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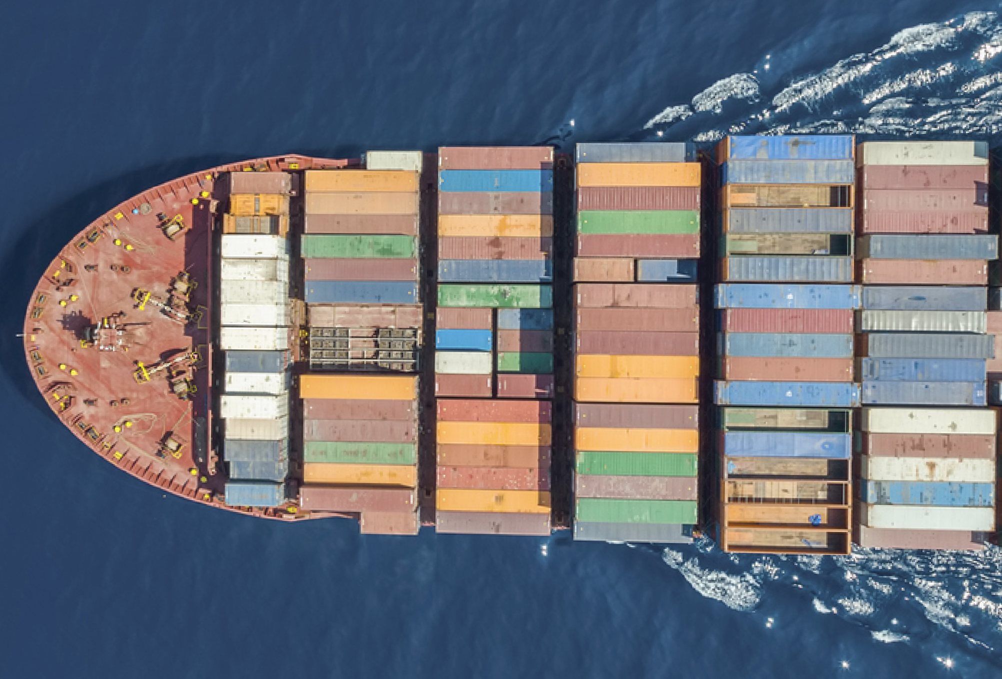
SPOTLIGHT ON:

Exporting for growth: Strategies for small businesses expanding abroad



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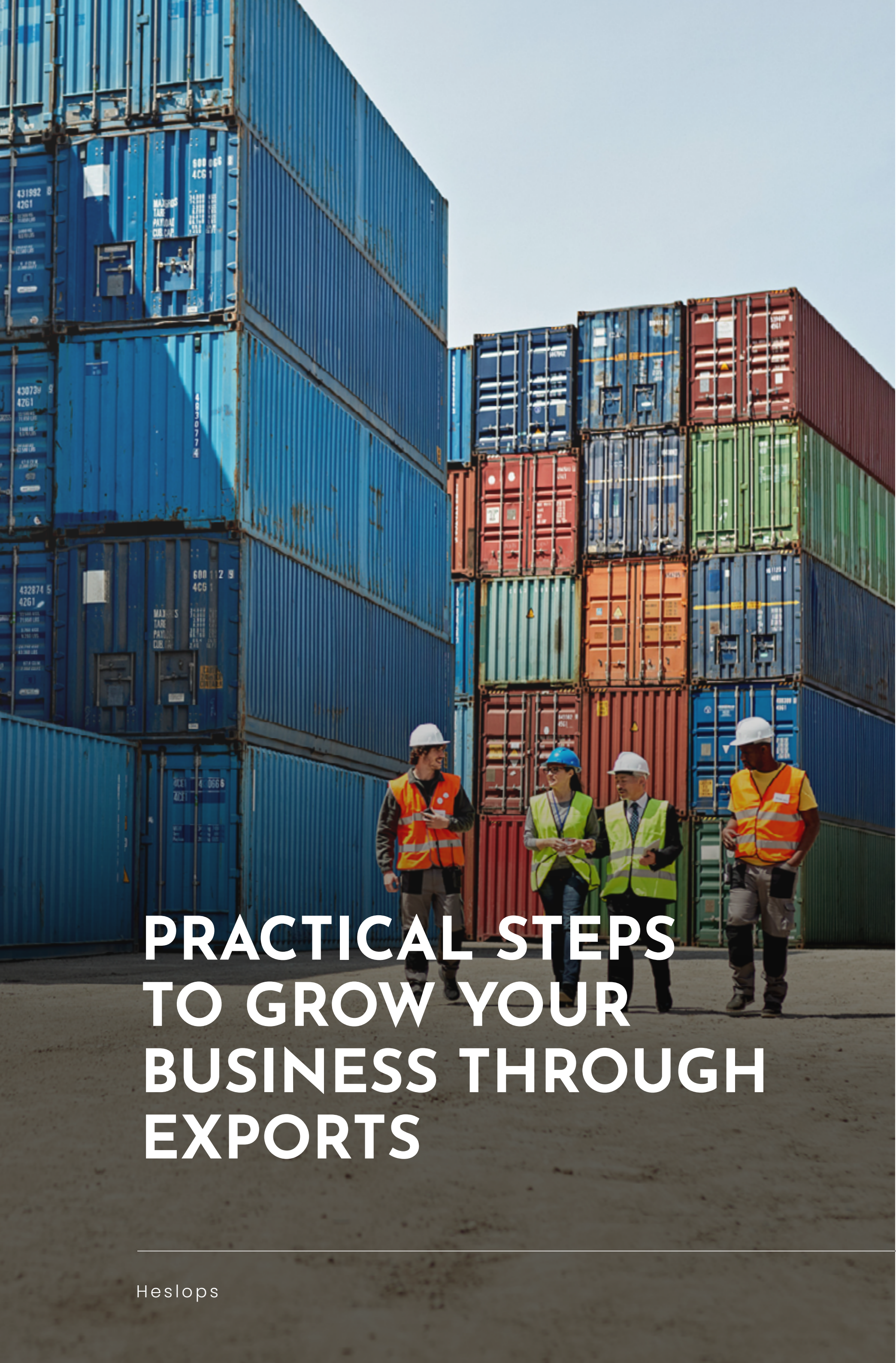


PRACTICAL STEPS TO GROW YOUR BUSINESS THROUGH EXPORTS

Exports already account for around 30% of UK gross domestic product (GDP), and the government wants that share to rise further by helping more small firms sell overseas. In the 2024 Autumn Statement, ministers renewed the goal of lifting UK exports to £1 trillion a year by 2030. Although the headline target often makes the news, the real shift will come from the thousands of owner-managed businesses that decide to quote for an order in Dublin, Dubai, or Denver for the first time.

That decision can feel bold, yet it is rarely speculative. The latest Business Insights survey from the Office for National Statistics shows that 22% of UK firms with 10 or more staff shipped goods, services or both abroad in the 12 months to April 2025. The same dataset suggests that a further 9% expect to start exporting within the next year. Cheap cloud software, predictable customs processes and direct-to-consumer platforms mean that geography limits fewer firms than before.

Of course, every extra customer, currency and border adds work. Directors must prove product compliance, hold export evidence for VAT, and protect cashflow against longer settlement periods. That is where your accountant comes in, offering clear, specific guidance that reflects current tax rules and funding schemes.

This guide focuses on three practical questions. Is the business ready? What are the tax and compliance rules for 2025/26? Which public or private programmes can reduce the upfront costs?

WHY EXPORTING STILL MATTERS FOR SMES

A larger export base lifts national output and improves productivity, and the opportunity is tangible even for smaller firms.

- **Market potential**: Exports give a micro business access to customers whose combined spending power far exceeds that of the UK alone.
- **Scale benefits**: Higher volumes can lower unit costs and justify investment in automation or product development.
- **Resilience**: Revenue from more than one region can offset domestic slowdowns or sector-specific downturns.

The appetite is growing. Momentum is visible in the trade data too. The value of UK goods exports rose by £1.8bn (6.3%) in January 2025 compared with December 2024.

ASSESSING READINESS – FINANCE AND OPERATIONS

Before a firm starts quoting to overseas buyers, encourage directors to work through the points below.

- **Turnover stability**: Has the business produced at least two years of steady income and profit?
- **Free cashflow**: Can it fund longer payment cycles and higher inventory without short-term borrowing spikes?
- **Management capacity**: Does the team have time to deal with customs queries, language differences and extra paperwork?
- **Intellectual property**: Are trademarks or patents protected in the target market?
- **Supply-chain resilience**: Can key inputs be sourced from more than one supplier or location?
- **Product compliance**: Do existing certifications meet local safety or labelling rules?
- **Customer-service planning**: Is after-sales support, including returns, feasible at a distance?

As accountants, we help clients quantify each item. A quick-ratio test and rolling 12-month cashflow forecast often reveal whether the business can shoulder the extra working capital.

TAX AND COMPLIANCE FRAMEWORK 2025/26

Trading overseas brings added tax considerations, even for experienced domestic businesses.

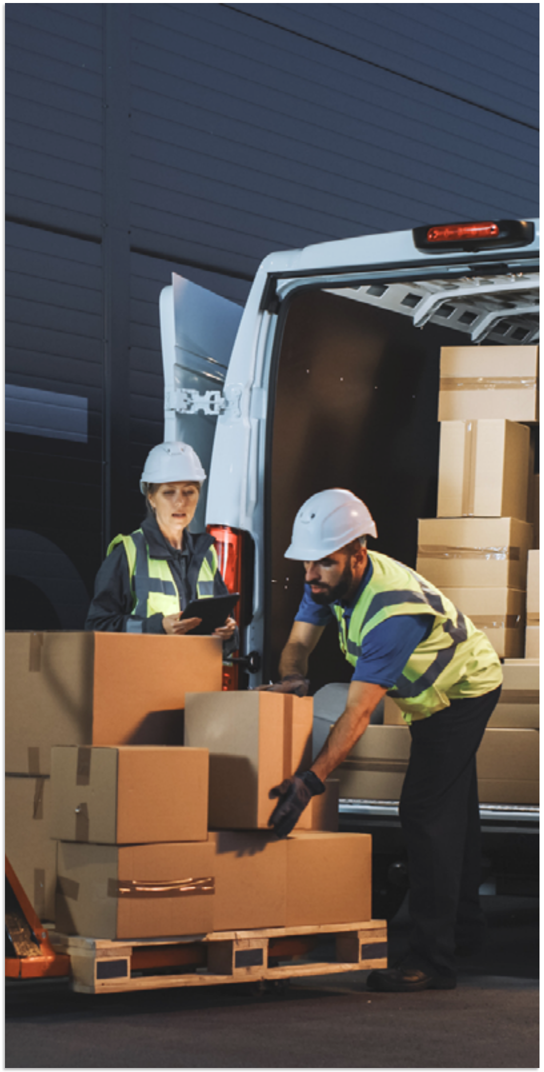
CORPORATION TAX

The small profits rate remains at 19% for profits up to £50,000, while the main rate of 25% applies to profits above £250,000. Marginal relief is available for profits that fall between these thresholds.

For clients with group structures, it's worth modelling how overseas activity might affect overall profit allocation – particularly if they're planning to open a foreign branch.

VALUE ADDED TAX (VAT)

- The UK VAT registration threshold remains £90,000 of taxable turnover for 2025/26.
- Exports of goods are usually zero rated, but the seller must hold evidence of dispatch within three months.
- Digital services supplied to EU consumers fall under the non-Union one-stop shop (OSS) scheme, which simplifies registration in multiple member states.



CUSTOMS AND DUTIES

Agree on the correct incoterms (international commercial terms) at the quotation stage so everyone knows who books the transport, who pays duty and at what point the risk passes. Show the terms on the commercial invoice alongside the eight-digit commodity code, customs value, and net and gross weight. Submit your export declaration through the Customs Declaration Service (CDS) and give the haulier the movement reference number before collection.

For consignments entering the EU, the UK-EU Trade and Cooperation Agreement can remove tariffs if the goods meet the rules of origin. Keep supplier declarations or a self-declaration on the invoice confirming UK origin and store the paperwork for at least four years, as customs officers may ask for proof long after the shipment clears. If the product falls outside the agreement – for instance, because it contains a high proportion of non-UK inputs – build the duty rate into your landed-cost calculation so you quote a realistic price.

Import VAT is usually payable by the buyer at the border, but you can simplify their cashflow by offering Delivered Duty Paid (DDP). In that case, you act as importer of record, recover the VAT through a local registration, and charge it back to the customer in sterling. Whatever model you choose, keep your evidence bundle – commercial invoice, packing list, transport documentation, origin statements, and any preference certificates – complete and well-indexed so future audits run smoothly.

EMPLOYMENT TAXES

Posting staff abroad may trigger tax residence in the host country. Short-term business visitors can stay on UK payroll, but firms must apply for a short-term business visitor reporting agreement with HMRC.

CURRENCY AND CASHFLOW MANAGEMENT

A single delayed payment in a different currency can destabilise a small business. We recommend the following actions.

- **Multi-currency accounts**: Reduce transfer fees and allow receipts to be held until rates improve.
- **Forward contracts**: Lock in an exchange rate on the day the sale is agreed.
- **Natural hedging**: Match currency of revenue and costs where possible.
- **Structured payment terms**: Ask for a deposit on order, stage payments on shipment or use letters of credit.
- **Export credit insurance**: Protect against customer default in higher-risk markets.

We can build exchange-rate scenarios into your cashflow forecast so you can see the worst-case draw on working capital.

MARKET SELECTION AND RISK EVALUATION

Choosing the first overseas market is often harder than shipping itself. Base the shortlist on measurable evidence.

- Begin by sizing the opportunity, focusing on sector demand rather than headline GDP.
- Check regulatory fit, confirming product standards, labelling rules and any licensing.
- Consider whether a UK free-trade agreement removes tariffs or quotas.
- Compare logistics cost and reliability – freight rates, sailing schedules, flight frequency and local warehousing.

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- Look at payment culture by reviewing average settlement periods and the ease of enforcing contracts.
- Gauge political and economic stability through the Department for Business and Trade’s risk scores.

After ranking the options, advise the business to pilot one market at a time so it can refine price, marketing and distribution without heavy upfront costs.

SUPPORT PROGRAMMES AND FINANCE

Several schemes reduce the upfront cost of exporting.

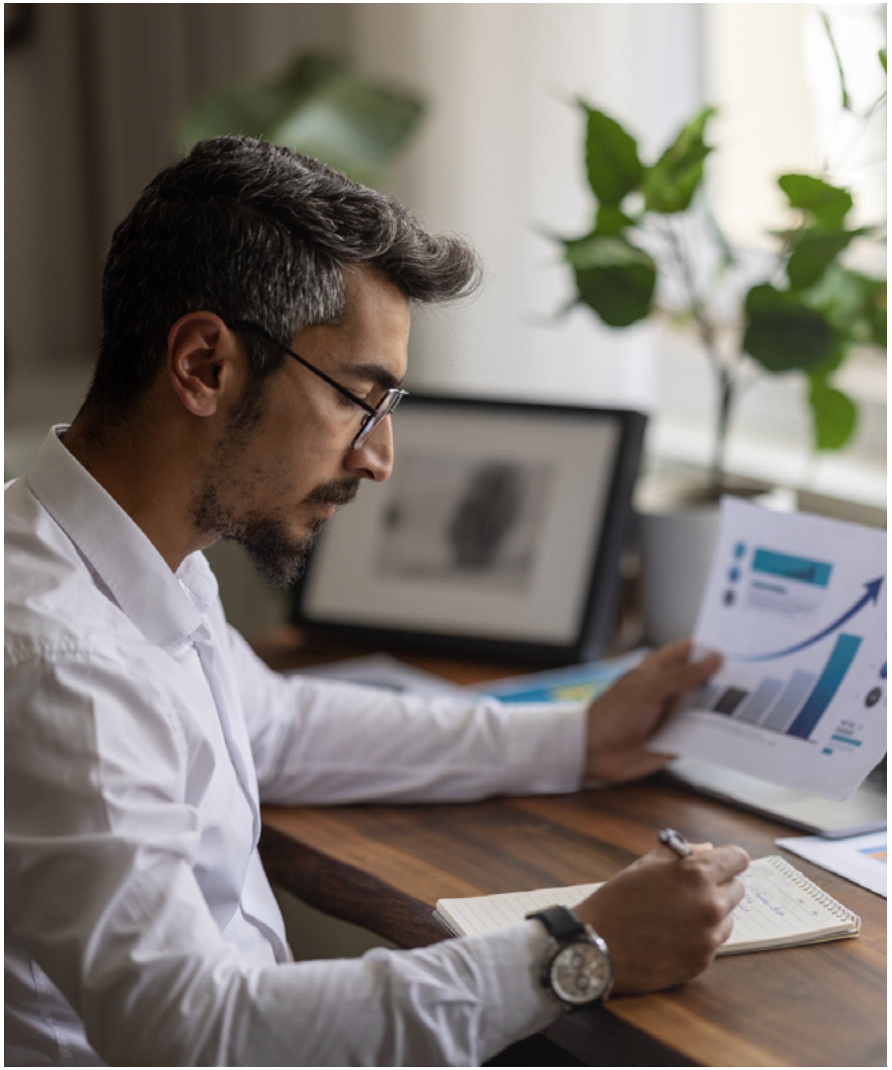
- **UK Export Finance (UKEF) general export facility**: Guarantees up to 80% of a working-capital loan from a high-street bank.
- **UKEF export insurance policy**: Covers up to 95% of the value of an export contract if the buyer defaults.
- **DBT Export Support Service**: Free advice on logistics, tax and market entry.
- **Internationalisation Fund (England)**: Match-funds up to £9,000 of market research or trade-show expenditure.
- **Growth Guarantee Scheme**: 70% government guarantee on loans up to £2m, extended to March 2026.

Applications move faster when your accountant supplies historic accounts, management information and cashflow projections that align with the export plan.

PRACTICAL FIRST STEPS

Define export goals: Set a revenue or unit target that is achievable within 12 months.

1. **Choose a pilot market**: Base the choice on data rather than anecdote.
2. **Price the product**: Include landed cost, margin and buffer for exchange-rate swings.
3. **Register and comply**: Obtain an economic operators registration and identification (EORI) number and confirm any local VAT obligations.
4. **Arrange logistics**: Pick incoterms, agree lead times with a freight forwarder and book insurance.
5. **Protect cashflow**: Secure a letter of credit, export insurance or deposit before production starts.
6. **Monitor performance**: Review profit per market each month and refine the plan.

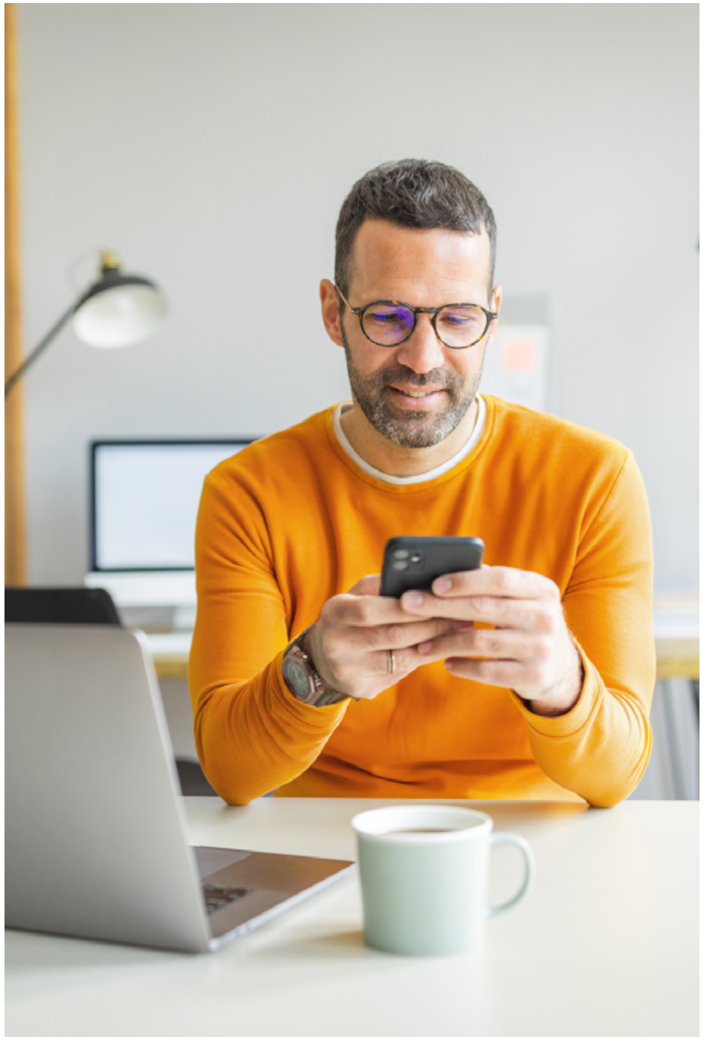


PUTTING IT INTO PRACTICE

Exporting remains one of the fastest ways for a small UK business to grow turnover, sharpen its product and diversify risk. It is also more structured, and therefore more manageable, than many owners first assume. The rulebook is clear, the support programmes are well funded and reputable logistics partners handle the mechanics of shipping every day.

What matters most is preparation. Reliable cashflow forecasts show whether the firm can carry longer payment terms. A documented VAT process avoids penalties and keeps input-tax recovery smooth. Early dialogue with UKEF or a relationship bank can secure a working-capital guarantee before production ramps up. When these foundations are in place, directors can focus on sales and service rather than firefighting finance issues.

Accountants sit at the centre of that preparation. We translate tax law into practical checklists, sense-check currency scenarios and package the numbers that lenders want to see. By doing so, we help businesses move from interest in exporting to sustainable overseas revenue. Use this guide as a living reference. Update the figures each spring, share the action points at board meetings and remind owners that data-led planning will always beat guesswork.



Talk to us about preparing your business for overseas sales.

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