HM Revenue & Customs

Research report

Going online: VAT and PAYE concept testing

Qualitative concept testing among small VAT traders and small employers from the following segments: Nervous Enthusiasts, Insecure Sceptics and Traditionalists

Business Customer Unit, HMRC

About the Business Customer Unit (BCU)

Business Customer Unit (BCU) is part of Business Tax responsible for ensuring businesses pay the right amount of tax whilst improving our customer's experience and the overall UK business environment.

The BCU role is to help colleagues make customer focus a reality by understanding our Business Customers needs better and using that understanding to design better products, processes and service delivery.

Contents

Research requirement (background to the project)

By April 2010 there will be an HMRC mandate for the online filing of VAT returns for VAT businesses with an annual turnover equal to or in excess of £100k and all newly registered VAT traders regardless of turnover. In addition, employers with less than fifty employees will be mandated to file their EOY (End of Year) PAYE returns online from April 2010 and their in-year PAYE forms (P45/46s) from April 2011. This will represent a behaviour change for these groups, although many are already filing online for VAT and/or PAYE.

HMRC is developing communications and support products to help people make the transition to online filing earlier than the mandatory date. As part of the plan a segmentation of VAT traders and employers was developed. Research was required to assist HMRC to progress a number of communication and support concepts to quantitative testing. The specific segments addressed in this research project were Nervous Enthusiasts, Insecure Sceptics and Traditionalists.

The overall objective for the research was to decide quickly which of the communications and support concepts had the best potential with the target segments. Specifically, the research was required to assess the impact of the concepts and which were most effective in helping customers make the transition; concepts were explored in terms of tone, style and language, type of channel delivery, level of complexity and detail and timing of delivery. The research was also required to provide detail about the responses of each target segment to each concept and provide insights about how the concepts could be improved.

A list of the concepts explored in this research is shown in the Appendix to this report.

Who did the work (research agency)

The research was conducted by Stimulating World Research. Specifically, the work was conducted by the directors, Mike Donovan and Sally Churcher and assisted by Mia Stoker (Research Executive).

When the research took place

Fieldwork was conducted from 24th February 2009 to 26th February 2009.

Method, Data and Tools used, Sample

Nine customer workshops were conducted as follows:

Group	Details	Area
Group 1	Workshop with Nervous Enthusiasts	London
Group 2	Workshop with Insecure Sceptics	Leeds
Group 3	Workshop with Traditionalists	Birmingham
Group 4	Workshop with Nervous Enthusiasts	Leeds
Group 5	Workshop with Insecure Sceptics	London
Group 6	Workshop with Traditionalists	London
Group 7	Workshop with Nervous Enthusiasts	London
Group 8	Workshop with Insecure Sceptics	Birmingham
Group 9	Workshop with Traditionalists	London

- All workshops were two hours long
- In each of the three segments there was one mixed workshop of registered VAT and PAYE customers (five VAT customers and five PAYE customers) and one focused specifically on VAT or PAYE (depending if the segment is weighted more toward one or the other)
- In the mixed workshops participants were unrepresented for filing VAT and PAYE and none filed online for VAT or PAYE
- In the VAT groups all were unrepresented for VAT and were not filing online for VAT. There were a minimum of two but maximum of four filing online for PAYE
- In the PAYE groups all were unrepresented for filing PAYE and none were filing online for PAYE. There were a maximum of two who were filing online for VAT

Main Findings

Overall responses to the concepts across the segments

Across the workshops people preferred concepts: that conveyed online filing as easy to do; that conveyed online filing as similar to what they already do on paper; that suggested support was available if needed; and that reassured on the question of security. Concepts could suffer if they were seen to suggest that: online filing is difficult and requires a lot of support; or that the HMRC is introducing this change for the customers' benefit, which they could dispute.

There were strong similarities in response to the concepts across the segments. Differences tended to be in emphasis according to the emotional disposition of each segment. Hence, Traditionalists and Insecure Sceptics tended to look for what was 'wrong' in the concepts. They focussed more heavily on specific concepts that had direct relevance for them and screened out others. Nervous Enthusiasts were more focussed on what was 'right' about the concepts which meant that they responded more positively to a wider range of concepts.

The most favoured concepts

The concepts with most appeal were 'step by step guidance', 'Good things to know about online filing', 'Online's not so different' and 'Get online instantly'. Traditionalists tended to favour 'Online's not so different' as this concept reflected their reluctance to move to new behaviours. Insecure Sceptics favoured 'Step by step guidance' as it sounded familiar and easy to follow, which matched where they were emotionally and behaviourally. Nervous Enthusiasts responded well to a broad range of concepts and had no one clear winner.

Responses to other 'referencing' concepts

The concepts which referenced other people's behaviour were less interesting for participants. Concepts which fell into this category were: 'Over two thirds of businesses already file online', 'Truths and myths about filing online', 'Personal recommendation', 'Learn about online filing from people you trust'.

While participants could find it surprising how many people were filing online, these concepts could sound like they were talking about bigger companies. Participants generally needed to know that the concepts were about SMEs as well as large companies. As a support, however, the 'other' referencing idea could work well.

Responses to practical/support concepts

These concepts could invite a 'that can be useful response'. However, it was difficult to gauge how many people would actually use them. They could appeal to perfectionists who put a high premium on organisation but for many people too much focus on support suggested that online filing will be complicated. The VAT/PAYE demonstrator could evoke interest but could promise more than it could deliver. The other practical/support concepts were: Practical information and time plan; Tuition in a way that suits you; Easy access to help and support; What electronic payment really means.

Responses to the remaining concepts

The remaining concepts were: If you can buy online, you can file online; We both want this to work; Online is the way to go; Security is better online; Use your existing skills and processes; High success rate for online filing. These concepts generally evoked less interest and could evoke disbelief, irritation or undermine the HMRC's credentials.

Recommended concepts for progression to quantitative testing

The following concepts were recommended for progression to quantitative testing: Step by step guidance, Good things to know about online filing, Online's not so different, Get online instantly and VAT/PAYE demonstrator.

Appendix

Below is a list and brief description of the communications and support concepts which were tested in the research:

Communication concepts

Online is the way to go – there are many benefits of online filing. Forward-looking, fast-growing and ambitious businesses value the certainty of filing online and the benefits it can bring.

We both want this to work – It's important for HMRC to hear your views on how the online system works for you so if problems arise, we can deal with them in the right way. You can give your views via HMRC or Business Link.

Get online instantly – it's very easy for businesses to start filing online, all you need are five key facts and you can register and file your first return in one session. **(VAT only)**

High success rate for online filing – less than 2% of businesses make a mistake on their online return. The system has built in checks and you will receive confirmation of receipt for your return.

Good things to know about online filing – online filing has quite a few benefits such as instant acknowledgment that your information has been received, no postage and built-in checks on calculations.

Use your existing skills and processes – online filing builds on your existing skills in VAT/Payroll, the only difference is that you need to enter and log the information online.

Online's not so different – filling in a form online is no different from doing it on paper and there's no need to change your existing record-keeping processes.

Over two-thirds of businesses already file online – more and more people are moving online and filing successfully. Two-thirds of businesses already file some tax returns online – ask around and get the views of others.

Security's better online – online filing is safer than putting your details into the postal system. The online system is set up securely to protect your data with encryption and unique ID numbers.

If you buy online, you can file online - if you are able to use other websites to carry out transactions such as buy books or do your banking, then online filing will be easy too.

What electronic payment really means – electronic payment means that the only thing you can't do is pay by cash or by cheque sent direct to HMRC. It also gives you extra time to file the return and payment can leave your account later.

Learn about filing online from people you trust – there are lots of places you can go to get objective help and advice about online filing, e.g. Federation of Small Businesses or your accountant.

Personal recommendation – rather than hearing it from HMRC, listen to the personal experience of other business people who have switched to online filing.

Support concepts

Tuition in a way that suits you – HMRC are making sure there are lots of different forms of tuition available to help you with online filing e.g. written guides, face-to-face and open days.

Step by step guidance – HMRC have produced a clear step-by-step guide to filing your return online. It directs you to the right website and uses pictures to show what you'll see. It is available on a CD-Rom or as a paper copy.

VAT demonstrator – there is a VAT demonstrator online which is an exact replica of the real thing but where you can practice without using or submitting real data. **(VAT only)**

Practical information and time plan – HMRC have produced a simple online filing calendar. It highlights the key steps and timings that you need so you can get ready to file online.

Easy access help and support – HMRC have put together a "menu" of all the help and support available, describing each item so you can choose the best option for you.

Truths & myths about filing online - The Federation of Small Businesses have produced a booklet – "Truths and Myths about Filing Online" that gives you the full picture about filing online in an objective and independent way.