

ADMINISTRATIVE BURDENS ADVISORY BOARD

Tell ABAB Report – 2018/19

Better Tax for Better Business

Executive Summary

As Chair of the Administrative Burdens Advisory Board (ABAB), I am committed to, and passionate about, making a noticeable difference for small business by supporting HMRC to help make tax easier, quicker and simpler.

My Board is made up of independent members from a range of businesses and professions who represent the small business community.



Teresa Graham CBE
ABAB Chair

It is vital that our work involves listening to the views of small businesses, on their experiences of engaging with the tax system. One of our key ways of gaining that insight, is through our Tell ABAB on-line survey facility.

The Tell ABAB Survey took place in October ¹ and attracted a record number of submissions – 3,436 ² in comparison to almost 2,000 from the previous survey. The survey focused on your awareness of and engagement with the Making Tax Digital initiative, and of your experiences of communicating with HMRC. You also shared some views on GOV.UK, on EU Exit, and on the legislative burden around tax compliance.

The survey showed that at that point too many businesses were not prepared for the move to Making Tax Digital (MTD), and felt that they need further information and support around its introduction. This message provided the evidence for what we have been told anecdotally and we used it to engage with HMRC to ensure they were taking action to address this issue.

ABAB will continue to champion this issue while still supporting HMRC's strategic move to digital services, which we see as the way to deliver a variety of short to medium term improvements whilst providing personalised support and customer convenience within current budgetary constraints.

We recognise the recent HMRC MTD awareness monitoring survey results as a positive example of progress; and a reflection of the focussed effort to ensure

¹ Taken between 5th – 19 October 2018

² 3436 completions = 2838 Businesses, 480 Agents and 118 unspecified

Executive Summary (continued)

mandated businesses are ready for April 2019. We will continue to work with HMRC to support SMEs looking for assistance in selecting MTDfB-compliant software.

55% of respondents told us that the legislative burden around tax compliance has increased. I know this will be a concern for HMRC. ABAB will bring this message to the table and work closely with HMRC to influence decision making.

During the last 12 months to October 2018, 61% of respondents reported no change (positive or negative) in communications from HMRC.

The majority of respondents preferred traditional methods of communication, such as by phone or post. Whilst HMRC is expanding its communication channels using digital options like YouTube, web chat, Skype and SMS messaging, there is still some way to go before businesses are happy to move to these newer channels.

ABAB recognise the efficiency pressures faced by HMRC and the benefits technology can bring. We will continue to work with HMRC so that, wherever possible, streamlined, effective communications are developed and delivered through easily accessible channels.

I am pleased that you updated us on some of your experiences of using GOV.UK. HMRC and ABAB have been working hard to influence improvements; you have told us that the GOV.UK website is now being used as the main source for gathering information. 71% of respondents used GOV.UK for obtaining general information although a lower percentage (31%) had used it in relation to Making Tax Digital instead relying more on their agents and advisers.

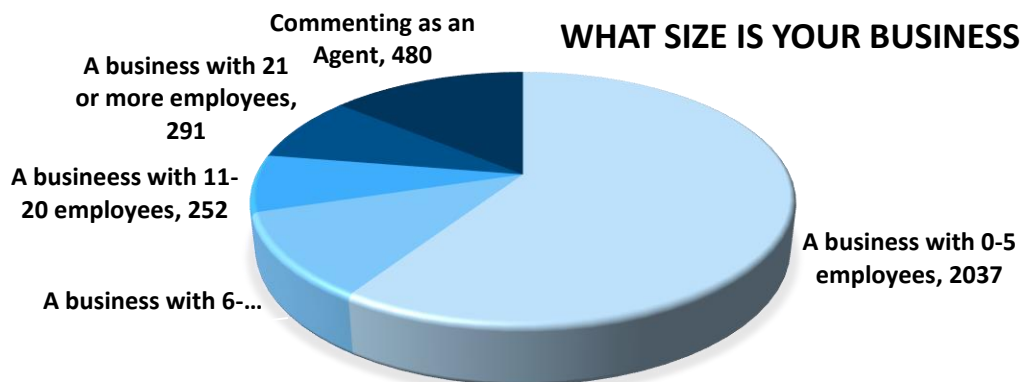
I would like to record my thanks to all those who provided the feedback shown in the results to follow in this report. This detail is critical to our effective engagement with HMRC.

Tell ABAB: Responses Received

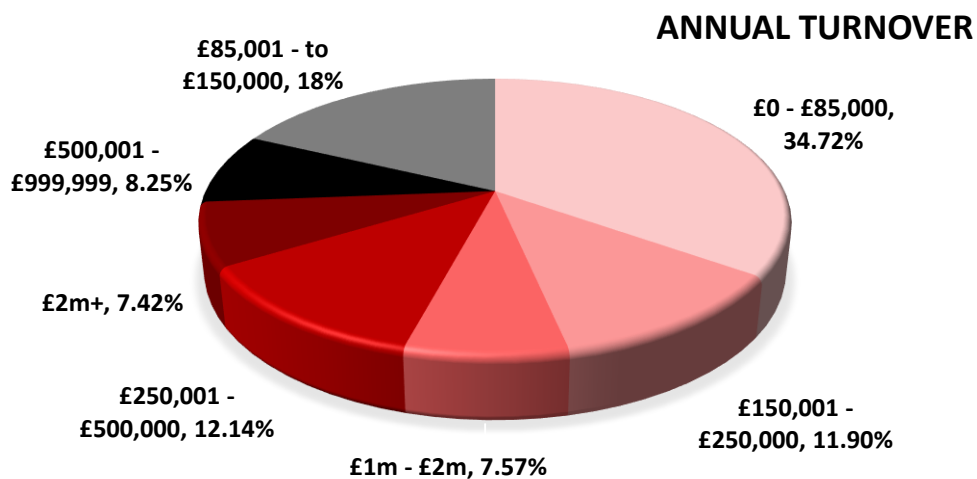
This is a demographic breakdown of the responses received.



Over 86% of responses came from businesses, with 60% of those responses coming from businesses with 0-5 employees.



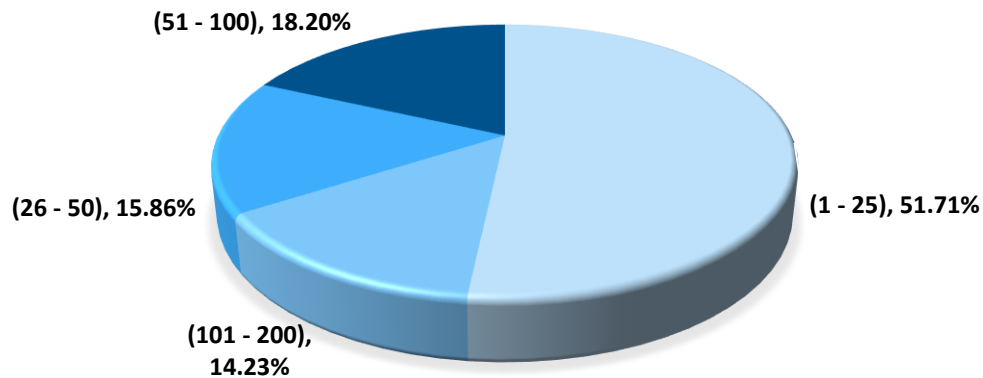
The annual turnover of those businesses is shown below:



For Agents: How many clients do you have?

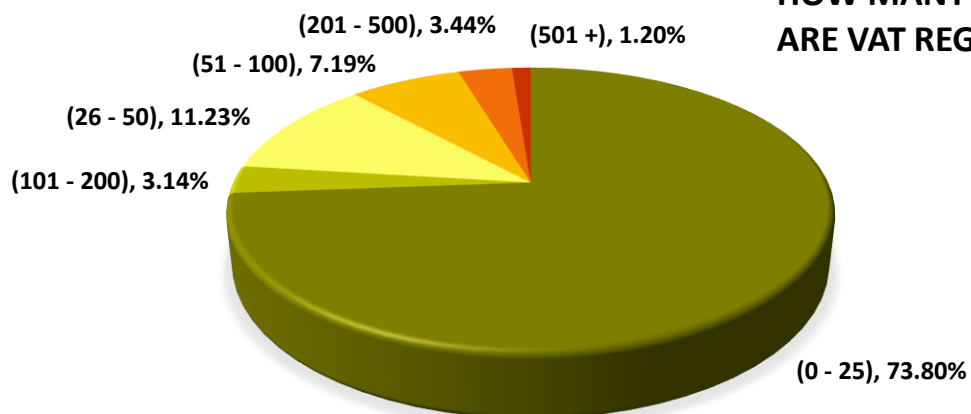
Agents represent just under 14% of those completing the survey, with just over half of those having between 1-25 clients.

**HOW MANY CLIENTS
DO YOU HAVE?**



The numbers and percentages of all Agents clients registered for VAT is shown below:

**HOW MANY CLIENTS
ARE VAT REGISTERED?**



Tell ABAB: Making Tax Digital - Results

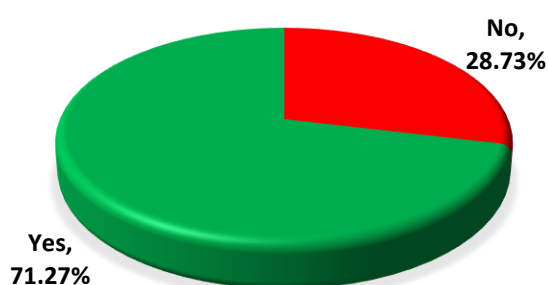
From April 2019, businesses with a turnover above the VAT threshold (£85,000) will have to keep digital records and send their VAT returns to HMRC using Making Tax Digital for Business (MTDfB) compatible software.

For other taxes, businesses will not be asked to keep digital records until the system has been shown to work and not before April 2020.

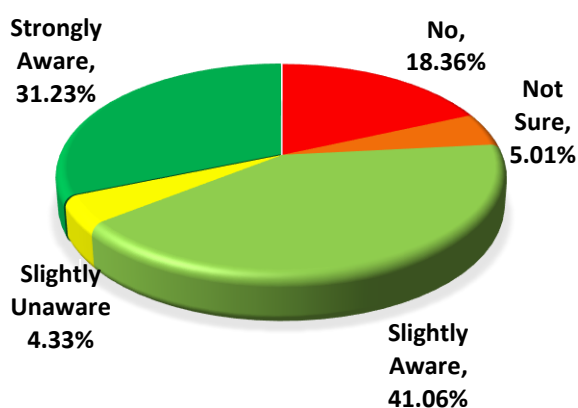
The survey results across all sectors of VAT businesses indicated that awareness of Making Tax Digital (MTD) had not yet increased to the level where most respondents had a strong awareness of the MTD programme. Most respondents did not have suitable software in place to be MTDfB compliant.

- 72% of those answering 'Are you aware of Making Tax Digital for Business (MTDfB)' responded that they were 'slightly aware' or 'strongly aware'. 28% said they were 'not aware', 'slightly unaware' or 'not sure'.

IS YOUR BUSINESS VAT REGISTERED / WILL IT NEED TO BE BY APRIL 2019?



ARE YOU AWARE OF HMRC'S MTDfB PROGRAMME?



Subsequent to the ABAB survey, which was conducted around the time HMRC opened its MTD VAT pilot to the public testing phase and started writing to mandated businesses, HMRC undertook quantitative telephone interviews between November and December 2018 with a representative sample of 371 businesses above the £85,000 VAT threshold, to track and monitor awareness of and readiness for Making Tax Digital (MTD) and its requirements, providing



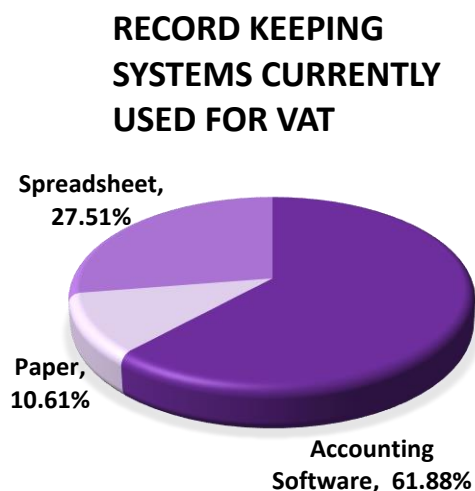
them with a further understanding of the VAT population that will be mandated from April 2019.

81% of VAT mandated businesses were by then aware of MTD either by name or the concept, and 75% reported they were already using software for keeping business records.

- Answering the question '*How prepared do you feel for MTDfB?*' - 53% of respondents said they were 'not prepared' or 'not sure', with 47% advising they were 'very prepared' or 'slightly prepared'.



- 45% of respondents had not yet considered whether their system will be MTDfB compliant.



- Survey results indicated that the key sources of gathering information about MTDfB were Accountancy firms and Agents (40%) and the GOV.UK website (31%).

Tell ABAB: Communicating with HMRC - Results

Although traditional routes of contacting HMRC - such as by phone or post - are still important methods of communication, HMRC is modernising and adapting to the wider digital environment.

Customers are being offered other ways to interact with HMRC through a range of digital services.

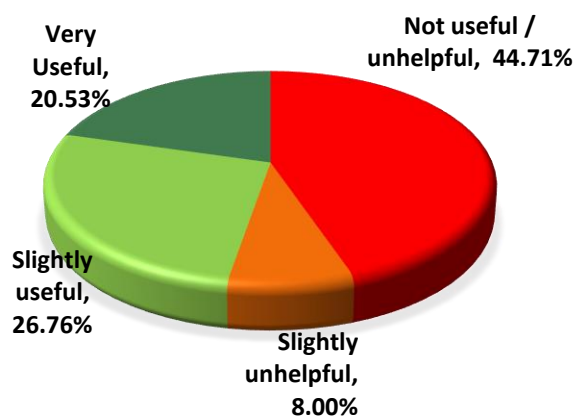
Although there is some take-up of these new services, the survey indicated that the telephone helpline was still the preferred and most helpful method of communicating with HMRC.



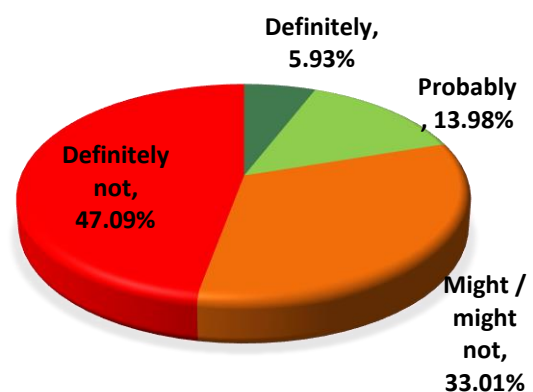
The survey also asked which of the following communication channels customers would consider using to help interact with HMRC (*YouTube, web chat, Skype, and SMS Messaging*).

- Of the digital methods surveyed, web chat was the most popular although a significant proportion of respondents were unhappy with all proposed methods, with Skype being the least popular.

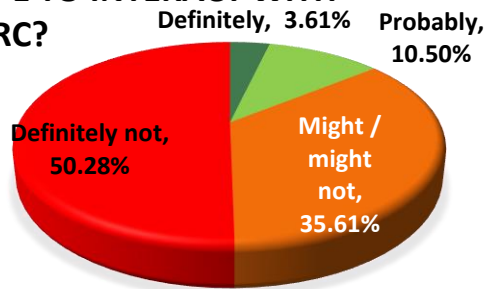
PLEASE RATE HMRC'S WEBCHAT SERVICE:



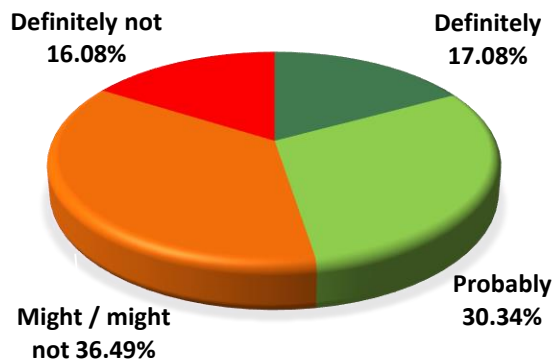
WOULD YOU CONSIDER USING YOUTUBE TO INTERACT WITH HMRC?



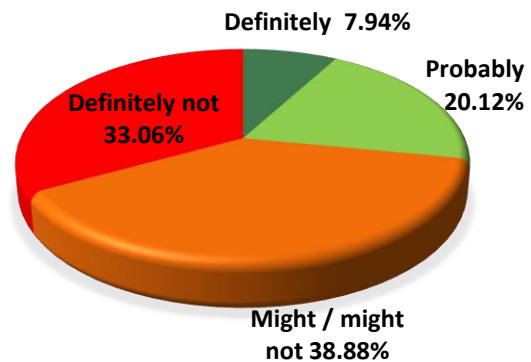
**WOULD YOU CONSIDER USING
SKYPE TO INTERACT WITH
HMRC?**



**WOULD YOU CONSIDER
USING WEBCHAT TO
INTERACT WITH HMRC?**



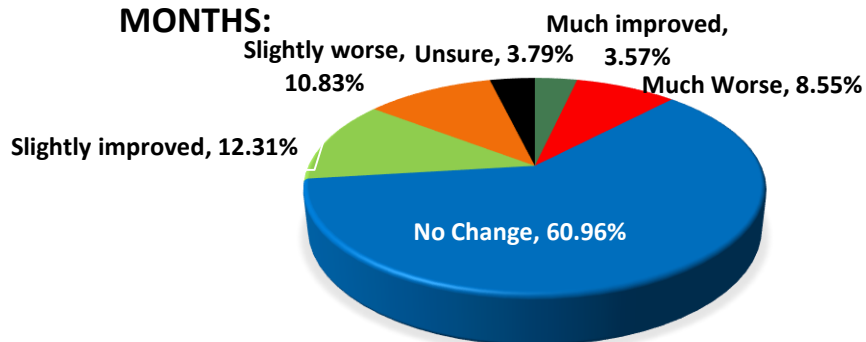
**WOULD YOU CONSIDER
USING SMS MESSAGING TO
INTERACT WITH HMRC?**



Respondents considered that the GOV.UK was an important means of finding information to help with their business affairs with 71% using this method. Accountants and agents were also considered a major source of information.

- Gathering information from publications, by contrast, was only used by 19% of respondents.
- 16% of respondents had seen some improvement with communications to and from HMRC over the last 12 months, but over 19% thought it was worse.

EXPERIENCE OF ENGAGING WITH HMRC DURING LAST 12 MONTHS:



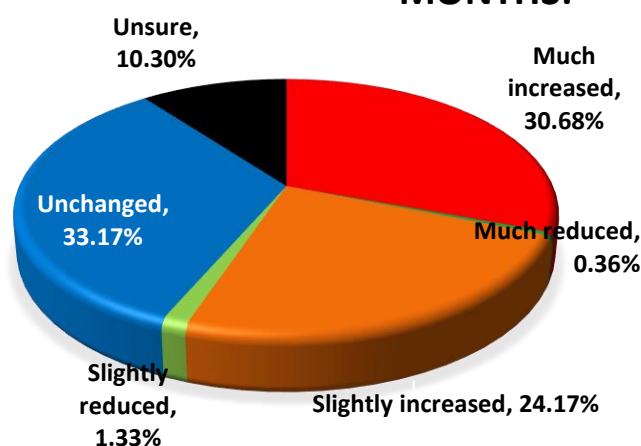
Tell ABAB: Additional Thoughts

In addition to the responses on MTD and Communications, the survey provided respondents with the opportunity to share additional thoughts and feedback.

Respondents said the legislative burden around tax compliance had increased over the last 12 months. The majority reported feeling that during that period the legislative burden had much increased (31%), with others feeling a slight increase (24%). 33% of participants felt that there had been no change, and less than 1% felt that there had been an improvement and reported a reduction in legislative burden.



LEGISLATIVE BURDEN OF TAX COMPLIANCE DURING LAST 12 MONTHS:



Although this survey did not ask any questions about EU Exit, a small number of responses (17 or 0.5% of the 3436 surveys completed) included references to EU Exit.

The lack of clear information around EU Exit was causing concern, and respondents highlighted the difficulties caused by the lack of information. The risks to businesses of a No Deal were also highlighted.

The responses described the problems faced in making business decisions and with business planning, and the timing of EU Exit which, alongside the introduction of MTD, was felt to be a significant pressure on businesses.

Tell ABAB: Next Steps

Our thanks to those businesses who took part in the survey and provided their feedback.

We are grateful to them for sharing their thoughts and experiences, and highlighting what progress and improvements they would help.



We continue to be encouraged by the relationship ABAB has with HMRC, which provides us with regular engagement and opportunities to deliver feedback into the centre.

The publication of our next annual report to the Financial Secretary to the Treasury will take place in April 2019, where we will review HMRC's performance and progress against our 18/19 priorities. We will use your feedback from the Tell ABAB Survey to inform our priorities for the year ahead.

We will continue to work with and challenge HMRC to improve your experience and ensure tax truly does become easier, quicker and simpler.

Please use the next Tell ABAB Survey to keep us informed of your views and continue to provide us with your ideas on how HMRC can improve the administration of business tax services.