



Compliance Perceptions Survey

Small and Medium Sized Enterprises 2010

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HM Revenue and Customs Research Report 156

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Executive Summary

1. Background

The Compliance Perceptions Survey (CPS) measures perceptions of tax compliance among individuals and Small and Medium Sized Enterprises (SMEs) in Great Britain (excluding Northern Ireland). This report presents results from SMEs for 2010.

Research suggests that the main factors which affect compliance are economic deterrents (such as fines), social norms and perceptions about the fairness of the tax system and trustworthiness of collection authorities. The CPS aims to test these assumptions for taxpayers in Great Britain.

The Compliance Perceptions Survey asked SMEs about the fairness and burden of compliance, the prevalence and acceptability of evasion and the possible consequences where evasion is detected.

The survey is used by HMRC to inform the design of customer strategy and is part of the evidence base to assess performance of activities established following the 2010 Spending Review.

(Page 6)

2. Methodology

HMRC commissioned GfK NOP to collect survey data from SMEs. Data were collected from decision-makers in a quota sample of SMEs from 2008 to 2010. Businesses were selected according to SME size, industry and region. More information about the structure of the quota is given in **Appendix A**.

For efficiency considerations, the SME sample was selected to fit a quota rather than being drawn at random from the population. HMRC believe that the results give a very good indication of SME perceptions and attitudes, but caution should be exercised if comparing results between different groups (including results from the CPS with individuals) and across years.

CPS questions were tested by the Personal Finance Research Centre (PFRC) based at the University of Bristol. The survey questions are presented in **Appendix B**. The report presents unweighted data from interviews with 850 businesses in 2010. Data for 2008 and 2009 are presented separately in **Appendix C**.

(Page 8)

3. Fairness and Burden of Complying

- These questions are asked to test hypotheses about the whether perceptions of fairness influence compliance. They are not intended to assess views on tax per se, which are always likely to include a negative element.
- Just over half of the sample of 850 businesses (52 per cent) interviewed in 2010 felt that the level of corporation or income tax their business paid was fair. 28 per cent disagreed that the level of tax they paid was fair.
- In 2010, 79 per cent of the sampled businesses agreed that HMRC treated them fairly in their dealings with them. This is compared to 7 per cent who disagreed with this statement.

(Page 10)

4. Attitudes Towards Compliance

- Questions about the acceptability and prevalence of evasion are asked to investigate whether social norms influence compliant behaviour.
- Of the sampled businesses, 11 per cent felt corporation or income tax evasion amongst SMEs was a major problem and 24 per cent said it was a moderate problem. This compares with 33 per cent of the sample who said evasion was a minor problem and 12 per cent who felt tax evasion was not a problem at all.
- Of the 850 sampled businesses, 94 per cent stated that evasion was either always or mostly unacceptable compared to 5 per cent who stated that income tax evasion was either always or mostly acceptable.
- Of the 821 businesses which gave reasons for not evading tax:
 - 32 per cent said they would comply because of the penalties or consequences which could follow evasion;
 - 24 per cent said they would not evade tax because of the probability of being caught;
 - 30 per cent said they would not evade tax because to do so would be immoral;
 - 29 per cent stated that they would not evade tax because it was illegal.

(Page 11)

5. Perceived Chances of Detection

- Most of the sampled SMEs (61 per cent) said it was likely or very likely that businesses which regularly evaded paying income or corporation tax would be caught. This compares with 23 per cent who felt it was unlikely or very unlikely that detection would occur.
- Of the 850 businesses, 84 per cent said it was likely or very likely that regular under-declaration of liabilities would be detected by HMRC. This compares to 8 per cent who said such detection was unlikely or very unlikely.
- Of the 734 business in the sample which were registered to pay VAT, 76 per cent said it was likely or very likely that SMEs regularly evading VAT would be caught. 15 per cent these businesses said such detection was unlikely or very unlikely.

(Page 14)

6. Attitudes Towards HMRC Sanctions

- Of the 850 SMEs sampled, 61 per cent agreed the financial penalties were sufficient to deter evasion, while 7 per cent of the sample disagreed. A significant proportion of the sampled businesses (24 per cent) said they were unaware of what penalties could be imposed.
- Of the 734 SMEs which were VAT registered, 68 per cent agreed the financial penalties for VAT evasion were sufficient to deter businesses from not declaring VAT properly, while 8 per cent disagreed. Of the VAT registered businesses, 18 per cent said they were unaware of what penalties could be imposed for VAT evasion.

- Aside from financial penalties, the majority of the 850 sampled businesses (66 per cent) could name other consequences associated with tax evasion.
- Of the 559 businesses which did name other consequences:
 - 51 per cent described the loss of reputation among customers, suppliers or other businesses as a consequence of evasion;
 - 21 per cent said evasion could result in bad publicity;
 - 36 per cent mentioned the possibility of a prison sentence;
 - 5 per cent stated that a criminal prosecution could result from evasion.

(Page 15)

1. Background

The Compliance Perceptions Survey (CPS) measures perceptions of tax compliance among individuals and Small and Medium Sized Enterprises (SMEs) in Great Britain¹. The use of surveys of this nature is recognised as good practice by the OECD. This summary presents key findings for SMEs from 2010. The results for individuals are available in a separate report.

According to the European Commission, Small and Medium Sized Enterprises are businesses with a turnover which is less than or equal to €50 million per annum, or a balance sheet which is less than or equal to €43 million. The total number of employees also cannot exceed 250².

1.1 The Compliance Perceptions Survey

HMRC plays a pivotal role in UK society as the tax administration and collection body, safeguarding the collection of revenue for the Exchequer to help reduce the deficit, to fund public services and to help families and individuals with targeted financial support. HMRC's goal is to reduce the tax gap and to ensure that our customers feel we provide them with a professional, efficient service and that the tax system is simple and fair.

The Compliance Perceptions Survey covers the areas of fairness and burden of compliance, the prevalence and acceptability of evasion and the possible consequences where evasion is detected. The aim of the survey is to:

- further HMRC's understanding of the drivers of compliance behaviour and whether perceptions about economic deterrents, social norms and the fairness of tax influence reported acceptability of evasion;
- understand SMEs' attitudes towards, beliefs about, and perceptions of compliant and non-compliant behaviour;
- ascertain the perceived levels of non-compliance and levels of acceptability;
- identify the perceived risks (including the likelihood of investigation or being caught) of non-compliant behaviour;
- understand the perceived consequences of investigation such as financial penalties; and
- provide data on attitudes and beliefs which can be used to inform the development of future activities.

The survey is also used by HMRC to inform the design of customer strategy and is used as part of the evidence base to assess performance against activities established following the 2010 Spending Review.

1.2 Hypothesis testing

HMRC use the Compliance Perceptions Survey to test hypotheses developed from the academic literature which suggest that economic deterrents such as fines, social norms and perceptions about the fairness of the tax system and collection authorities all affect perceptions about the acceptability of evasion.

¹ SMEs from Northern Ireland were not included in the survey.

² For more information about the description:

http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

The classic model of taxpayer compliance developed by Allingham and Sandmo (1972) suggests that businesses are utility maximising. They will be less likely to evade tax if there are higher audit rates (or if there is an increase in the perceived likelihood of being caught for evasion) or if there are higher fines.

Although audit rates and the size of fines do influence evasion (Alm et al 1992), levels of compliance found in experimental settings were higher than expected, suggesting that taxpaying is influenced by other factors apart from a rational calculation of the costs and the benefits of evasion (Cummings et al 2006).

It has been argued that taxpayer behaviour may be influenced by the perceived views of peers and society. Taxpayers who believe that others are compliant and do not perceive evasion to be acceptable may be more inclined to comply than those who believe that evasion is socially acceptable (Wenzel 2005).

Furthermore, the perceived 'fairness' of the tax system may influence levels of compliance, with evidence suggesting that taxpayers are more willing to comply where tax revenue is used for a common or public good for example (Alm et al 1992). Similarly, it is suggested that taxpayers' have an altruistic desire to comply, which can be supported by tax collection authorities acting proportionately to punish evaders while supporting those who are or who wish to be compliant (Frey et al 2006).

On the basis of this, HMRC has developed several hypotheses about the relationship between attitudes towards the acceptability of evasion and perceptions about economic deterrents and sanctions, social expectations or norms and the apparent fairness of tax and HMRC. These are that:

- The perception that tax rates are unfair leads to a view that evasion is acceptable;
- The perception that HMRC is unfair in its dealings leads to a view that evasion is acceptable;
- The perception that evasion is prevalent leads to a view that evasion is acceptable;
- Perceptions about the likelihood of being caught are related to the perceived acceptability of evasion;
- Perceptions about the sanctions for evasion are related to the perceived acceptability of evasion.

These hypotheses are tested using data from the CPS. Therefore some of the survey questions such as taxpayers' perceptions of the fairness of tax are asked primarily to allow HMRC to test these theories.

2. Methodology

This section provides an overview of the methodology.

2.1 Survey design and sample

HMRC commissioned GfK NOP to collect survey data from SMEs. Data were collected from a quota sample of SMEs from 2008 to 2010³. Businesses were sampled at the enterprise level, so that the same business was not included more than once.

The sample of businesses was selected on the basis of enterprise size, region and industry. GfK contacted businesses from a list of SMEs and included those who were willing to participate until a sufficient number of businesses had been included so as to satisfy their quota specification⁴. SMEs with a turnover of less than £50,000 per annum were not included in the survey. Details about the sample composition, and how typical the sample is compared to the population of UK SMEs are available in Appendix A.

SMEs were not asked if they had ever had contact with HMRC and were thus not excluded from the survey if they had little or no experience with paying tax.

For efficiency considerations, the SME sample was selected to fit a quota rather than being drawn at random from the population. Usual care therefore needs to be exercised when discussing the extent to which the results presented here perfectly represent attitudes in the SME population. HMRC believe that the results give a very good indication of SME perceptions and attitudes, but caution should be exercised if comparing results between different groups and across years⁵. Further details about the quota sample specification are given in **Appendix A**.

Respondents were interviewed by telephone. The director, or senior manager if no director was available, was asked to provide answers to the survey questions on behalf of the business. Therefore, survey respondents have different levels of decision-making responsibilities, and their responses vary in how reflective they are of the company's view.

Directors or senior managers who claimed no decision-making responsibility were screened out of the survey, therefore all of the respondents had at least some responsibility for key business decisions, as shown in Table 2.1 below.

³ In 2008 and 2009, CPS questions were included on the GfK Omnibus surveys which collect data from a quota sample of 500 SMEs in two months of the year. HMRC included questions on two waves of the survey (June and September) in 2008 and 2009 to achieve a sample of 1000 businesses each year. In 2010, the Omnibus survey was discontinued so HMRC commissioned a bespoke survey using the same sampling methodology from GfK NOP. 850 businesses were interviewed.

⁴ For example, each month when data were collected, GfK contacted SMEs until 50 businesses with 50-249 employees had been interviewed.

⁵ Sub group analyses and comparisons over time have therefore not been included in this report. HMRC has re-commissioned the SME survey. The new methodology will allow attitude change over time to be tracked more easily.

Table 2.1: Respondent decision-making, 2010

Key Decision Responsibility	Percent of SMEs
Respondent's alone	24
Mainly the respondent's	23
Shared equally between the respondent and someone else/others	54
Total	850

The 'hit rate' or number of businesses who were interviewed compared to the number contacted for the SME Omnibus surveys was 9 per cent in 2008 and 2009. For the bespoke survey carried out in 2010, the hit rate was 5 per cent. This rate includes businesses which were contacted but screened out because they were ineligible for the survey or because these were already interviewed within a given quota.

2.3 Question design

The Personal Finance Research Centre (PFRC) worked with HMRC on question design and testing to assess and improve the survey questions during the development stages of the survey. The questions are included in **Appendix B**.

2.4 Reporting

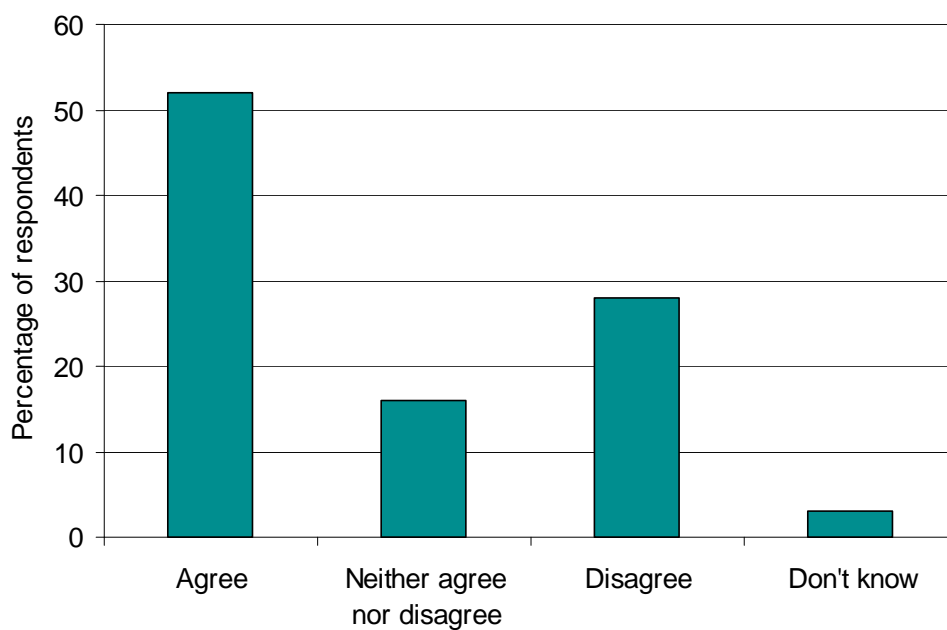
This report summarises responses collected from SMEs in 2010. Data for 2008 and 2009 are presented in **Appendix C** for information. HMRC believe that the results give a very good indication of SME perceptions and attitudes, but caution should be exercised if comparing results between different groups and across years

3. Fairness and the Burden of Complying

This section looks at questions from the CPS which focus on SMEs' perceptions of the tax regime and HMRC.

The majority of the sample of 850 businesses (52 per cent) interviewed in 2010 felt that the level of corporation tax their business paid was fair. A further 16 per cent neither agreed nor disagreed that the level of corporation or income tax they paid was fair, with 28 per cent disagreeing with the statement. A small number of SMEs (3 per cent) said that they did not know whether they agreed or disagreed with the statement (**Figure 3.1**).

Figure 3.1: Whether agree the level of income or corporation tax paid is fair, 2010



Base: 850 SMEs

Around four out of every five sampled businesses (79 per cent) stated that they agreed that HMRC treated them fairly in their dealings with them. This is compared to 7 per cent who disagreed with the statement and 13 per cent who neither agreed nor disagreed. A small number of the SMEs (1 per cent) answered that they did not know whether they agreed or disagreed with the statement.

4. Attitudes towards Compliance

This section concerns attitudes towards the prevalence and acceptability of income and corporation tax evasion among Small and Medium Sized Enterprises.

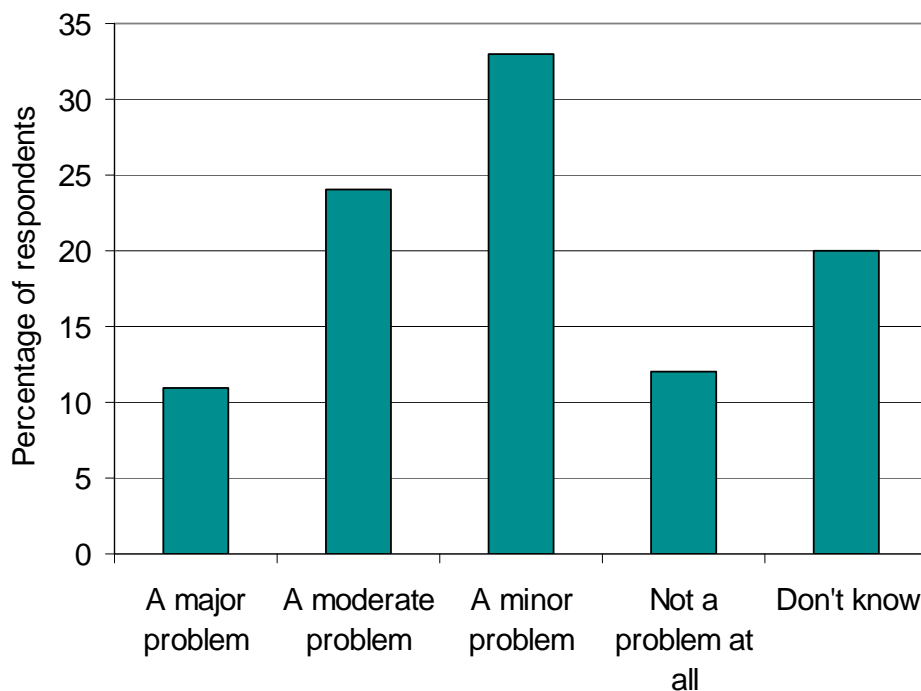
4.1 Perceived prevalence of income and corporation tax evasion

Opinions in the sample were divided as to the prevalence of income or corporation tax evasion amongst Small and Medium Sized Enterprises.

Survey participants were asked whether, in their view, income or corporation tax evasion among SMEs is a major, moderate or minor problem or not a problem at all. Of the 850 SMEs which participated in the survey, 11 per cent felt corporation or income tax evasion amongst SMEs was a major problem and 24 per cent said it was a moderate problem⁶. This compares with 33 per cent of the sample who said it was a minor problem and 12 per cent who felt tax evasion was not a problem at all.

A large proportion of the sample (20 per cent) said they did not know how much of a problem corporation or income tax evasion is amongst SMEs (**Figure 4.1**).

Figure 4.1: Whether income/corporation tax evasion is perceived to be a problem, 2010



Base: 850 SMEs

4.2 Acceptability of income and corporation tax evasion

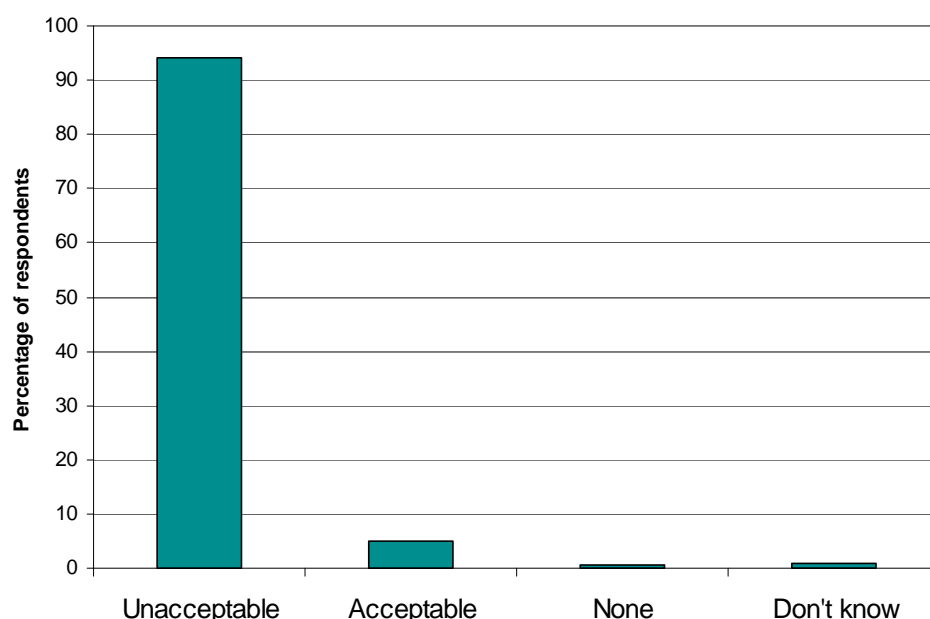
The majority of SMEs in the sample felt income or corporation tax evasion was unacceptable. Of the 850 sampled businesses, 94 per cent stated that evasion was

⁶ This question is used as a broad indicator of how much of a problem income tax evasion is perceived to be. It is possible respondents interpret the question in different ways.

either always or mostly unacceptable compared to 5 per cent who stated that income tax evasion was either always or mostly acceptable.

A smaller number of the sample did not answer the question (less than 1 per cent) or did not know whether income or corporation tax evasion was acceptable or unacceptable (1 per cent) (**Figure 4.2**).

Figure 4.2: Whether income/corporation tax evasion is perceived to be unacceptable, 2010



Base: 850 SMEs

SME respondents were asked why they would not evade income or corporation tax, and could give several answers to the question⁷.

Table 4.1: Reasons why you would not evade income/corporation tax, 2010

Consequence	Percentage of SMEs
Because of the penalties or consequences I could face	32
Because it is immoral	28
Because it is illegal	29
The probability or likelihood of being caught	24
Because it is unfair to other taxpayers	15
Have to pay, duty or just wouldn't evade taxes	13
Honest/ethical organisation	10
No need to or not worth the trouble	5
Paying tax benefits everyone or the whole economy	5
Possible loss of reputation or respect	5
Others ⁸	9
Total number of SMEs	821⁹

⁷ The percentages in Table 4.1 therefore do not sum to 100 and should not be combined.

⁸ Others includes all responses which were mentioned by less than 5 per cent of the sample, except where the response was a pre-code, supplied by HMRC as a particular consequence of interest, such as difficulty in finding suppliers.

⁹ Excludes 28 SMEs who refused to answer or answered 'don't know' to this question.

Extrinsic motivators¹⁰ were frequently mentioned as reasons why the sampled businesses would not evade tax. Of the 821 businesses which gave reasons for not evading tax, 32 per cent said they would comply because of the penalties or consequences which could follow evasion and 24 per cent said they would not evade tax because of the probability of being caught (**Table 4.1**).

Among the intrinsic motivators for paying tax in the SME sample, 28 per cent said they would not evade tax because to do so would be immoral and 29 per cent stated that they would not evade tax because it was illegal. A further 15 per cent said tax evasion was unfair and 13 per cent said paying tax was a duty.

A small proportion of the sample stated that they would not evade tax as their business was an honest or ethical organisation (10 per cent), with 5 per cent stating that tax benefits the whole economy (**Table 4.1**).

¹⁰ Extrinsic motivators are drivers which are imposed on the individual or organisation which can change their behaviour. These include fines and other penalties such as criminal prosecution. Intrinsic motivators are internal to the individual or organisation, and relate to identity. They include the desire to satisfy conscience.

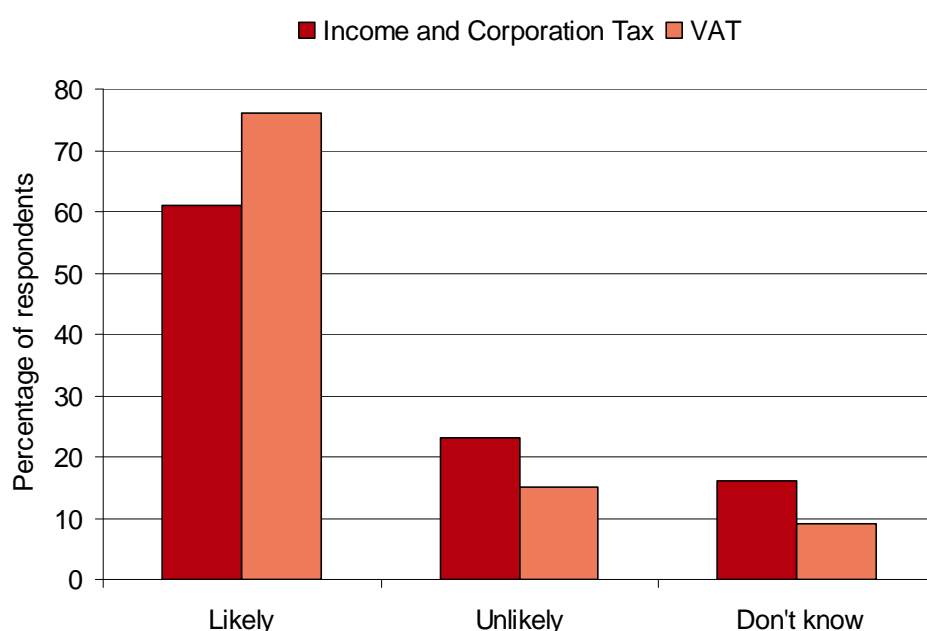
5. Perceived Chances of Detection

This section relates to analysis of responses about businesses' perceptions of the likelihood of detection of non-compliance for income or corporation tax and VAT declarations. For VAT declarations, 734 of the sampled SMEs were VAT registered and were therefore asked about their perceptions of the likelihood of detection for regular VAT non-compliance.

5.1 Income and corporation tax

Most of the sampled SMEs felt it was likely that businesses evading tax would be caught. More than three in five (61 per cent) stated that it was likely or very likely that SMEs which regularly evaded paying income or corporation tax would be caught, compared to 23 per cent who felt it was unlikely or very unlikely. Approximately 16 per cent of SME respondents did not know whether it was likely a business regularly evading income or corporation tax would be caught (**Figure 5.1**).

Figure 5.1: Perceived likelihood of detection for SMEs regularly evading tax, 2010



Base: Corporation and Income Tax 850 SMEs; VAT 734 SMEs

The vast majority of the sampled businesses also felt HMRC would detect regularly under-declared tax liability. Of the 850 businesses, 84 per cent said it was likely or very likely that regular under-declaration of liabilities would be detected by HMRC compared to 8 per cent who said such detection was unlikely or very unlikely. The remaining 62 SMEs (7 per cent) did not know whether or not detection was likely.

5.2 VAT registered businesses

As **Figure 5.1** above shows, of the 734 business in the sample which were registered to pay VAT, more than three out of four (76 per cent) stated that it was likely or very likely that SMEs regularly evading VAT would be caught. In contrast, 15 per cent of the 734 businesses in the sample registered said it was unlikely or very unlikely that a SME regularly evading VAT would be caught with 9 per cent stating that they did not know.

6. Attitudes towards HMRC Sanctions

This section relates to attitudes towards HMRC sanctions for income and corporation tax evasion, which were asked of all the sampled businesses. For the 734 VAT registered companies, additional questions were asked to gauge attitudes towards sanctions for VAT evasion.

6.1 Financial penalties for tax evasion

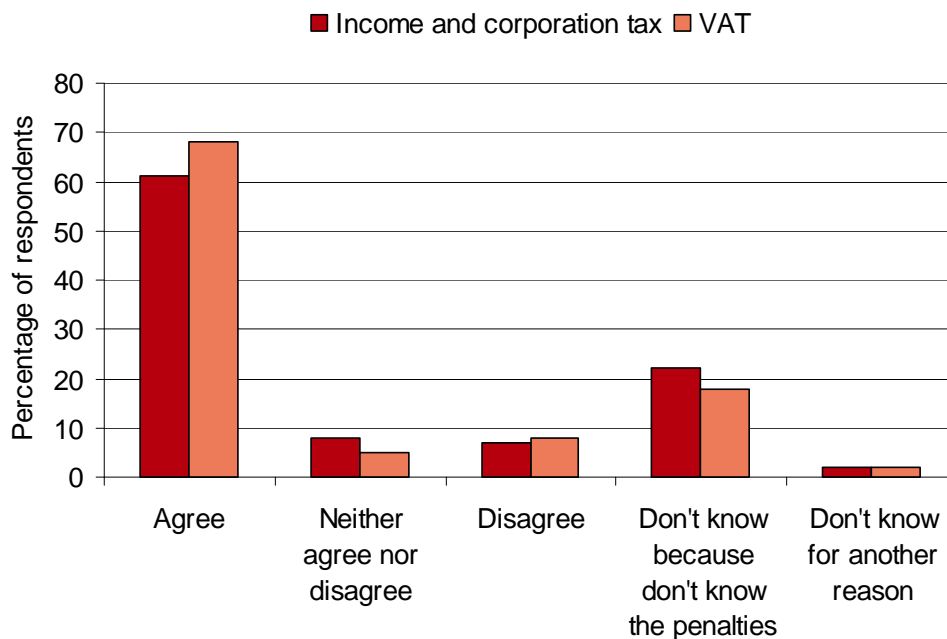
Of the 850 SMEs, 61 per cent agreed the financial penalties were a sufficient deterrent, with 8 per cent of the sample neither agreeing nor disagreeing with the statement and 7 per cent disagreeing with the statement.

A significant proportion of the sampled businesses (24 per cent) did not know whether the financial penalties were sufficient or not to act as deterrents because they were unaware of what penalties could be imposed. This is shown in **Figure 6.1** below.

The majority of the VAT registered businesses in the sample (68 per cent) agreed that the financial penalties imposed by HMRC for VAT evasion were sufficient to deter SMEs from evading VAT payments. A further 8 per cent disagreed with the statement, and 5 per cent neither agreed nor disagreed.

In 2010, 129 SMEs (18 per cent of the sample) said they did not know what the penalties for VAT evasion were with a further 13 businesses (2 per cent of the sample) responding 'don't know' to the question for other reasons (**Figure 6.1**)

Figure 6.1: Whether the financial penalties are sufficient to deter tax evasion, 2010



Base: Corporation and Income Tax 850 SMEs; VAT 734 SMEs

6.2 Other penalties for tax evasion

SMEs were asked what other penalties could result if an SME was caught evading income or corporation tax. Aside from financial penalties, the majority of the 850 sampled businesses could name other consequences associated with tax evasion, with 66 per cent naming another consequence. Of the remaining businesses, 31 per cent said that they could not think of or did not know another consequence and 3 per cent said there were no other consequences.

Business reputation was given as a consequence by a significant number of the sampled businesses. Of the 559 businesses which did name other consequences, more than half (51 per cent) described the loss of reputation among customers, suppliers or other businesses as a consequence of evasion with 21 per cent stating evasion could result in bad publicity.

There is some evidence that the possibility of being caught and prosecuted resonated as potential consequences of evasion with the sampled businesses. In 2010, 36 per cent mentioned the possibility of a prison sentence and 5 per cent stated that a criminal prosecution could result from evasion. A small number of the sampled businesses (6 per cent) stated that being kept under scrutiny by HMRC could result from evasion (**Table 6.1**).

Table 6.1: Consequences other than financial penalties for income/corporation tax evasion¹¹

Consequence	Percent of SMEs
Loss of reputation among customers, suppliers and other businesses	51
Prison sentence	36
Bad publicity	21
Closure of business, liquidation or bankruptcy	13
Loss of income or business	13
Negative impact on ability to expand business or start up another business	11
Others ¹²	17
Kept under scrutiny by HMRC	6
Personal liability for directors or people involved	6
Negative impact on credit record	6
Criminal prosecution	5
Total number of SMEs	559

Business health and loss of income was also cited as a consequence of evasion. Of the 559 businesses, 13 per cent said detection of non-compliance could result in the closure or bankruptcy of the business. A further 13 per cent said that detection could result in loss of income or business and 11 per cent said it could hinder business expansion or start up. A smaller proportion of the sample (6 per cent) stated that evasion could negatively affect credit records (**Table 6.1**).

¹¹ Respondents could give multiple answers to this question. Percentages therefore do not sum to 100 and should not be combined.

¹² Others includes all responses which were mentioned by less than 5 per cent of the sample, except where the response was pre-coded, supplied by HMRC as a particular consequence of interest, such as difficulty in finding suppliers.

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Appendix A: Composition of the Sample

This Appendix presents information about the criteria used to select the GfK NOP quota sample. This is followed by data relating to the composition of the sample of SMEs interviewed for the Compliance Perceptions Survey in 2010. Some of these characteristics (business size, region and industry) are used to define the composition of the quota sample, while others are given for information purposes.

Table A.1: Quota Sample Selection Criteria¹³ for one GfK Omnibus Survey wave

Total	Core Interviews and Quota¹⁴ n(%)	Population n(%)
Employee size		
0 - 9	250 (50)	4,280,415 (96)
10 - 49	200 (40)	170,410 (4)
50 - 249	50 (10)	27,770 (1)
	500 (100)	4,478,595
Region		
North East	45/46 (9)	122,000 (3)
North West	45/46 (9)	434,000 (10)
Yorkshire and Humber	45/46 (9)	336,000 (8)
East Midlands	45/46 (9)	306,000 (7)
West Midlands	45/46 (9)	352,000 (8)
East of England	45/46 (9)	474,000 (11)
London	45/46 (9)	706,000 (16)
South East	45/46 (9)	732,000 (17)
South West	45/46 (9)	421,000 (10)
Wales	45/46 (9)	192,000 (4)
Scotland	45/46 (9)	288,000 (7)
	500 (100)	Approx. 4,363,000
Industry		
Manufacturing/ Production	45 to 50 (9)	
Retail/Wholesale/ Distribution	90 to 95 (19)	
Professional/Business Services	130 to 140 (26)	
Catering/Leisure	35 to 45 (9)	
Motor Trades/ Transport	40 to 45 (9)	
Construction	50 to 55 (10)	
Other	90 to 95 (18)	
	500 (100)	

¹³ Information about the quota sample criteria made available by GfK NOP Data for the population of SMEs adapted from 'Business Population Estimates for the UK and Regions 2010', Department for Business, Innovation and Skills Statistical Release, available at: http://www.bis.gov.uk/assets/biscore/statistics/docs/b/bpe_2010_-_statistical_release.pdf
Numbers may not sum due to rounding.

Population data for employee size includes Northern Ireland businesses; region estimates include SMEs with 250 or more employees due to BIS classification. Differences between population and quota sample may be due to companies with turnovers of less than £50K being screened out by GfK.

¹⁴ Single sites / Head Offices only

A.1: Characteristics of SME sample in 2010

A.1.1. Quota Characteristics

Table A.2: Size of the Business

Business Size	Number of SMEs	Percent of SMEs
1-9	425	50
10-49	340	40
50 or more	85	10
Total	850	100

Table A.3: Region in which Business Situated

Region	Number of SMEs	Percent of SMEs
North East	95	11
Yorkshire	61	7
North West	84	10
East Midlands	81	10
West Midlands	74	9
East Anglia	41	5
Greater London	68	8
South East	116	14
South West	83	10
Wales	74	9
Scotland	73	9
Total	850	100

Table A4: Business Sector

Sector	Number of SMEs	Percent of SMEs
Manufacturing/Production	77	9
Retail/Wholesale/Distribution	163	19
Professional/Business Services	222	26
Catering/Leisure	77	9
Motor Trades/Transport	74	9
Construction	84	10
Other	153	18
Total	850	100

A.1.2 Other Characteristics

Table A5: Business Turnover

Turnover	Number of SMEs	Percent of SMEs
Less than £1m	576	68
£1m-£10m	234	28
More than £10m	40	5
Total	850	100

Table A6: Number of Years Trading

Number of Years	Number of SMEs	Percent of SMEs
Up to 5 years	97	11
5 to up to 10 years	160	19
10 to up to 15 years	99	12
15 to up to 20 years	76	9
50 to up to 50 years	333	39
More than 50 years	84	10
Don't know	1	<1
Total	850	100

Table A7: Type of Business

Type of Businesses	Number of SMEs	Percent of SMEs
Limited Company	582	68
Partnership	85	10
Limited Liability Partnership	10	1
Sole Trader	126	15
Other	46	5
Don't Know	1	<1
Total	850	100

Appendix B: Survey Questions 2008-10

This section presents the survey questions asked of SMEs from 2008 to 2010 to contextualise the report findings and the interpretation of the raw data given in Appendix C. Some questions were not asked in each year of the survey. Where this is the case this is indicated after each question.

The questions are presented in the order asked during the interview alongside the introductions which were read out by the interviewer. The variable names as they appear in the original databases are presented in brackets. The responses which survey participants could chose from are presented below each question.

The questions presented below ask about corporation and income tax. These are the way in which the questions have been phrased since 2009. In 2008, the questions referred to corporation tax only.

Survey instructions which guide interviewers but are not read out to survey participants are given in italics. Most of the questions were asked in each year of the survey, allowing the question was not asked in a particular year of the survey, this is indicated in bold type below each question.

B.1 Survey Questions

INTERVIEWER TO EXPLAIN: As you may know, HM Revenue and Customs (formed by the merger of the Inland Revenue and HM Customs and Excise) is the government agency that is responsible for collecting taxes. Please tell me whether you agree or disagree with the following statement:

Q1 (RC1). HM Revenue and Customs treats my company fairly in our dealings with them. Please choose one of the following five options: *READ OUT AND CODE ONE ONLY*

- A. STRONGLY AGREE
- B. AGREE
- C. NEITHER AGREE NOR DISAGREE
- D. DISAGREE
- E. STRONGLY DISAGREE
- [DON'T KNOW]

The next few questions are all about Corporation and Income Tax. Please tell me whether you agree or disagree with the following statement:

Q2 (RC2). The level of corporation or income tax that our company pays is generally fair. Please choose one of the following five options: *READ OUT AND CODE ONE ONLY*

- A. STRONGLY AGREE
- B. AGREE
- C. NEITHER AGREE NOR DISAGREE
- D. DISAGREE
- E. STRONGLY DISAGREE
- [DON'T KNOW]

Q3 (RC3). Thinking about the amount of time and effort your company spends completing its corporation or income tax return, would you say this was...*READ OUT AND CODE ONE ONLY* **Not asked in 2010**

REASONABLE
NEITHER REASONABLE NOR UNREASONABLE
UNREASONABLE
[DON'T KNOW]

The next questions are about Corporation or Income Tax evasion. By tax evasion, we mean deliberately not declaring all the business income that should be declared for tax purposes or deliberately overstating costs for Corporation Tax.

ASK ALL

Q4 (RC4). In your view, do you think that corporation or income tax evasion among small and medium sized companies is...*READ OUT AND CODE ONE ONLY*

A MAJOR PROBLEM
A MODERATE PROBLEM
A MINOR PROBLEM
NOT A PROBLEM AT ALL
[DON'T KNOW]

Q5. (RC5) How likely would you say it is for small and medium sized companies that regularly evade paying corporation or income tax to get caught? Would you say it is... *READ OUT AND CODE ONE ONLY*

A. VERY LIKELY
B. QUITE LIKELY
C. NOT LIKELY
D. NOT AT ALL LIKELY
[DON'T KNOW]

Q6 (RC6). Suppose your company regularly under-declared its corporation or income tax liability. How likely do you think it is that HM Revenue and Customs would find out about this? Would you say it was... *READ OUT AND CODE ONE ONLY*

A. VERY LIKELY
B. QUITE LIKELY
C. NOT LIKELY
D. NOT AT ALL LIKELY
[DON'T KNOW]

Q7 (RC7). Do you think small and medium sized companies that regularly evade paying corporation or income tax are more or less likely to be caught by HM Revenue and Customs now than they were? *CODE ONE ONLY* **Not asked in 2010**

MORE LIKELY
LESS LIKELY
ABOUT THE SAME
[DON'T KNOW]

I'm going to read out a statement and I would like you to tell me whether you agree or disagree with it.

Q8 (RC8). The financial penalties HM Revenue and Customs can impose are sufficient to deter small and medium sized companies from regularly evading corporation or income tax. Please choose one of the following five options: *READ OUT AND CODE ONE ONLY*

- A. STRONGLY AGREE
- B. AGREE
- C. NEITHER AGREE NOR DISAGREE
- D. DISAGREE
- E. STRONGLY DISAGREE
- [DON'T KNOW]
- [DON'T KNOW BECAUSE DON'T KNOW PENALTIES]

Q9. (RC9) Above and beyond any penalties HM Revenue and Customs can impose, what other consequences are there for companies caught evading corporation or income tax, especially where it becomes public knowledge?

RECORD SPONTANEOUS RESPONSES AGAINST PRECODES. DO NOT PROMPT ON PRECODES. CODE ALL THAT APPLY. PROMPT: Anything else?

- A. Difficult to find suppliers
- B. Bad publicity
- C. Loss of reputation among customers, suppliers, other businesses
- D. Negative impact on credit record
- E. Negative impact on ability to expand business or start up another business
- F. Kept under scrutiny by HMRC
- G. Prison sentence
- H. No other consequences
- [OTHER WRITE IN] PLEASE WRITE IN ALL OTHER RESPONSES
- [DON'T KNOW/CAN'T THINK OF ANY]

PROMPT: Anything else? PLEASE WRITE IN

NOTHING ELSE

Q10. (RC10) What other consequences might there be for companies caught evading corporation tax? **Not asked in 2009 or 2010 – data captured using Q9.** *PLEASE WRITE IN*

NOTHING ELSE
DON'T KNOW

Q11 (RC11). I am going to read out four statements. Please tell me which of them comes closest to your own views about corporation or income tax evasion. *READ OUT AND CODE ONE ONLY*

- A. It is always acceptable
- B. It is mostly acceptable (but depends on the circumstances)
- C. It is mostly unacceptable (but depends on the circumstances)
- D. It is always unacceptable
- [NONE OF THESE]
- [DON'T KNOW]

ASK Q12 (RC11a) if respondent answered

It is mostly acceptable (but depends on the circumstances)

Q12 (RC11a) Can you tell me about the circumstances when you think tax evasion would be acceptable. *PROBE FULLY. Not asked in 2008*

ASK Q13 (RC11b) if respondent answered

It is mostly acceptable (but depends on the circumstances)

Q13 (RC11b) Can you tell me about the circumstances when you think tax evasion would be unacceptable. *PROBE FULLY. Not asked in 2008*

Q14 (RC12). And can you tell me the why you wouldn't regularly evade corporation or income tax?

- A. Because it's illegal
- B. Because of the penalties/consequences I could face
- C. Because it is unfair to other taxpayers
- D. Because it is immoral
- E. The probability/likelihood of being caught
- F. Other specify
- [DON'T KNOW]

If more than one response at Q13 ask Q14

Q15 (RC12A) Of those reasons you mentioned, which one would you say is the main one? *PROMPT IF NECESSARY Not asked in 2010*

SHOW ALL RESPONSES AT Q13 HERE

All equally important – *DO NOT READ OUT*
Don't know – *DO NOT READ OUT*

Q16 (RC13). Can I check, is the company registered for VAT?

YES – GO TO Q16
NO – SKIP TO NEXT MODULE

ASK IF VAT REGISTERED AT Q15, ELSE SKIP TO NEXT MODULE

The last few questions are about VAT.

Q17 (RC14). Thinking about the amount of time and effort your company spends completing its VAT Returns, would you say this was...*READ OUT AND CODE ONE ONLY*

REASONABLE
NEITHER REASONABLE NOR UNREASONABLE
UNREASONABLE
[DON'T KNOW]

Q18 (RC15). How likely would you say it is for small and medium sized companies that regularly evade paying VAT to get caught? Would you say it is... *READ OUT AND CODE ONE ONLY*

- A. VERY LIKELY
- B. QUITE LIKELY
- C. NOT LIKELY
- D. NOT AT ALL LIKELY
- [DON'T KNOW]

Q19 (RC16). Do you think small and medium sized companies that regularly evade paying VAT are more or less likely to be caught by HM Revenue and Customs now than they were? *CODE ONE ONLY* **Not asked in 2010**

MORE LIKELY
LESS LIKELY
ABOUT THE SAME
[DON'T KNOW]

I'm going to read out a statement and I would like you to tell me whether you agree or disagree with it.

Q20 (RC17). The financial penalties HM Revenue and Customs can impose are sufficient to deter small and medium sized companies from regularly evading paying VAT. Please choose one of the following five options: *READ OUT AND CODE ONE ONLY*

- A. STRONGLY AGREE
- B. AGREE
- C. NEITHER AGREE NOR DISAGREE
- D. DISAGREE
- E. STRONGLY DISAGREE
- [DON'T KNOW]
- [DON'T KNOW BECAUSE DON'T KNOW PENALTIES]

Appendix C: Survey Data 2008-10

This appendix presents the CPS survey data for SMEs for each year of the survey.

The data for each year are presented for information purposes. Due to changes of question wording and the nature of the sample, HMRC do not recommend that results between different years are compared.

Each table covers the responses (number and percentage of SMEs) to a single question. The questions used to elicit the data can be found in Appendix B. The question number is given alongside each table for ease of reference.

C.1 Perceptions of HMRC (Question 1)

Table C1.1: Whether agree HMRC treats the business fairly, 2008

Response	Number of SMEs	Percent of SMEs
Strongly Agree	109	11
Agree	624	62
Neither Agree nor Disagree	148	15
Disagree	47	5
Strongly Disagree	32	3
Don't Know	40	4
Total	1000	100

Table C1.2: Whether agree HMRC treats the business fairly, 2009

Response	Number of SMEs	Percent of SMEs
Strongly Agree	141	14
Agree	608	61
Neither Agree nor Disagree	149	15
Disagree	55	5
Strongly Disagree	23	2
Don't Know	25	2
Total	1001	100¹⁵

Table C1.3: Whether agree HMRC treats the business fairly, 2010

Response	Number of SMEs	Percent of SMEs
Strongly Agree	131	15
Agree	537	63
Neither Agree nor Disagree	108	13
Disagree	41	5
Strongly Disagree	22	3
Don't Know	11	1
Total	850	100

¹⁵ Sums to 99 due to rounding.

C.2 Perceptions of Corporation/Income Tax (Question 2)

Table C2.1: Whether agree level of corporation tax is generally fair, 2008

Response	Number of SMEs	Percent of SMEs
Strongly Agree	31	3
Agree	310	31
Neither Agree nor Disagree	154	15
Disagree	191	19
Strongly Disagree	108	11
Don't Know	206	21
Total	1000	100

Table C2.2: Whether agree the level of corporation/income tax is generally fair, 2009

Response	Number of SMEs	Percent of SMEs
Strongly Agree	46	5
Agree	403	40
Neither Agree nor Disagree	148	15
Disagree	244	24
Strongly Disagree	91	9
Don't Know	69	7
Total	1001	100

Table C2.3: Whether agree the level of corporation/income tax is generally fair, 2010

Response	Number of SMEs	Percent of SMEs
Strongly Agree	48	6
Agree	395	46
Neither Agree nor Disagree	138	16
Disagree	166	20
Strongly Disagree	76	9
Don't Know	27	3
Total	850	100

C.3 Effort Completing Corporation/Income Tax Return (Question 3)

Table C3.1: Effort SME spends completing corporation tax return, 2008

Response	Number of SMEs	Percent of SMEs
Reasonable	399	40
Neither Reasonable Nor Unreasonable	161	16
Unreasonable	169	17
Don't Know	271	27
Total	1000	100

Table C3.2: Effort SME spends completing corporation/income tax return, 2009

Response	Number of SMEs	Percent of SMEs
Reasonable	424	42
Neither Reasonable Nor Unreasonable	189	19
Unreasonable	225	22
Don't Know	163	16
Total	1001	100

C.4 Perceived Prevalence of Corporation/Income Tax (Question 4)

Table C4.1: Perceived prevalence of corporation tax evasion, 2008

Response	Number of SMEs	Percent of SMEs
A Major Problem	89	9
A Moderate Problem	199	20
A Minor Problem	294	29
Not a Problem at all	125	13
Don't Know	293	29
Total	1000	100

Table C4.12: Perceived prevalence of corporation/income tax evasion, 2009

Response	Number of SMEs	Percent of SMEs
A Major Problem	96	10
A Moderate Problem	238	24
A Minor Problem	329	33
Not a Problem at all	138	14
Don't Know	200	20
Total	1001	100

Table C4.3: Perceived prevalence of corporation/income tax evasion/income, 2010

Response	Number of SMEs	Percent of SMEs
A Major Problem	95	11
A Moderate Problem	201	24
A Minor Problem	282	33
Not a Problem at all	104	12
Don't Know	168	20
Total	850	100

C.5 Perceived Likelihood of Detection for Corporation/Income Tax Evasion (Question 5)

Table C5.1: Perceived likelihood of detection for corporation tax evasion, 2008

Response	Number of SMEs	Percent of SMEs
Very Likely	155	16
Quite Likely	397	40
Not Likely	177	18
Not Likely at all	62	6
Don't Know	209	21
Total	1000	100

Table C5.2: Perceived likelihood of detection for corporation/income tax evasion, 2009

Response	Number of SMEs	Percent of SMEs
Very Likely	183	18
Quite Likely	429	43
Not Likely	193	19
Not Likely at all	49	5
Don't Know	147	15
Total	1001	100

Table C5.3: Perceived likelihood of detection for corporation/income tax evasion, 2010

Response	Number of SMEs	Percent of SMEs
Very Likely	176	21
Quite Likely	345	41
Not Likely	161	19
Not Likely at all	33	4
Don't Know	135	16
Total	850	100

C.6 Likelihood HMRC will Detect Under-Declaration of Corporation/ Income Tax Liabilities (Question 6)

Table C6.1: Whether it is likely HMRC will detect under-declaration of corporation tax liability, 2008

Response	Number of SMEs	Percent of SMEs
Very Likely	425	43
Quite Likely	324	32
Not Likely	85	9
Not Likely at all	30	3
Don't Know	136	14
Total	1000	100

Table C6.2: Perceived likelihood HMRC will detect under-declaration of corporation/income tax liability, 2009

Response	Number of SMEs	Percent of SMEs
Very Likely	439	44
Quite Likely	374	38
Not Likely	84	8
Not Likely at all	15	1
Don't Know	89	9
Total	1001	100

Table C6.3: Perceived likelihood HMRC will detect under-declaration of corporation/
income tax liability, 2010

Response	Number of SMEs	Percent of SMEs
Very Likely	420	49
Quite Likely	297	35
Not Likely	60	7
Not Likely at all	11	1
Don't Know	62	7
Total	850	100

C.7 Perceived Likelihood of Detection for Corporation/Income Tax Evasion Compared to the Past (Question 7)

Table C7.1: Perceived likelihood of detection for SMEs regularly evading corporation tax compared to past, 2008

Response	Number of SMEs	Percent of SMEs
More Likely	485	49
Less Likely	71	7
About the Same	240	24
Don't Know	204	20
Total	1000	100

Table C7.2: Likelihood of detection for SMEs regularly evading corporation/income tax compared to past, 2009

Response	Number of SMEs	Percent of SMEs
More Likely	305	30
Less Likely	60	6
About the Same	463	46
Don't Know	173	17
Total	1001	100¹⁶

¹⁶ Sums to 99 due to rounding.

C.8 Whether Agree the Financial Penalties are Sufficient to Deter Corporation/Income Tax Evasion (Question 8)

Table C8.1: Whether agree the financial penalties are sufficient to deter corporation tax evasion, 2008

Response	Number of SMEs	Percent of SMEs
Strongly Agree	135	14
Agree	387	39
Neither Agree nor Disagree	135	14
Disagree	76	8
Strongly Disagree	25	3
Don't know because I don't know the penalties	162	16
Don't know	43	4
Not stated	37	4
Total	1000	100

Table C8.2: Whether agree the financial penalties are sufficient to deter corporation/income tax evasion, 2009

Response	Number of SMEs	Percent of SMEs
Strongly Agree	128	13
Agree	457	46
Neither Agree nor Disagree	178	18
Disagree	49	5
Strongly Disagree	14	1
Don't know because I don't know the penalties	152	15
Don't know	23	2
Total	1001	100

Table C8.3: Whether agree the financial penalties are sufficient to deter corporation/income tax evasion, 2010

Response	Number of SMEs	Percent of SMEs
Strongly Agree	173	20
Agree	346	41
Neither Agree nor Disagree	69	8
Disagree	34	4
Strongly Disagree	24	3
Don't know because I don't know the penalties	189	22
Don't know	15	2
Total	850	100

C.9 Other Mentioned Consequences for Corporation/Income Tax Evasion (Question 9)

SMEs could give more than one answer to this question. The percentages therefore do not sum to 100 and should not be combined. The total number of SMEs (the unweighted base) is given.

Table C9.1: Other consequences when corporation tax evasion is detected, 2008

Consequence	Number of SMEs	Percent of SMEs
Difficult to find suppliers	14	1
Bad publicity	152	15
Loss of reputation among customers, suppliers and other businesses	244	24
Negative impact on credit record	37	4
Negative impact on ability to expand business or start up another business	64	6
Kept under scrutiny by HMRC	19	2
Prison sentence	189	19
Fines	77	8
Criminal prosecution	20	2
Personal liability for directors or people involved	23	2
Closure of company, liquidation or bankruptcy	42	4
Loss of income/business	13	1
Negative impact on employees	9	1
Others	32	3
No other consequences	26	3
Can't think of any	236	24
Don't know	180	18
Not stated	4	<1
Unweighted Base	1000	n/a

Table C9.2: Other consequences when corporation/income tax evasion is detected, 2009

Consequence	Number of SMEs	Percent of SMEs
Difficult to find suppliers	29	3
Bad publicity	168	17
Loss of reputation among customers, suppliers and other businesses	275	27
Negative impact on credit record	35	3
Negative impact on ability to expand business or start up another business	57	6
Kept under scrutiny by HMRC	32	3
Prison sentence	183	18
Fines	90	9
Criminal prosecution	17	2
Personal liability for directors or people involved	19	2
Closure of company, liquidation or bankruptcy	77	8
Loss of income/business	34	3
Negative impact on employees	12	1
Guilt, stress or fear of being caught	8	1
Seizure of assets	8	1
Others	46	5
No other consequences	32	3
Can't think of any	225	22
Don't know	120	12
Not stated	12	1
Unweighted Base:	1001	n/a

Table C9.3: Other consequences when corporation/income tax evasion is detected, 2010

Consequence	Number of SMEs	Percent of SMEs
Difficult to find suppliers	11 (1)	1
Bad publicity	119 (14)	14
Loss of reputation among customers, suppliers and other businesses	284 (33)	33
Negative impact on credit record	34 (4)	4
Negative impact on ability to expand business or start up another business	63 (7)	7
Kept under scrutiny by HMRC	33 (4)	4
Prison sentence	202 (24)	24
Fines	22 (3)	3
Criminal prosecution	26 (3)	3
Personal liability for directors or people involved	31 (4)	4
Closure of company, liquidation or bankruptcy	73 (9)	9
Loss of income/business	72 (8)	8
Negative impact on employees	20 (2)	2
Guilt, stress or fear of being caught	2 (<1)	<1
Seizure of assets	13 (2)	2
Loss of respect/effect on family/friends	6 (1)	1
Loss of job, would be sacked or fired	8 (1)	1
I could lose my home	6 (1)	1
Struck off professional body or charity register	8 (1)	1
It's your responsibility to pay tax for the country, economy	4 (<1)	<1
Others	9 (1)	1
No other consequences	29 (3)	3
Can't think of any	141 (17)	17
Don't know	121 (14)	14
No answer	1 (<1)	<1
Unweighted Base:	850	n/a

C.10 Any Other Consequences for Corporation Tax Evasion (Question 10)

SMEs could give more than one answer to this question. The percentages therefore do not sum to 100 and should not be combined. The total number of SMEs (the unweighted base) is given.

Table C10.1: Other potential consequences when corporation tax evasion is detected, 2008

Consequence	Number of SMEs	Percent of SMEs
Bad publicity	9	3
Loss of reputation among customers, suppliers and other businesses	11	3
Negative impact on credit record	1	<1
Negative impact on ability to expand business or start up another business	6	2
Kept under scrutiny by HMRC	10	3
Prison sentence	17	5
Fines	40	11
Criminal prosecution	6	2
Personal liability for directors or people involved	10	3
Closure of company, liquidation or bankruptcy	30	8
Loss of income/business	18	5
Negative impact on employees	1	<1
Others	16	4
Nothing else	4	1
Don't know	26	7
Not stated	195	54
Unweighted Base	358	n/a

C.11 Perceived Acceptability of Corporation/Income Tax Evasion (Question 11)

Table C11.1: Perceived acceptability of corporation tax evasion, 2008

Response	Number of SMEs	Percent of SMEs
It is always acceptable	17	2
It is mostly acceptable (but depends on the circumstances)	88	9
It is mostly unacceptable (but depends on the circumstances)	199	20
It is always unacceptable	654	65
Don't know	37	4
Not stated	5	1
Total	1000	100

Table C11.2: Acceptability of corporation/income tax evasion, 2009

Response	Number of SMEs	Percent of SMEs
It is always acceptable	18	2
It is mostly acceptable (but depends on the circumstances)	49	5
It is mostly unacceptable (but depends on the circumstances)	173	17
It is always unacceptable	743	74
Don't know	16	2
Not stated	2	<1
Total	1001	100

Table C11.3: Perceived acceptability of corporation tax evasion, 2010

Response	Number of SMEs	Percent of SMEs
It is always acceptable	4	<1
It is mostly acceptable (depends on circumstances)	36	4
It is mostly unacceptable (depends on circumstances)	137	16
It is always unacceptable	664	78
Don't know	7	1
Not stated	2	<1
Total	850	100

C.12 Reasons Corporation/Income Tax Evasion may be Acceptable (Question 12)

Table C12.1: Reasons why evasion may be acceptable, 2009

Circumstance	Number of SMEs	Percent of SMEs
Taxes are too high	5	10
If the business is in difficulty	9	18
If the economy is poor	2	4
It is unintentional, a mistake	1	2
Others	12	24
Don't know	8	16
None, never	11	22
Not stated	3	6
Total	49	100

Table C12.2: Reasons why evasion may be acceptable, 2010

Circumstance	Number of SMEs	Percent of SMEs
Taxes are too high	3	8
If the business is in difficulty	7	19
It is unintentional, a mistake	7	19
On the advice of my accountant	2	6
Others	8	22
Don't know	8	22
None, never	3	8
Total	36	100

C.13 Reasons Corporation/Income Tax Evasion may be Unacceptable (Question 13)

Table C13.1: Reasons why evasion may be unacceptable, 2009

Circumstance	Number of SMEs	Percent of SMEs
It is always unacceptable	52	30
If the company is successful	15	9
If it is deliberate	32	18
If the amount avoided is excessive	8	5
Others	30	17
Don't know	12	7
Not stated	33	19
Total	173	100

Table C13.2: Reasons why evasion may be unacceptable, 2010

Circumstance	Number of SMEs	Percent of SMEs
It is always unacceptable	15	11
If the company is successful	15	11
If it is deliberate	42	31
If the company is going through financial difficulties	29	21
It depends on individual or extenuating circumstances	5	4
People on benefits being paid cash	3	2
Others	12	9
Don't know	24	18
No answer	1	1
Total	137	100

C.14 Reasons for not Evading Corporation/Income Tax (Question 14)

SMEs could give more than one answer to this question. The percentages therefore do not sum to 100 and should not be combined. The total number of SMEs (the unweighted base) is given.

Table C14.1: Reasons for not evading corporation tax, 2008

Consequence	Number of SMEs	Percent of SMEs
Because it is illegal	353	35
Because of the penalties or consequences I could face	237	24
Because it is unfair to other taxpayers	98	10
Because it is immoral	225	23
The probability or likelihood of being caught	161	16
Don't have to pay corporation tax/doesn't apply to us	28	3
Do not deal with tax/someone else pays for it	12	1
Possible loss of reputation or respect	33	3
Honest/ethical organisation	47	5
Paying tax benefits everyone or the whole economy	12	1
No need to or not worth the trouble	18	2
Have to pay, duty or just wouldn't evade taxes	26	3
Would not know how	4	<1
Others	35	4
Don't know	92	9
Not stated	3	<1
Unweighted Base	1000	n/a

Table C14.2: Reasons for not evading corporation/income tax, 2009

Consequence	Number of SMEs	Percent of SMEs
Because it is illegal	343	34
Because of the penalties or consequences I could face	239	24
Because it is unfair to other taxpayers	99	10
Because it is immoral	261	26
The probability or likelihood of being caught	198	20
Don't have to pay corporation tax/doesn't apply to us	8	1
Possible loss of reputation or respect	57	6
Honest/ethical organisation	73	7
Paying tax benefits everyone or the whole economy	47	5
No need to or not worth the trouble	40	4
Have to pay, duty or just wouldn't evade taxes	71	7
Would not know how	2	<1
Others	74	7
Don't know	43	4
Not stated	2	<1
Unweighted Base	1001	n/a

Table C14.3: Reasons business would not evade corporation/income tax, 2010

Consequence	Number of SMEs	Percent of SMEs
Because it is illegal	241	28
Because of the penalties or consequences I could face	263	31
Because it is unfair to other taxpayers	126	15
Because it is immoral	229	27
The probability or likelihood of being caught	201	24
Possible loss of reputation or respect	43	5
Honest/ethical organisation	85	10
Paying tax benefits everyone or the whole economy	44	5
No need to or not worth the trouble	44	5
Have to pay, duty or just wouldn't evade taxes	108	13
Would not know how	13	2
We are regulated or audited by the FSA or a professional body	8	1
Accountant deals with everything, or I am an accountant	13	2
The effect it would have on my family or friends	4	<1
I like to be able to sleep a night, conscience	17	2
We are in the public eye, or work with local authorities	6	1
The effect it would have on our employees	5	1
Not have to pay/doesn't apply to us	1	<1
Others	7	1
Don't know	27	3
No answer	2	<1
Unweighted Base	850	n/a

C.15 Main Reason for not Evading Corporation/Income Tax (Question 15)

Table C15.1: Main reason for not evading corporation tax, 2008

Consequence	Number of SMEs	Percent of SMEs
Because it is illegal	62	20
Because of the penalties or consequences I could face	50	16
Because it is unfair to other taxpayers	31	10
Because it is immoral	13	4
The probability or likelihood of being caught	10	3
All equally important	109	34
Other	40	13
Don't know	1	<1
Total	316	100

Table C15.2: Main reason for not evading corporation/income tax, 2009

Consequence	Number of SMEs	Percent of SMEs
Because it is illegal	89	19
Because of the penalties or consequences I could face	84	18
Because it is unfair to other taxpayers	17	4
Because it is immoral	60	13
The probability or likelihood of being caught	47	10
All equally important	150	32
Other	82	18
Don't know	2	<1
Total	466	100

C.16 Business is VAT Registered (Question 16)

Table C16.1: Business is VAT registered, 2008

Response	Number of SMEs	Percent of SMEs
Yes	846	85
No	146	15
Refused	8	1
Total	1000	100

Table C16.2: Business is VAT registered, 2009

Response	Number of SMEs	Percent of SMEs
Yes	864	86
No	135	13
Refused	2	<1
Total	1001	100

Table C16.3: Business is VAT registered, 2010

Response	Number of SMEs	Percent of SMEs
Yes	734	86
No	114	13
Refused	2	<1
Total	850	100

C.17 Effort Completing VAT Returns (Question 17)

Table C17.1: Effort spent completing VAT returns, 2008

Response	Number of SMEs	Percent of SMEs
Reasonable	534	63
Neither reasonable nor unreasonable	99	12
Unreasonable	163	19
Don't know	50	6
Total	846	100

Table C17.2: Effort spent completing VAT returns, 2009

Response	Number of SMEs	Percent of SMEs
Reasonable	537	62
Neither reasonable nor unreasonable	112	13
Unreasonable	158	18
Don't know	57	7
Total	864	100

C.18 Perceived Likelihood of Detection for SMEs Evading VAT (Question 18)

Table C18.1 Perceived likelihood of detection for SMEs evading VAT, 2008

Response	Number of SMEs	Percent of SMEs
Very Likely	278	33
Quite Likely	329	39
Not Likely	112	13
Not Likely at all	34	4
Don't Know	93	11
Total	846	100

Table C18.2 Perceived likelihood of detection for SMEs evading VAT, 2009

Response	Number of SMEs	Percent of SMEs
Very Likely	286	33
Quite Likely	350	41
Not Likely	112	13
Not Likely at all	29	3
Don't Know	87	10
Total	864	100

Table C18.3 Perceived likelihood of detection for SMEs evading VAT, 2010

Response	Number of SMEs	Percent of SMEs
Very Likely	291	40
Quite Likely	264	36
Not Likely	89	12
Not Likely at all	23	3
Don't Know	67	9
Total	734	100

C.19 Perceived Likelihood of Detection for VAT Evasion Compared to the Past (Question 19)

Table C19.1 Perceived likelihood of VAT evasion detection compared to past, 2008

Response	Number of SMEs	Percent of SMEs
More Likely	467	55
Less Likely	75	9
About the same	191	23
Don't know	113	13
Total	846	100

Table C19.2 Perceived likelihood of VAT evasion detection compared to past, 2009

Response	Number of SMEs	Percent of SMEs
More Likely	278	32
Less Likely	51	6
About the same	408	47
Don't know	127	15
Total	864	100

C.20 Whether Agree the Financial Penalties are Sufficient to Deter VAT Evasion (Question 20)

Table C20.1: Whether agree financial penalties are sufficient to deter VAT evasion, 2008

Response	Number of SMEs	Percent of SMEs
Strongly Agree	166	20
Agree	381	45
Neither Agree nor Disagree	78	9
Disagree	66	8
Strongly Disagree	19	2
Don't know because I don't know the penalties	92	11
Don't know	44	5
Total	846	100

Table C20.2: Whether agree the financial penalties sufficient to deter VAT evasion, 2009

Response	Number of SMEs	Percent of SMEs
Strongly Agree	169	20
Agree	399	46
Neither Agree nor Disagree	113	13
Disagree	45	5
Strongly Disagree	16	2
Don't know because I don't know the penalties	105	12
Don't know	17	2
Total	864	100

Table C20.3: Whether agree the financial penalties are sufficient to deter VAT evasion, 2010

Response	Number of SMEs	Percent of SMEs
Strongly Agree	184	25
Agree	315	43
Neither Agree nor Disagree	37	5
Disagree	40	5
Strongly Disagree	16	2
Don't know because I don't know the penalties	129	18
Don't know	13	2
Total	734	100