organised around the workstream's four pillars: planning and licensing, inspection, reporting, and barriers to growth. Each pillar comes with a standout recommendation, all sitting beneath a single overarching recommendation, because any reform that overlooks this will address the symptoms rather than the underlying challenge. A short closing section sets out how the recommendations could be delivered.

### SBI Surveying

The businesses involved in SBI's survey research reflected the reality of the smaller business community: 59% of survey respondents run their business alone, and 87% employ five people or fewer. Almost two in five have been trading for more than ten years. Asked which areas of regulation significantly impact their business, respondents put data protection first (60%), followed by Companies House requirements (42%) and consumer rights and trading standards (32%): the universal regimes every business experiences. These are not businesses failing to get to grips with regulation; they are experienced founders describing a system that was not designed for them.

### FBUK Surveying

FBUK undertook questions within the Q2 Family Business Pulse Survey form Friday 10 July to Wednesday 22 July 2026. The survey attracted 536 responses, of which 81% were classed as SMEs based on employee number.

THE OVERARCHING MESSAGE

# Design for smaller businesses from the start

Smaller businesses do not have a compliance department, an HR team or a team of in-house lawyers. The owner is all those things at the same time. Every form, portal, inspection and renewal therefore competes directly with serving customers, employing people and growing. Larger firms absorb regulatory cost through specialist teams whereas smaller firms absorb it through the founder's time.

Participants were clear they do not object to regulation itself. Standards protect their customers and their reputations, and most described wanting to go beyond the minimum. The problem is that rules, forms and enforcement are designed around the assumptions of a large organisation, and then applied unchanged to smaller privately-owned businesses.

The conversation around devolution is an important one. Fiscal and financial devolution to local and regional government is welcome, but regulatory devolution risks the opposite: fragmenting standards across regions, forcing businesses that trade across boundaries to comply with parallel regimes, and pushing the cost of regulation up rather than reducing it by 25%. What smaller businesses need are consistent national standards that regional and local delivery bodies apply the same way.

> "You can't compare yourself to a company like Heinz — they're a completely different scale of machine."
>
> **Micro food producer, 15 months trading**



## KEY RECOMMENDATION

Build regulation with smaller and growing businesses in mind. Before any new regulation, reporting requirement or digital process is introduced or amended, government should be required to assess its cost and administrative impact on businesses of different sizes, including the smallest of businesses.

# 1 Planning and licensing

The defining feature of planning and licensing, as smaller businesses experience it, is inconsistency between authorities and between individual officials. In SBI's survey, 40% of respondents identified different requirements across local authorities or regulators as one of the issues with the greatest impact on their time and resources, and 39% said differences in regulatory approach between authorities had created challenges for their business. Only 18% found interpretation and enforcement consistent.

In FBUK's survey, 92% of businesses answered that at least one regulatory area was having the greatest impact on time and resources. Most notably, 39% said regulatory thresholds created additional compliance burdens as the business grows. 31% said managing multiple compliance systems, processes or formats had the biggest impact. Almost a third (32%) of family businesses said different requirements or interpretations across regulators and local authorities had the biggest impact.

**40%**

of respondents say different requirements across local authorities is one of the biggest impacts on time and resources

### CASE STUDY 1

"It's not the licensing itself that's the problem, it's that 300-plus authorities each run their own versions, different fees, forms, response times, all uncoordinated."
Transport and community business owner

### CASE STUDY 2

A gin distillery building a national brand must complete a differently formatted Temporary Event Notice application for every local authority in which it runs a tasting or pop-up.

### CASE STUDY 3

A hamper business went through three licensing processes with three councils and had three entirely different experiences, including one officer rejecting paperwork identical to that previously accepted elsewhere.

### CASE STUDY 4

A charity was told planning permission would never be granted for its site, then secured it after a year, only by paying a private consultant to navigate rules the council itself was not applying consistently. Delays carry real financial consequences for smaller businesses who don't have the cash reserves to bear the unexpected costs.

As one landowner put it, the planning system as currently operated is "the single biggest inhibitor to growth in the UK."



## RECOMMENDATION

Standardise common licence applications nationally, with guaranteed decision timelines. Licences used across multiple areas should use a single national digital form and process recognised by every local authority, with statutory determination periods enforced and licences remaining valid until a renewal decision is made.

# 2 Inspection

Asked which issues have the greatest impact on their time and resources, more than half (54%) of business owners surveyed by SBI selected inconsistent interpretation of regulations, the most-selected issue in that question. In FBUK's survey, nearly a fifth (19%) of SMEs said frequent inspections or regulatory interactions had the greatest impact on their business's time and resources.

Inconsistency in the decisions and recommendations of different inspectors leads to smaller business owners spending money on things that may not be necessary at all.

Food hygiene inspection came up consistently. Participants described inspectors fixating on different issues and arriving unannounced mid-service on the busiest day of the week. Home-based food businesses receive appointment-based, lighter-touch inspection while commercial premises face stricter unannounced visits. Interpretation of risk varies between regulators too: businesses answering to multiple bodies described inspection regimes that do not coordinate, duplicate ground already covered, and occasionally produce visits with no apparent purpose.

> "I've been trading nearly 12 years and had 6–7 inspections with 6–7 different inspectors, all with different opinions. One inspector makes a recommendation, I implement it, and the next inspector tells me I didn't need to spend the money on that at all."
>
> **Tea room owner, West Sussex**

## Best Practice

The evidence also shows what good can look like.

### CASE STUDY 1

A Bromley environmental health officer helped a home producer reconfigure her kitchen, avoid an unnecessary commercial-kitchen cost and write her food safety documentation, resulting in a five-star rating.

### CASE STUDY 2

A publisher struggling with Extended Producer Responsibility forms invited officials to its premises to work through real products together, resolving ambiguities the online process could not.

Survey respondents to SBI's survey agree this should be the way forward: the most-selected improvements to enforcement were clearer expectations of what good compliance looks like (55%), more consistency between regulators and authorities (41%) and more focus on supporting compliance before enforcement action (40%).

The FBUK survey concurred in terms of expectations. 32% of respondents in FBUK's survey said better support to help businesses understand and comply with requirements would most improve their experience of engaging with regulation. More than a quarter (27%) said clearer guidance and communication from regulators would improve their experience.

Clearer expectations

More consistency

Support before enforce

Better help in understanding



### RECOMMENDATION

Publish national "what good compliance looks like" standards, delivered through consistent inspector training. Businesses should be able to see clearly what inspectors will check, what constitutes compliance, and where recommendations go beyond legal requirements, with the same approach applied by every authority.

# 3 Reporting

Duplicated reporting was the dominant practical complaint across all four focus groups, and was evident in the survey too: 53% of SBI respondents cited multiple reporting systems or formats among their greatest burdens and 42% cited duplicate requests for information already provided elsewhere.

In FBUK's survey, 31% said managing multiple compliance systems, processes or formats had the biggest impact on time and resources. 23% of respondents said duplicate information requests and reporting requirements had the greatest impact. Businesses report the same underlying information such as payroll, financial, safety and environmental data to HMRC, Companies House, the ICO, charity regulators, local authorities, licensing bodies and funders, each in a different format, through systems that do not communicate.

The ONS business survey is still issued in paper form and backed up by letters participants described as "threatening." It was singled out repeatedly: government already holds virtually all of the information it requests, in PAYE and Companies House data. The rollout of Companies House director identity verification showed the wider design failure: several participants completed it correctly yet kept receiving escalating non-compliance letters (one owner counted twelve) because backend systems fail to synchronise the information. Data protection obligations, meanwhile, repeatedly arrived as a surprise; participants in three of the four focus groups discovered ICO registration requirements or data charges only by chance, months into trading.

> "Surely, the same way opening a bank account can instantly verify you via Companies House, there should be a central point where government departments can look you up. If departments still can't talk to each other in the 21st century, that's a real problem."
>
> **Sole trader disability consultant**

## Best Practice

Participants in focus groups pointed to precedents that work. The "Tell Us Once" bereavement service notifies every relevant department from a single report. The Prudential Regulation Authority has begun rationalising its own data collections, deleting 37 reporting templates from January 2026 at an estimated saving to the banking industry of £26 million a year: evidence that a regulator can cut reporting burden without cutting standards.[1] Internationally, Denmark and Estonia offer two mature models: Virk.dk integrates hundreds of business-facing forms from every relevant public authority into a single one-stop shop, and Estonia's e-Business Register allows a company to be registered online in a couple of hours rather than the five days it previously took.

External submissions to the Taskforce reach the same conclusion. Xero argues that a Unique Business Identifier and a regulatory passporting framework would close the biggest single source of duplicated admin. eBay shared evidence for the front-end case: a single gov.uk hub for smaller business regulatory guidance, with the guidance embedded directly into the marketplace and platform dashboards businesses already use.

### What small businesses need

**48%**
clearer guidance and communications

**45%**
a single digital portal

**34%**
reduced administrative burden

Smaller businesses want a joined-up system. Clearer guidance and communications (48%) and a single digital portal (45%) were the two top-ranked suggested improvements in the SBI survey. In the words of one respondent: "One system that actually works and talks to each other."

In FBUK's survey, 34% said reduced administrative burden (e.g. fewer reporting requirements and duplicate information requests) would most improve their experience of engaging with regulation. Almost a third (32%) said faster decisions, approvals and licensing processes, 32% said better support to help business understand and comply with requirements, and, 29% said improved digital services and a single online portal for regulatory interactions would most improve their experience.



### RECOMMENDATION

**Build a single "report once" digital system across government**
Businesses should be able to submit information through a single portal, with data shared securely across all relevant regulators and authorities. Government should operate on the principle that it never asks for information it already holds, with routine renewals based on a simple "tell us what has changed" approach and statistical reporting drawn from existing PAYE, VAT and Companies House data wherever possible.

1 Bank of England / PRA, "PRA proposes reduced reporting requirements for banks," 22 September 2025 (CP21/25); PRA Discussion Paper DP1/26, "Future Banking Data," February 2026.

# 4 Barriers to growth: thresholds, cliff edges and procurement

More than a quarter of SBI survey respondents (26%) said compliance requirements triggered by growth in turnover or employee numbers significantly affect their business, and 27% cited procurement, insurance or financial thresholds restricting access to contracts.

27% of FBUK respondents said procurement, insurance or finance requirements that limit access to opportunities had the greatest impact on their business's time and resources. More than one in five (22%) said more proportionate, risk-based regulation would most improve their experience of engaging with regulation.

The focus groups showed how these thresholds operate in practice, not as steps but as cliff edges that deter growth. The VAT threshold came up throughout. Crossing it forces a choice between absorbing an effective 20% price rise and losing price-sensitive clients, and once registered, stepping back is nearly impossible.

As one participant put it, crossing the threshold "is a sign of growth, but it can also stall growth."

**26%**

of small businesses say compliance requirements triggered by growing their business have had significant effect

CASE STUDY 1

One charity, forced into VAT registration by a building project, has been told de-registering would cost £173,000, and now pays around £1,000 a month in bookkeeping, payroll and VAT support it cannot afford.

### CASE STUDY 2

Business rates behave the same way: a gifting business saw its premises assessed for 100% relief before signing the lease, then reassessed to zero weeks before moving in, which led to an unplanned £8,000-plus annual cost that has ended its drive to expand.

Fixed-cost certification adds a further barrier.

### CASE STUDY 3

A SALSA food safety certificate (£600–700, regardless of size) and a commercial kitchen (£2,000–3,000+) stand between micro food producers and national retail listings; one artisan producer closed because scaling to a compliant production kitchen would have required roughly ten times her turnover to be viable.

The earliest cliff edges often bite the hardest. eBay's submission to the Taskforce highlights two in particular: the £1,000 Trading Allowance, set in 2017 and not uprated since, forces sole traders into full tax administration almost as soon as they test a business idea; and new self-employed Universal Credit claimants face the Minimum Income Floor after only twelve months, precisely when trading revenue is least predictable.

Regulation that arrives suddenly at a size boundary, with no on-ramp, teaches smaller businesses that growth is punished; several participants said explicitly they had chosen to stay small.



## RECOMMENDATION

**Remove the penalties on growth**

Replace cliff edges with tapers and grace periods: a graduated approach around the VAT threshold, easier de-registration when turnover falls back, tapered business rates relief, and an uprated Trading Allowance and extended Universal Credit start-up period to smooth the earliest-stage cliff edges. Scale procurement prerequisites (insurance, financial and liability requirements) to contract size so smaller firms can bid.

DELIVERY

# Making this happen

## A named senior owner

To make this real, the Government should appoint a **named senior owner** accountable for managing the small business lens for regulation across Whitehall. The role should survive changes of minister and department.

## Small Business Regulation Delivery Taskforce

It is also invited to consider establishing a time-limited **Small Business Regulation Delivery Taskforce**: a small, dedicated unit with a time-limited mandate working alongside the named senior owner set out above. Its remit would be narrow and specific: deliver the single "report once" digital system, the national licence and inspection standardisation set out under Pillars 1 and 2, and the taper and threshold reforms set out under Pillar 4.

# Conclusion

Throughout the research smaller businesses described the same system. In their dealings with licensing authorities and with regulators, the same information is demanded again and again in different formats, through systems that do not communicate. In their dealings with inspectors and with growth thresholds, the state too often treats compliance as a test to catch them failing and treats growth as something to be penalised rather than supported. Their asks are consistent, and none involve lowering standards:

1. **A joined-up system**
2. **Proportionality by design**
3. **Consistency between authorities and inspectors**
4. **Support before penalty**

The 25% reduction target is achievable, but only if reform is designed for the smallest businesses that carry the heaviest proportional burden, held to a single national standard across the regions, and delivered with purpose. Designed around the assumptions of organisations with in-house compliance teams in place, or fragmented across a devolved regulatory landscape, it will deliver savings on paper and change little in practice. A system designed around the realities facing the smallest businesses, often time-poor, resource-constrained, unfamiliar with regulatory requirements, and keen to do the right thing, would transform the operating environment for the 5.5 million firms that make up more than 99% of the UK business population.

For more information, visit Family Business UK and the Small Business Institute