



**HM Revenue
& Customs**

Compliance Perceptions Survey

Individuals 2008-10

**Eleanor Barham
Kate Fox**

HM Revenue and Customs Research Report 156

Disclaimer

The views in this report are the author's own and do not necessarily reflect those of HM Revenue & Customs.

© Crown Copyright 2011

Copyright in the typographical arrangement and design rests with the Crown. This publication may be reported free of charge in any format or medium provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright with the title and source of the publication specified.

Published by HM Revenue and Customs, December 2011
www.hmrc.gov.uk

Executive Summary

1. Introduction

The Compliance Perceptions Survey (CPS) measures perceptions of tax compliance among individuals and Small and Medium Sized Enterprises (SMEs) in Great Britain (excluding Northern Ireland). This report presents key findings for individuals from 2010 and draws on comparisons with 2008 and 2009 where differences over time are evident.

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

The Compliance Perceptions Survey therefore asked respondents about their attitudes towards fairness and burden of compliance, the prevalence and acceptability of evasion and the possible consequences where evasion is detected. The survey is used by HMRC to inform the design of their customer strategy, and will form part of the evidence base to assess performance of activities paid for by reinvestment funds agreed following the 2010 Spending Review.

(Page 6)

2. Methodology

HMRC commissioned the Office for National Statistics (ONS) to collect data from a random sample of individuals aged 16 or over living in private addresses. Questions were placed on the Opinions (Omnibus) Survey. The survey has collected data from 2008 to 2010 on an annual basis.

In order to achieve a larger sample size of self-employed respondents sampled, additional booster samples of self-employed individuals were procured by HMRC. Differences between the responses of self-employed individuals and employees are reported if they are statistically significant.

The Personal Finance Research Centre (PFRC), based at the University of Bristol, worked with HMRC on question design and testing to assess and improve the survey questions during the development stages of the survey. The main survey questions are available in **Appendix A**. Data from 2008-10 for each question are presented in **Appendix B**.

In December 2010, questions about taxpayers' perceptions of criminal prosecutions were asked of 982 randomly selected individuals. These questions were included on the survey as a trial rather than for formal reporting. These questions and an analysis of the results are presented in **Appendix C**.

Percentages given in this report are based on weighted data (using bespoke weights supplied by ONS). Tests for statistical significance are based on unweighted data. Percentages are rounded to the nearest whole percent. Percentages may sum to 99 or 101 due to rounding.

(Page 8)

3. Fairness and Burden of Complying

- These questions are asked to test hypotheses about the whether perceptions of fairness influence compliance. They are not intended to assess views on tax per se, which are always likely to include a negative element.
- In 2010, more individuals agreed than disagreed that the level of income tax they pay is fair (45 per cent vs. 27 per cent). Self-employed individuals were more likely to agree that the level of income tax they pay is fair than employees.
- In 2010, 56 per cent of individuals agreed that HMRC are fair in their dealings with them compared to 7 per cent who disagreed. Self-employed individuals were more likely to agree that HMRC treat them fairly than employees.
- Just over one in five individuals (22 per cent) stated that they needed to submit a self assessment (SA) form. The majority of individuals who stated that they were in this position did submit the form.
- More individuals who completed their own SA form felt the effort involved was reasonable than those who thought it was unreasonable. Of the Individuals who supplied an agent with details so an SA form could be completed on their behalf, more said the effort involved was reasonable than unreasonable.

(Page 12)

4. Attitudes Towards Compliance

- Questions about the acceptability and prevalence of evasion are asked to investigate whether social norms influence compliant behaviour.
- In 2010, 46 per cent of individuals described income tax evasion as a major problem with a further 32 per cent stating that it is a moderate problem. A further 11 per cent felt that income tax evasion was a minor problem, with 3 per cent saying that income tax evasion was not a problem.
- The proportion of individuals who describe income tax evasion as a major problem has risen since 2008. This change appears to have been accompanied by an equivalent drop in the proportion of individuals who feel income tax evasion is a moderate problem.
- In 2010, 88 per cent of individuals stated that tax evasion was unacceptable compared to 7 per cent who stated that it was either always or mostly acceptable.
- In 2010, individuals who disagreed that HMRC is fair in its dealings with them were more than three times as likely to state that tax evasion is acceptable than those who said that HMRC treat them fairly.

(Page 16)

5. Perceived Chances of Detection

- Individuals are divided in their opinion as to whether regular income tax evaders are likely to be caught.

- In 2010, 48 per cent of individuals said it was likely that they personally would be caught if they regularly failed to declare cash income compared to 44 per cent who felt such detection was unlikely.
- Individuals who perceive a high risk of detection for themselves also view the risk of detection for tax evasion as high for others in society.
- When asked whether detection was more or less likely in 2010 compared to the previous year, 36 per cent of individuals stated that they perceived detection to be more likely. This compares to 10 per cent who felt that detection was less likely in the previous year.

(Page 19)

6. Attitudes Towards HMRC Sanctions

- In 2010, 28 per cent of individuals agreed that the financial penalties for evasion were sufficient to deter potential tax evaders. This compares to 30 per cent who disagreed. Self-employed individuals were more likely to state that the financial penalties associated with detection were sufficient to deter evasion.
- The majority of individuals could name another potential consequence if caught for evasion. The most commonly mentioned consequences related to criminal prosecution and possible prison sentences. The other sanctions mentioned related to social consequences such as embarrassment. The possible negative impact on job prospects and credit ratings were also mentioned.
- When asked why they would not regularly evade income tax 33 per cent said they do not evade because it is illegal, 13 per cent said that they would not do so because of the probability of being caught and 10 per cent said they were deterred by the potential penalties and other adverse consequences. Intrinsic motivations, such as a feeling that tax evasion is immoral, were also important factors.
- There is no evidence of an association between respondents' views about the acceptability of evasion and their perceptions of the likelihood of being caught if they personally did not declare cash income.

(Page 22)

1. Introduction

The Compliance Perceptions Survey (CPS) measures perceptions of tax compliance among individuals and Small and Medium Sized Enterprises (SMEs) in Great Britain¹. The use of surveys of this nature is recognised as good practice by the OECD.

The results are presented in two separate reports. This report presents key findings for individuals from 2010 and draws on comparisons with 2008 and 2009 where differences over time are evident. The SME survey results are presented in a separate report.

1.1 Background

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

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

- further HMRC's understanding of the drivers of compliance behaviour, and whether perceptions about economic deterrents, social norms and the fairness of tax influence reported acceptability of evasion;
- assess the impact of policy and environmental changes by monitoring changes in taxpayer perceptions over time (along with other evidence);
- understand individuals' attitudes towards, beliefs about, and perceptions of compliant and non-compliant behaviour;
- ascertain the perceived levels of non-compliance and levels of acceptability;
- identify the perceived risks (including the likelihood of investigation or being caught) of non-compliant behaviour;
- understand the perceived consequences of investigation such as financial penalties; and
- provide data on attitudes and beliefs which can be used to inform the development of future activities.

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

1.2 Hypothesis testing

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

¹ Excluding Northern Ireland.

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

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

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

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

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

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

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

2. Methodology

This section provides an overview of the methodology for the CPS.

2.1 Research design

HMRC commissioned the Office for National Statistics (ONS) to collect data from individuals. Questions were placed on the Opinions (Omnibus) Survey. The survey has collected CPS data from 2008 to 2010 on an annual basis.

In order to achieve a larger sample size of self-employed respondents sampled, additional booster samples of self-employed individuals were procured by HMRC. Table 2.1 shows the months in which data were collected from individuals and self-employed respondents in each year of the survey.

Table 2.1: Individual Survey Data Collection

Year	Months Interviewed (and Sample Size)	
	Individuals	Self Employed Booster Samples
2008	July and August (2,172)	September to November (340)
2009	July and August (2,058)	September to November (322)
2010	August and September (2,093)	October to December (327)

In December 2010, questions about taxpayers' perceptions of criminal prosecutions were asked to 982 randomly selected individuals. These questions were included on the survey as a trial rather than for formal reporting. However, following this trial exercise, HMRC intends to include these questions on future months of the CPS. These questions and analysis of the data are presented in Appendix C.

2.2 The sample

The sampling frame used is Royal Mail's Postcode Address File, meaning only households which received fewer than 50 items of mail per day are included in the survey. This can include small businesses, so in order to achieve a sample of private individuals only, ONS screen out enterprises during interviews. One person aged 16 or over is selected at random to answer the survey questions on behalf of the household².

In each year, the achieved sample of respondents comprised approximately 2,500 individuals, including the self-employed individuals interviewed in the final three months of the survey. The average response rate across all months of the survey each year was 60 per cent in 2008, 55 per cent 2009 and 58 per cent in 2010³. For the criminal prosecutions questions asked in December 2010, the response rate was 54 per cent.

² Further information about the ONS Opinions Survey is available: <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/opinions--omnibus--survey/opinions--omnibus--survey.html>

³ This is the response rate for the ONS Opinions Survey each year for the months on which CPS questions were included. This does not show the response rate for individual questions. Details about the number of individuals refusing to answer each CPS question are available in Appendix A for the main survey questions, and Appendix B for the criminal prosecution questions.

As a result of the sampling methodology, data are collected from representative sample of individuals from across Great Britain.

Individuals were not asked if they had ever had contact with HMRC and were therefore not excluded from the survey if they had little or no experience with paying tax. Individuals who are in employment and who pay income tax are included in the survey alongside economically inactive and unemployed individuals and unpaid family workers. The composition of the sample achieved in each year is shown in Table 2.2 below. The survey findings therefore include responses from a significant proportion of individuals who may have limited personal experience of the tax system and little or no interaction with HMRC. These respondents are included in the survey in order to measure attitudes across society which may give information about social norms.

Table 2.2: Sample Composition (Five Months) - Employment Status⁴

Year	Employment Status (International Labour Organization Definition) %			Total (n)
	In Employment	Unemployed	Economically Inactive and Unpaid Family Workers	
2008	56	3	41	2,512
2009	56	4	39	2,380
2010	54	5	41	2,420

2.3 Question design

The Personal Finance Research Centre (PFRC) worked with HMRC on question design and testing to assess and improve the survey questions during the development stages of the survey. The main survey questions are available in **Appendix A** and the data from 2008-10 for these are presented in **Appendix B**.

The criminal prosecution questions and results are presented in **Appendix C**.

2.4 Weighting and reporting

This report concentrates on the responses collected from all individuals who were included in the first two months of the survey each year. However, where there are differences between different types of taxpayer, these are reported. In particular, where the evidence suggests that self-employed individuals and employees hold different attitudes, data comparing these two groups are presented.

In this report, weighted data are used to calculate percentages. The ONS supplied HMRC with two bespoke weights each year which both adjusted for survey design and non-response. When making estimates about the general population or employed individuals on the basis of interviews in the first two months of fieldwork, the first weight was used. The second weight was used to achieve estimates about

⁴ ONS labour market statistics indicate there is a slightly higher proportion of unemployed in the population than in the CPS sample. A greater proportion of the sample is classified as economically inactive compared to the population as a whole. This is because the CPS includes individuals who are above working age. When individuals aged 65 or over are excluded and the results are weighted, the proportions of employed, unemployed and economically inactive respondents are similar to ONS estimates (ONS 2008, 2009, 2010).

the population of self-employed people only, which were based on data collected from this sub-group in all five months of the survey.

Because data were collected from booster samples of self-employed respondents during additional months of the survey, differences between the self-employed and employees may theoretically relate to variation in the timing of the interviews for these respondents as well as differences in attitudes. In common with other findings therefore, variation may be due to factors which have not been controlled for as well as a direct association between employment status and attitudes.

Differences over time and between different groups of taxpayers are discussed only if they are statistically significant. Where differences are discussed, we can be 95 per cent confident that the apparent dissimilarity is due to real change and difference rather than to chance⁵.

Unweighted base sizes are provided with each table or figure where the data are presented, and further information about base sizes can be found in Appendix B. Percentages are rounded to the nearest whole percent. Numbers shown in tables may not sum to the totals due to rounding.

Respondents who refused to answer questions are excluded from the analyses.

2.5 Open questions

Some of the CPS questions are open questions where respondents volunteer an answer rather than choose from a series of available options.

Two CPS questions use 'pre-codes' where interviewers classify participants' statements into a predefined list of codes or categories rather than record verbatim what has been said. Respondents were asked a follow-up open question if their answer did not fit one of these categories and their full responses were recorded.

These questions ask:

- what penalties, other than financial, individuals who are caught for income tax evasion may face and
- why the respondent does not evade income tax.

There is an additional open question which does not use pre-codes. This asks respondents under what circumstances tax evasion is acceptable or unacceptable, depending on their answers to previous survey questions. Further information is available in Appendix A, which presents CPS questions and interviewer instructions.

For these questions, the open responses were checked and where they could appropriately be classified into one of the predefined lists of categories, this

⁵ Tests for statistical significance and association were produced by data analysis programme SPSS. Confidence intervals for proportions for comparisons across years and between the self-employed and employed individuals were manually calculated, initially using a design effect of 1 to explore the data. Where statistically significant differences were found using this method, confidence intervals were re-calculated to incorporate design effects supplied by ONS, in line with their guidance. Using the design effects increased the width of the confidence intervals, allowing a more accurate test for statistical significance to be undertaken.

correction was made. Analyses of the re-coded data are presented in this report (in sections 6.2 and 6.3) and in Appendix B.

Analyses of the open responses to the final question have not been included in this report due to data quality issues.

2.6 Cross tabulations

Cross tabulation analyses have been presented in the report where they add to the other findings presented. Weighted data are reported but tests for statistical significance and association are calculated using unweighted data. Because of the complexity of the sample design, it was considered impractical to use weighted data for test for statistical significance.

Respondents who answered don't know to at least one of the questions of interest are excluded from the associated cross tabulation analyses unless otherwise stated.

As discussed in the previous section, HMRC have several hypotheses about perceptions of compliance which were tested using cross tabulations. Where the results of analyses to investigate these hypotheses were statistically significant, they have been included in the report.

3. Fairness and the Burden of Complying

This section presents findings from the CPS which focus on taxpayers' perceptions of the tax regime and HMRC.

3.1. Fairness

In 2010, 45 per cent of individuals agreed that the level of income tax they pay is fair, compared to 27 per cent of respondents who disagreed with this statement. A further 20 per cent of individuals neither agreed nor disagreed that the level of income tax they pay is generally fair, and 8 per cent answered 'don't know' to the question.

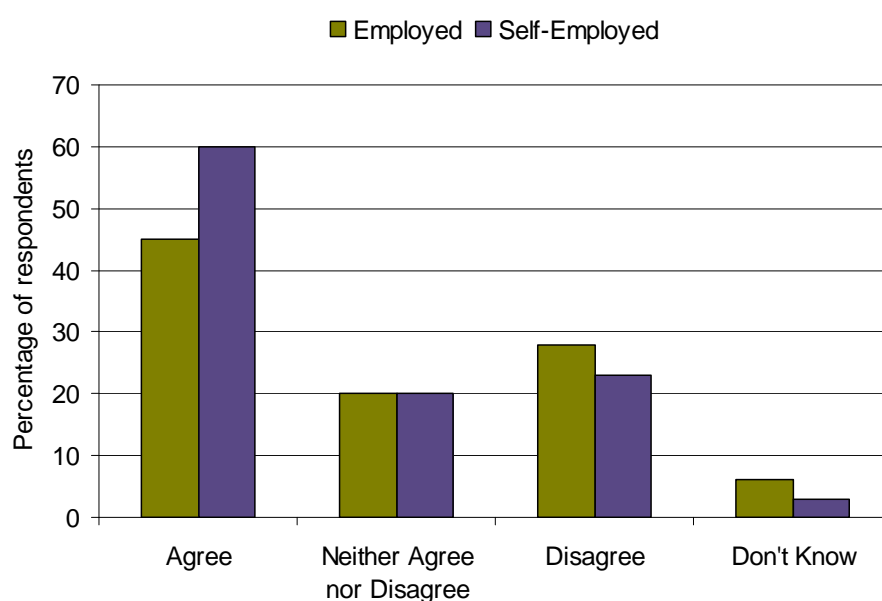
There is some evidence that attitudes towards income tax have changed over time, with the percentage of individuals agreeing that the level of tax they pay is fair rising from 38 per cent in 2008 to 45 per cent in 2009 and 2010. Conversely, the percentage of individuals disagreeing that the level of income tax they pay is fair has fallen from 38 per cent in 2008 to 30 and 27 per cent in 2009 and 2010 respectively⁶.

The majority of individuals also feel that HMRC treats them fairly, with 56 per cent of individuals agreeing with this statement compared to 7 per cent who disagreed with the statement in 2010. This is similar to the responses received in previous years.

3.2 Analysis of the self employed

A higher proportion of self-employed individuals agree that the level of income tax they pay is fair than employees. This may partly reflect a greater awareness about income tax among those who are self-employed, with 3 per cent of self employed individuals stating that they do not know whether the level of tax they pay is fair, compared to 6 per cent of employees (Figure 3.1).

Figure 3.1: Whether agrees income tax levels are fair (self-employed vs employed), 2010

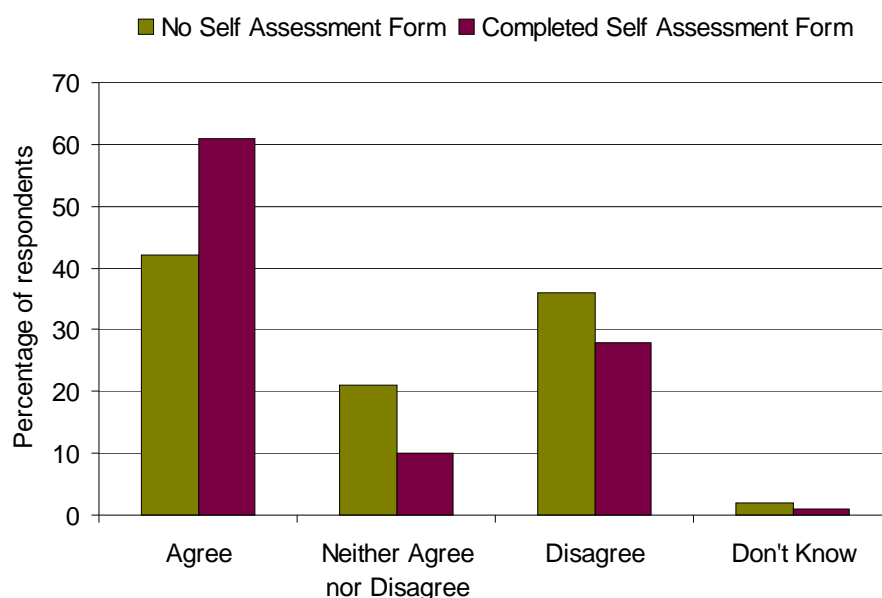


Unweighted base: 1,686 employed; 605 self-employed

⁶ The changes between 2008 and 2010 are statistically significant.

Similar results are evident when comparing working individuals⁷ who do and do not receive income which requires them to complete self assessment forms.

Figure 3.2: Whether agrees income tax levels are fair (current workers completing SA form vs. no form), 2010



Unweighted base: 681 working, no SA form; 266 working, SA form

Of those individuals who are currently working:

- a greater proportion of those who needed to complete a self assessment form agreed that the level of tax they paid was fair than those who did not (61 per cent versus 42 per cent);
- a smaller proportion of those who did need to complete self assessment forms felt the level of income tax they paid was unfair compared to those who did not (28 per cent versus 36 per cent) **(Figure 3.2)**.

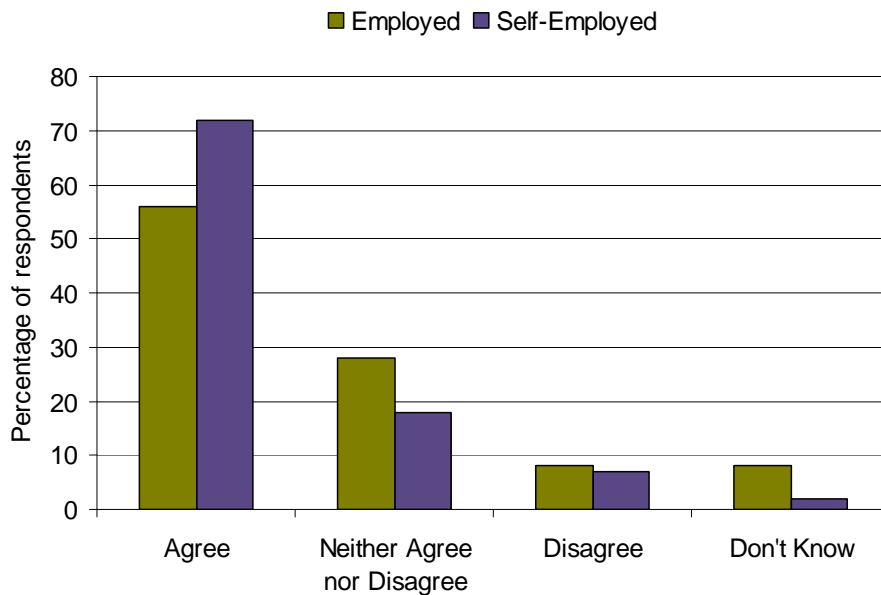
There are also statistically significant differences between the attitudes of employed and self-employed individuals in terms of how fair they feel HMRC are in their dealings with them. In 2010, 72 per cent of self-employed respondents agreed that HMRC treated them fairly compared to 56 per cent of employees.

This may partly reflect the greater degree of contact self-employed people have with HMRC in comparison to employees, with a smaller proportion of self employed individuals answering 'don't know' to the statement (2 per cent versus 8 per cent) **(Figure 3.3)**.

This is supported by comparing perceptions of HMRC in terms of fairness in dealings with income tax payers who do and do not complete self assessment forms. In 2010, a greater proportion of current workers who completed SA forms felt HMRC was fair compared to those who did not (73 per cent versus 52 per cent) **(Figure 3.4)**.

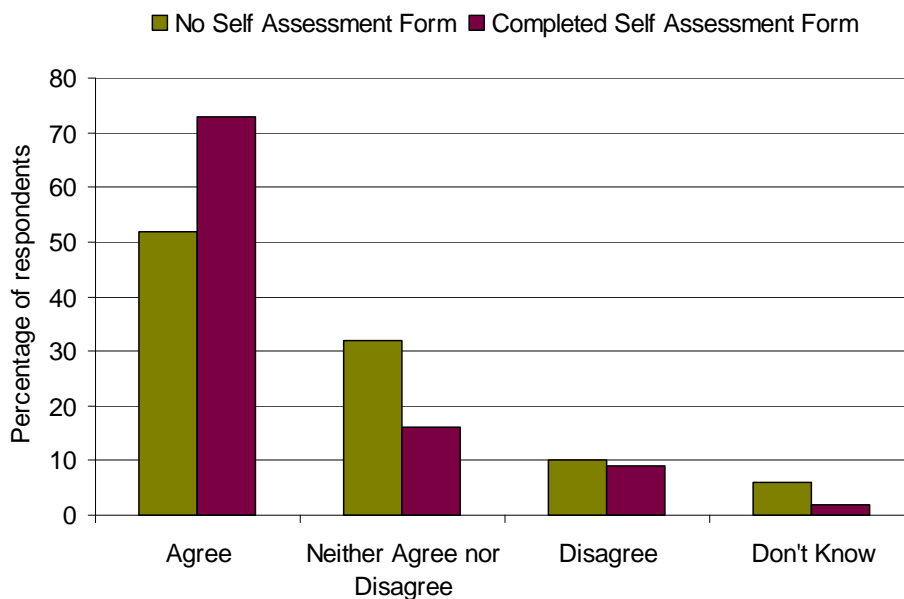
⁷ Individuals were classified as currently working if they did some paid work, either as an employee or as a self-employed person, in the seven days prior to the interview.

Figure 3.3: Whether respondent agrees HMRC treats them fairly (self employed vs. employed), 2010



Unweighted base: 1,688 employed; 604 self-employed

Figure 3.4: Whether respondent agrees HMRC treat them fairly (current workers completing SA form vs. no form), 2010



Unweighted base: 682 working, no SA form; 266 working, SA form

3.3 Burden of complying

Just over one in five individuals (22 per cent) stated that they needed to submit a self assessment form. The majority of individuals who stated that they were in this position did submit the form, with roughly equal numbers choosing to complete the form themselves and asking an agent to complete it on their behalf. A small number

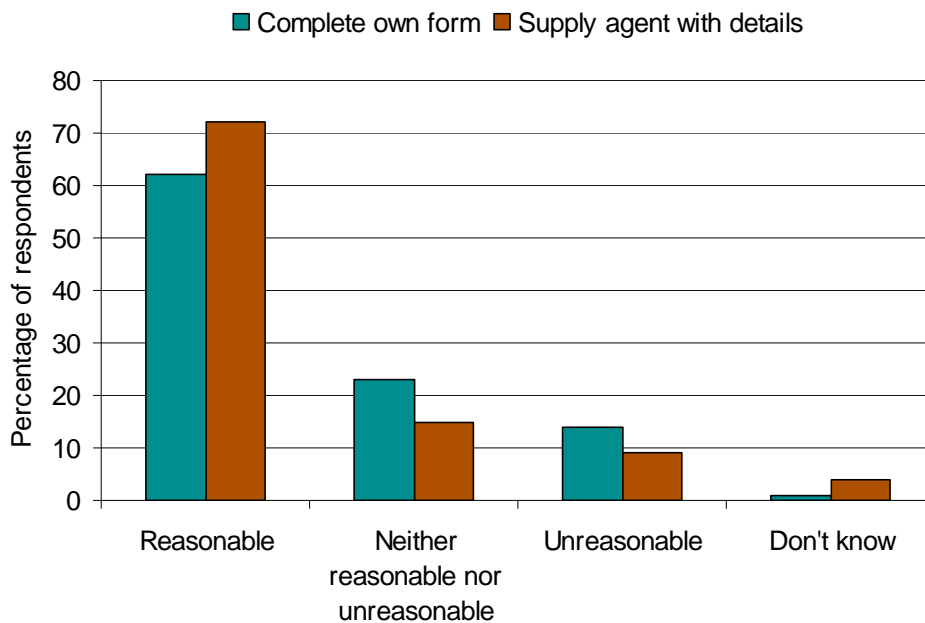
of individuals (1 per cent) stated that they needed to complete a self assessment form, but did not do so.

The majority of those who completed their own self assessment forms felt that the amount of effort required was reasonable. In 2010, 62 per cent of individuals stated that the effort was reasonable compared to 14 per cent who said it was unreasonable. A further 23 per cent felt the effort required to complete the SA form was neither reasonable nor unreasonable, and 1 per cent said they did not know.

Individuals who supply an agent with details so that a self assessment form can be completed on their behalf find the process of getting their forms completed less arduous than those who file their own returns.

In 2010, 72 per cent of individuals felt that supplying their agents with the necessary information required a reasonable amount of effort compared to 9 per cent who felt that the effort required was unreasonable and 15 per cent felt the effort required to do this was neither reasonable nor unreasonable (**Figure 3.5**).

Figure 3.5: Whether time spent completing SA form was reasonable, 2010



Unweighted base: 201 complete own form; 200 supply agent with details

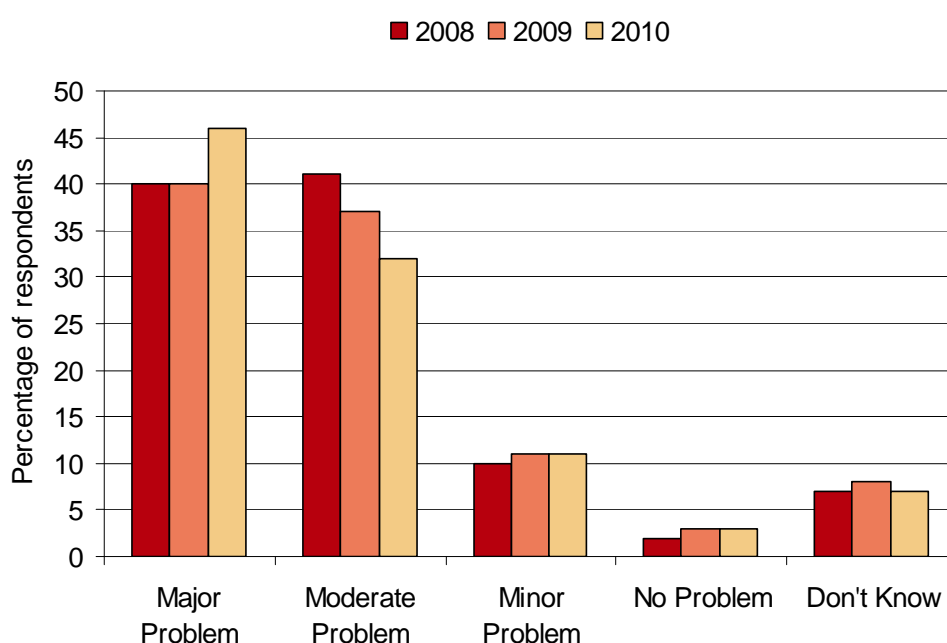
4. Attitudes towards Compliance

This section describes attitudes towards compliance and evasion, in terms of prevalence and acceptability. It includes analyses of the association between attitudes about fairness of the tax regime and the acceptability of evasion.

4.1 Prevalence of income tax evasion

The majority of individuals said that, in their view, income tax evasion is a considerable problem⁸. In 2010, 46 per cent of individuals described income tax evasion as a major problem with a further 32 per cent stating that it is a moderate problem. A further 11 per cent felt that income tax evasion was a minor problem, with 3 per cent saying that income tax evasion was not a problem.

Figure 4.1: Whether income tax evasion is perceived to be a problem, 2008-10



Unweighted base: 2,167 in 2008; 2,054 in 2009; 2,076 in 2010

The proportion of individuals who describe income tax evasion as a major problem has risen from 40 per cent in 2008 and 2009 to 46 per cent in 2010. This change appears to have been accompanied by an equivalent drop in the proportion of individuals who feel income tax evasion is a moderate problem (**Figure 4.1**).

The survey does not permit an identification of what may be responsible for this alteration in attitudes, but the changes in perceptions have been similar for employees and self-employed individuals.

4.2 Acceptability of income tax evasion

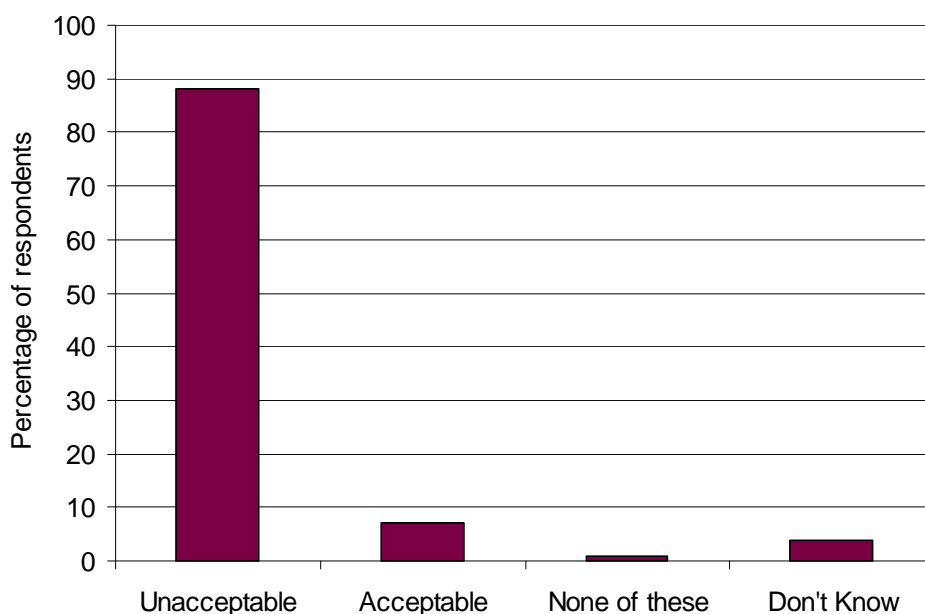
In 2010, 88 per cent of individuals stated that tax evasion was unacceptable compared to 7 per cent who stated that it was either always or mostly acceptable, depending on the circumstances (**Figure 4.2**).

⁸ This question is used as a broad indicator of respondents' views. It is possible respondents interpret the question in different ways.

These results are similar to those found in 2008 and 2009. The data show the perceptions of employees and self employed individuals regarding income tax compliance are also similar.

This suggests that, although individuals feel that non-compliance is prevalent in society, they do not think that income tax evasion is acceptable.

Figure 4.2: Whether income tax evasion is perceived to be unacceptable, 2008-10



Unweighted base: 2,069

4.3 Fairness and acceptability

The majority of individuals therefore believe that tax evasion is unacceptable, either always or in most circumstances. Furthermore, there is no statistically significant association between the acceptability of income tax evasion and whether individuals agree or disagree that the level of income tax they pay is fair.

This may suggest that perceptions of the acceptability of income tax evasion are not affected by dissatisfaction with the level of income tax⁹. However, individuals are more likely to believe that income tax evasion is unacceptable if they feel that HMRC is fair in its dealings with them.

In 2010, individuals who disagreed that HMRC is fair in its dealings with them were more than three times as likely to state that tax evasion is acceptable than those who said that HMRC treat them fairly (**Table 4.1**).

Further work is needed to understand the nature of this weak association more fully. Taken in isolation, the results above cannot be used to show that there is a causal link between the perceived fairness of HMRC and the acceptability of evasion.

⁹ Owing to the small number of respondents who say that tax evasion is acceptable, the unweighted base sizes on which this analysis is based are also small. However, the numbers are sufficient to satisfy the criteria for a valid test for statistical significance (chi-square test).

Table 4.1: HMRC is fair in its dealings with me by acceptability of evasion, 2010¹⁰

%	Income tax evasion is always or mostly acceptable	Income tax evasion is always or mostly unacceptable	Total
Agree HMRC are fair in their dealings with me	5	95	100
Neither agree nor disagree that HMRC are fair in their dealings with me	7	93	100
Disagree HMRC are fair in their dealings with me	18	82	100
Total	7	93	100

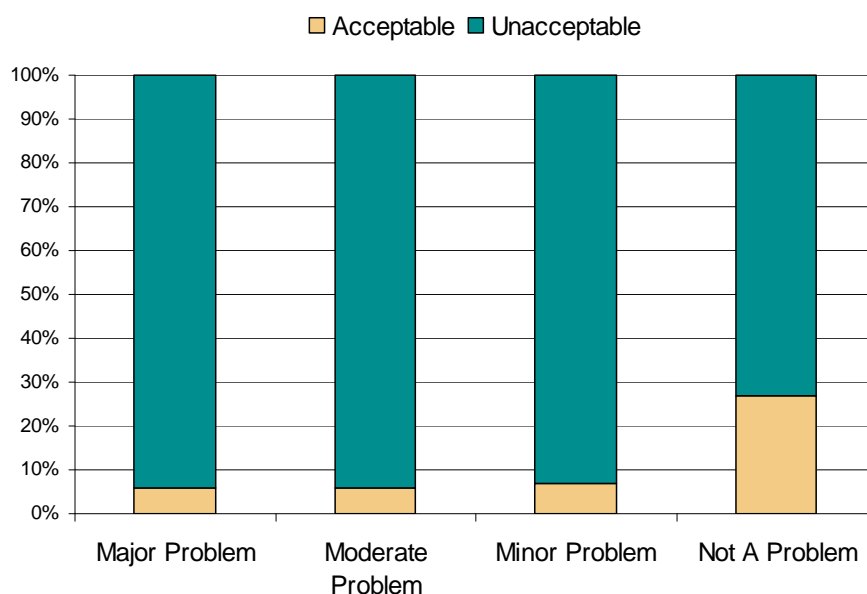
Unweighted base: 119 acceptable; 1,703 unacceptable

4.4 Perceived prevalence and acceptability

As hypothesised, there is also an association between the perceived prevalence of evasion and attitudes towards the acceptability of non-compliance among individuals. As Figure 4.3 below shows, people who said evasion was not a problem were more than four times more likely to say that evasion was always or mostly acceptable than those who said evasions was a major or moderate problem.

The processes underpinning this weak association are not fully understood, and may reflect that the CPS question used to gauge the perceived prevalence of evasion could be interpreted in a variety of ways by different individuals.

Figure 4.3: Perceived prevalence of evasion by acceptability of evasion, 2010¹¹



Unweighted base: 119 acceptable; 1,747 unacceptable

¹⁰ Chi Square = 28.943 (p<0.001); Cramer's V = 0.126

¹¹ Chi Square: 30.848 (p<0.001); Cramer's V: 0.129

5. Perceived Chances of Detection

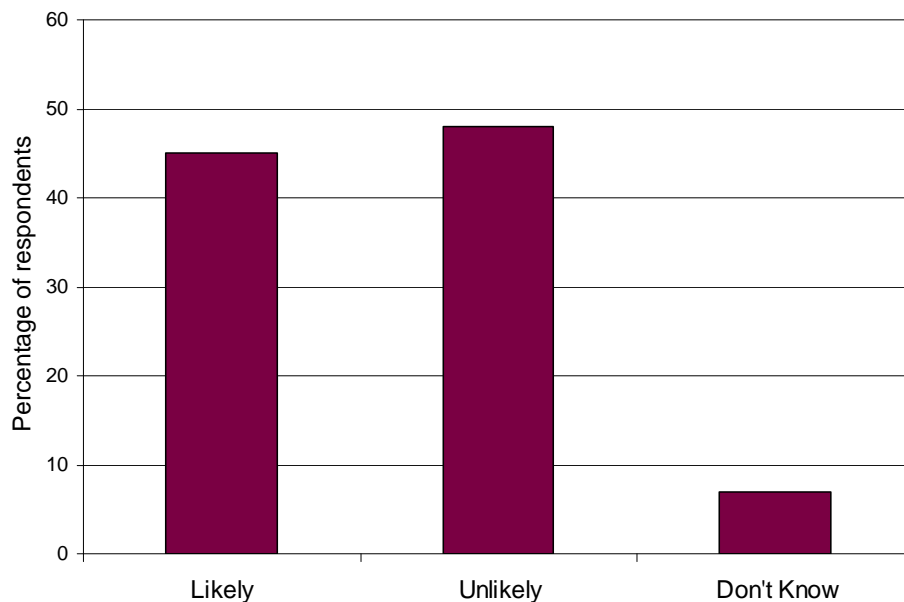
This section describes individuals' perceptions of how likely it is that they and others will be detected for income tax evasion.

5.1 Perceived likelihood of being caught

Individuals are divided in their opinion as to whether regular income tax evaders are likely to be caught, with similar proportions of people saying that detection is likely and unlikely.

In 2010, 45 per cent of individuals stated that it was likely that evaders would be caught compared to 48 per cent who felt it was unlikely¹². These results are similar to previous years (**Figure 5.1**).

Figure 5.1: Perceived likelihood other individuals will be caught for regular tax evasion, 2010



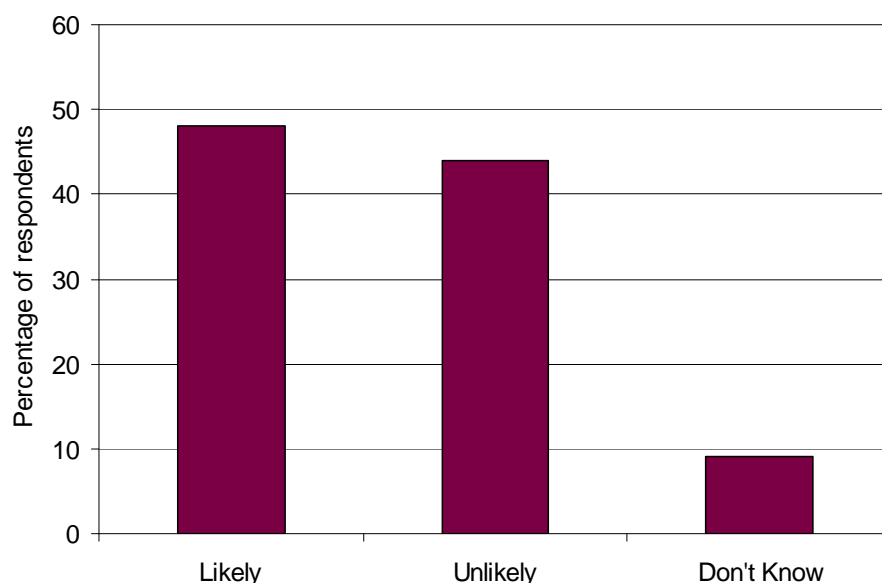
Unweighted base: 2,076

As well as asking how likely respondents perceive the chances of detection to be for people in general, the CPS asks individuals whether it is likely or unlikely that they personally would be caught if they regularly did not declare cash income.

Similar proportions of individuals felt that detection if they did not declare cash income was likely and unlikely. In 2010, 48 per cent of individuals stated it was likely that they personally would be caught if they regularly failed to declare cash income. In contrast, 44 per cent felt such detection was unlikely (**Figure 5.2**).

¹² The difference between the two proportions is not statistically significant.

Figure 5.2: Perceived likelihood respondent will be caught for not declaring cash income, 2010



Unweighted base: 2,167

5.2 Perceived chances of detection for self and others

The evidence suggests that there is a moderate, statistically significant association between the perception of personal risk of detection for regularly not declaring cash payments, and the risk of detection for other individuals who regularly evade income tax¹³.

Table 5.1: Likelihood of capture for regular tax evasion, 2010

%	Very likely I would be caught	Quite Likely I would be caught	Not likely I would be caught	Not at all likely I would be caught	Total
Very likely others would be caught	57	27	11	5	100
Quite likely others would be caught	17	53	23	6	100
Not likely others would be caught	15	18	55	13	100
Not at all likely others would be caught	13	14	26	48	100
Total	20	32	35	13	100

Unweighted base: 372 Very likely I would be caught; 586 Quite likely I would be caught; 664 Not likely I would be caught; 223 Not at all likely I would be caught

¹³ Chi-square = 671.505 (p<0.001); Kendall's tau-b = 0.368

The survey cannot tell us what lies behind this association but individuals who perceive a high risk of detection for themselves also view the risk of detection for tax evasion as high for the people more generally. As **Table 5.1** shows:

- 57 per cent of individuals who say it is very likely others will be caught for tax evasion also state that it is very likely they personally will be caught for not declaring cash income on the regular basis.
- In contrast, 13 per cent of those who do not think it is likely others will be caught for regular evasion say it is very likely that they personally will be caught.

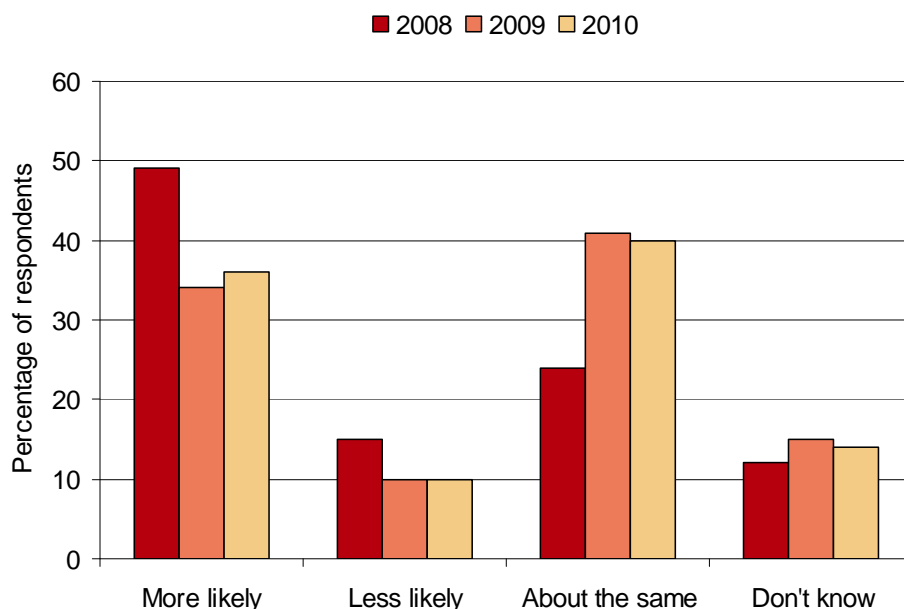
5.3 Changes to perception over time

When asked whether detection was more or less likely in 2010 compared to the previous year, 36 per cent of individuals stated that they perceived detection to be more likely. This compares to 10 per cent who felt that detection was less likely and 40 per cent who felt that the likelihood of detection had not changed¹⁴.

In 2008, 49 per cent of individuals felt that HMRC was more likely to catch evaders in that year compared to the previous 12 months.

The percentage of individuals who believe HMRC is less likely to catch evaders now compared to the recent past has declined. In 2008, 15 per cent of respondents said HMRC was less likely to catch evaders than in the previous year, compared to 10 per cent who gave this response in 2009 and 2010 (**Figure 5.3**). This does not imply that the perceived likelihood of being caught has decreased, as discussed in section 5.1. Rather, it suggests that there has been an increase in the perception that HMRC will detect regular evasion, with perceptions about HMRC activity stabilising in recent years.

Figure 5.3: Perceived likelihood HMRC will catch evaders compared to last year, 2008-10



Unweighted base: 2,167 in 2008; 2,054 in 2009; 2,076 in 2010

¹⁴ These results do not reflect changes in the actual rate of detection by HMRC.

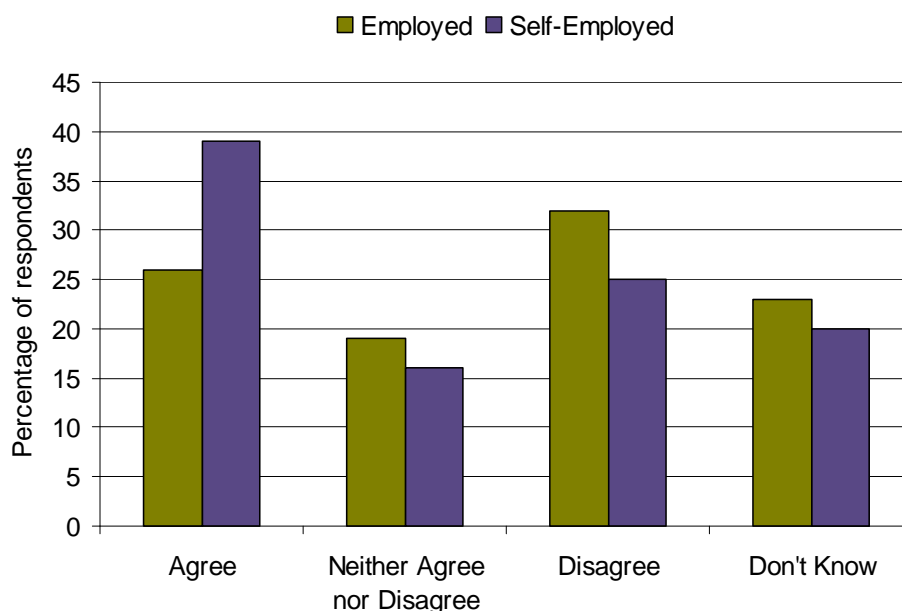
6. Attitudes towards HMRC Sanctions

This section covers findings from questions asking about individuals' awareness of the potential sanctions associated with non-compliance and how effective these sanctions are perceived to be.

6.1 Financial penalties

There is an awareness of the financial penalties which can be imposed after tax evasion is detected¹⁵. In 2010, 28 per cent of individuals agreed that the financial penalties for evasion were sufficient to deter potential tax evaders compared to 30 per cent who disagreed. A further 19 per cent neither agreed nor disagreed with the statement.

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



Unweighted base: 1,688 employed; 604 self-employed

Self-employed individuals were more likely to state that the financial penalties associated with detection were sufficient deterrents. In 2010, 39 per cent of self-employed individuals felt that the financial penalties were sufficient to deter evasion compared to 26 per cent of employees (**Figure 6.1**).

6.2 Other types of sanction

Respondents were also asked to name other penalties above those which were financial which could result from HMRC detecting income tax evasion, particularly when the evasion became public knowledge. Respondents could give more than one answer to the question¹⁶.

¹⁵ Qualitative research to test the CPS questions carried out by PFRC suggests that individuals view 'financial penalties' as the fines which can be imposed by HMRC or the courts following a successful prosecution for income tax evasion. Individuals also identify fines for late submission of SA forms or late payment as financial penalties.

¹⁶ See Section 2.5 for further details about how these data has been analysed.

More than three-quarters of individuals (76 per cent) described other consequences which could result from evasion. The majority of those who did not mention other consequences (21 per cent) did not know of any, with a small number (2 per cent) stating that there were no penalties other than financial.

The majority of individuals who knew of consequences other than financial penalties which could result from evasion stated that evaders could receive a prison sentence (65 per cent), with 36 per cent stating that a criminal record may result from detection.

Table 6.1: The non-financial penalties associated with income tax evasion, 2010

Consequence	Percentage of individuals who answered question
Prison sentence	65
Criminal record	36
Social stigma	23
Embarrassment	19
Financial problems	18
Other	15
Negative impact on job prospects	14
Negative impact on credit record	11
Negative impact on ability to start up in business	9
Total number of individuals¹⁷ (millions)	36.92

Unweighted base: 1,576 individuals

Other extrinsic motivators¹⁸ were also identified as important, for example 18 per cent of respondents felt that those caught could suffer financial problems, and 14 per cent of felt that detection could have a negative impact on job prospects.

Social motivators were also important with 23 per cent of respondents saying that social stigma could arise from detection with 19 per cent feeling that embarrassment would be suffered by those caught.

6.3 Reasons for complying

When respondents were asked why they personally would not regularly evade income tax¹⁹ 13 per cent said that they would not do so because of the probability of being caught and 10 per cent said they were deterred by the potential penalties and other adverse consequences.

¹⁷ This is the weighted base. The unweighted base is given beneath the table.

¹⁸ Extrinsic motivators are drivers which are imposed on the individual or organisation which can change their behaviour. These include fines and other penalties such as criminal prosecution. Intrinsic motivators in contrast are internal to the individual or organisation, and relate to identity. They include the desire to behave in a manner which satisfies the demands on conscience.

¹⁹ See Section 2.5 for further details about how these data has been analysed. This section reports spontaneous responses to the question about why respondents comply with income tax, to which survey participants could provide one answer.

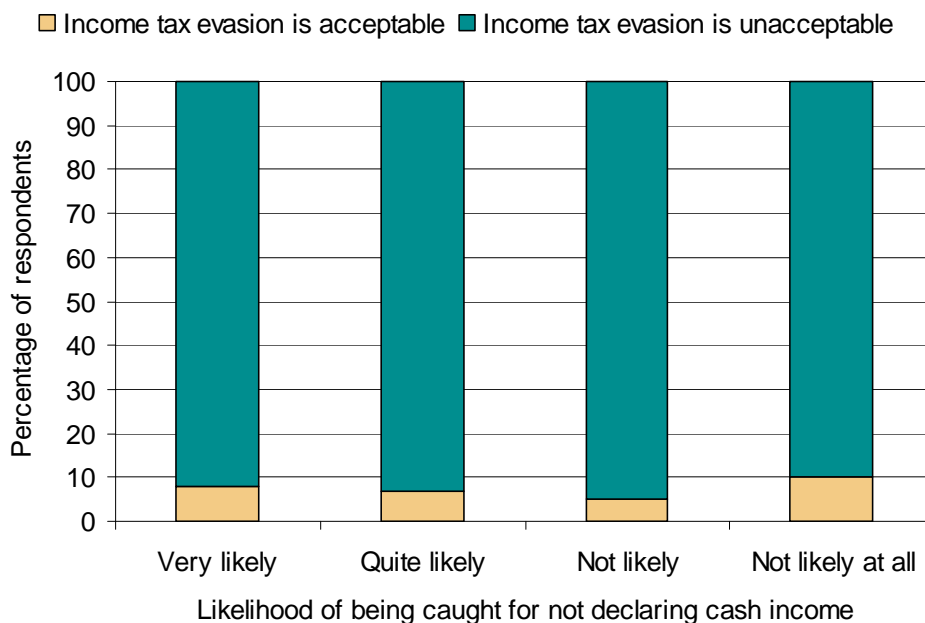
Although this suggests that the consequences imposed by HMRC can deter non-compliant behaviour, there was also evidence to suggest that intrinsic motivations were also important deterrents for around one in four individuals. In 2010, 13 per cent said that they would not evade tax because it is unfair to other taxpayers to do this, with a further 13 per cent stating that tax evasion is immoral.

Around one in three individuals (33 per cent) stated that they avoided evading income tax because do to so is illegal. Just over one in ten respondents (12 per cent) gave a different reason for not evading income tax, and 5 per cent said that they did not know.

However, although this may suggest that the potential of being caught could reduce non-compliance, the likelihood of detection for not declaring cash income is not associated with individuals' attitudes towards income tax evasion.

As **Figure 6.2** shows, similar proportions of individuals view tax evasion as unacceptable, regardless of their perception of the likelihood of being caught. There is no statistically significant association between individuals' perception of the acceptability of tax evasion and their views as to the likelihood of being caught for failing to declare cash income²⁰.

Figure 6.2: Likelihood of being caught for not declaring cash income by perceived acceptability of evasion, 2010



Unweighted base: 123 acceptable; 1,717 unacceptable

²⁰ Chi-square = 4.315 (p=0.229); Cramer's V = 0.048

References

Allingham, M. and Sandmo, A. (1972), 'Income Tax Evasion: A Theoretical Analysis', *Journal of Public Economics*, 1, pp 323-338

Alm, J. et al (1992), 'Estimating the Determinants of Taxpayer Compliance with Experimental Data', *National Tax Journal*, 45 (1), pp 107-114

Cummings, R. et al (2006), Effects of Tax Morale on Tax Compliance: Experimental and Survey Evidence, Berkley Programme in Law and Economics, Working Papers Series, available at: <http://escholarship.org/uc/item/8sh2w9fp.pdf> (accessed 04/11/2011)

Feld, L. et al (2006), Rewarding Honest Taxpayers? Evidence of the Impact of Rewards from Field Experiments, Center for Research in Economics, Management and the Arts (CREMA) Working Papers Series, Number 16, available at: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.81.463&rep=rep1&type=pdf> (accessed 04/11/2011)

ONS (2008) Labour Market Statistics December 2008, Newport: ONS

ONS (2009) Labour Market Statistics December 2009, Newport: ONS

ONS (2010) Labour Market Statistics December 2010, Newport: ONS

Wenzel, M. (2005), 'Misperceptions of Social Norms about Tax Compliance: From Theory to Intervention', *Journal of Economic Psychology*, 26, pp 862-883

Appendix A: Survey Questions 2008-10

A.1 Introduction

This appendix presents the main CPS questions for 2008-10 which were included on the ONS Opinions Survey. The data collected are presented in Appendix B.

A.2 Survey Format and Questions

Introduction 1

The next set of questions are about tax compliance. The questions are being asked on behalf of HM Revenue and Customs.

I would like to remind you that all of your responses will be treated as confidential and not attributed to you.

Question 1 (MBQ_7)

Please tell me whether you agree or disagree with the following statement:
The level of income tax I pay is generally fair.

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know (Spontaneous only)

Question 2 (MBQ_8)

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

HM Revenue and Customs treats me fairly in my dealings with them.

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know (Spontaneous only)

Question 3 (MBQ_9)

Can I check, did you submit a self assessment tax return (an income tax return) in the last year?

Please prompt.

- (1) Yes, I submitted a tax return myself
- (2) Yes, but an accountant/adviser/agent submitted it on my behalf
- (3) No, I did not submit a tax return, but I should have
- (4) No, I did not submit a tax return as I didn't need to

Question 4 (MBQ_10) – asked if respondent answered (1) to Question 3

Thinking about the amount of time and effort you personally spent completing your income tax return or self assessment form, would you say this was...

Running prompt

- (1) reasonable,
- (2) neither reasonable nor unreasonable,
- (3) or unreasonable?
- (4) Don't know (Spontaneous only)

Question 5 (MBQ_11) – asked if respondent answered (2) to Question 3

Thinking about the amount of time and effort you personally spent providing the information required by the person who completed your income tax return or self assessment form, would you say this was...

Running prompt

- (1) reasonable,
- (2) neither reasonable nor unreasonable,
- (3) or unreasonable?
- (4) Don't know (Spontaneous only)

Introduction 2

The next questions are about income tax evasion. By income tax evasion, we mean deliberately not declaring all the income that should be declared for tax purposes. For example, if someone works cash-in-hand and does not declare this money for tax purposes.

Question 6 (MBQ_12)

In your view, do you think that income tax evasion is...

Running prompt

- (1) a major problem,
- (2) a moderate problem,
- (3) a minor problem,
- (4) or not a problem at all?
- (5) Don't know (Spontaneous only)

Question 7 (MBQ_13)

How likely would you say it is for people who regularly evade paying income tax to get caught?

- (1) Very likely
- (2) Quite likely
- (3) Not likely
- (4) Not at all likely
- (5) Don't know (Spontaneous only)

Question 8 (MBQ_14)

Suppose you regularly did some cash-in-hand work and did not declare this money for tax purposes. How likely do you think it is that HM Revenue and Customs would find out about this?

- (1) Very likely
- (2) Quite likely
- (3) Not likely
- (4) Not at all likely
- (5) Don't know (Spontaneous only)

Question 9 (MBQ_15)

Do you think people who regularly evade paying income tax are more or less likely to be caught by HM Revenue and Customs now than they were in [year]²¹?

- (1) More likely
- (2) Less likely
- (3) About the same
- (4) Don't know (Spontaneous only)

Question 10 (MBQ_16)

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

The financial penalties HM Revenue and Customs can impose are sufficient to deter people from regularly evading income tax?

If the respondent just states that they do not know, clarify whether they do not know because they don't know the penalties or do not know for any other reason and then code the right option.

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know - other reason (Spontaneous only)
- (7) Don't know because don't know penalties (Spontaneous only)

²¹ The reference is the previous year. For example, in 2010 respondents the question asked "whether people who regularly evade income tax are more or less likely are more likely to be caught by HM Revenue and Customs now than they were in 2009".

Question 11 (MBQ_17M)

Above and beyond any financial penalties HM Revenue and Customs can impose, what other consequences are there for people caught evading income tax, especially where it becomes public knowledge?

Do not prompt on response options. Record spontaneous answers against response options.

Code all that apply

- (1) Social stigma
- (2) Embarrassment
- (3) Negative impact on job prospects
- (4) Negative impact on credit record
- (5) Negative impact on ability to start up in business
- (6) Financial problems
- (7) Criminal record
- (8) Prison sentence
- (9) No other consequences
- (10) Other (Please Specify)
- (11) Don't know/ Can't think of any

Question 11 Specify (MBQ_Spec1)

Please specify other consequence(s) for people caught evading income tax

Please write in all other responses.
Collected as text data.

Question 12 (MBQ_19)

Please tell me which of the four statements comes closest to your own views about income tax evasion.

Please record respondent's own view rather than what they think the society believes.

- (1) It is always acceptable
- (2) It is mostly acceptable (but depends on the circumstances)
- (3) It is mostly unacceptable (but depends on the circumstances)
- (4) It is always unacceptable
- (5) None of these
- (6) Don't know (Spontaneous only)

Question 12 Specify (MBQ_19a)

Can you tell me about the circumstances when you think income tax evasion would be acceptable? – asked if respondent answers (2) to Question 12

OR

Can you tell me about the circumstances when you think income tax evasion would be unacceptable? – asked if respondent answers (3) to Question 12

Collected as text data

Question 13 (MBQ_20)

And can you tell me the main reason why you wouldn't regularly evade income tax?

Do not read out but prompt for one main reason if necessary.

- (1) Because it's illegal
- (2) Because of the penalties/consequences I could face
- (3) Because it is unfair to other taxpayers
- (4) Because it is immoral
- (5) The probability/likelihood of being caught
- (6) Other (Please specify)
- (7) Don't know

Question 13 Specify (MBQ_Spec2) – asked if respondent answered (6) to Question 13

Please specify other reason(s) why you wouldn't regularly evade income tax
Collected as text data.

Appendix B: Survey Data 2008-10

B.1 Introduction

This appendix presents the main CPS questions and the responses given from 2008 to 2010. The criminal prosecution questions and responses, which were asked in December 2010 only, are presented in Appendix C.

Open questions, where participants could volunteer their own answer rather than selecting from responses provided by the interviewer, have not been included here.

The exception is where interviewers have categorised survey responses against 'pre-codes' supplied by ONS to help manage the data, shown in tables **B.11** and **B.13** (questions MBQ_17M and MBQ_20 on which these tables are based are shown in Appendix A). If an 'other' response was best classified into one of the pre-codes, the appropriate correction was made as discussed in section 2.5. These corrected data are presented here.

Percentages are based on weighted data to correct for sample design and non-response. Respondents who refused to answer the question are excluded from the analyses.

The total population size increased each year, but weighted bases for 2010 are lower than in 2009 due to an increase in the number of respondents refusing to answer individual questions. Information about the unweighted number of respondents who refused to answer each question is given in each table.

Weighted bases are rounded to the nearest 10,000. Weighted percentages are rounded to the nearest whole percent. Numbers may sum to 99 or 101 per cent due to rounding. The unweighted numbers of individuals who refused to answer each question are also presented.

B.2 Survey Output

Table B.1: Whether agree the level of income tax I pay is generally fair (Question 1)

Response	Percentage of Individuals		
	2008	2009	2010
Strongly agree	4	5	7
Agree	34	40	38
Neither agree nor disagree	18	16	20
Disagree	27	22	19
Strongly disagree	10	8	7
Don't know (spontaneous)	7	8	8
Weighted base (millions)	47.65	48.03	47.70
Unweighted base	2167	2053	2070
Number of refusals	5	5	23

Table B.2: Whether agree HMRC treat me fairly in their dealings with me (Question 2)

Response	Percentage of Individuals		
	2008	2009	2010
Strongly agree	5	6	10
Agree	48	50	45
Neither agree nor disagree	25	21	27
Disagree	7	6	5
Strongly disagree	3	2	2
Don't know (spontaneous)	12	15	9
Weighted base (millions)	47.64	48.11	47.76
Unweighted base	2166	2055	2072
Number of refusals	6	3	21

Table B.3: Completed self assessment tax return (Question 3)

Response	Percentage of Individuals		
	2008	2009	2010
I submitted a tax return myself	10	12	11
An accountant/adviser/agent submitted it on my behalf	9	9	10
I did not submit a tax return, but I should have	1	1	1
I did not submit a tax return as I didn't need to	79	77	78
Weighted base (millions)	47.47	48.06	48.36
Unweighted base	2162	2052	2085
Number of refusals/don't knows	10	6	8

Table B.4: Whether effort spent completing own self assessment return was reasonable (Question 4)

Response	Percentage of Individuals		
	2008	2009	2010
Reasonable	60	68	62
Neither reasonable nor unreasonable	17	14	23
Unreasonable	20	12	14
Don't know (spontaneous)	3	6	1
Weighted base (millions)	4.75	5.80	4.89
Unweighted base	217	230	201
Number of refusals	0	0	3

Table B.5: Whether effort providing agent with information for self assessment return was reasonable (Question 5)

Response	Percentage of Individuals		
	2008	2009	2010
Reasonable	68	71	72
Neither reasonable nor unreasonable	19	14	15
Unreasonable	9	9	9
Don't know (spontaneous)	4	5	4
Weighted base (millions)	4.37	4.44	4.76
Unweighted base	202	176	200
Number of refusals	0	0	3

Table B.6: Perceived prevalence of income tax evasion (Question 6)

Response	Percentage of Individuals		
	2008	2009	2010
A major problem	40	40	46
A moderate problem	41	37	32
A minor problem	10	11	11
Not a problem at all	2	3	3
Don't know (spontaneous)	7	8	7
Weighted base (millions)	47.65	48.09	47.90
Unweighted base	2167	2054	2076
Number of refusals	5	4	17

Table B.7: Perceived likelihood of being caught for regular income tax evasion (Question 7)

Response	Percentage of Individuals		
	2008	2009	2010
Very likely	10	9	10
Quite likely	39	34	35
Not likely	39	41	39
Not likely at all	7	8	8
Don't know (spontaneous)	6	8	7
Weighted base (millions)	47.65	48.08	47.90
Unweighted base	2167	2053	2076
Number of refusals	5	5	17

Table B.8: Perceived likelihood I would be caught for not declaring cash-in-hand work (Question 8)

Response	Percentage of Individuals		
	2008	2009	2010
Very likely	21	22	19
Quite likely	29	26	29
Not likely	33	33	32
Not likely at all	11	10	12
Don't know (spontaneous)	7	9	9
Weighted base (millions)	47.65	48.11	47.90
Unweighted base	2167	2054	2076
Number of refusals	5	4	17

Table B.9: Perceived likelihood HMRC will detect regular evasion compared to last year (Question 9)

Response	Percentage of Individuals		
	2008	2009	2010
More likely	49	34	36
Less likely	15	10	10
About the same	24	41	40
Don't know (spontaneous)	12	15	14
Weighted base (millions)	47.65	48.11	47.90
Unweighted base	2167	2054	2076
Number of refusals	5	4	17

Table B.10: Whether agree the financial penalties are sufficient to deter regular evasion (Question 10)

Response	Percentage of Individuals		
	2008	2009	2010
Strongly agree	5	6	6
Agree	24	24	22
Neither agree nor disagree	21	20	19
Disagree	21	21	22
Strongly disagree	7	6	8
Don't know because I don't know the penalties (spontaneous)	17	19	18
Don't know – other reason (spontaneous)	5	4	6
Weighted base (millions)	47.65	48.13	47.74
Unweighted base	2167	2056	2071
Number of refusals	5	2	22

Table B.11: What other penalties there are for being caught for tax evasion (Question 11)

Response	Percentage of Individuals		
	2008	2009	2010
Social stigma	18	15	18
Embarrassment	21	14	14
Negative impact on job prospects	14	9	11
Negative impact on credit record	11	7	8
Negative impact on ability to start up business	6	6	7
Financial problems	15	10	14
Criminal record	25	22	28
Prison sentence	40	38	50
Other – please specify	7	9	11
Don't know/can't think of any (spontaneous)	22	28	21
No other consequences	5	3	2
Weighted base (millions)	47.58	48.09	48.28
Unweighted base	2163	2054	2084
Number of refusals	9	4	9

Table B.12: Perceived acceptability of tax evasion (Question 12)

Response	Percentage of Individuals		
	2008	2009	2010
It is always acceptable	3	2	3
It is mostly acceptable (but depends on the circumstances)	6	6	4
It is mostly unacceptable (but depends on the circumstances)	29	27	25
It is always unacceptable	57	61	64
None of these	1	1	1
Don't know (spontaneous)	3	3	4
Weighted base (millions)	47.58	48.13	47.63
Unweighted base	2163	2056	2069
Number of refusals	9	2	24

Table B.13 Main reason for not evading income tax (Question 13)

Response	Percentage of Individuals		
	2008	2009	2010
Because it is illegal	34	34	33
Because of the penalties/consequences I could face	9	9	10
Because it is unfair to other taxpayers	16	12	13
Because it is immoral	14	14	13
The probability/likelihood of being caught	13	13	13
Other (please specify)	10	13	12
Don't know (spontaneous)	5	6	5
Weighted base (millions)	47.60	48.10	47.60
Unweighted base	2165	2054	2068
Number of refusals	7	4	25

Appendix C: Criminal Prosecution Questions and Data 2010

C.1 Introduction

This appendix presents the criminal prosecution questions and responses, which were asked in December 2010 only of 982 respondents. This pilot exercise was undertaken in order to test the questions before including them as a regular module on the CPS in future years.

Percentages are based on weighted data to correct for sample design and non-response. Respondents who refused to answer the question are excluded from the analyses.

Weighted bases are rounded to the nearest 10,000. Weighted percentages are rounded to the nearest whole percent. Numbers may sum to 99 or 101 per cent due to rounding. The unweighted numbers of individuals who refused to answer each question are also presented.

C.2 Criminal Prosecution Questions

Introduction

The following questions are asked on behalf of HMRC and are about penalties for tax evasion.

Question 1 (MBQc_1)

Are you aware that people who evade paying tax are committing a criminal offence, and could get a criminal record or go to prison?

'Criminal offence' is defined as breaking UK law.

'Tax' relates to the tax paid to HMRC, such as income tax, corporation tax and VAT. Not council tax or car tax.

- (1) Yes
- (2) No
- (3) Don't Know
- (4) Refusal

Question 2 (MBQc_2) - asked if respondent answers 'yes' to Question 1

Do you think people who regularly evade paying tax are more or less likely to be prosecuted now than they were in 2009?

- (1) More likely
- (2) Less likely
- (3) About the same
- (4) Don't know (Spontaneous only)

Question 3 (MBQc_3)

How far do you agree with the following statement 'The chances of being prosecuted by HMRC are sufficient to deter people from regularly evading tax'?

If the respondent just states that they do not know, clarify whether they do not know because they don't know what the criminal penalties are or they do not know for any other reason

- (1) Strongly agree
- (2) Agree
- (3) Neither agree or disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know because I don't know the criminal penalties (Spontaneous only)
- (7) Don't know, for any other reason (Spontaneous only)

Question 4a (MBQc_4a)

Are you aware of people who have been recently prosecuted by HMRC for evading tax?

'Aware of people' means: Individuals and organisation that the respondent may have heard about or know in the UK, e.g. through the media or word of mouth.

- (1) Yes
- (2) No
- (3) Don't Know
- (4) Refusal

Question 4b (MBQc_4b) – asked if respondent answers 'yes' to Question 4a

Where did you hear about people being prosecuted for evading tax?

Sources can be all forms of communication, whether media or friend/family.

- (1) On TV/ papers/ media
- (2) I know them personally
- (3) From a family/ friends/ word-of-mouth
- (4) I am aware that people can be prosecuted for tax evasion but do not know about a specific case
- (5) Other (Please specify)
- (6) Don't know/can't remember
- (7) Refuse

Question 4b Specify (MBQc_4bSpec) – asked if respondent answers 'yes' to question 4a and 'other' to question 4b

Please specify where you heard about people being prosecuted for evading tax.

You cannot use 'Don't know' alongside other codes

You cannot use 'Refuse' alongside other codes

This information is collected as text data.

C.3 Attitudes towards Criminal Prosecutions

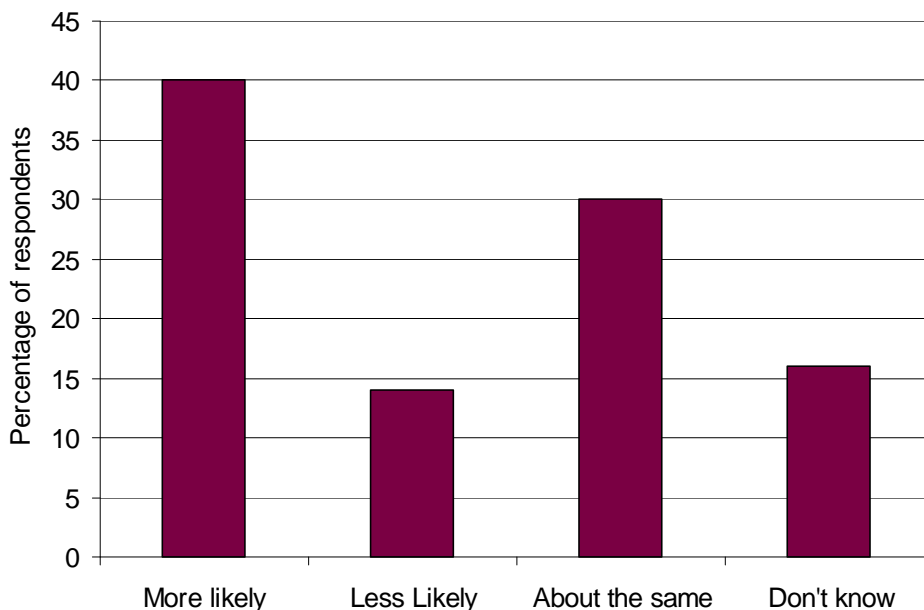
Although these results can be taken to give indications about perceptions of criminal prosecutions in the general population, they are based on smaller sample sizes. Estimates may therefore be less precise and should be treated with caution²².

C.3.1 Prosecutions and compliance

The majority of individuals (94 per cent) are aware that people who evade income tax are committing a criminal offense, and could potentially receive a criminal record or go to prison. The remaining individuals answered 'no' (3 per cent) or 'don't know' (2 per cent) to the question.

Opinions are divided as to whether regular tax evaders are more likely to be prosecuted now compared to the previous year. Around two out of every five respondents (40 per cent) stated that it was more likely that regular evaders would be prosecuted compared to 14 per cent who stated that it was less likely. A further 30 per cent said that the probability of prosecution was the same now compared to the previous year (**Figure C.1**).

Figure C.1: Likelihood of prosecution for tax evasion compared to last year



Unweighted base: 930

Similarly, opinions are divided as to whether the chances of being prosecuted by HMRC are sufficient to encourage taxpayers to comply. When asked whether the chance of prosecution was sufficient to deter potential evaders, 41 per cent agreed and 36 per cent disagreed.

A further 16 per cent of individuals neither agreed nor disagreed with the statement, 5 per cent said they did not know what the criminal penalties were and 3 per cent said they did not know for another reason.

²² Following the successful 2010 pilot and further cognitive testing by PFRC, the criminal prosecution questions will be included in future years of the survey.

C.3.2 Awareness of criminal prosecutions

This may relate to a lack of personal acquaintance with individuals who have been prosecuted for non-compliance by HMRC. Most individuals (82 per cent) said they were not aware of anyone who had been prosecuted. Around 13 per cent of individuals stated that they were aware of people who had been recently prosecuted, via one or more sources of information.

More than three quarters of the respondents who were aware of someone who had been prosecuted for tax evasion had found out about the prosecution through the media (76 per cent). For a smaller number of individuals, awareness of criminal prosecutions for tax evasion came from more familiar sources.

Nearly one in five respondents (18 per cent) heard about it from family or friends and 5 per cent of individuals who were aware of someone who had been prosecuted knew the taxpayer personally (**Table C.1**).

Table C.1: Sources of Awareness of Criminal Prosecutions

Source	Percent of Individuals
On TV, in the papers or the media	76
From a family member, friends or word of mouth	18
Other source	7
I know them personally	5
Don't know or can't remember	1
I am aware that people can be prosecuted for tax evasion but do not know about a specific case	1
Total number of individuals²³ (millions)	6.52

Unweighted base: 127

In 2010, 7 percent of respondents stated that they had heard about tax evasion from another source. The majority of these respondents said that they had heard about tax evaders through their job, or industry or trade sources²⁴.

²³ This is the weighted base. The unweighted base is given beneath the table.

²⁴ For the few respondents who gave an answer to this question which did not fit into one of the given pre-codes in Table C.1, ONS supplied the text of their answer. These data were coded using content analysis. HMRC will include 'through work' as a pre-code for this question in future years.