



HM Revenue  
& Customs

## Research report 620

# Compliance checks opening correspondence research

Qualitative research to explore perceptions towards initial correspondence with Self Assessment customers when opening a compliance check

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OFFICIAL

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# 1. Executive summary

HM Revenue and Customs (HMRC) has a responsibility to ensure all taxpayers pay the right amount of tax. As part of this duty, HMRC conducts regular tax compliance checks with different customer groups, including those submitting their tax returns through Self Assessment.

At the outset of a compliance check for Self Assessment, HMRC issues a set of opening correspondence to introduce the check to selected customers and outline its requirements. The existing opening correspondence include: an opening letter introducing the check; a notice of enquiry informing them that the check is starting and the documents HMRC requires<sup>1</sup>; and a factsheet containing further information about the process and its possible outcomes. HMRC developed two hypothetical versions adapted from the existing version (Variants 1, 2 and 3 throughout) with the aim to promote customers' positive engagement with the documents and subsequent compliance check. HMRC commissioned Kantar Public to explore customers' reactions and attention to the three variants of opening correspondence, test customer comprehension and examine views and perceptions of style and tone in order to inform a final redesign.

The research involved 26 qualitative in-depth interviews with individuals and small businesses responsible for completing their Self Assessment. This included a mix of customers who had and had not been through a compliance check previously. Interviews took place between October and November 2020.

## 1.1 Summary of findings

**Participants' attitudes towards and understanding of compliance checks:** Participants viewed compliance checks as fair in principle and something they would take seriously if selected. They generally understood it as their duty to respond to official government requests, and accepted compliance checks as such. However, they described the prospect of being personally selected for a check as daunting and worried about the consequences of potential mistakes being uncovered. While they all thought they would act promptly upon receiving notice of it, none would actively welcome or put themselves forward for a check. This attitude was shared by both those who had and had not been through a compliance check previously, but those who had experienced a check found that initial positive interactions with HMRC officers had been helpful in relieving their concerns.

To facilitate positive engagement with compliance check opening correspondence, participants expressed the following key needs:

- Clarity about what is expected throughout the compliance check and clear guidance on what the process involves
- A fair reason for being selected, unambiguously explained
- Reciprocity in the relationship with HMRC across the compliance check process

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<sup>1</sup> HMRC is required by statute to give the customer a 'Notice of Enquiry' informing them that they are giving notice of their intention to enquire into a tax return

- Availability of accessible support tailored to customer circumstances

Participants' needs, and consequently their responses to opening correspondence, varied according to three factors: their perceived ability to manage their finances; the complexity of their tax or business set up; and their level of trust in the tax system fairness. Those less confident in their financial management, with unique business circumstances or less trusting in the fairness of the tax system tended to require more reassurance about their views and experiences being heard and accounted for by HMRC.

Even before reading the opening correspondence, all participants felt motivated to engage with HMRC compliance checks in a timely manner, and to ensure they were doing so efficiently and without error. Immediate actions participants thought they would take after reading the documents included: speaking directly with HMRC to clarify queries and confirm next steps; seeking advice and reassurance from trusted sources within their network; reviewing and collating their records to prepare for the check.

**Perceptions of compliance check opening correspondence:** Participants' responses to the three variants of opening correspondence across the four key needs are outlined below.

- **Clarity and coherence:** Information included in all three variants was generally considered clear and participants were able to accurately describe the actions HMRC required of them after reading them. Elements in Variants 2 and 3 – including an unequivocal date to return documents, visual aids to break up the text and summarise steps – further contributed to this. Participants had questions about specific next steps (e.g. on how to send records, timings for the whole check, conditions for penalties and how open source data could be used) and about definitions contained in the document (e.g. what the HMRC charter is). There was also a sense that information in the factsheet that was already covered in other documents could be streamlined.
- **Balanced tone:** The tone of the opening correspondence across all variants was considered appropriate and professional and participants appreciated that the cover letter appeared to be sent by a dedicated officer.
- **Explicit reassurance:** Explicit reassurance was helpful to mitigate concerns about reasons for selection, consequences in case of mistakes and reciprocity in the relationship with HMRC. Across all three variants, participants were reassured by the reference to checks being a routine procedure. They appreciated components of the factsheets that highlighted the benefits of the check and suggested HMRC would enter into a dialogue with customers if any mistakes were identified. Variant 3 appeared to provide the most direct reassurance for participants, particularly around reciprocity and availability of support. However, the tension between the suggestion of a random check in the covering letter and the reference to potential inaccuracies in the notice of enquiry was unsettling for participants, fuelling doubts on the reason for selection. Participants immediately pictured worst case scenarios when reading about penalties and HMRC's legal powers. They were concerned about incurring these despite stating that they would abide by HMRC's requests.
- **Immediate signpost to help:** While participants typically intended to get in touch with their named case worker at HMRC after reading the documents, they did not always notice their contact details in the cover letter's heading. The customers in our sample who

said they would not contact HMRC directly as a first step said they would have liked the letters to contain dedicated links to compliance check information, rather than a general gov.uk link.

## 1.2 Suggested areas for improvement

To improve the clarity, participants suggested additional information about practical next steps. These included information on how to send documents and estimated timings for the whole check process. Additionally, it was suggested to clarify some of the more technical aspects of language used such as wording around penalties, HMRC's charter and the use of open source materials.

Participants appreciated a named single officer and wanted reassurance that they could start a dialogue with the officer named on the opening correspondence. They suggested the officer introduce themselves as the HMRC officer dedicated to their case and provide their contact details in the text as well as on the top of the page. They also said that it would be helpful to provide a specific link to compliance check information as opposed to a general gov.uk link as this would save customers time and effort.

## 2. Introduction

### 2.1 Background

A compliance check is any action taken by an HM Revenue and Customs (HMRC) officer to check a person's tax position. HMRC carry out compliance checks to make sure that customers are paying the correct amount of tax or claiming the right amount of any HMRC benefits, discourage tax evasion and make sure the tax system is operating fairly. HMRC have the right to check whether a return or claim is accurate and complete.<sup>2</sup>

At the outset of a Self Assessment compliance check, HMRC issues a set of opening correspondence containing an opening letter introducing the check, a notice of enquiry outlining information and documents needed, and a factsheet providing an overview of the process and customers' rights and obligations. HMRC developed two further versions of the opening correspondence adapted from Variant 1 (Variants 2 and 3) with the view to assess customers' comprehension of the Income Tax Self Assessment compliance check process and their perception of the style and tone to inform a final redesign. Variant 2 differs in format and is designed to be clearer about customers need to do and when. Variant 3 was designed with the aim of highlighting fairness of the process, providing reassurance and to demonstrate reciprocity between HMRC and the customer.

### 2.2 Research aims

Kantar Public was commissioned to conduct research with customers to explore their reactions to the three variants of the opening correspondence. The overall aim of the research was to test the opening correspondence to ensure any potential redesign would maximise positive engagement with the documents and subsequent compliance check.

The specific objectives of the research were to:

- Develop customers' thought process about how compliance checks work, to give context to their reactions to stimulus, exploring existing understanding of compliance checks and any previous experience with HMRC's compliance processes.
- Explore customer attention to the different elements of the opening correspondence, exploring cognitively how they approach the stimulus.
- Test customer comprehension of the compliance check information outlined in the opening correspondence.
- Examine views and perceptions of style and tone, including how customers react to the opening correspondence and their views on how they should be improved.

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<sup>2</sup> HM Revenue and Customs (2021), *Compliance checks: an overview for agents and advisers*  
<https://www.gov.uk/guidance/compliance-checks-an-overview-for-agents-and-advisers>

## 2.3 Method

A qualitative approach was used to gain in-depth customer insight into the materials being tested. The variants were tested with participants using in-depth interviews with unrepresented individuals and businesses across the UK who were responsible for completing their Self Assessment tax returns.

Kantar Public recruited a total of 26 participants using two different sampling approaches. Free-find recruitment was used to find customers who had not been through a compliance check process, whilst a sample provided by HMRC was used to recruit customers who had been through a compliance check.<sup>3</sup>

Interviews took place between October and November 2020. The achieved sample design is summarised in Table 1 below, and a full breakdown of the final sample is included in the appendix. The sample skewed towards those who had not been through a compliance check, and towards customers who were more likely to be compliant (with the majority of the view that not declaring all income to HMRC was “never acceptable”). Although participants with a range of tax management capabilities were included, the sample skewed towards medium confidence.

**Table 1 – Achieved quotas in final sample**

Achieved quotas		
Experience of compliance checks	Already been through compliance check	6
	Not been through compliance check	20
Customer type	Individual	16
	Business	10
Range of tax management capabilities	Low confidence	1
	Neither confident or unconfident	11
	Somewhat confident	11
	Highly confident	3

Please note the findings are qualitative in nature, seeking to explore the views and experiences of participants. The data does not aim or allow for statistical analyses. The data presented in this report is neither representative nor generalisable and is not meant to be used to provide statistically significant results. In reading these findings, please also note that the views of participants willing to take part in research may differ from those of other customers.

Note that where differences in responses were identified between those who had and had not previously experienced a compliance check, these have been highlighted. No meaningful differences were identified between businesses and individuals.<sup>4</sup>

<sup>3</sup> Customers going through an active compliance check were excluded from the research

<sup>4</sup> Note that the only insight with specific relevance to a business came from one example where the participant was concerned about the logistics of coordinating employees for a site visit.





### 3. Participants' attitudes towards and understanding of compliance checks

This section explores participants' views and assumptions about compliance checks, their reactions to the idea of being selected for a check, as well as the factors influencing their responses to the opening correspondence presented during the interview.

#### 3.1 Views towards compliance checks

Following a description of compliance checks, participants with no previous experience felt they understood their purpose and perceived them as fair in principle. They typically thought it was appropriate for HMRC to conduct them and that it was within the Department's mandate to guarantee that all customers pay the tax they owe. They also felt that citizens had a duty to respond to official government requests, and would therefore take part if selected.

Participants who had experienced a compliance check before expressed similar views, perceiving compliance checks to be fair and appropriate and saw it as a duty for all taxpayers to take part if requested.<sup>5</sup>

Participants with no previous experience of a compliance check said they would not voluntarily choose to take part, but they recognised some potential benefits to doing so when prompted. These included confirming customers' tax returns were correct and rectifying mistakes to ensure all customers paid the right amount of tax. Despite a mostly positive or neutral view towards compliance checks in principle, participants who had not been through a check before typically described the prospect of being personally selected as daunting. Some worried about the consequences of potential mistakes being uncovered, and particularly those who felt less confident in dealing with their financial and tax affairs imagined worst case scenarios, such as discovering they had submitted their tax returns incorrectly for years, resulting in owing HMRC large sums of money. Even participants who were more confident in the accuracy of their Self Assessment returns were apprehensive towards what they saw as an audit, and while they would comply with it, they expressed some nervousness about HMRC going through their affairs. In summary, even though participants explained they had nothing to hide or to rationally worry about, their reactions to the prospect of being selected were emotionally led. This was usually tied to the gravitas associated with HMRC and the seriousness of tax compliance more generally.

*"I think [a compliance check is] good because it needs to take place. Obviously it's not fair if someone is doing it properly and someone else is dodging the system." - Not been through compliance check, Individual*

*"I would probably be a little bit scared [if selected for a compliance check], just doubting myself, have I done this right?" - Not been through compliance check, Individual*

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<sup>5</sup> Note that the views of participants willing to take part in research may differ from those of other customers.

Despite widespread acceptance that compliance checks were fair in principle (among both those who had and had not experienced one), some participants felt that targeting individuals and small businesses was unfair and that instead HMRC should focus on larger organisations who evade relatively larger amounts of tax, to make the return on investment worthwhile. These participants were not defined by any particular characteristics, but commonly cited perceptions of the compliance check being onerous and disruptive for individuals and small businesses with relatively small returns for HMRC, compared to larger businesses.

Participants who had been through a check generally understood the need for them but had mixed views about their experiences, reflecting different levels of perceived burden and whether or not they had a positive outcome. Positive outcomes experienced by participants included receiving money due to an overpayment and learning about items they could claim as an expense in the future. Negative experiences included finding the process time consuming and an additional expense.

*“I think it’s just keeping you honest... I think it’s just keeping the ship in order really. We did have one it was a positive thing because we had actually overpaid.” - Been through compliance check, Business*

### 3.2 Participants’ needs from opening correspondence

Participants’ reactions to the opening correspondence highlighted four key needs to support positive engagement throughout the compliance check process. While participants thought that they would respond in a timely manner due to the nature of the request, the research indicated that addressing the four needs could help relieve their concerns about the process and make the experience more positive. The four key needs are set out and explained in further detail below.

#### 1) Clarity about what is expected throughout the compliance check and clear guidance on what the process involves

This included knowing which documents to send, how to do this (e.g. how to transfer documents securely), timescales for the check and other practical steps to take to ensure they were engaging with the check appropriately. Participants mentioned the need for correspondence to be written in plain English to avoid any confusion about required actions and possible outcomes.

#### 2) A fair reason for being selected, unambiguously explained

The first thought that came to mind for participants when thinking about being selected for a compliance check was typically ‘why me?’ Providing a clear and fair reason for selection was key to avoid exacerbating participants’ concerns about potential mistakes they may have made when completing their Self Assessment. Even if participants felt confident they had completed their Self Assessment returns correctly, they were worried that being selected for a check meant HMRC had knowledge of a mistake they themselves were unaware of. A fair reason was generally associated with being selected for a random check or being given a clear explanation of why they had been targeted if intelligence led (e.g. a likely error in their submitted tax return).

### 3) Reciprocity in the relationship with HMRC across the compliance check process

Participants valued knowing that they would be involved, consulted and understood before any penalising action would be undertaken, that their personal circumstances (e.g. specifics about their business operations, personal availabilities and resources) would be taken into account throughout the check process. They expected a dialogue to be established with HMRC and wanted this to be confirmed in the opening correspondence.

### 4) Availability of accessible support tailored to customer circumstances

Participants appreciated the ability to directly contact a dedicated officer at HMRC who would be familiar with their case in order to discuss questions and clarify requirements with them. This had both emotional and practical value because it promoted increased comfort with the process and suggested they could access the help, advice and reassurance many felt they would need. In addition, it was seen as a way of avoiding laborious searches for the right answers on the HMRC website or spending their time re-explaining their circumstances to different officers at HMRC every time there was a query. Insight from interviews with participants who had been through a compliance check suggested that a named contact had been highly appreciated, as customers had been keen to get in touch with the officer at HMRC and found them professional and helpful.

## 3.3 Factors influencing participant responses to the opening correspondence

The needs outlined above were shared by all participants, regardless of whether they had been through a compliance check or not. However, the extent to which participants experienced these needs, and their subsequent responses to the opening correspondence, were influenced by three key factors connected with their circumstances and mindsets:

- Their perceived capability to manage their finances and tax affairs
- Their perception of fairness of the tax system
- The uniqueness or complexity of their financial/tax circumstances

These factors are explained in further detail below.

### Perceived capability to manage finances and tax affairs

Participants' ability and confidence in managing their finances day-to-day varied. Those at the most confident end of the spectrum tended to describe themselves as organised with a well-defined system for record-keeping; for example, spreadsheets or specialist software. These were often participants who had multiple income streams and therefore needed meticulous tracking, or who felt comfortable because they had been completing Self Assessment returns for an extended period of time. Participants from a professional background that involved some form of financial management were able to transfer these skills to their current set up.

*"I'm normally pretty good with managing my finances... I have spreadsheets for everything. I try and be meticulous"* – Not been through compliance check, Business

In contrast, participants who were less confident in managing their finances often had simpler working arrangements; for example, working for only one client or invoicing less frequently. These participants felt that, although they were able to stay on top of their income and outgoings, they may have made accidental errors in their Self Assessment, for instance by not having all the records required by HMRC or registered in the way HMRC would expect. For these participants, the need for clarity (need 1), reciprocity (need 3) and for accessible support (need 4) were especially salient, as customers were more worried about mistakes and required reassurance and assistance, both from the correspondence themselves and their assigned HMRC officer.

*"I just have my notebook month by month and it might not be as professional as they like." - Not been through compliance check, Business*

### **Perception of the fairness of the tax system**

Participants who had been through a compliance check generally felt that checks were fair.<sup>6</sup> However, when imagining being targeted for a compliance check, participants who had not been through the process before raised questions about the rationale for their selection. They felt that HMRC could focus their efforts on ensuring compliance from corporations, rather than picking up mistakes made by individuals and small businesses. This seemed to be underpinned by a belief the treatment for big companies did not match the one received by small players and a worry that the check would ultimately be to their detriment. The need for a fair reason (need 2) and reciprocity (need 3) were therefore especially salient in these cases to relieve concerns and reassure participants of the fairness of the process.

*"I'm annoyed that HMRC spend such valuable time looking into the business of small business owners, when they should be concentrating on their best return of investment which would be making sure there's no loopholes in our tax for the other end of the scale." - Not been through compliance check, Individual*

### **Uniqueness or complexity of financial or tax circumstances**

The complexity of participants' financial or tax circumstances influenced how prepared they felt to take part in a compliance check. The nature of some participants' work was quite specific (e.g. actor, theatre production creator, dog breeder), which led them to believe that their tax circumstances would 'vary from the norm'. They wondered whether HMRC would appreciate their unique circumstances when examining their claims. This made the need for reciprocity (need 3) and accessible support (need 4) especially salient as customers sought reassurance that they would be able to have a conversation with HMRC about their Self Assessment entries and requirements.

*"There are things very specific to each business that you cannot access online, particularly in arts and creative work." - Not been through compliance check, Business*

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<sup>6</sup> As before, note that the views of participants willing to take part in research may differ from those of other customers

### 3.4 Participants' actions and intended actions after receiving opening correspondence

Those who had taken part in a compliance check had been willing to take part and had not resisted. Generally, these participants had taken immediate action to contact the named HMRC officer, which provided emotional reassurance, began a dialogue and allowed them to explain their circumstances.

*"[The officer from HMRC] was a nice woman. I was expecting a big guy with a briefcase saying 'you owe me this'" – Been through a compliance check, Individual*

*"The lady who helped me out from HMRC gave me a lot of good tips." - Been through a compliance check, Individual*

Participants who had not been through a compliance check thought that they would take action as soon as possible after reading their opening correspondence, motivated by the official nature of the request and the fact that it came from HMRC.

*"Inevitably I'd be rushing around ...as it's from HMRC I'd go back to it quicker than I would other stuff. - Not been through a compliance check, Individual*

In addition to speaking directly with HMRC, participants suggested further steps they might take after reading the opening correspondence. These included seeking advice and reassurance from friends, family or other trusted sources within their network and preparing for their check by reviewing and collating their finance and tax records. Participants who felt more confident in their ability to prepare for the check tended to say they would review and collate their records straight away, whereas those who needed clarification on specific questions intended to contact HMRC first. Those keen to speak to friends and family usually wanted more general reassurance before proceeding with the check, and commonly said that they would speak to people who had experience of working in accountancy or similar fields, or who completed Self Assessment themselves.

*"I still show my dad stuff like this and I've got a friend who's a tax accountant... so I'd probably get one of them to look over it as well." - Not been through compliance check, Individual*

*"I'd have to ring [HMRC] up... I think usually when you speak to someone it helps to break it down. Anytime I've spoken to a person from HMRC in the past it completely changes the tone of the letter. I've always found that they can be very helpful." - Not been through compliance check, Business*

## 4. Perceptions of compliance checks opening correspondence

This section explores participants' responses to the three variants of the opening correspondence, highlighting the characteristics of effective correspondence that address customers' needs. Differences between those who had and had not previously experienced a compliance check have been drawn out where possible. For each characteristic, there are suggestions for how variants can be improved.

### 4.1 Key characteristics of effective opening correspondence

Analysis of participants' responses to the opening correspondence highlighted four key characteristics of effective correspondence that would address participants' needs (as outlined in section 2). Each of these characteristics contributed to participants' positive engagement with the compliance check in different ways. The four characteristics were:

- **Clarity and coherence** in the explanation of process and expectations
- **Balanced tone** throughout the documents
- **Explicit reassurance** about reasons for selection, reciprocity with HMRC and appropriateness of consequences, and availability of support
- **Immediate signpost to help** that is clearly accessible.

Below we provide more detail on each of the four characteristics of effective correspondence (as identified from participants' responses to the opening correspondence), and how these address participants' needs.

### 4.2 Clarity and coherence

Across all three variants tested, participants felt clear on what would be expected of them should they undergo a compliance check. Participants perceived the correspondence to be written in plain English, with no overly technical language used – avoiding the use of jargon. They appreciated the use of bold text and colours to direct their focus on key elements of the correspondence.

*"I reckon the black and the blue work well, because it's the government and it's tax, it needs to be clean." - Not been through a compliance check, Individual*

Participants found the list of documents HMRC required for the check included in the schedule of information (Variant 1) and notice of enquiry (Variant 2 and 3) helpful and clear. Across the variants, participants clearly understood which documents they would have to provide for the check.

*“Because they've listed everything down there, you can just go through each item and get those documents, and make sure that you've got everything that you need.” - Not been through a compliance check, Individual*

Including the reason for the check in the notice of enquiry in Variants 2 and 3 provided increased clarity to participants, compared to Variant 1. This reassured them about the fairness of the process. As mentioned earlier, participants expected a fair reason for selection, and this was generally associated with being selected for a random check or being given a clear explanation of why they had been targeted. From Variants 2 and 3, participants inferred the reason given meant that the check was intelligence led and not random. Although participants worried about having made a mistake, they appreciated the clear explanation because it reassured them about the fairness of the process.

Variant 2 laid out details about a visit which was not included in Variant 1 and 3. From this text, participants understood that the check would involve a visit and when and where it would take place. Several participants who had not been through a compliance check saw this as key information.

However, it did raise concerns. Details about the visit worried participants because they felt it meant there was no flexibility on the timing and it raised questions about logistics, such as how long the visit would take and how to prepare the space for an HMRC officer to come over (e.g. ensuring there would be a chair and table available). Participants perceived the fact that someone was coming to visit as an indication that a serious error had been made. The worry about logistics and perception of a serious error meant that details about the visit added another element of stress on top of what was already perceived to be a daunting process.

*“Maybe I really have done something terribly wrong if HMRC can spend the amount of money that it would cost to get someone to come out and see me to do this check.” - Not been through compliance check, Individual*

*“I'm happy for them to come out and do all that, just not happy with them dictating the time.” - Not been through compliance check, Business*

Participants generally understood which documents they would need to provide for the check. However, there was some uncertainty around, how to send this documentation to HMRC. Participants wanted to know which formats HMRC would accept, for example if they could send paper documents via post or send scanned documents and pdfs electronically. This information is covered in a separate factsheet included in the opening correspondence but was not shown to participants as part of this research. Although it would be provided, findings suggest including key information about formats in the covering letter could provide increased clarity.

*“It would be nice to have information there about formats and whether it's acceptable to scan in paper documents.” - Not been through a compliance check, Individual*

Generally, the language used in the variants was thought to be clear, but some aspects caused confusion. For example, the term ‘open source’ and the definition of ‘charter’ was unfamiliar. Mentions of penalties of those deliberately doing something wrong was confusing



as participants were unclear how “deliberate” action would be determined and thought more detail should be provided on actions taken

A few design elements in Variant 3 appeared to contribute to increased comprehension compared to Variant 1 and 2. These included a more prominent deadline and visual aids such as lists, a step-by-step guide and numbered headings. Participants felt that the deadline was clear and found the additional visual aids to break down the text and highlight key information helpful in guiding them through the correspondence.

*“I think this step by step at the top is quite dummy proof.... I thought it was laid out well.” - Not been through compliance check, Individual*

### 4.3 Balanced tone

Participants generally interpreted the tone of all three variants as professional and felt that it was what they expected from correspondence from HMRC. Their assessment of the tone was influenced by the language used, which they felt was formal and generally appropriate for the purpose of compliance checks. Participants also appreciated a single officer speaking to them personally and the offer of assistance because it showed empathy and understanding.

Participants felt that the use of the word ‘I’ and the fact that the correspondence were from a specific person made the tone more personal. They felt a more personal tone was reassuring because it tempered their emotional response, meaning they could better engage with the task.

*“The ‘I’ talking to you makes it sound a bit more personal, rather than HMRC, this big organisation is coming to check on you. The ‘I’ makes me think I’m actually talking to an individual rather than a whole company.” - Not been through compliance check, Individual*

Participants appreciated references to help available to customers because it showed that HMRC have empathy for personal circumstances and understand how a compliance check could make their customers feel. It provided a more ‘human’ voice to an official and formal request.

*“It’s not just a demand - I think it’s important to have that. You never know what’s going on with people, at least it’s an indication that somebody will take personal circumstances into account.” – Not been through compliance check, Individual*

*“I think that’s kind and helpful, because there will be some people who panic straight away I should imagine.” – Not been through compliance check, Individual*

There were certain elements that participants perceived to be intimidating, especially for those participants who had not been through a compliance check and had a strong emotionally led reaction to the prospect of being selected for a compliance check. This included the explanation for selection in Variant 2 and references to penalties and figures being ‘wrong’ in the factsheet. Participants who had been through a compliance check did not

perceive it as intimidating, likely as they had already had a positive experience with an HMRC officer.

Participants who had not been through a compliance check and who felt particularly worried about being selected reacted strongly to text in the Notice of enquiry which explained the reason for the check. The language (especially the word ‘concerns’) was alarming for these participants and stood out because they felt that it contradicted the reassuring tone in the covering letter.

*“It makes me think ‘oh my God’. Because it's gone from a spot check to we actually believe there's something going on.” – Not been through compliance check, Business*

References to penalties and something being ‘wrong’ stood out as accusatory to participants. They felt that HMRC were prematurely accusing the reader of having done something wrong, which they perceived as unfair, and conveyed an unnecessarily punitive tone.

*“At the moment it's all sort of blindly accusing [me] of something.” – Not been through compliance check, Business*

*“It's basically saying you've done something wrong here. They're not saying ‘we think you might have done something wrong’” – Not been through compliance check, Business*

Generally, participants who had been through a compliance check interpreted the tone with reference to their actual experiences. However, the tone of Variant 3 was considered the least threatening and felt most reassuring to participants who had not been through a compliance check. Although they interpreted the tone in the notice of enquiry and factsheet to be formal (as in Variant 1 and 2) and intimidating in certain parts (such as references to penalties in the factsheet), a passage in the covering letter was particularly effective in guiding the interpretation of the opening correspondence as a whole.

Explaining that HMRC did not believe there were ‘serious problems’ contributed to relieving participants’ concerns that unfair penalties would be charged and supportive language (‘I will work with you’) reassured them that rapport would be built with their case officer.

#### **4.4 Explicit reassurance**

Explicit reassurance refers to the information provided in the opening correspondence, as opposed to how it was written. Explicit reassurance was helpful to mitigate concerns about mistakes and possible penalties, and related to the three areas below:

- Clear reason for selection.
- Reciprocal relationship and appropriate consequences.
- Support available to confirm actions and resolve issues.

Saying that ‘every year we check a number of returns’ was reassuring to participants because it suggested that they had not been singled out. However, as mentioned in the previous section, participants disliked that subsequent documents suggested the check was not random, which they felt was contradictory to the message of the opening/ covering letter.

*"It's not like you're being targeted, and I suppose that makes you feel like you're not the only one in England who has this." – Been through compliance check, Individual*

Despite issues with tone, the content presented in the factsheet provided reassurance to participants because it illustrated how customers' engagement could benefit them and that they could cooperate with HMRC if mistakes had been made.

Participants generally appreciated the text outlining the advantages of helping with the compliance check because it showed how engaging in the process would benefit customers by reducing inconvenience and penalties and showed that HMRC were trying to be helpful and foster a reciprocal relationship.

*"That's putting a positive spin on it, I suppose. So it's saying if you help us, this, this and this will happen. So the quicker you do it, the less inconvenience there is." – Not been through compliance check, Individual*

*"OK so there's a bit of bartering system there, which is good, because they're telling you they may take into account how helpful you've been, but it's a bit of a roundabout way of saying it." - Not been through a compliance check, individual*

Although words such as 'penalty' and 'wrong' were daunting to a range of participants, participants felt reassured that penalties could be reduced in cases of genuine mistakes and felt that it emphasised how being helpful would work in customers' favour.

*"This is emphasising again it's in your interest to own up if you've made a mistake and just be straightforward about it, and they will not throw the book at you." – Not been through compliance check, Individual*

The text outlining actions HMRC would take if something was wrong made participants feel that HMRC would cooperate with them if a mistake had been made.

*"It's acknowledgement that sometimes things are mistakes and they're not just out to get you." - Not been through a compliance check, individual*

Similarly, having a named contact on the opening correspondence stood out to participants because it reassured participants that they would be able to easily get tailored support through a dedicated case worker.

*"You are only communicating with one person, and not a pool of people. Sometimes you end up to so many different people, and then you have to explain everything all over again." - Not been through compliance check, Individual*

*"It's nice that someone in particular is dealing with your case because ... they can be empathetic and they're knowledgeable about your case."-  
Been through compliance check, Individual*

Variant 3 provided participants with the most direct reassurance, particularly about reciprocity and support available. The understanding that checks are routine exercises and that customers would be able to discuss issues with their officer reassured participants as it normalised the process.

*“...the second paragraph will reassure you that it's not being pre judged, it's not like something has been found wrong, it's just to make sure that things are operating fairly.”- Not been through a compliance check, business*

#### **4.5 Immediate signpost to help**

In all variants, participants suggested that HMRC's contacts and points of access could be even more prominent to increase salience. Although there were slight differences in wording between the variants ('how to contact us' in Variant 1, and 'how to contact me' in Variant 2 and 3) and also in how the website was formatted (bolded in Variant 2 and underlined in Variant 3), this text was not something that participants commented on.

While valuing being able to get in touch with their contact at HMRC, generally participants did not notice their details initially. Many wanted to get in touch after reading the documents, either by phone or email or by searching additional information related to the check.

*“I would probably ring them up if I can get through or email them just to confirm that I'd received it.”- Not been through compliance check, Business*

*“If they're going to be looking through my stuff, I'd want to know the person that I'm dealing with.”- Not been through compliance check, Individual*

## 5. Suggested areas for improvements

This section summarises areas suggested by participants to improve the opening correspondence. Please note the study is qualitative in nature and reflects a sample of participants more likely to be compliant with their tax affairs.

To improve the clarity, participants suggested additional information about practical next steps. Suggestions included information on how to send documents and an estimate timeframe for the whole check process as well as including clear numbering or indexing (such as in the 'steps visual' in Variant 3), highlighting references to other relevant documentation (such as other factsheets) in another colour and avoiding unnecessary repetition of sections already covered across different documents. Additionally, it was suggested to clarify some of the more technical aspects of language used, such as wording around penalties, HMRC's charter and the use of open source materials.

Participants generally viewed the tone of the opening correspondence as balanced and appropriate. They appreciated a single officer speaking to them personally as well as reassurance that receiving the letter does not mean HMRC think there are serious problems. On the other hand, they interpreted some elements as accusatory (e.g. 'penalty reduction if something is wrong') and suggested to avoid this.

Participants wanted reassurance that they could start a dialogue with the officer named on the opening correspondence. They suggested for the officer to introduce themselves as the HMRC officer dedicated to their case and providing their contact details in the text as well as on the top of the page. They also said that it would be helpful to provide a dedicated link to compliance check information as opposed to a general gov.uk link as this would save them time and effort.

## Appendix A: Achieved sample

QUOTAS	TARGET	COMPLETED
<b>TOTAL</b>		
<b>ALL</b>	<b>30</b>	<b>26</b>
<b>Primary</b>		
<b>Compliance check status</b>		
Been through compliance check	10	6
Not been through compliance check	20	20
<b>Agent</b>		
No agent	30	26
<b>Behavioural Capability</b>		
Not at all confident	RECORD AND AIM FOR MIX	0
Low confidence		1
Neither confident nor confident		11
Somewhat confident		11
Highly confident		3
<b>(Freefind ONLY) Behavioural Motivation</b>		
Never acceptable	RECORD AND AIM FOR MIX	17
Acceptable sometimes		3
Always acceptable		1
<b>Secondary</b>		
<b>Size</b>		
Sole trader	Min 10	16
1-49 employees	Min 10	8
50-249 employees		2
250+ employees		0
<b>Sector</b>		
PROFESSIONAL, SCIENTIFIC, TECHICAL ACTIVITIES	RECORD AND AIM FOR MIX	7
WHOLESALE AND RETAIL TRADE		3
CONSTRUCTION		2
ACCOMMODATION AND FOOD SERVICES		1

MANUFACTURING		0
TRANSPORTATION AND STORAGE		1
ARTS, ENTERTAINMENT AND RECREATION		7
EDUCATION		0
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES		2
OTHER		3
<b>Self-employment or business turnover</b>		
Under £13,500	RECORD AND AIM FOR MIX	4
£13,501-£30,000		9
£30,001-£85,000		7
£85,001 - £250,000		2
£250,001 - £500,000		0
More than £500,000		4
Refused		0
<b>Location</b>		
North East	MIX	0
North West		3
Yorkshire and the Humber		7
East Midlands		0
West Midlands		2
East of England		0
South East (excluding London)		2
South West		0
Greater London		3
Scotland		2
Wales		3
Northern Ireland		4

## Appendix B: Method

### Fieldwork

All interviews lasted up to one hour and were conducted via Zoom. Interviews were conducted using a topic guide that had been developed to reflect the aims of the study. The interviews started with introductions and a discussion to understand participants' views on their financial management and compliance checks, followed by participant responses to the opening correspondence. A single variant of the opening correspondence was tested with each participant, with variants rotated across the sample to ensure an even spread.

Researchers shared the opening correspondence on-screen so they could follow how participants approached the opening correspondence and explore what drew their attention.

### Analytical approach

A robust and systematic approach was applied to analysing the qualitative data. This consisted of two key elements:

- Process-driven elements using Kantar Public's matrix mapping technique. Recordings of discussions were coded and systematically summarised into an analytical framework organised by issue and theme. The framework was developed to reflect the research objectives.
- Interpretative elements focused on identifying patterns within the data and undertaking sub-group analysis between participants who had/had not been through a compliance check, business size (sole trader or with employees) and confidence in managing finances and tax affairs. This process created descriptive accounts and explanatory data, which came not only from aggregating patterns but by weighing up the salience and dynamics of issues.

Verbatim quotes are used throughout the report to illuminate and bring to life key findings and are attributed as follows: "*Quote.*" (Been through/not been through compliance check, Individual/Business).