

Understanding the motivators and incentives for voluntary disclosure

HM Revenue & Customs Research Report 397



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1. Key findings

This report details the findings of a qualitative research project which sought to understand what drives or inhibits customer participation in voluntary disclosure opportunities (VDOs). Thirty eight qualitative interviews were conducted with three types of customer who were eligible for VDOs: those who disclosed, those who were investigated, and those who did not take action. Campaigns reviewed were Tax Health Plan, E-marketplace and Property Sales. Fieldwork ran from January to March 2015.

The **main reasons for non-compliance** among participants were ignorance of responsibility, perceived complexity of tax rules, the view of tax as a cost, and moral justifications. Participants could be grouped into **three types**, according to the drivers of their non-compliance – these were:

- **Unaware** their behaviour was illegal. Once aware, they made little attempt to justify it, being attitudinally compliant.
- **Ambiguous** about whether their behaviour was illegal. They used this 'grey area' of uncertainty to justify non-compliance.
- **Deliberate** evaders, fully aware their behaviour was illegal. They viewed tax as a cost, and felt no moral obligation to comply.

Awareness of campaigns was mixed. Those who learned about the campaign via multiple channels were best primed to consider the campaign, and thus responded more quickly. Initial reactions were strongest among those who received direct letters from HMRC, which sent a clear personal warning. Generally, participants responded in one of four ways: with an instinct to take action if willing to comply; with initial confusion if unclear as to why they were targeted; with fear and anxiety if unwilling or unable to pay; and irritation if still convinced they were compliant.

The triggers and barriers to take up of a VDO varied according to participant 'type'. However, two prerequisites had to be met before other triggers for disclosure were effective: high awareness of the campaign, and the belief HMRC offered good terms and the opportunity for a 'fresh start'. *Unaware participants* were most likely to disclose, prompted by a moral obligation and the expectation they would be caught. They needed to know the campaign was relevant, that they must and could pay, and the process was simple. *Ambiguous participants* needed a clearer threat to outweigh the barriers: i.e. a legal threat and clear favourable terms. The key barriers for this group were a perceived low threat of detection, and low moral obligation. *Deliberate evaders* were least likely to disclose, though encouragement from third parties and the threat of penalties were strong drivers. Primary barriers for this group were ingrained behaviour and little perceived chance of detection. **The research suggests that future campaigns could bear three considerations in mind:**

1. Demonstrate preventative work has been undertaken with 'at risk' tax payer groups.
2. Priming through multiple channels was most effective in triggering responses.
3. Tailored messaging is important. In particular, the future consequences of non-response and addressing assumptions about social norms within the industry are important elements to this.

2. Executive summary

HMRC has a good understanding of the impact and effectiveness of Voluntary Disclosure Opportunities (VDOs) in driving customers to disclose their liabilities, but less knowledge of why this occurs, and what motivates or inhibits disclosure. This research sought to understand what drives or inhibits customer participation in VDOs. In particular, it explored the reasons for non-compliance, awareness of and responses to VDOs, the impact of the perceived benefits, detection and reduced penalty rate on decision-making, and implications for HMRC communications and future campaigns.

Thirty eight qualitative interviews were conducted with three types of customer who were eligible for VDO: those who disclosed, those who were investigated, and those who were eligible but did not take action. Campaigns under review were Tax Health Plan, E-marketplace and Property Sales. Fieldwork was conducted in January to March 2015.

Findings

Reasons for non-compliance: the main drivers for non-compliant behaviour were a combination of ignorance of responsibility, based on lack of awareness; the perceived complexity of taxation rules; the view of tax as a cost and loss of money; and moral justifications, i.e. no obligation to comply.

Participants could be grouped according to the factors that drove their non-compliance, which also influenced the way they responded to campaigns. These were:

- **Unaware:** those unaware of the illegality of their behaviour, and who made little attempt to justify it once this came to light.
- **Ambiguous:** those who used 'grey areas' in their understanding of their tax obligations to defer organising affairs and later, to excuse non-compliance, once it became clear they had made errors.
- **Deliberate:** those who actively avoided disclosing their income, and felt no moral obligation to comply.

Awareness of campaigns varied a great deal. Those highly aware of the campaign had either received a letter from HMRC, heard about it through multiple channels, or were alive to the implications of the campaign as soon as they came across it because they knew they were non-compliant. Those with some awareness had single or infrequent encounters with campaign materials, and/ or were uncertain as to whether the campaign was relevant to them. Those with low awareness had either not encountered the campaign materials, not realised they were non-compliant, or were inattentive to tax matters due to their reliance on an accountant.

Initial reactions to the campaign varied according to participants' reasons for non-compliance, and the campaign channel. Encountering the campaign triggered an instinct to take action among those who received a direct letter or who had been ambiguous about their possible non-compliance. They felt obliged to respond, and guilty about their situation. Those who were unaware they were non-compliant reacted with initial confusion, due to uncertainty as to whether they were non-compliant and whether the campaign was therefore targeting them. Those who were deliberately non-compliant or believed they may be reacted with fear and anxiety to direct letters, particularly if they assumed they lacked the funds to repay the

tax. Those convinced they were compliant and had been unfairly singled out reacted with irritation, and felt themselves to be an inappropriate target.

Understanding of the campaign was good: once digested, it was generally understood by participants. Points of confusion arose over the target audience, mechanics of the disclosure process and the consequences of taking up or ignoring a VDO opportunity. Confusion could be prevented if the campaign materials focused on providing answers to three key questions: Is this relevant to me?, What should I do next? and, What could happen if I don't take up a VDO?

Triggers and barriers to take up of VDO were multiple. However, two prerequisites had to be met before other triggers for disclosure were effective. These were gaining a good awareness of the campaign, and believing it to offer good terms and an opportunity for a fresh start. All participants then weighed up other triggers against issues which were barriers to disclosure. The following factors then acted as triggers, and occasionally as barriers to disclosure:

- *Legal obligation:* participants felt they must stay within the law and get affairs up to date.
- *Moral obligations* were a trigger for those who felt compliance was the 'right thing to do', while those who disagreed with their obligations were reluctant to repay money they felt was justifiably theirs.
- *The threat of penalty,* avoiding a fine and prosecution loomed large for most participants.
- *Favourable terms* were a trigger in two senses: VDOs were seen as a 'route out'; and the terms were considered a 'slightly better deal' than living with the risk of being caught.
- *The likelihood of getting caught* was a trigger for those who felt HMRC was capable of tracking them, whereas those who had not been directly targeted or who doubted the credibility of HMRC's threat did not assume they were likely to be caught.
- *The reputational consequences* of penalties were a trigger for those concerned about their reputations and that of their family.
- *Settling affairs for the future* was a motivation to disclose among older people, or those who sought to minimise the chance of surprises in future.
- *Encouragement from a third party* was a strong trigger for those who trusted family or accountants' perspectives, unless these individuals ignored the VDO.
- *Inability to pay* was a barrier for respondents who lacked disposable income, were uncertain about the extent of liabilities and were unaware of payment by instalments.
- *The perceived burden of the VDO process* was a barrier for those who assumed it would require a lot of paperwork which they may not have to hand.
- *Where participants did not consider themselves responsible for tax liabilities,* they blamed accountants, solicitors or other parties such as E-market trading platforms for their lack of awareness. This exonerated them in their view, and reduced their inclination to disclose.

Unaware participants were most likely to disclose, prompted by a moral obligation and the expectation they would be caught. They needed to know the campaign was relevant, that they must and could pay, and the process was simple. Ambiguous participants needed a clearer threat to outweigh the barriers: i.e. a legal threat and clear favourable terms. The key barrier

for this group was a perceived low threat of detection, and low moral obligation. Deliberate evaders were least likely to disclose, though encouragement from third parties and the threat of penalties were strong drivers. Primary barriers were ingrained behaviour and little perceived chance of detection.

There were also several campaign-specific barriers. For the Tax health plan, some participants assumed that only private practice was affected by these obligations. For E-traders, many assumed it was a professional norm not to pay tax on traded goods. For Property Sales, solicitors were deemed responsible for informing them of liabilities – which supported the notion that participants were being unfairly accused of non-compliance.

Once participants had decided to disclose, experience of the disclosure process was determined by five key factors. A positive experience of disclosure was supported by clarity of purpose, clarity on what to do, a responsive process that encouraged and acknowledged activity, and support from HMRC or others, with explanations of disclosure procedures for complex cases. Less positive experiences reflected the absence of these elements, such as when participants struggled to understand forms, found it unexpectedly time consuming, or felt unsupported in making calculations and navigating information on the HMRC website.

Considerations for future campaigns: Based on the findings of this research, the following points may be considered in the design of any future campaigns:

Demonstrating preventative work is undertaken with 'at risk' taxpayer groups: Individuals need to understand that HMRC had provided sufficient support and opportunities for them to have found out what their obligations were. This would nip in the bud the presumption among Unaware and Ambiguous individuals that they were justified in non-compliance, and inconvenienced by the requirement to disclose. This in turn could help reduce the proportion of delays, irritations and rejections of VDOs, when individuals are targeted.

Priming through multiple channels: a direct letter was the most effective trigger to disclosure, in conjunction with other channels that had primed participants to the message. Multiple sources increased awareness of the campaign, and reinforced its importance.

Tailored messaging: messages need to be broad enough to capture the widest possible audience, with targeted messaging to capture the attention of each of the 3 'types' of non-compliance. For the Unaware, messaging needs to support the idea they are willing to comply, while using personalised details in a letter implies HMRC have, or could easily, detect them; and using encouraging language helped create the sense they were not yet in 'trouble'.

Ambiguous and Deliberate non-compliant individuals needed to understand that not taking up a VDO would have stringent consequences later down the line. This could be framed as a future threatening certainty, in contrast to favourable terms at this point.

Finally, HMRC should consider the typical social norms and moral views underpinning non-compliance within an industry, and *directly discredit those in its messaging without implying this behaviour is commonplace.* For example, in a future e-marketplace campaign communicate "Nearly all e-traders are familiar with their tax obligations and comply without any problems, but occasionally traders have remained unclear about the fact they are liable for income tax on goods sold" – and thus address misperceptions about compliance, without implying this is a norm.

3. Introduction

3.1 Background

As part of its efforts to tackle tax non-compliance, HMRC uses campaigns targeted at particular tax risks and taxpayer sectors to encourage customers to get their tax right. As part of this approach, customers that have got their tax wrong in the past are encouraged to voluntarily disclose any tax they should, but have not, paid through Voluntary Disclosure Opportunities (VDOs). Customers are incentivised to take up VDOs by being offered a lower rate of penalty for coming forward than they would face if they were caught. However, many who are eligible to take up VDOs choose not to do so. The findings from this research will help HMRC to understand more about what drives people to take up VDOs.

3.2 Aims and objectives

HMRC already has a good understanding of the impact and effectiveness of VDOs in driving customers to disclose their liabilities. It has less knowledge of why this occurs – what motivates and inhibits disclosure, and what role the campaign itself plays in this decision making process. This research sought to provide specific insight into what drives behaviour in response to VDOs, and how future campaigns could be improved. It will also feed into HMRC's wider understanding of the sensitivities and complexities of compliance behaviour, and how communications can be used to reduce non-compliance.

The primary aim of the research was to understand what drives or inhibits customer participation in VDOs. In particular, we sought to understand:

- The major reasons for non-compliance
- How aware customers are of VDOs
- Perceived benefits of making a voluntary disclosure
- How credible customers think the threat of being caught is if they do not disclose
- The impact of the campaigns' offer of a reduced penalty rate

Secondary research aims were to explore:

- What incentives might work best with different customer groups
- How the communication may affect take up of VDOs in different customer groups
- How customers experience voluntary disclosure process, and
- The ways in which the customer experience of the disclosure process may be improved.

3.3 Methodology, recruitment and sample

A summary of the methods used is outlined below.

3.3.1 Methodology

The approach entailed two qualitative data collection methods:

- 28 face-to-face semi-structured interviews
- 10 telephone semi-structured interviews

Interviews were offered as face-to-face in the first instance. Where participants were reluctant to take part unless the interview was conducted over the phone, this was accommodated. Reasons for participant reluctance included concern about HMRC identifying them and the need for the interview to happen very early or very late at night.

Researchers used a topic guide covering themes such as reasons for compliant and non-compliant behaviours, extent of campaign exposure, the decision-making process and suggestions for improving HMRC campaign effectiveness. Interviews were digitally recorded, with participant consent. Data was thematically organised and analysed using a matrix mapping approach. This entailed entry of all summarised data into an analytical framework to allow systematic coding, sorting and thematic analysis. This robust analysis method allows researchers to draw out the diversity of opinions expressed by participants, as well as identify common themes across interviews.

A charitable donation of £70 to the participant's charity of choice was provided in recognition of participant's contribution to the research.

3.3.2 Recruitment

A purposive sampling approach was adopted to represent a wide spectrum of non-compliant individuals. Those participants who had been investigated and those who had made a voluntary disclosure were recruited from a database provided by HMRC (following an opt-out procedure run internally by HMRC). To recruit those who were eligible, did not respond to the campaign but were not investigated, 'snowballing' was used: recruiters encouraged participants to identify others they knew who would also be eligible. There are some possible drawbacks to this method, however, for example there may be a reduced breadth to the sample.

3.3.3 Sample

This research was focused on individuals who were eligible for VDOs that were part of three separate HMRC campaigns:

1. 2010 Tax Health Plan campaign: aimed at health professionals such as general practitioners and dentists who may have failed to disclose some of their income or over claimed on their expenses,
2. 2012 E-marketplace campaign: aimed at individuals not disclosing income received through trading on online e-marketplace platforms, such as eBay and Amazon, and
3. 2013 Property Sales campaign: aimed at individuals who have failed to declare Capital Gains Tax on the sale of a second home, either within or outside the UK.

Primary sample criteria included these campaign types, outlined above. The other criteria was the customer type which included those who made a voluntary disclosure after seeing the campaign, those who did not respond to the campaign and were investigated by HMRC, and those who did not respond to the campaign and had not been investigated. Labels used in the quotes throughout the report will indicate which of these customer types the quote relates to: Disclosed, Investigated and Not-investigated. This combination of customer types was chosen to understand the experience of the VDO (Made a voluntary disclosure), drivers influencing customers who decided not to make a voluntary disclosure (Didn't respond to campaign and since been investigated/not investigated). This is the first time HMRC has captured the views of customers that did not respond to the campaign and were not investigated.

Gender and geographic location were also monitored to ensure a good spread. The achieved sample frame is shown below.

Table 1. Achieved quotas by sample criteria and method of interview

	Made a voluntary disclosure	Did not respond to campaign and not investigated	Did not respond to campaign and since been investigated	Total
Tax Health Plan	6	2	4	12
Telephone	4	1	2	7
F2f	2	1	2	5
E-marketplace	7	3	3	13
Telephone	1	-	1	2
F2f	6	3	2	11
Property Sales	6	3	4	13
Telephone	-	-	1	1
F2f	6	3	3	12
TOTAL	19	8	11	38
Telephone				10
F2f				28

3.4 Approaches to achieving participant engagement

Given the sensitivity of the subject area and participants' concerns about identification to HMRC, those participants who had neither responded to the campaign nor been investigated represented the greatest recruitment challenge to the work. The field recruitment team drew on extensive experience working with HMRC on similarly sensitive studies, but also succeeded in meeting these quotas by taking several steps.

Recruiters used the 'snowballing' method, drawing on community networks to gather information and identify suitable individuals through referrals. A purely free-find approach (involving on-the-street recruitment or cold calls) was not possible due to the sensitivity of the topic.

The screener used to find these participants was appropriate and no participants expressed concern with the questions. The recruiters felt it was particularly helpful to limit the mention of HMRC, other than as the commissioner of the study, so prospective recruits instead focused on TNS BMRB as the organisation involved in the research.

A key tactic to gain prospective recruits trust and commitment to take part in the research was to avoid collecting personal information other than what was necessary. For example, a GP was reassured when the recruiter only asked for their first name and phone number and did not collect details about their address, email or location of their medical practice. Once in discussion with prospective recruits, the recruiter emphasised that the interview was purely for research purposes, emphasising TNS BMRB's independence from HMRC and our reputation for discretion and professionalism in work of this kind. In particular, they stressed that identifiable information would never be transmitted to any third party or to HMRC, and that the anonymity and confidentiality of participants' personal data was assured by the MRS Code of Conduct. Despite assurances, these concerns still proved to be a barrier for some individuals. Of the 80 prospective participants contacted across the three campaign types who were deemed eligible, 45 refused to take part because they were either not interested in the research or because they were not comfortable with discussing their personal and financial information. In some cases a refusal was turned into an interview where the option to take part over the phone was offered following discussions and agreement with HMRC. Similar refusal rates (about 50 per cent) occurred on the HMRC Evasion Publicity qualitative follow-up study which used free-find approaches to recruit individuals evading their taxes. However, on studies of a less sensitive nature we would expect average refusal rates from free-find to be closer to 25 per cent.

3.5 Reading this report

The report draws on findings from qualitative research. The flexible and open nature of qualitative methods enabled researchers to be responsive to participants, to tailor the structure and content of discussions as necessary and to explore unanticipated issues relevant to the research questions. Thus, the research does not seek to quantify or be generalizable to a population outside those we spoke with. Rather, it represents a range of attitudes and behaviours in relation to the VDOs run as part of the campaigns considered by the report.

Throughout the report, quotes from participants to illustrate particular findings are included verbatim. Quotes include labels which demonstrate the relevant VDO campaign, the participants action taken, and their awareness of the VDO campaign before the interview, in the following convention:

"Quote." (Tax Health Plan, Disclosed, Aware)

4. Reasons for non-compliance

This section summarises participants' reasons for non-compliance and the assumptions underpinning their behaviour. The main drivers of non-compliant behaviour (and by extension, avoidance in some cases) were a combination of:

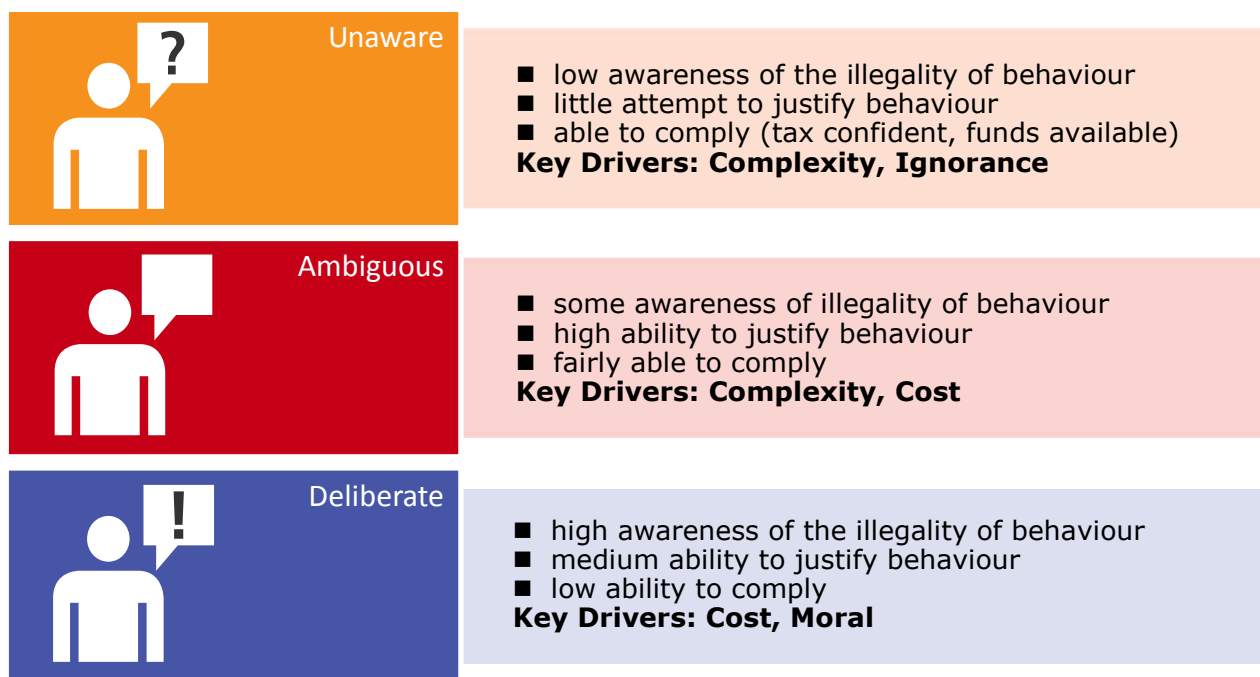
- **ignorance** of responsibility, based on lack of awareness;
- the perceived **complexity** of taxation rules, reducing ability to comply;
- the view of tax as a **cost** and loss of money, and
- **moral** justification of tax obligations, driving justifications for non-compliant behaviour.

These features interacted in all cases of evasion, but applied to greater or lesser extents. They typically manifested in different 'types' of participant, and could be grouped into three different types of behaviour: Unaware; Ambiguous; and Deliberate non-compliance. These groups cut across each of the campaign populations, and were not linked to gender or income. Each is outlined below.

4.1 Participant types grouped by factors driving non-compliance

The figure below summarises the three types of participants, grouped by the factors driving their non-compliance. Each type is then described in greater detail. In the remainder of the report we will refer to these types, where relevant, to help contextualise findings.

Figure 1. Participant types grouped by factors driving non-compliance



Unaware - Participants in this category were unaware of the illegality of their behaviour, and made little attempt to justify it. They were generally confident with finances, and had the funds available to meet the cost of the tax so were able to comply. This group included those that used their tax declaration forms incorrectly, forgot about declaring income due to personal circumstances such as bereavement, and those that were unclear on what could and couldn't be written off. For example, a participant explained:

'No idea that I had to pay tax... did not dawn on me...I thought when you were 65, you could earn more and not pay tax'. (E-market, Not-investigated, Aware)

The Unaware included those marketplace traders that viewed their business as a hobby and who had less frequent interactions with HMRC. A reason for non-compliance unique to the Tax Health Plan was the lack of a convenient mechanism for reporting new income to HMRC and forgetfulness:

'The problem is if PAYE and you don't file anything for 2 or 3 years...then you get a year where you get some money, but because HMRC have released you from your on-line return, you have no mechanism to declare that extra income, or no easy mechanism....What seemed to happen is, I have 3 years of not owing anything, then I got a letter from them saying no need to file'...To be fair to HMRC they do say 'If your circumstances change please do let us know' but then your circumstances change and you forget to let them know.'

(Tax Health Plan, Disclosed, Aware)

Ambiguous – Participants in this category were characterised by some awareness of the illegality of their behaviour, a tendency to justify their behaviour and an ability to comply. They often took advantage of perceived 'grey areas' in tax obligations, or delayed addressing their affairs.

There were two categories of Ambiguous non-compliant. One category were confident they could 'talk their way out' of errors in their returns and felt that morally they were not doing anything wrong. This group did not identify as being non-compliant. For example, a Property Sales participant who disclosed the income from the one-off sale of a property through his income tax rather than through Capital Gains Tax was aware his behaviour was not 'in line with what [HMRC] wants' but felt confident he could justify it. If investigated, he was confident he could pay back what he would owe, so there was little risk in this course of action. He explained:

"I am paying the right amount of money. I am paying it via my income tax. There is no question in my mind. I wasn't defrauding, I was paying the right amount of money, morally."

(Property Sales, Investigated, Unaware)

The other category of Ambiguous non-compliant saw their tax affairs as sufficiently complex and hard to comply, and/or expensive to address, to warrant deferring the task of getting clarification on their obligations. This group knew 'in the back of their mind' they were not being compliant but were 'frozen with fear' from taking action to rectify their tax affairs.

Deliberate - A less (self-reported) prominent type of non-compliant participant were those who actively avoided disclosing income. Participants in this final category were typified by being aware their behaviour was illegal, a tendency to justify this, and little sense that they could comply and repay the money owed.

A GP who conducted kidney transplants in the UK provides a strong example of participants in the deliberate category. Upon learning the kidneys came from live donors in South Africa he cut off ties with his contact, moved his payments from these operations to a French bank account. His accountant explained he could not say anything on the participant's tax returns if the participant did not tell him, thus suggesting for the participant to keep his circumstances to himself.

The next section explores participants' awareness of and initial reactions to the VDO campaigns before discussing the campaign elements causing confusion amongst some participants.

5. Awareness of campaigns

This section explores participants' awareness of Voluntary Disclosure Opportunities (VDOs), looking at the impact of different channels used to raise awareness about VDOs, and at participants' initial reaction to and understanding of the campaign. Section 5.1 explores the channels through which participants became aware of VDOs, and what factors drove higher and lower levels of awareness. Section 5.2 outlines participants' initial reactions when they first encountered the VDO. Finally, section 5.3 examines participants' overall understanding of the campaign – who it was aimed at, what their 'next steps' should be, and what the consequences of disclosure were.

5.1 Levels of awareness

Participants were, in theory, exposed to communications from a number of channels aimed at raising awareness of the VDO that was relevant to them. Across all of the campaigns, participants most commonly reported becoming aware through direct mail, especially for the Tax Health Plan and Property Sales campaigns; and through news stories, in national newspapers, online, and on television and radio news programmes.

A less prominent channel was third parties, including formal agents and financial advisers, as well as informal associates and friends, and membership of professional associations. This was most common for participants targeted by the Tax Health Plan, who were often members of established professional networks such as the British Medical Association; although some participants from the E-marketplace campaign also made use of more informal networks and online forums of e-market traders.

Participants' levels of awareness varied within and across campaigns, as summarised in the figure below.

Figure 2. Factors driving levels of awareness amongst participants

Low	Medium	High	Key Channels
<ul style="list-style-type: none"> ■ No encounter with campaign materials ■ No relevant professional bodies ■ No awareness of own non-compliance ■ Reliance on accountant for financial matters 	<ul style="list-style-type: none"> ■ Single or infrequent encounter(s) with campaign materials ■ Only hearing via a 'widely targeted channel' (e.g. news story) – 'Is this for me?' ■ Uncertain of own non-compliance 	<ul style="list-style-type: none"> ■ Hearing about the campaign through multiple channels ■ Clear personal relevance (e.g. letter) ■ Personal contacts (professional bodies, friends) mentioning campaign ■ Aware of the fact that they are non-compliant 	<ul style="list-style-type: none"> ■ Direct letter from HMRC – clearly of personal relevance ■ News stories – seen by many, reinforce previous encounters ■ Professional/social networks – trusted messengers ■ Agents – often guide tax affairs of clients

5.1.1 High awareness

Participants who were highly aware of the campaign tended to have made a disclosure or been investigated. These individuals had multiple exposures to the campaign materials. When prompted, participants were able to clearly recall details about its messaging and what the VDO entailed. In addition to disclosure or investigation process, awareness was raised in three ways:

Receiving a direct letter from HMRC: The letter was seen as a 'high impact' channel of communication, which made clear that the campaign was directly relevant. The fact that the letter came from HMRC lent credence to the message and strongly implied that action needed to be taken.

"It felt like a demand. Not quite threatening, but something that you needed to comply with."
(Tax Health Plan, Disclosed, Aware)

Hearing about the campaign through multiple channels: Awareness was also higher where participants had heard about the campaign through multiple channels or on multiple occasions. Sometimes hearing about the campaign for the first time would not be sufficient for participants to realise that it applied to them (especially if only encountered briefly – e.g. mentioned by a friend in passing, skimmed an article in a newspaper), requiring repeated exposure before the message 'sank in'.

"After receiving the letter I then Googled it, I wanted to [make sure it was a] valid campaign, get more detail. I found lots of information online in the Guardian, FT, and HMRC."
(E-marketplace, Disclosed, Aware)

These also increased participants' opportunities to contemplate its relevance to their circumstances and in some cases encouraged them to investigate the campaign further.

Awareness of own non-compliance: Participants who were actively non-compliant, or who were putting off disclosing/taking advantage of not disclosing, were more likely to realise that the campaign was directly relevant to them – and this element of 'recognition' drove higher levels of awareness (although not necessarily action) about the VDO.

"In the back of my mind I'd always realised... and [seeing it on the website] jogged my memory." (Property Sales, Disclosed, Aware)

5.1.2 Medium awareness

Participants with 'medium awareness' tended to reflect two types of experience.

Single/infrequent encounter(s) with campaign materials: Participants who had only heard about the campaign through a single channel were often less certain of the details and more reliant on HMRC support/guidance through the VDO process.

"After I saw it on BBC Breakfast I phoned them [HMRC] up and they confirmed that I did have to pay the tax." (Property Sales, Disclosed, Aware)

Lack of certainty about campaign relevance: Those who were not certain whether the VDO was relevant to them or whether their behaviour was genuinely non-compliant, sometimes put the campaign to the 'back of their mind' and required further prompting before they took notice. This included participants who were subsequently investigated after not making a disclosure.

"It was a bit complicated because the income didn't come to us, it went to the ward."

(Tax Health Plan, Disclosed, Aware)

5.1.3 Low awareness

Other participants had no awareness at all about the campaign. This was driven by three factors – primarily relating to access to and engagement with the campaign.

No encounter with campaign materials: Some participants had simply not encountered the campaign materials – very few of these subsequently became aware of the VDO. These participants did not engage with channels the campaign ran through (e.g. not reading newspapers, not having an accountant); were not members of relevant professional bodies/associations (particularly true for the Property Sales campaign where many participants had only made a single transaction many years ago); had been particularly busy at the time the campaign was running; or were particularly disengaged with financial messages (e.g. some retired participants).

"I've been too often away, and having nice things happen! I'm just not interested in tax."

(Property Sales, Disclosed, Unaware)

No awareness of own non-compliance: Where a participant reported to be completely unaware of their tax liabilities (most common among Property Sales and E-marketplace participants), the campaign messaging lacked traction.

"I didn't see it, and if I had seen it, I wouldn't have thought it applied to me."

(Property Sales, Investigated, Unaware)

Reliance on accountant for financial matters: Some participants preferred to defer all financial/tax related matters to their accountant – and assumed that if they were liable and the campaign was relevant to them, their accountant would inform them.

"It's my accountant who should pick up on any discrepancies."

(Tax Health Plan, Investigated, Unaware)

5.2 Initial reactions to campaign approach

Those who received direct letters from HMRC had the strongest initial reactions, as the letter gave a clear (and intimidating) personal warning. Those discovering the campaign for themselves tended to have less strong reactions. Regardless of how they encountered the campaign, participants tended to respond in one of four ways: take action, experience confusion, express fear and anxiety, or respond with irritation. These reactions are described below.

Figure 3. Initial reactions to the campaign approach

<p>Instinct to take action</p> <p>Who?</p> <ul style="list-style-type: none">Received a direct letterAware non-compliant but not 'committed' <p>Why?</p> <ul style="list-style-type: none">Obligated to respond to 'authority'Feelings of guilt: 'caught in the act'	<p>Initial confusion</p> <p>Who?</p> <ul style="list-style-type: none">Unaware they were non-compliant <p>Why?</p> <ul style="list-style-type: none">Uncertain if the campaign is meant for themRaises questions about assumptions (of compliance)
<p>Fear and anxiety</p> <p>Who?</p> <ul style="list-style-type: none">Deliberately avoiding paying taxLower incomes/less able to pay fines <p>Why?</p> <ul style="list-style-type: none">Fear penalties and investigation by 'tax man' (negative views of HMRC)	<p>Irritation</p> <p>Who?</p> <ul style="list-style-type: none">Convinced they are compliantFeel unduly singled out <p>Why?</p> <ul style="list-style-type: none">Suggests HMRC assume their non-complianceBelieve it is unfair for HMRC to target them

Encountering the campaign provoked an **instinct to take action** amongst some participants. This was particularly true for those who had received a direct letter from HMRC, or who had heard about the campaign through a trusted third party (e.g. an agent or close friend). This was most common among the Ambiguous group. These feelings were driven by a sense of obligation to respond to government/authorities such as HMRC, or feeling 'caught' in the act of non-compliance.

"It was a well-worded letter- firm enough to make you think 'oh dear.'"
(E-marketplace, Disclosed, Aware)

Another response was **initial confusion** and uncertainty as to how to respond, particularly for those who were unclear about whether they were an appropriate target and were currently non-compliant. For example, GPs and property sellers felt it was the responsibility of their accountants and solicitors to be aware of such a campaign and that it was the agent's responsibility to advise the participant to engage with the VDO.

A third response was one of **fear and anxiety**, particularly for the Deliberate and Ambiguous groups. Receiving a direct letter prompted the strongest fear and anxiety. Concern about the ability to pay the tax, or any fines, was a key cause of concern. This was most common among E-marketplace participants who had been trading for many years, as they assumed they had built up a significant liability.

"It scared me to death. ... I didn't have the money to pay it!"
(E-marketplace, Investigated, Aware)

Lastly, participants responded with **irritation** when they first encountered the campaign. This was due to a sense of feeling 'singled out'. This varied between the campaigns, but was largely

dependent on the attitude of the participant. Those who believed they did not have anything to disclose tended to feel stronger irritation. For the Tax Health Plan, some felt that the decision to target doctors indicated that HMRC was working on incorrect assumptions about their profession. For the Property Sales campaign, a few participants who had sold properties they had inherited as the result of bereavement felt it was insensitive for HMRC to pursue further tax beyond Inheritance Tax. For the E-Marketplace campaign, participants suggested it was unfair to target their small 'business', making comparisons to large corporations perceived to be paying low levels of tax. Among E-Marketplace, ambiguity and/or disagreement around the tax obligations for a 'hobby' was a common reason for confusion and irritation at perceived unfair treatment.

"Mine's more of a hobby, I'm not an actual trader, I don't earn megabucks. ... They can't get the big bloke so they're gonna get all the little minnows."
(E-Marketplace, Not-investigated, Unaware)

5.3 Understanding of the campaign

Once digested, the campaign was generally understood by participants. Key points of confusion arose over the target audience, the mechanics of the disclosure process and the consequences of taking up or ignoring a VDO opportunity.

Where participants were confused about particular aspects of the campaign, they tended either to delay taking further action or to contact HMRC (or a trusted advisor) for clarifications.

5.3.1 Target audience

The campaigns were widely understood to be aimed at individuals who had not fully paid their taxes to HMRC, giving them a chance to disclose these liabilities. However, who the VDO campaigns were targeting caused more confusion. Participants often felt a disconnect between 'people like me' and the assumed campaign target. Unaware or Ambiguous participants tended not to realise they had not paid all of their tax obligations, and were not convinced the campaign was relevant to them. Instead, they would assume the target audience was 'rogue traders' or people who were actively profiting from 'tax evasion' - as opposed to individuals who had made an error of omission.

"I thought they wanted rogue traders. I didn't think the tax man would try and hunt us down, the smaller businesses." (E-marketplace, Not-investigated, Unaware)

This uncertainty was particularly common among the E-marketplace participants, though those who visited the HMRC website found the campaign's 'checklist' resolved this matter.

5.3.2 Mechanics of the disclosure process

Almost all participants were clear that the 'next step' as suggested by the campaign was to make contact with HMRC and declare any relevant tax owed. However, less confident participants lacked clarity about the exact mechanics and requirements of the disclosure process, on issues such as how much of their own paperwork would be needed. This uncertainty exacerbated the perceived burden of completing a VDO. They felt that they needed to search for advice online, from agents, or from HMRC's helpline to understand what practical steps to take if they wanted to disclose.

5.3.3 Consequences of a VDO

The consequences of disclosure and non-disclosure were important areas of confusion. Here, participants sometimes assumed the campaign would guarantee that they would receive no penalty for coming forward.

"At first I thought there was no penalty at all... but later realised I had misread it – the opportunity was to pay only 10% additional tax as penalty."

(Tax Health Plan, Disclosed, Aware)

There were mixed views about how much money must be repaid to HMRC through a disclosure. For example, E-marketplace traders were uncertain how many years of trading they would need to pay tax on (especially if their 'business' had begun as a hobby), and Property Sales participants were uncertain if tax was still owed if a property had been sold many years ago. This variation in understanding of the timeframe for which a VDO applied caused some delays in take up.

There was also confusion about how the tax and/or penalties would be paid to HMRC if a participant disclosed. Some understood that it was possible to pay by instalments, while others believed the tax must all be paid at once. It was unclear why this misinterpretation occurred. A more extreme view was that any underpayment of tax to HMRC (potentially even as part of the campaign) could result in criminal charges or even imprisonment. How these beliefs impacted on subsequent behaviour is discussed in Section 6.

The meaning of the 'preferable rates' outlined in the campaigns was subject to differing interpretations, while a few participants simply assumed they would still receive severe penalties if they disclosed. Very fearful participants were concerned about the consequences of disclosure beyond those outlined in the campaign.

"It's a criminal offence to commit fraud, and I haven't paid my tax. ... I know it said that they'd be more lenient if you came forward, but I didn't trust it!"

(E-marketplace, Disclosed, Aware)

These findings suggest some confusion could be avoided by focusing campaign materials on answering three key questions: *Is this relevant to me? What should I do next? And, What could happen if I don't take up a VDO?*

6. Triggers and barriers to take up of a VDO

This section explores participants' views on the key triggers and barriers to the take up of voluntary disclosure opportunities. Section 6.1 introduces the key prerequisites that had to be met before triggers for disclosure were effective. Section 6.2 discusses the key triggers before Section 6.3 discusses the main barriers to take up.

Where relevant, a distinction is made between what constituted a triggers and/or barrier for those that made a VDO, and those that were unaware of a campaign and did not take up a VDO.

6.1 Key prerequisites for take up of VDOs

Before triggers for the take up of VDOs were effective, two key prerequisites had to be met. First, awareness of the campaign had to be achieved through the use of personalised letters in conjunction with other broad communication channels. Second, the campaign messaging had to set an approachable tone by offering good terms and a 'second chance' for non-compliant customers.

6.1.1 Moderate to high awareness of the campaign

Personalised letters were most commonly cited as enabling disclosure, or prompting participants to consider disclosing, across campaigns. They served as a reminder to get tax affairs in order while providing clear steps for what to do next. For others, the letter was an acknowledgement that HMRC knew who they were and could choose to investigate them because of the use of the phrase 'we know'.

"That to me says, we know you have done it, now I could not sleep and not respond to that, now other people may say ' catch me if you can' but I couldn't do that."
(Property Sales, Disclosed, Aware)

6.1.2 Approachable tone through campaign messaging

The offer of good terms and the opportunity to make a fresh start (a 'second chance') softened the letter and encouraged participants to engage with the VDO. This was particularly important to those who identified as Unaware: i.e. having made genuine mistakes. This tone signalled to participants that HMRC was enabling compliance by supporting those who seek to 'do the right thing'.

"Everybody, from time to time, makes mistakes. And campaigns like this, amnesties, will help. It focused my mind and made me make the phone call to HMRC to find out whether I should be doing it or not." (Property Sales, Disclosed, Aware)

Some participants felt that if the campaign messaging was highly punitive then the tone would act as a barrier to customers engaging with the campaign.

These two prerequisites were helpful to those already considering disclosing and who needed one more 'nudge'.

"The campaign was the ignition channel; it provided the channel and structure to do it."
(Property tax, Not-investigated, Aware)

6.2 Triggers and barriers for customers to take up a VDO

All participants responded to multiple triggers and barriers to disclosure, which are summarised in the table below. The table lists participants' considerations, and stipulates whether this functioned as a trigger, as a barrier, or both.

Table 2. Triggers and barriers for customers to take up a VDO

Factor	Trigger	Barrier	Description
Legal obligation	✓		It being the law to pay taxes - participants felt that must 'stay within the law' and get their tax affairs up to date.
Moral obligation	✓	✓	<p>As trigger: Disclosure as the 'right thing to do'.</p> <p>As barrier: a moral disagreement with the obligation to pay tax on something, when:</p> <p>they 'already paid' e.g. CGT after inheritance tax,</p> <p>they felt they had not profited from e.g. a property sale to a family member</p> <p>'There are other big fish to fry' e.g. other businesses evading on a greater scale and in comparison the participant's actions are assumed negligible</p>
Threat of penalty	✓	✓	<p>As trigger: Seeking to avoid a penalty, fine and/ or prosecution by disclosing.</p> <p>As a barrier: Fear of high penalty that would cause severe financial loss and potential risk of bankruptcy.</p>
Favorable terms	✓		In two senses: the VDO was a 'route out' and a 'second chance' for participants; and the penalty terms were 'a slightly better deal' compared with the risk of getting caught.
Likelihood of getting caught	✓	✓	<p>Concern about 'getting caught out' by HMRC and investigated.</p> <p>As trigger: Those who felt HMRC was capable of tracking them, either because of publically available information or because HMRC sent the participant a letter and therefore 'must know [their] case'</p> <p>As barrier: Perceived low likelihood, so little perceived credibility in a threat from HMRC.</p>
Reputational consequences	✓		Concern about professional reputation and consequences of inaction on career, colleagues and family.

Settling affairs for the future	✓	The desire to bring personal accounts up to date and reduce future surprises. Retired or nearly retired participants suggested 'when you are retire, you're on limited income ...what you don't want is an unexpected bill'.	
Encouragement from a third party	✓	✓	<p>As trigger: advice from an accountant, solicitor, colleague, friend or family member to 'just do it'.</p> <p>As barrier: A unique situation was where an accountant ignored the participant's appeal for guidance on resolving decades of evasion.</p>
Inability to pay	✓	Limited disposable income and confusion about whether tax and penalties had to be paid as a lump sum or in instalments. This was a prominent barrier amongst participants in the Ambiguous and Deliberate non-compliance group who feared disclosure would push them into bankruptcy.	
Perceived burden of VDO process	✓	Concern about the time and effort it would take to collect all the information the disclosure required, particularly where a VDO related to a sale(s) many years before the campaign ran.	
Responsibility for tax liabilities	✓	Where tax liabilities were viewed to be the responsibility of someone other than the participant. E-marketplace traders suggested it was the trading platform's responsibility (eBay, Amazon) to inform traders of their tax liability. Property sellers felt their solicitor should inform them of what tax they owe on the sale of a property.	

These triggers, along with the relevant barriers, are now discussed in greater detail, as they related to each of the three participant types.

6.2.1 Triggers and barriers for Unaware participants

Unaware participants were generally the most likely to make a disclosure once the prerequisites of campaign awareness and an approachable tone had been met. They were prompted to disclose by a sense of moral obligation and the likelihood of getting caught. Once these participants became aware of their non-compliance they sought to disclose because it was 'the right thing to do'.

"I've never done anything illegal or tried to hide things. As soon as I saw this campaign, it triggered a few years back as to something that I'd missed."
(Tax Health Plan, Disclosed, Aware)

Realising they had been non-compliant created a sense of 'exposure'- a feeling they had a high likelihood of getting caught as HMRC would be looking at people like them.

"They're going to target me! The quicker I get this done, the better."
(E-marketplace, Disclosed, Aware)

Secondary triggers motivating disclosure included a legal obligation to respond, the threat of penalty, favourable terms and encouragement from third parties. The Unaware group had a clearer sense of 'right and wrong' and a stronger fear of penalty or investigation. The favourable terms offered by a VDO were perceived as 'a helpful extra' as these participants knew they had to disclose and the VDO was preferable to getting caught. Encouragement from accountants was another trigger for Unaware participants, such as when an accountant informed them of the VDO and advised them to use the opportunity.

The **primary barriers to disclosure for Unaware** participants came from their failure to see the relevance of the campaign. Those Unaware participants whose concerns were not addressed either delayed disclosure or did not disclose at all. The three concerns were:

- Do I have anything to pay?

"I was between accountants, and I didn't realise I'd made any mistakes in my expenses."
(Tax Health Plan, Investigated, Unaware)

- Will I be able to pay the amount required?

"Have I got that sort of money to release in order to pay the tax?...If they came knocking in a few years' time, I might not have that disposable income."
(Property Sales, Disclosed, Aware)

- How complicated will the process be?

"I hadn't actually kept all of the documents related to the property, because I didn't see the sale with the same significance that the Revenue had done. I was treating it as a primary residence."
(Property Sales, Investigated, Unaware)

6.2.2 Triggers and barriers for Ambiguous participants

Ambiguous participants had more barriers to disclosure than the Unaware and thus needed a clearer threat to outweigh these barriers. The Ambiguous group disclosed when a legal threat became clear, and favourable terms were offered.

The legal obligation to respond and the threat of penalties triggered Ambiguous participants to make a disclosure. Those that had been content with 'error by omission' felt a legal threat pushed them to realising this was not acceptable and that they had to address the situation.

"There was no choice...I got the impression that if we didn't do it, someone was going to knock on the door under the powers they've got."
(E-marketplace, Disclosed, Aware)

Ambiguous participants weighed up the cost of penalties against the cost of disclosure and generally felt the favourable terms of the VDO won out, thereby motivating them to disclose.

"I wanted to avoid the risk of future penalties. They were saying, 'if you don't come forwards now, we're going to treat this as something more serious.'"
(Property Sales, Disclosed, Aware)

Secondary triggers for Ambiguous participants included the moral obligation to respond, encouragement from third parties and the desire to settle affairs for the future. For this group, receiving encouragement from a trusted individual served as a useful nudge. Medical professionals, for example, shared how hearing colleagues in their hospital or practice talking about the campaign helped encouraged them to consider the VDO further. Less commonly, medical professionals and property sellers were motivated to settle affairs for the future. This was expressed by those nearing or in retirement and wanted 'nothing hanging over [their] head'.

"I am an old man, you know? I can't be bothered with the hassle of that house that caused so much...I just had to do everything I could to get my affairs right in eyes of the Revenue."
(Property Sales, Investigated, Unaware)

The **primary barriers to disclosure for the Ambiguous** group resulted from assumptions about likelihood of getting caught, moral assumptions, and questioning who was responsible for tax liability. The three key concerns were:

- Will I be able to get away with it if I do not disclose?

"I thought they would be targeting the people with the swimming pools and the Rolls Royce's, not me" (E-marketplace, Disclosed, Aware)

- Why is it right that I should pay this tax? – Moral reasons for non-disclosure were spontaneously brought up by participants.

"There's a bit of me that was saying 'After the Inheritance Tax I don't think it is right to pay any more'. Not legally-but morally." (Property Sales, Disclosed, Aware); *"I've done nothing wrong, in moral terms, so I'd be able to argue my way out of it. I hadn't investigated what the penalties were."* (Property Sales, Investigated, Aware)

- Is the tax my personal responsibility?

"It wasn't that easy to work out who should disclose it. Because we weren't getting the income direct to ourselves, it didn't feel like our personal responsibility."
(Tax Health Plan, Disclosed, Aware)

If these barriers were not addressed, Ambiguous participants would often continue to rely on the ingrained assumptions that had led to their non-compliance.

6.2.3 Triggers and barriers for Deliberate participants

Deliberate non-compliant participants described fewer triggers and were the least likely to disclose. Their key trigger was encouragement from third parties, such as accountants, solicitors, family and friends, and trusted colleagues.

"My father's a Company Director and he kept saying to me, 'you've got to sort out your tax affairs'...I told him about my situation, and he told me I definitely needed to do it [the VDO]."
(E-marketplace, Disclosed, Aware)

Secondary triggers were the legal obligation to respond, threat of penalties, and favourable terms.

For those actively avoiding their tax obligations, the **primary barriers to disclosure** stemmed from the ingrained behaviours and assumptions that had led to their non-

compliance. This included assumptions about who was responsible for tax liability, the credibility of threat from HMRC, and personal financial circumstances. The concerns were:

- Won't my accountant keep me safe?

"My accountant said 'let me explain something to you, I only fill your SA form exactly as you tell me. If you don't tell me something, I can't fill it in.'"

(Tax Health Plan, Investigated, Unaware)

- Has anyone else been caught?

"Unless you start seeing in the local papers Joe Bloggs has been prosecuted for selling stuff on EBay, it won't scare me."

(E-marketplace, Not-investigated, Unaware)

- What if I can't pay?

"I didn't have the money to pay it, and so I didn't, I couldn't declare it!"

(E-marketplace, Investigated, Aware)

Because their prior behaviour had been more conscious than the Unaware group, it was much more challenging to trigger disclosure for Deliberate participants.

6.3 Campaign-specific barriers to take up of a VDO

Some barriers to disclosure were specific to the participants targeted by a particular campaign.

The perceived target audience of the Tax Health Plan was a barrier, where some participants believed the campaign was only targeting medical professionals in private practice.

"I got a personal letter, but it said they are targeting doctors who have private income."

(Tax Health Plan, Investigated, Aware)

Professional norms among e-traders in the e-marketplace campaign served as a barrier. Traders commonly asked 'Are other e-traders paying their tax?' and believed that it was common practice for people in their industry to not pay some or all their tax owed. Some traders also struggled to understand their 'hobby' really was a business. A participant explained,

"I was just dabbling about selling stuff from my house. Quite a lot of stuff, but I didn't realise you had to pay tax on it." (E-marketplace, Disclosed, Aware)

A barrier unique to the Property Sales Campaign was the question of who was deemed responsible for addressing tax liabilities. Some assumed their solicitor would or should inform them if they had to pay capital gains tax.

"I had sought legal advice around the sale of the property at the time, and the solicitor didn't say a thing about it [CGT]."

(Property Sales, Investigated, Unaware)

7. The disclosure process

This section explores participants' experiences of the disclosure process. Section 7.1 explores what supported a smooth and positive disclosure process, and Section 7.2 describes what led to less positive experiences.

7.1 Positive experiences of the disclosure process

Once they had decided to disclose, participants' experience of the disclosure process was determined by five key factors. A positive experience of the disclosure was supported by:

- Clarity of purpose: The clear, simple message of *'if there is anything you need to declare, now is the time to declare it'* (Tax Health Plan, Disclosed, Aware). This was a predominant view of what was characteristic of a positive process.
- Clarity on what to do: Being guided to the HMRC website and finding clear information on forms to complete, steps to disclosure, a phone number to call if needed, and an explanation of the opportunity to pay in instalments. This was the predominant view about what characterised a positive process.
- A responsive process: Encouraging and positively worded acknowledgements of registering, submitting the return and paying tax owed.
- A speedy process: Where HMRC promptly responded to submissions of forms, this reinforced the sense disclosure was easy and painless.
- Support from HMRC or others: clear information on HMRC's website, e.g. outlining allowances entitlements. Those with other sources of advice such as an accountant used these for reassurance that they were going about the VDO in the right way.

Where these factors were not present, or seen to a lesser extent, some participants reported less positive experiences of making a disclosure.

7.2 Less positive experiences of the disclosure process

Participants with less positive experiences had particularly complex cases, had felt unsupported on aspects of the process they found to be too time consuming. Specifically, the lack of a clear **explanation of disclosure procedures for complex cases** contributed to this. Where there were two people involved in one disclosure process, such as for joint owners of a property, it was unclear that both people were expected to complete disclosure forms and resulted in duplication of work.

"We filled in the form and sent it off, in-between that time, I phoned up HMRC and said, 'I am a part owner, they gave me a different disclosure number and then we had to start again, because it was not just my wife, it was a joint thing, we had to do together. That took time because we had to do it twice at the end of the day."

(Property Sales, Disclosed, Aware)

A related challenge was described by a GP in the Tax Health Plan. She and her colleagues had to work out who owed what tax, due to the fact that the income was not received by individuals but went to the hospital.

This was a concern for a minority of participants in the Property Sales campaign who had sold more than three properties and for which there were not enough lines to capture all the properties they had sold. In these cases, participants used additional pages and copied over the relevant label for that section of the document which was felt to be burdensome.

The **disclosure process was found unexpectedly time consuming** where participants had to wait some time to receive disclosure documents in the post. It took from a few days up to four weeks. Participants were dissatisfied when they did not receive their documents for a few weeks, and became anxious about the effects of the delay on their application. Those whose cases went back several years had several steps to collate the relevant financial information. This was particularly burdensome for those who did not have digital copies of relevant financial documents. For example, a Property Sales participant had difficulty finding solicitor documents from the past and an e-marketplace participant had purchased some of his goods for re-sale on a market so he had to find paper copies of these transactions rather than downloading digital receipt common for online purchases and sales.

Participants **felt unsupported** in several ways. Some participants felt the calculations were complex and added substantially to the burden of taking part. Specifically, the section of the form related to the rate (10%, 15% or 20%) was a source of confusion to some participants.

"I had to calculate the interest, and there was quite a lot of complex information they needed."
(E-marketplace, Disclosed, Aware)

Participants occasionally found an inconsistency between the information provided by the campaign and the supporting information on HMRC website. For example, a Property Sales participant believed the campaign stated there would be no penalty at all, but the website gave him the option of 10% or higher only. While for some other participants a rate of 10% was viewed to be lower than if they had not taken up the VDO, this participant felt the campaign was engaging in false advertising.

While each campaign had a specific helpline, some participants contacted the general support line instead and reported speaking with HMRC staff that were unaware of the campaigns, which resulted in the wrong guidance, e.g. self-assessment form rather than disclosure form instructions.

The undeclared and investigated participants suggested the tone and principle of the VDO should apply to informal disclosures made. Any form of *'putting [your] hands up'* and notifying HMRC of a late return was hoped to result in a gentler treatment than being *'found out'*.

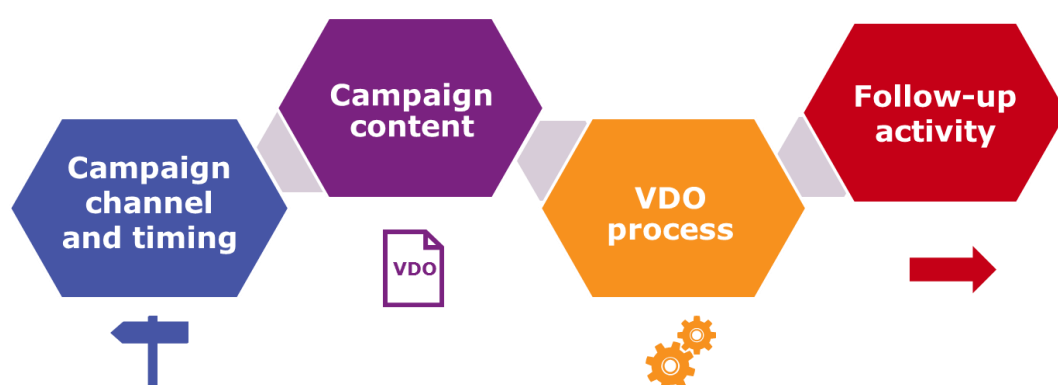
8. Lessons for the future

This section summarises participant suggestions for improving VDOs (Section 8.1). These suggestions are organised around the four key stages of the VDO 'journey': campaign channel and timing (early presentation, channel and partnerships), campaign content (Clear targeting, clear consequences, and HMRC and participants 'in it together'), VDO process, and follow up activity (making campaigns an ongoing process and providing future reminders).

8.1 Participant suggestions for improving VDOs

Suggestions made by participants related to four key stages of the VDO 'journey'. These stages are illustrated in the following image and then described in detail.

Figure 4. Participant suggestions for improving VDOs grouped by stages in the VDO journey



8.1.1 Suggestions for improving the campaign channel and timing

Early prevention, campaign channel and partnership working were areas for improvement within the first stage of the VDO journey- campaign channel and timing.

Early prevention

Participants gave spontaneous suggestions for how HMRC might go about improving uptake of VDOs, and support compliance more generally.

Running an educational campaign to raise awareness of tax obligations as a stage before a VDO was a popular suggestion. E-marketplace participants in particular suggested interactive videos, so they could work out whether they were 'trading' officially and to support them in understanding their tax responsibilities as a self-employed tax payer. This would 'prime' them for the opportunity to disclose, when this was communicated further downstream.

As e-marketplace participants frequently defended themselves by suggesting their activities could be seen as a hobby that was not liable for tax, they sought signs that efforts had been made to support compliant behaviour amongst this group, either from third parties or from HMRC themselves. Other ideas included HMRC outlining more clearly the criteria that shifts someone into being designated a trader, such as how much you can sell before becoming a trader.

"When you go on eBay, the first thing you see should be that 'Do you realise you have to pay tax on this this and this?' And you should have to click to say you agree to that."
(E-marketplace, Disclosed, Aware)

A recurring message was that HMRC should better communicate to tax payers the efforts they have taken to support the public to comply.

"Put a leaflet with the self-assessment form saying what has been done with some professions in the past, and there will be others in the future."
(Tax Health Plan, Disclosed, Aware)

"If I'd seen something, having thought that everything I'd done was fine, indicating to me that it wasn't-something like 'You might not be aware, but...' I would have come forward."
(Property Sales, Investigated, Unaware)

Channel

Participants suggested improving awareness of the campaign by using channels that are more likely to reach the general public, in addition to direct letters. For GPs, this included HMRC writing case studies in British Medical Journal or doctor-facing magazines to illustrate where a disclosure was in the advantage, and the disadvantage, of medical professionals. GPs felt a reminder to disclose any additional income should go in their annual appraisal that determines whether they keep their medical license. The use of GMU representatives or those who represent doctors at Trust level was felt to be an effective approach used by HMRC in the Tax Health Plan campaign as it meant participants were *"primed to act on the letter when it arrived"*.

A wider and greater use of different channels would maximise exposure and ensure the campaign is not missed.

"Newspapers are hit and miss. It's difficult, but just more channels- it would have to be luck to get me to see the message." (Property Sales, Disclosed, Aware)

Partnerships

Third parties being made aware of and bought into the campaigns was a key theme. For example:

- encouraging eBay or Amazon to post a note on their homepage with a link to HMRC's webpage
- informing solicitors or estate agents they need to advise clients at the sale of properties
- using GP practice accountants or Practice Managers whose role is to disseminate information to GPs and Partners

A suggestion for improving the take up of a VDO was for HMRC to publicise the success of previous campaigns when promoting subsequent campaigns. To do this, HMRC could share statistics on how many people took up a VDO and how many were investigated who did not take up the opportunity.

8.1.2 Suggestions for improving campaign content

Clear targeting, clear consequences and a tone indicating HMRC and customers are 'in it together' were areas for improvement within the second stage of the VDO journey- campaign content.

Clear targeting

Participants felt HMRC needed to justify the focus of the campaign on that specific tax payer group, i.e. explain there were many errors or apparent evasions, and what behaviour these were caused by. This was important to the campaign's perceived legitimacy, particularly in comparison with other groups considered less 'well behaved', such as 'big business'.

"I think they need to take a more intelligence based approach. I don't know whether that kind of blanket approach against one profession was particularly worthwhile..."

(Tax Health Plan, Disclosed, Aware)

A similar message was raised by the e-marketplace campaign. Traders expressed resentment a campaign was targeting online traders and the same was not being done for those selling and buying at car-boot sales.

Clear consequences

Consequences remained the least clear element of the campaign- participants were keen for more detail. Across the research, participants were unclear on what the difference between a prompted and an unprompted¹ disclosure would be, and there was insufficient interest in the concept of 'preferable terms'. Participants therefore suggested that campaign messages ought to go further to compare the consequences for prompted and unprompted disclosure. Many participants felt it would motivate customers to take action if they had a comparator for what else could happen other than 'reduced penalty rates' for taking up a VDO.

"Very briefly about potential outcomes... the worst case scenarios of non-disclosure and being found out." (Tax Health Plan, Non-investigated, Aware)

Emphasising the benefits of a disclosure were viewed by Unaware and Ambiguous groups to be particularly effective.

"Are you letting me off something? What is the benefit? To this day I don't know what the consequences are to not filling it in."

(Property Sales, Disclosed, Aware)

For the Tax Health Plan, the explicit statement used in the campaign materials of "liability is less than £1000, you need not pay a penalty" was deemed to be effective. There was the view that this threshold could be increased to support disclosure even more.

Additional suggestions related to messaging included the view there was a need to increase people's understanding and sympathy to various forms of taxation, such as the capital gains tax and tax on e-market sales. Some participants feel that CGT is unfair and that income belongs to the individual. By improving the public's sympathy to this tax, including what it is

¹ A disclosure is unprompted if it is made at a time when the person making it has no reason to believe that HMRC have discovered or are about to discover the inaccuracy or under-assessment. Otherwise it is a prompted disclosure.

used for and why it is separate from personal income, HMRC may be more easily able to engage with property sellers.

'In it together'

While HMRC has tested appealing to customer's moral conscious before and this was not deemed effective, this was expressed by participants. Participants wanted a positive message about how taxes are used for the common good in society. Related to this, was an appetite for information demonstrating the success of these campaigns. This included information about how many people disclosed in previous campaigns.

"Maybe they should publicise that- how successful these campaigns have been."
(Property Sales, Disclosed, Aware)

8.1.3 Suggestions for improving the VDO process

Participants' suggestions for improving the disclosure process have been grouped into three categories to reflect the different elements of the disclosure process: content of campaign material, completing the VDO process, and following up with those that take up a VDO. These suggestions have been expressed by participants across campaigns, unless otherwise noted.

Content of campaign material

Regardless of campaign, participants who disclosed offered suggestions for improving the content of the letter or the materials supporting the invitation to take up a VDO. This included clearly outlining the benefits of a VDO, the consequences of not disclosing, the timeframe the VDO is related to, and the personalised circumstances in the target letter. These are each described next.

Benefits of a VDO: Some participants were unclear about the value of taking up a VDO. While they understood they 'could get the best possible terms' they wanted more information about what that means, why that is a good thing and what 'is in it for them' to undertake this process.

Consequences of not disclosing: the consequences for not taking up the disclosure opportunity were not considered explicit enough on the campaign website pages.

"Are you letting me off something? What is the benefit? To this day I don't know what the consequences are to not filling that in [disclosure forms]."
(Property Sales, Disclosed, Aware)

Timeframe the VDO is related to: Participants had different views on how far back in years HMRC could ask a taxpayer to pay back undeclared tax liabilities. Participants from across the campaigns were keen for clearer timeframes at the outset of their disclosure process so they could collect all the relevant evidence in one go, rather than throughout the disclosure process as and when they learned they need to evidence expenses further back in time.

Personalised circumstances in the target letter: Providing more detail about circumstances specific to the participant, e.g. the level of over-claim or information request. This was hoped to help make responses easier to determine, and so speed up response times.

Completing the VDO process

Participants also indicated areas for improvement in supporting customers to complete the VDO once they have decided to take it up. This included providing effective support, improvements in the delivery of documents, and the available tools for online disclosure. Each are now discussed.

Available support: by briefing general helpline staff on future campaigns to redirect callers and avoid giving erroneous advice, and supporting accountants to be aware of the campaigns and to enable them to provide the support their clients require. An idea for achieving this was for HMRC to host seminars and workshops for accounts prior to the campaign launching. While some participants appreciated HMRC's limited resources, many felt the office should offer services to review documents to provide reassurances regarding applications.

"It seemed to me that the main part of HMRC weren't aware of the Property Sales Campaign, and didn't realise that I was doing the amnesty." (Property Sales, Disclosed, Aware)

Delivering hardcopy disclosure documents: for HMRC to send disclosure documents by first class post rather than second class, given the urgency and sensitive financial matters. Where the disclosure involves more than one person, such as a joint owner on a property or GPs within a hospital, it was suggested letters get sent to all parties involved.

Tools supporting online disclosure: A participant struggled to locate the interest calculator on the website when filling out the online disclosure form and suggested the location of the calculator is made more prominent. A view amongst another group of participants was to improve the functionality of the online disclosure form so that it is possible to save the online form once it was completed and keep a record of the penalty that had been calculated.

"You couldn't save it. You had to put your details in and then print it off. You couldn't go back to it afterwards, or save it as a .pdf on your computer." (Property Sales, Disclosed, Aware)

8.1.4 Suggestions for following up with those who take up a VDO

The last category of suggestions relates to follow up activity for HMRC.

An ongoing process

Unaware participants felt that the campaigns should run on a more regular basis to prevent penalties for those that are willing but unaware of their tax obligations.

"Everybody, from time to time, makes mistakes. And campaigns like this, amnesties, will help." (Property Sales, Disclosed, Aware)

Future reminders

Tax Health Plan participants were particularly keen, given their busy roles, to receive periodic reminders about tax obligation- rather than just one campaign targeting their industry. A GP explained,

"Put a leaflet with the self-assessment form saying what has been done with some professions in the past, and there will be other [campaigns] in the future."
(Tax Health Plan, Disclosed, Aware)

The suggestion for ongoing reminders was echoed by participants in other campaigns. One-off campaigns were perceived by some participants to be unfair, particularly amongst the

Unaware group, if HMRC penalised those who did not see the campaign or did not realise they were relevant to their circumstances.

9. Considerations for future campaigns

Based on the findings of this research, the following points may be considered in the design of any future campaign.

9.1 Demonstrating preventative work is undertaken with 'at risk' taxpayer groups

Participants believed HMRC had a responsibility to do more to educate taxpayers and their support networks (e.g. accountants, solicitors, advisors) in order to ensure that people who needed to disclose knew their obligations, and what to do. As discussed, suggestions included an educational campaign of online videos for taxpayer groups with particularly complex rules, on recent changes in tax regulation, or for those who have a higher proportion of unintentional non-compliant individuals, such as with e-traders who are unaware of the rules. Hosting educational workshops for third parties that are likely to be supporting finances of taxpayer groups, such as Practice Managers for GPs and solicitors or estate agents for property sellers was also suggested.

Given that this activity is already being undertaken in many cases, there is a broader implication for communications on VDOs. Individuals who are targeted for VDOs and were Unaware or Ambiguous in their behaviour need to understand that HMRC had provided sufficient support and opportunities for them to have found out what their obligations were previously. This would 'nip in the bud' the presumption that Unaware and Ambiguous individuals were justified and inconvenienced by the requirement to disclose. This, in turn, could help reduce the proportion of delays, irritations and rejections of VDOs, when individuals are targeted.

9.2 Priming through multiple channels

A direct letter was most effective in triggering participants to respond to the campaign. It worked best in conjunction with other communication channels, so that participants were already primed to the message. Hearing about a campaign from multiple sources increased the likelihood a participant was aware of the campaign and also reinforced the importance of the campaign to our participants. Using broad channels such as radio and press, and targeted channels such as trade magazines, office managers, solicitors, accountants and industry-specific social media channels were strongly endorsed by those who disclosed.

9.3 Tailored messaging

Messages need to be broad enough to capture the widest possible audience but with targeted messaging to capture the attention of each of the 3 'types' of non-compliance. For those Unaware, the messaging needs to imply HMRC do not necessarily consider them 'criminals', which they would not accept –and can help to get their affairs in order. Where HMRC resources allow for it, the more personally tailored a letter is the better. Providing detail unique to the participant or their industry will make them more likely to think they have already been caught out and thus likely to take action. Offering an amnesty and using inviting and encouraging phrasing such as 'helping you to get your tax affairs up to date' may also support this group.

Ambiguous and Deliberate non-compliant individuals need to understand the range of possible consequences of not taking up a VDO, such as harsher terms of an unprompted investigation or a more intrusive investigation process. This can be framed as a possibility further down the line, and couched within an explanation of the benefits of 'preferable terms'.

Finally, HMRC may need to consider the typical social norms and moral views underpinning non-compliant behaviour in a particular industry and directly discredit this in messaging,

without implying it is commonplace enough to reduce the likelihood of personal detection. For example, in a future e-marketplace campaign communicate *“Nearly all e-traders are familiar with their tax obligations and comply without any problems, but occasionally traders have remained unclear about the fact they are liable for income tax on goods sold.”*– and thus address misperceptions about compliance, without implying this is a norm (and thus that others would be targeted before them).

Appendices

Appendix A: Topic Guide

Understanding the motivators and incentives for voluntary disclosure Topic Guide

Introduction (2 minutes)

Section aim: *To set the tone of the interview, provide clarity on what is expected of the participant, offer reassurances to minimise concerns and encourage an open and honest discussion, and offer participant a chance to ask questions before the interview starts.*

- **Thanks & introduction:** Introduce yourself and TNS BMRB
- **Purpose & length of interview:** about the client, general purpose of interview and how their info will be used, 60 minutes
- **Ethical considerations:** Anonymity, confidentiality, consent to record, & reassurances
- **Logistics:** if telephone interview, check participant received stimulus in advance and ask them to open it onto their computer screen
- **Incentive:** £70 charitable donation to the charity of their choice
- Any **questions/concerns** before starting?

-Start recording-

Background and context (10 minutes)

Section aim: *To ease the participant into the discussion, gather sufficient detail about the participant's personal and professional life and their VDO exposure to inform later sections of the interview.*

Personal & professional life:

- **Day-to-day activities** (spending their time, location they are based)
- **Employment** (job title, roles & responsibilities)

Financial context:

- **Personal income and business income:** determine if their tax affairs are only personal, only business (i.e. Director level) or both
 - "For example, are you a Director, or are you self-employed? If you own your company you would complete a self-assessment and also pay corporation tax."
- **Overview of tax affairs management:** formal/informal tools & resources, steps to management, level of confidence about how their taxes are managed

Interviewer note: LOW priority, explore if time

- **Context and reasons for financial reporting pressures:** briefly explore financial and reporting pressures facing the business/individual; what pressures and/ or errors could push them/ others into not paying on time/ the right amount
- **Attitudes to compliance:** do the tax obligations the business/individual faces seem reasonable to them; how do they feel about these requirements, for themselves and other businesses

Campaign exposure (20 minutes)

Section aim: *To explore participant's knowledge, understanding and actions related to the VDO campaign, to inform later sections and also to support participant recall.*

Interviewer explain: we will now focus on a disclosure campaign that you are likely to have been exposed to. We are interested in understanding what was happening at that time, what you saw, and what you discussed.

Interviewer note: Give the name of the campaign relevant to the participant and the channels it appeared across. Then explore:

VDO context:

- **Confirm participant type:** disclosed, got investigated, aware of VD but no disclosure/investigation
- **Background to their awareness and experience:** "Please tell me about what happened at the time of the campaign". Briefly explore when and where disclosure/investigation/no action occurred. Participant to provide an overview of what happened- who was involved, what actions were taken, when this occurred (how long ago).

Interviewer note: Now use the relevant stimulus throughout this section to prompt recall of general and specific content.

- **Awareness:** did they know about the campaign? If so, how (i.e. someone told them, they saw it). If not, briefly captured possible reasons for lack of awareness (e.g. not a member of professional body, not in country during time campaign ran, etc.)

For participants who were AWARE of the campaign-explore for all campaign types:

- **Context:** At the time they saw the campaign (what was happening in relation to their business/practice, in terms of finances, being on top of tax reporting and payment, other activities during that time) – *prompt with stimulus if needed*
- **Channel:** pinpoint which channel(s) participant saw, where and when this was (i.e. radio, print ad, HMRC letter etc.), impression of each – *prompt with stimulus*
 - **Campaign-specific:** *some people within each campaign would have received a direct letter from HMRC. If relevant, explore :*
 - Attitudes to targeted approach
 - Understanding of how HMRC found participant details

For participants who were UNAWARE of the campaign- explore for all campaign types:

Interviewer note: Provide brief overview of the campaign, target audience and channels the creative appeared. Refer to campaign summaries in interviewer briefing pack.

- **Channel:** impression of channels the creative appeared in

- **Campaign-specific:**
 - **Attitudes to the approach:** (i.e. specificity of message, receiving a personalised letter (where relevant) or learning about campaign through trade union/professional body)

For ALL participants- explore for all campaign types:

- **Initial reaction:** overall impression of campaign materials
- **Understanding:** Initial reaction to campaign – i.e. was it clear what it meant and how it related to them, what it made them think. Spontaneous, and probe:
 - “Who was the campaign for and what was it saying.” [Initial understanding of campaign message (audience, call to action)]
 - “What did it say about disclosing taxable income, why it’s important, and the consequences of not doing so.” [Understanding of financial planning pressures (e.g. non-compliance) and its consequences]
 - “What were the options available through the campaign”. Understanding of disclosure options – what they were, how applied to them
 - “Did you do anything to follow up or find out more.” Whether any actions taken to clarify understanding, e.g. ask someone, online research

For participants AWARE of the campaign- explore for all campaign types:

- **Actions:** what further actions taken after understanding was established, and impact of initial and subsequent actions on:
 - “Are you aware of tax evasion happening around you, within your sector.” Awareness of tax evasion generally, and specifically to their sector
 - “Do you feel confident, or less clear, that your tax affairs are always managed to be compliant.” [Degree of concern about whether or not they are behaving in a compliant way]

Decision-making on whether to disclose (20 minutes)

Section aim: *To understand their journey to deciding whether or not to disclose income, including capturing detailed descriptions and specific examples about the range of factors that acted upon their experience and decisions. This section also seeks to get a sense of the main drivers and key barriers to disclosure*

For ALL participants- *explore for all campaign types:*

Factors influencing their steps towards disclosure/non-disclosure. Explore what they were considering/would consider, weighing up and/ or feeling, when they were determining whether they should disclose. Spontaneous response then probe for the following if unmentioned.

Possible opening questions: What was on your mind when thinking about what step(s) to take? What were you thinking about?

- Awareness of risks: threats of penalty (including penalty types and rates), investigation or persecution, enhanced monitoring [“What were the main risks for you, of acting or not acting? How did you weigh up risks?”]
- Perceived likelihood of detection: What would the consequences of not disclosing your income be? [“How likely did you think it was that you, or someone else, would get pursued by HMRC if you didn’t disclose? What was that feeling based on?”]
- Consequences of unprompted vs prompted claim (including assessment period, if known, peace of mind, preferable terms of disclosure compared to investigation) [“What did you think the benefits would be for volunteering your income, e.g. getting the best possible terms from HMRC? What did that mean to you? What could the consequences be of not disclosing? How did those compare?”]
- Assumed social norms around non-compliance (what friends/family do or think) [“What did you think other people who saw the campaign were doing? Do you know other people who could have been non-compliant?”]
- Discussions with friends/family/agents/colleagues [“Did you talk to anyone about whether or not to disclose? If so, who? What did they say, how did it influence you?”]
- Moral views, i.e. views on legitimacy of their actions, including attitudes towards HMRC and/or tax obligations [“How did you feel about the possibility of being non-compliant in regards to your taxes? Did you feel that was something you ought to correct, or not particularly?”]
- Past experience- of tax interventions, monitoring or investigation [“Have you experienced any tax interventions or monitoring before?”]
- Level of trust/ connection with HMRC, compared to other government departments/ authorities. [“How did you expect to be treated by the HMRC? How do you see them compared to other government departments?”]

Based on responses, researcher probe to explore the triggers and barriers to disclosure:

- Triggers: Overall, what did/would encourage you to disclose?
- Barriers to disclosure: Overall, what do you perceive to be the barriers to disclosure? What discouraged you?
- Anything else influencing decision to disclose? Anything else more pressing?

For participants that DID DISCLOSE: *explore and summarise the previous discussion to pinpoint:*

- **Triggers** to disclose (as discussed)

- **Considerations** throughout disclosure process
- **Discussions they had with others:** if so, who and what affected them. Spontaneous, and probe:
 - Views on how other's 'like them' might act,
 - attitudes towards HMRC and tax obligations,
 - recommendations of financial advisors to other taxpayers
- **(HIGH PRIORITY) Experience of disclosure** – e.g. whether clear what to do; available support
- **Based on your experience of disclosure, what suggestions do you have for improving the process?** Spontaneous ideas, and probe:
 - **Information about campaign:**
 - Disclosure channels/options
 - FAQs, available support
 - Further consideration of how much they had to lose if caught/ how much they would benefit from disclosure (e.g. penalty rates, enhanced monitoring), consequences of non-compliance (e.g. is taking the risk reasonable?),
 - Timing of disclosure (i.e. perceptions around appropriate time to disclose and ability to disclose within that timeframe);
 - **Campaign message content** : what specifically, and why this was influential
 - **Changes to customer offer** in voluntary disclosure policy

For participants that DID NOT disclose- *explore for all campaign types:*

Establish whether subsequently investigated or not (*If not already known*)

Reasons for not disclosing: *Explore the main positive (encouraging) and negative (discouraging) drivers for them, which stopped them disclosing.*

- Extent of knowledge about why should disclose, channels of disclosing ["Were you clear on whether you were non-compliant? What did you see the campaign to offer? Did you understand how you would go about disclosing?"]
- Income needs ["How did your finances influence your position at the time?"]
- Risks & sources of knowledge about those risks: threats of penalty, investigation or persecution for themselves, their family or their business. ["What were the main risks for you, of acting or not acting? How did you weigh up risks?"]
- Assumed social norms around non-compliance, moral views ["What did you think other people who saw the campaign were doing? Do you know other people who could have been non-compliant?"]
- Views on legitimacy of their actions (as above) ["How did you feel about the possibility of being non-compliant in regards to your taxes? Did you feel that was something you ought to correct, or not particularly?"]
- Not considering it fully (e.g. being busy, distracted) ["Did you give any of this much thought? Why/ why not?"]
- Anything else?

Establish awareness of the illegality of their decision to not disclose income. ["Were you clear about where you were in relation to the law, e.g. if not compliant, it would be illegal? Were there any

uncertainties or confusions about whether disclosure was appropriate? What was this based on? Were you certain about how HMRC would view your case?"]

Explore what could have prompted participants to disclose, using stimulus material. Include:

- **Information about campaign:** Spontaneous ideas, and probe:
 - Disclosure channels/options
 - FAQs, available support
 - Further consideration of how much they had to lose if caught/ how much they would benefit from disclosure (e.g. penalty rates, enhanced monitoring), consequences of non-compliance (e.g. is taking the risk reasonable?),
 - Timing of disclosure (i.e. perceptions around appropriate time to disclose and ability to disclose within that timeframe);
- **Campaign message content** : what specifically, and why this was influential
- **Changes to customer offer** in voluntary disclosure policy
- **Discussions they had with others:** if so, who and what affected them. Spontaneous, and probe:
 - Views on how other's 'like them' might act,
 - attitudes towards HMRC and tax obligations,
 - recommendations of financial advisors to other taxpayers

Suggestions for increasing future compliance (5 minutes)

Section aim: *Explore the range and diversity of ideas for facilitating disclosure in the future, including suggestions related to general or specific campaigns, the disclosure process and its components, and anything else the participant deems important.*

- **Suggestions** for encouraging customers to disclose (*general, then specific to participants' sector*).
 - **Campaign-related**
 - Message targeting – e.g. target audience, specificity
 - Message content - key messages, reasons for this
 - Design of campaign, and tone of campaign (visuals and type of language used)
 - Delivery of campaign (when, where, channels – i.e. national or trade press, radio, online, letters etc.)
 - **Disclosure process-related**
 - Different avenues for customers to disclose
 - Additional guidance/definitions/info support on reporting tax
 - **Consequences-related**
 - Severity of penalty/ more preferable terms for disclosure
 - **Norms-related**
 - Learning about others who had disclosed
 - Hearing others' experiences of disclosure

- **Anything else** to facilitate disclosure?

Concluding the interview (3 minutes)

Section aim: *Wind down the interview, provide the opportunity for participants to share anything they have yet to, capture any messages for HMRC related to income disclosure or evasion campaigns, and express gratitude and complete remaining housekeeping tasks.*

- Messages for HMRC
- Final messages
- Thanks, and final housekeeping (reminder of confidentiality and anonymity, incentive-make note of their preferred charity.)

Appendix B: Stimulus

Stimulus 1: Text from Tax Agent Website

HMRC opens 'Property Sales' campaign

HMRC recently launched a campaign aimed at UK tax resident individuals who have undeclared capital gains on property disposals. This may include a rented property, holiday home or even a main residence where private residence relief may be restricted (because for example it has been let during the period of ownership).

How does it work?

Eligible persons must notify HMRC by 9 August 2013 of their intention to make a disclosure, which should then be filed by 6 September 2013.

Calculating the capital gain is the responsibility of the individual. Once that is worked out, an HMRC tool can be used to calculate the tax, interest and penalties due, although this will only work for disposals after 6 April 2007 – earlier liabilities will require manual calculation. Losses may be offset in the same year or carried forward to future years subject to conditions including time limits.

In some cases a valuation of the property may be required, for example where the property was inherited, gifted, acquired or sold to a connected party or acquired before 31 March 1982. Taxpayers may use HMRC's Post Transaction Valuation Check service to agree a valuation, although this is not mandatory.

HMRC will acknowledge the disclosure made and then make a decision as to whether or not to accept it. Incomplete disclosures may invalidate the terms of the campaign or in serious cases result in criminal prosecution.

HMRC will expect payment of the tax, interest and penalties due. However, payment by instalments may be possible.

How far back can HMRC go?

Although the campaign is primarily focused on gains made since 6 April 2007, transactions up to 20 years old may also be disclosable if the failure to declare them was deliberate.

The latest tax year for which a disclosure can be made is the year ended 5 April 2012 (2011/2012). Gains for 2012/2013 should be disclosed by making or amending a self-assessment return for that year.

How can Moore Stephens help?

Calculating capital gains is often not straightforward, particularly where the property has had a mixed use during ownership. Undeclared transactions prior to 6 April 2007 will also require careful consideration.

Moore Stephens experts can help you work out your capital gains tax position on property transactions and complete any required disclosures to HMRC on your behalf.

"People who have sold property but not informed HMRC should seek urgent advice" said Dominic Arnold, Head of Tax Investigations and Disputes in London. "HMRC has direct access to details of all UK residential property transactions and routinely collects information on UK and overseas properties from other sources, such as letting agencies and the internet. We have seen from other similar campaigns that HMRC will use such information to impose much heavier penalties or even prosecute those who do not come forward voluntarily."

Stimulus 2: Property Sales Campaign Letter



Phone

0845 601 8819

Date 5/1/2010
Ref PSC10

Please notify us about any residential property you have sold

Dear Mrs. Smith

Our records show that you may have sold a property which is liable to Capital Gains Tax.

When an individual sells a property that is not their main home, and is not otherwise exempt, either in this country or abroad, Capital Gains Tax may be due on the gain made from the sale. If we discover that the right amount of Capital Gains Tax has not been paid, we can charge a penalty in addition to the tax and interest that is payable.

However, individuals may be able to avoid a penalty if they notify us that tax is due **by the 9th of August**.

To do this, they can simply:

- Visit <http://www.hmrc.gov.uk/campaigns/psc.htm>; or
- Call **0845 601 8819**

HMRC will take action if we think individuals have not paid the right amount of tax and have not notified us. As a result of this process, they could face criminal prosecution.

Yours sincerely
Marian Wilson

Marian Wilson

Campaign Director

Stimulus 3: E-Marketplace HMRC Website Text

<http://www.hmrc.gov.uk/campaigns/emarket.htm>

E-marketplaces campaign

The e-marketplaces campaign is for people who are trading online through an online marketplace or sometimes referred to as an online auction or online market to sell goods and services as a trade or as a business but aren't paying the right amount of tax.

If you trade online this guide explains how you can tell HMRC of your previously undisclosed income and pay what you owe. To take advantage of the preferential terms on offer you must tell HMRC you wish to take part in the e-Markets Disclosure Facility (e-MDF) by **14 June 2012**.

For some people it's hard to decide whether they are trading or not, and this guide will help you decide if you are trading and what to do if you need to get your tax right.

The campaign isn't for people who only sell a few of their personal items. They are unlikely to need to pay tax as they aren't trading.

On this page:

- Who can use the e-Markets Disclosure Facility
- How to notify HMRC under the e-MDF
- What is an e-marketplace
- How to work out if you're trading or not
- If you've got more questions or not sure you are trading
- What if I'm not an e-marketplace trader but want to get my taxes up to date
- [More useful links](#)

Who can use the e-Markets Disclosure Facility

If you are trading online, and have not told HMRC about all your income, you probably won't have paid the right amount of tax. If that's the case you can use the e-MDF to get your tax affairs up to date. To take advantage of the preferential terms you must tell HMRC you wish to take part by **14 June 2012**.

If you take part in this campaign and tell HMRC about any income that you haven't previously disclosed:

- you may only have to pay for a maximum of six tax years.
- you can tell HMRC how much penalty you should pay
- you may be able to pay what you owe by instalments

It's basically a 'fresh start'. You can stop worrying about what might happen when HMRC find out that you've not been telling them about all of your income. It's a chance to start getting things right from now on, whilst knowing exactly how much it's going to cost to sort out things for earlier years.

How to notify HMRC under the e-MDF

To take advantage of this campaign you must:

1. Notify HMRC of your intention to take part in the campaign by **14 June 2012**. This is a simple process and can be done online, by phone or by post. At this stage you only need tell HMRC that you will be making a disclosure.
2. Once you have done this, you must make your disclosure and pay what you owe by **14 September 2012**.

To read more about how you notify your undisclosed income under this campaign, get the e-MDF flow diagram

[Download the e-markets flow diagram \(PDF 189K\) <link to XXX>](#)

[View a narrative guide to the e-markets flow diagram \(PDF 27K\) <link to XXX>](#)

[Find out how to notify HMRC about your undisclosed income](#)

[Read about making a disclosure under an HMRC campaign](#)

What is an e-marketplace

An e-marketplace is an online market, or online shop, where buyers and sellers trade with each other over the internet. They might buy and sell goods or services, or a combination of both.

A separate company, a '3rd party', runs most e-marketplace websites. They let you advertise or auction your goods or services on their website, and usually charge you a fee for this service - either for using their site, the amount you sell your goods or services for, or both.

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How to work out if you're trading or not

If you occasionally sell a few personal possessions to raise some cash, you're not trading, and you won't usually need to pay any tax. But if you regularly sell goods or services, you're almost certainly trading.

A lot of people who use e-marketplaces to sell want to know whether they need to pay tax. If you're selling to make a profit then you'll need to register for tax with HMRC.

The following questions and YouTube video should help you decide whether you meet HMRC's rules for trading. You need to look at all eight questions below. If your situation is more like answer A than answer B in any of them, you are probably trading and should notify HMRC of your intention to disclose.

Watch a video to help you decide if you are trading [<link to YouTube video>](#)

Questions to help you work out if you're trading or not

Question 1. How, and why, did you get the things you're selling?

Answer A: you bought them so you could sell them again to try to make a profit.

Answer B: you're selling personal possessions you don't want anymore, or things given to you or inherited.

Question 2. How often do you sell things?

Answer A: you make regular sales.

Answer B: you have only ever made one sale and you don't think you will make any more.

Question 3. How do you sell?

Answer A: by registering as a business seller or as an online shop with an internet auction site.

Answer B: when you have something you want to sell you advertise it, but you don't sell enough to make it worth setting up as a business user or shop.

Question 4. Do you change or improve the things you're selling?

Answer A: you mend or change the things you buy (that might include splitting things up into smaller quantities), so you can make more profit on them.

Answer B: you sell things as they are because you just want to sell them quickly.

Question 5. How quickly do you sell things?

Answer A: you sell things that you've only just bought and you're hoping for a profit.

Answer B: you've had the things you sell for quite a while.

Question 6. Are you running a business selling similar things?

Answer A: the things you sell are related to your own trade or business.

Answer B: the things you sell are not things you would sell in your own trade or business.

Question 7. How did you pay for the things you're selling?

Answer A: you had to borrow money to pay for the things you're selling.

Answer B: you were given them or you paid for them out of your normal living expenses.

Question 8. If you make the things you sell, do you charge more than they cost you to make?

Answer A: you try to sell them at a price that covers your costs and brings in a profit.

Answer B: you sell things that you make as a hobby and you only want to cover your costs.

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If you've got more questions or not sure if you're trading

If your situation isn't covered by the questions above or you're still not sure whether you're trading or not, you can get more detailed information from the HMRC Business Income Manual or contact a professional tax adviser or accountant.

[Find more information about trading in the HMRC Business Income Manual](#)

What if I'm not an e-marketplace trader but want to get my taxes up to date?

If your undisclosed income is not covered by the e-MDF you should phone the e-Markets Disclosure Facility Helpline on Tel 0845 601 2944

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More useful links

[Read the e-Markets Disclosure Facility your guide to making a voluntary disclosure <link to PDF>](#)

[Find more information on HMRC campaigns](#)

[Read about Capital Gains Tax when you sell your own possessions](#)

Stimulus 4: E-Marketplace Tax Blog News Story

HMRC E Marketplace Campaign – Attention Ebay Traders!



HMRC has issued notices under Section 18A(2) TMA 1970 to online auction sites, asking them to provide detailed information about the member registers they keep. The auction sites involved have been told they have a legal obligation to comply; failure to do so will result in an initial penalty of £300 plus up to £60 per day for any continuing failure. The notices ask for an HMRC template spreadsheet to be completed which asks for information including the name, address and post code of each member, the date on which the member first registered and the member's username.

The e marketplace campaign is aimed at those people who buy and sell goods online as a trade or business, but who have failed to make a full disclosure of their income. Such campaigns are part of HMRC's strategy to close the tax gap and collect an additional £4 billion for the Treasury before next April.

Stimulus 5: HMRC Tax Health Plan Guidance Document



Tax Health Plan (THP)

Making a disclosure

This leaflet contains guidance you need to help you put your tax affairs in order

You can notify by phone on **0845 600 4508**
(international **+44 1202 585 350**)
or download the notification form at
<http://www.hmrc.gov.uk/tax-health-plan/>

THP1 Notes

HMRC 12/09

Full document available at:

<http://webarchive.nationalarchives.gov.uk/20100512172106/http://www.hmrc.gov.uk/tax-health-plan/making-disclosure.pdf>