



Research report

Honesty Declarations

Exploring Reaction to Changes to the Honesty Declaration on Self Assessment Tax Returns

Central Customer and Strategy

February 2013

Honesty Declarations – Self Assessment***About Central Customer & Strategy (CC&S)***

Central Customer & Strategy Directorate owns HMRC's customer-centric business strategy through customer insight and customer tools and leads all strategy formation across the Department.

The role of CC&S is to put customer understanding at the heart of all the Department's activities and plans so that business decisions are designed to maximise influence on customer behaviour to achieve HMRC's principal objectives: maximising tax revenues, reducing administrative costs, and improving customers' experience.

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Research requirement (background to the project)

HMRC is exploring changes to the honesty declaration on the Self Assessment (“SA”) return, both online and on paper, and wanted to investigate the positioning, format and language of the honesty declaration in order to understand the potential impact on behaviours. A more effective declaration would ideally combine one or more of the following:

1. Increase revenue (by increasing compliance)
2. Increase efficiency (by reducing ‘errors’ and therefore less HMRC contact)
3. Impact the customer experience positively (by having less contact with HMRC overall) and have no negative impact on the customers’ views of HMRC or HMRC’s reputation.

It has been established that honesty declarations at the beginning, rather than the end, can generate positive results in terms of accuracy of information and propensity to complete forms honestly. A study into car insurance in the US saw an increase in the miles declared (and therefore higher premiums) when the honesty declaration was positioned up front¹. Clearly, by acting on a number of behavioural levers, in this case ‘priming’ and ‘commitment’ from the MINDSPACE framework, there are benefits to be had for HMRC.

Research was required to explore a number of early stage ideas on how the honesty declaration could look in the future.

When the research took place

Research was conducted between 16th and 23rd October 2012

Who did the work (research agency)

2CV
www.2cv.com

Method, Data and Tools used, Sample

Qualitative research was conducted: 6 x 90 minute focus groups and 10 x 75 minute in-depth interviews. The research sample was made up of SA tax return filers who fell into HMRC’s recognised attitudinal customer segments. There was a mix of those who file their SA tax online and those who complete a paper return.

¹ Shu L, Gino F, Bazerman M et al (2011), *When to Sign on the Dotted Line? Signing First Makes Ethics Salient and Decreases Dishonest Self-reports*, Working Paper 11-117, Harvard Business School

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Main Findings

Key Headlines from Research

Currently the honesty declaration can feel quite inconspicuous on both paper and online returns. There is a clear opportunity for the declaration to perform more effectively and encourage people to be both more careful with their return (i.e. reducing errors) and to declare fully.

On this evidence, an upfront declaration could work to cause a reappraisal of behaviours, without any negative implications to HMRC's reputation or experience for customers of filling in the SA return.

Some of the options explored for the placement of the honesty declaration could make more compliant customer segments feel that HMRC is targeting them. This could be the case if there are multiple (and identical) declarations to fill in. Customer sensitivity may have been heightened by the media reporting of recent current events (incidence of tax avoidance by high profile, high profit commercial enterprises).

There was more tolerance from less compliant segments for HMRC to 'nudge' them into declaring more fully as:

- They envisaged it as targeting people less compliant than them, but it did lead to a reappraisal on just how much they can get away with; and
- It felt as though HMRC is being more proactive in making sure people honestly declare on the SA return.

Observations of the Sample

It is clear across the sample that customers treat their tax return seriously, as people take care and time over filling it in. Typically respondents claimed that the SA return is completed over a number of days, rather than in one sitting – though some do leave the return to the last minute to complete.

While SA is not taken lightly, it is still a process that can provoke a range of emotions including nervousness and resentment. Customers felt that completion of the form engenders a degree of focus and desire to 'get it right' so that they avoid the consequences of an incorrect return as well as scrutiny from HMRC. However, despite these 'fears', there is a sense that once the SA return is completed people quickly forget any detail around filling in the return. Few people could remember where the honesty declaration is currently located on the form and there was very little spontaneous awareness of the language used on the declaration. The honesty declaration is currently not prominent and is little noticed. On this evidence, there is an opportunity to raise awareness of the declaration.

The more compliant segments shared a belief that they complete the forms to the best of their ability and as such there was resentment of any perceived targeting of the honest majority

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rather than the proactively ‘dishonest’. They therefore had a low tolerance for messages from HMRC they perceived as hectoring or accusatory.

The less compliant segments commonly recognised that their own behaviours may provoke a reaction from HMRC. As a result there was higher tolerance for being reprimanded and more scope for a harsher ‘tonality’.

Online vs. paper completion

On balance, each filing format was seen to deliver real benefits for users. Those who preferred the online process felt it afforded them more security (log in via govt. gateway using unique ID; uploading return guarantees it reaches HMRC). In addition, the online process allows more lead time to complete returns. Critically, online advocates believed that they would be less likely to make errors as the online process checks figures ‘match’ and will not allow customers to continue unless relevant sections are completed. It should be noted that as online completion can feel easier and more straightforward to customers, it can engender a more ‘passive’ attitude to completion.

Paper filers cite both emotional and practical benefits for their preferred SA return option. For this audience, posting a hardcopy feels more ‘real’ than emailing the assessment. Practical benefits focus on the tangible nature of the paper return:

- Prompts back checking
- Delivers ability to photocopy and retain for records
- Form can be checked by others (family, friends)

Reaction to the Ideas

Overall:

Research has affirmed that an upfront declaration will prompt a reassessment of behaviours. A declaration at the beginning of the SA Return does result in people feeling more inclined to ‘tell the truth’. Many compared the idea to swearing an oath or giving a statement in court. Asking customers upfront to declare their honesty could act as a nudge throughout the SA return: i.e. they have already declared their intent to do the ‘right thing’.

It was widely commented that, when signed at the end, there is often little desire to go through the form again to correct ‘mistakes’ and ‘errors.’ In addition, a signature symbolises the end of a process for many as it is typically the last element of the SA form to be completed. Customers still need a symbolic ‘sign off’ at the end of the form to provide this sense of closure.

Nevertheless, only a handful of people noticed that the declaration had moved on the prototype forms. When exploring the mock-ups, most are unsure about changes – moving the signature box was noticed more than changes to the declaration.

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The proposed changes to the honesty declaration can impact on views of HMRC. There was a belief by some that the motivation behind the changes is to encourage compliance (more accurate/honest declarations) and ultimately to gather more tax, which is resented by the more compliant segments who can feel they are being targeted.

Reaction to Specific Ideas:

1. Changes to the position of the declaration

Positioning the declaration towards the start of the form serves to prime customers to consider how they complete it and the accuracy of information provided. An unfamiliar positioning can prompt consideration of how returns need to be completed and can also prompt back-checking.

The idea of multiple signatures / initialling at particular points of a document to signify understanding or agreement is a format familiar to many (mortgage applications, tenancy agreements etc. typically given as examples). The declarations positioned at the start of specific sections can effectively work as a prompt and encourage people to focus on what they are filling in. This said, there is a danger that using too many declarations throughout the SA return can create default behaviours, where people sign the declarations without engaging.

If considering dual declarations at different points in the form, care should be taken to use sufficiently differing language and phraseology for each to allow customers to differentiate between the two. Customers fail to understand the rationale of two declarations if both use identical phrasing and this can affect impact.

2. Changes to the signing process

‘Simplification’ of the signing process provoked mixed responses:

- Online filers are accustomed to ‘ticking’ to confirm and therefore broadly accepting of this type of approach
- Paper filers reject the idea of something equally ‘unsophisticated’ on a paper format.

Paper (and some online) filers were concerned that an over-simplified way of signing lacks validity: it does not equate to a legally binding signature – no way to prove ‘signatory’ is who they claim. They also felt that it is open to abuse and is unsecure.

As noted, online filers felt that the system they currently use is not open to misuse given that the log-in process (access via gateway) is secure and prevents improper access.

Respondents reacted extremely negatively to any format change they perceive as infantilising the process (i.e. copying and writing out the declaration). The rationale for ‘copying’ was

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understood to encourage customers to read and understand what they are signing. But this idea antagonised all customers. Copying felt punitive and unnecessary and some felt it demonstrates a shift in HMRC's position (less tolerant of non-compliant behaviour).

3. Changes to the declaration format

When presented with an SA return with pre-printed personal details, customers failed to observe the personalisation. When this detail is pointed out to customers, they initially respond positively as there is some emotional benefit in having a personalised form. This said it is unlikely that a variant that includes this type of detail will be a trigger to behaviour change.

Any process whereby customers actively have to commit to figures and make an active choice regarding what amounts to declare elicited a lot of support from respondents e.g. requesting a 'nil return'.

Actively completing figures was considered a subtle approach to getting people being more honest. It can also ensure that people are more careful as it forces them to check every box.