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Over a third (39 per cent) of small business owners have absorbed the cost of the VAT increase, rather than passing it on to customers, a new survey indicates.

According to software company Intuit, 44 per cent of respondent business owners said they agreed with the coalition government's decision to raise VAT from 17.5 per cent to 20 per cent, while 13 per cent argued a rise in income tax would have been more effective.

The majority (70 per cent) of respondents said the rise had cost them around £350, while 46 per cent spent less than five hours managing the increase, people in [tax jobs](#) could be interested to learn.

Mark Batchelor, managing director of management consultancy Markman OTW, told Accountancy Magazine: "I'd suggest that small business owners are having to stoically address this in the best way possible."

John Walker, national chairman of the Federation of Small Businesses, added that small firms are "not as confident about their prospects in 2011" due to the VAT rise, as well as rises in fuel duty planned for April.

The VAT rate was raised on January 4th.

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