HM Revenue & Customs

Research report

Charities online registration and variations service

Qualitative research with charities

Behavioural Evidence & Insight Team

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About PT Change

PT Change is a "Directorate" within HMRC's Personal Tax (PT) line of business and is principally concerned with overseeing and bringing together for PT a Portfolio of Programmes which will help transform HMRC business, led by customer understanding.

The PT Change Portfolio will deliver all the changes to processes, structure and systems needed to deliver better services to our customers and enable savings from within PT.

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Research requirement (background to the project)

In 2010, following a report from the UK Digital Champion, the Government announced its 'Digital by Default' strategy whereby as many services as possible are moved online and designed to be so straightforward that those who can access them will choose to do so, while those who cannot are offered alternatives so that they are not excluded. This multi-stranded research programme explored how HMRC's customers are likely to respond to digital services and why, and to understand their needs so that services can be designed to be as effective as possible.

Charities and CASCs (Community Amateur Sports Clubs) that wish to register with HMRC or to change the details that HMRC holds about them, currently need to download a form from the HMRC website, fill it in electronically, print it off, sign it, then send it to HMRC in the post. HMRC intends to develop an enhanced online service for charities and CASCs, one aspect of which will be to replace the print-and-post forms with a fully digital service that is tailored to each organisation's situation.

This report focusses on the design and functionality of the forms, and examines charities' and CASCs' current use, experiences and perceptions, and requirements of them, in order to understand what customers would want from a digital process

When the research took place

Fieldwork took place between 23rd February and 3rd March 2014. Analysis and reporting took place in March 2014.

Who did the work (research agency)

The research was conducted by TNS-BMRB.

Method, Data and Tools used, Sample

The research comprised 2 focus groups, 7 depth interviews and 1 paired depth interview with authorised officials of charities, and 6 depth interviews with authorised officials of CASCs. (28 respondents in total). Respondents included charities and CASCs who had recently registered with HMRC, and charities and CASCs who had recently applied to change their details with HMRC. Quotas were set for the size of the charities and CASCs being interviewed and the level of digital confidence of the responsible official being interviewed.

Fieldwork took place in London, Birmingham, and Oxford. Participants were shown copies of the paper forms for registering a charity or CASC with HMRC and the forms for changing the details registered with HMRC.

Main Findings

Current Situation

Authorised Officials

The authorised officials of charities and CASCs were a varied population. Some were the chair or executive of their organisation; others were vice-presidents and secretaries; others held a dedicated financial position such as treasurer; others held a purely administrative role at the organisation. All were familiar with the term 'authorised official', and knew that it referred to them and their position at their organisation.

Of the authorised officials in the sample, the great majority (and among smaller and medium-sized charities nearly all) were volunteers working for charities in their spare time. Many were working full- or part-time jobs alongside their voluntary work, and so work done on behalf of charities frequently took place outside of office hours.

Authorised officials also varied widely in terms of their age, experience in dealing with tax and financial matters, their experience and confidence as administrators, their levels of IT literacy and confidence in dealing with online transactions, and their perceptions of HMRC.

The most confident and experienced often came from professional backgrounds – some had experience as lawyers, accountants, and company directors. Those who had experience of completing SA or VAT returns for themselves or others also tended to be more confident about communicating and transacting with HMRC. The least confident tended to be those who came from a background with little financial or business experience, or who were now retired. Regardless of their level of confidence and experience, few had encountered much need for regular contact with HMRC in their capacity as authorised official.

Authorised officials described a variety of support networks that they made use of, both when initially setting up as a charity or CASC (for those who had been involved in that process) and when applying to register with HMRC or requesting a change in their registered details. There were four main sources of support and advice discussed:

- Other Charities/CASCs: Many authorised officials reported speaking to friends or existing contacts who had experience in charity/CASC administration for advice, both amongst those initially setting up their charities and those registering with HMRC for the first time. Some sought very broad, general advice or encouragement from these contacts. Others asked for specific advice regarding registration processes, or the documents that they would need to prepare when completing registration forms.

- Parent Organisations: Charities and CASCs who formed part of a larger umbrella organisation (for example, individual branches of the Air Cadets or Brownies) would

sometimes turn to their parent organisation's central administration to receive support and guidance. In addition to generic advice about making an application or registering as a charity/CASC, these parent organisations were sometimes responsible for providing centrally held information that was used by individual branch organisations to set up as a charity or to complete a registration form. (For example, some charities reported asking their parent organisation for text explaining the charity's objectives.)

- Online Support: Many authorised officials, especially those without access to personal or organisational support networks, used the internet when seeking advice or guidance. Although internet search engines tended to be the first port of call, most reported using the websites of official bodies such as the Charities Commission and HMRC, who were seen as best placed to provide advice and guidance for charities and CASCs.

- HMRC Call Centre: Contacting the HMRC call centre was another frequently reported source of advice and guidance. This was most consistently used by authorised officials who had difficulty locating online support; who lacked confidence in using the internet; or who found online support insufficient to answer their queries.

A few authorised officials reported using an agent to assist in the completion of registration forms, and in some cases to take full responsibility for them.

General Opinions of the Print-and-Post Format

Few authorised officials reported significant objections to the current print-and-post format of the Application and Variation forms.

Some felt that the print-and-post forms were 'official' and found the use of a printed paper document reassuring. It allowed for double-checking and signing by several separate individuals, and produced a clear 'paper trail' for record-keeping purposes. For some this felt appropriate for a transaction with a government body. These feelings were not exclusive to the less digitally confident: some who were completely comfortable transacting online still felt that paper forms were reassuringly official.

Others felt that the print-and-post format was outdated, and compared it unfavourably to the online services they had made use of elsewhere: these individuals cited the online services offered by banks, the Charities Commission and Companies House. Some who made use of HMRC's online services for SA customers also made reference to these as another point of comparison. These views were most common amongst individuals with higher levels of digital confidence, but not exclusively so.

There were a few points regarding the print-and-post process that caused widespread irritation:

- Many authorised officials had experienced a slow response from HMRC to their submission of the Application and Variation forms. Many had waited several months (in some instances over 6 months) to receive a response from HMRC after their form had been submitted. This caused particular irritation when the response from HMRC indicated that errors had been made in the completion of the form and that it would need to be resubmitted. A few complained about the delay or chased up with HMRC to find out when they should expect to hear back, but others simply accepted the delay or 'forgot' about the form.

- The fact that the form could not be printed out whilst key sections were incomplete was an irritation for some who wanted to be able to print out the form in advance so that they could check what information was going to be needed. Others wanted or expected to be able to fill the form in by hand.

- There was widespread uncertainty about some of the terminology used in the forms. In particular, many authorised officials were uncertain about 'Responsible People', 'Nominees' and 'Collection Agencies'. The fact that the form needed to be downloaded as a .pdf file meant that many authorised officials saw the completion of the forms as an 'offline' process that was distant from available online support. As a result, few used the embedded hyperlinks to online guidance. Although HMRC's online guidance includes clarification on some of the terminology that had confused respondents, those who did find their way to this guidance were often daunted by the level of detail provided and found the guidance difficult the navigate.

Other issues with the print-and-post process were less common, but still shared by a number of respondents:

- Some felt that there was a lack of clarity about which fields on the form were mandatory, and were unclear about exactly what information they needed to have access to when beginning to fill in the form.

- Some had experienced difficulty navigating to the forms within the Charities section of the HMRC website, reporting that the forms were not sufficiently clearly signposted from the main Charities page.

- Some assumed that it was not possible to save progress in the forms and return to them, and were concerned about losing data that had been entered if the form was not completed and printed in one session.

Charities Applications Form

Authorised Officials' Expectations and Assumptions

The charities in the sample varied considerably. Some were large organisations with international scope; others were small church-based organisations. Some were loss making; others had sizable profits. There were also a mixture of charities that had been recently established and charities which were longstanding and had been set up many decades ago. Some of these longstanding charities had never registered with HMRC before, while others had needed to re-register due to a lapsed previous registration.

Authorised officials had mostly been prompted to complete the Applications form in order to achieve a separate goal. Most commonly, authorised officials wished to register their charity with HMRC in order to claim Gift Aid on donations. Some also cited other motivations, including the ability to avoid paying tax on bank interest, and to pay a charities rate when setting up a broadband connection for their offices. Completion of the application form was therefore seen by many as one step in a wider process, and not an end in itself. This made it particularly frustrating when the response from HMRC appeared to be slow: the Applications form became an impediment to what the charity actually wanted to achieve.

Comparisons were drawn between the Applications form and transactions with other organisations. Authorised officials drew on their experiences with Companies House, the Charities Commission, their banks, and other HMRC services (such as VAT registration, Self Assessment returns) when thinking about other registration processes they had used. Experiences of these other transactions created expectations of what a registration process 'should' be like.

Experience of the Form

Few authorised officials reported significant problems with the Applications form and the information that it required. However, there was a widespread sense that the process as a whole was more complicated than it needed to be.

Respondents tended to be most comfortable with processes that were familiar to them, intuitive to use, and quick to complete. Ideally they would also have access to simple guidance and support, and receive feedback or a response quickly once the transaction had been completed. Authorised officials cited transactions with banks and with Companies House as being amongst the easiest to use.

By contrast, the registration process for charities with HMRC (and also with the Charities Commission) was an unfamiliar process that seemed longwinded, did not provide an immediate response, and lacked sufficiently clear guidance. Smaller charities in particular felt that the form was insufficiently tailored to their needs, and treated them the same as a large commercial organisation in terms of the information requested and knowledge assumed.

The main complicating factor when it came to completing the Applications form was uncertainty about what exactly needed to be entered in to some of its fields:

- Some authorised officials, especially the less experienced working for smaller charities, described being unclear about what certain pieces of information actually were (such as a Unique Taxpayer Reference or Company Registration Number), and could not tell from the form why this information was needed.

- Some were uncertain about which fields were mandatory. Less confident officials were sometimes daunted by the sight of fields which requested information that they did not have, and that did not make sufficiently clear the fact that not every charity would necessarily have this information (such fields included the Unique Taxpayer Reference and VAT Registration Number).

- Some were confused by requests for information that they felt had the potential to change over time. This included information regarding a charity's postal address and responsible individuals, as well as the countries they operated in.

Another key point of confusion was around signatories to the form:

- There was uncertainty regarding how many further signatories were needed: some were unsure if they counted as a Responsible Person or if they needed to provide another individual's signature; some were uncertain how many Nominees needed to be named. A number of officials reported having to re-submit their forms because they lacked the correct number of signatories.

- Many were uncertain why further signatories were needed. It was unclear if they were providing a secondary validation of the form's contents and 'signing off' on the form for the benefit of HMRC, or if they were simply being listed as additional contacts. This uncertainty raised questions about whether or not the additional signatories needed to actually see a hard copy of the form.

- There was also uncertainty regarding how the signatures needed to be gathered. Authorised officials reported a variety of ways in which they had done this. Some had saved the pdf form and emailed this to the other signatories, who had filled out their details (including an electronic signature) and emailed it back. Some had received scanned images of signatures from the other signatories. Some had printed the form and gathered ink signatures, either in person or via post. There was felt to be a lack of clarity about what the 'proper' method was. Needing to acquire multiple signatures was a particular frustration for those authorised officials who were volunteers acting outside of office hours, as they often lacked reliable means of contacting the other individuals.

All of these confusions were exacerbated by the way in which many authorised officials set

about completing the form. Most simply began to work through the form field by field without first checking to see what information they would need to be providing. Unexpected questions presented obstacles to this process, and proved daunting to those who were less confident. Additionally, the fact that guidance was separate from the form itself (and was instead found on the HMRC website) meant that it was not effective in heading off immediate confusion, as accessing guidance also interrupted the intuitive 'flow' of completing the form field by field.

CASC Applications Form

Authorised Officials' Expectations and Assumptions

As with charities, the CASCs in the sample covered a broad range of clubs and organisations. They varied in terms of their membership size and turnover, and were involved in a wide variety of sporting activities including sailing, cricket, football, and bowls. Some had been more recently established, some had been in existence for decades (one sailing club claimed to have been founded in 1647).

CASCs had been prompted to register with HMRC for a variety of reasons. Some had been encouraged by other CASCs they knew; some had been prompted by a specific change (for example planning to construct a new building and wanting to avoid paying business rates); others wanted to avoid Corporation Tax or claim Gift Aid on donations. On the whole, the application process was not as 'urgent' a procedure for CASCs as it was for charities, and the benefits of a successful registration had less direct impact. The authorised officials of CASCs therefore tended to approach the registration process in a more relaxed way.

When comparing the Applications form to other processes they were familiar with, CASCs tended to reference registering for membership with their parent bodies (such as the Football Association and Royal Yachting Association) and transactions completed with organisations such as Companies House and banks.

Experience of the Form

Few authorised officials of CASCs reported significant problems with the Applications form. As with the other forms, there were common complaints about the time it had taken for HMRC to respond to a submission (although as noted, CASCs generally felt under less time pressure to register than charities did).

The other problem which arose for some CASC authorised officials regarded the governing documents that were required to be provided:

- Of the 6 CASCs involved in the research, 4 had been rejected on their first attempt at submitting the Applications form because of issues that had arisen with the constitution they had attached. These authorised officials were confused about what they 'should'

have said in order to 'get through' the process. Some were frustrated that documents which had been accepted by their governing bodies were rejected by HMRC.

- Some also felt that HMRC's standards had been inconsistently applied, and cited CASCs they knew with similar constitutions that had been accepted because of slight differences in wording. Several had had to seek out advice from other CASCs on how best to meet HMRC's standards, and felt that this did not seem appropriately 'official'. These authorised officials expressed a desire for clearer guidance, and perhaps templates for acceptable governing documents that could be provided by HMRC.

Variations Form

Authorised Officials' Expectations and Assumptions

Authorised officials completing the Variations forms for charities and CASCs again represented a wide variety of organisations. The most commonly cited cause for reporting a variation was a change in an organisation's authorised official or other personnel. A few had contacted HMRC to change their organisation's address or bank details

For the most part, the need to report a change of details of HMRC was not top-of-mind for authorised officials. Most reported having been prompted to complete the Variations form as part of a different process. The most commonly reported cause was among representatives of charities who had been attempting to claim Gift Aid but had been told they would be unable to because the details they had registered with HMRC were inaccurate. Few instinctively reported changes of details to HMRC, and few when prompted were aware of precisely which changes in their organisation's details would need to be reported to HMRC. Those who had proactively submitted details of a change in details were mostly authorised officials with previous professional experience of dealing with tax affairs.

As with the applications forms, authorised officials drew comparisons with other services that they were familiar with: again these included registering changes of details with the Charities Commission, Companies House, banks and other HMRC services.

Experience of the Form

Few had experienced significant problems with the Variations form, and it was generally seen to be simpler and more intuitive than the Applications form. There was less confusion over the details that needed to be entered into the form's fields, although a few had uncertainties:

- Some were confused by the field requesting information on 'Any other changes'. Given the existing uncertainty over when a change of details needed to be reported to HMRC, and which details exactly needed to be reported, authorised officials were uncertain what level of detail needed to be provided here, and what other kinds of

change of details might need to be reported. Most chose to focus on the fields relevant to the change of details they knew they needed to report.

- Some were confused that the first page of the form requested a charity's contact details twice. They were uncertain if one of the addresses needed to be that of the authorised official, or if both ought to be the same.

Although the form itself was intuitive for most, there remained some concerns that the process of completing it was more complicated than was necessary. Several authorised officials made reference to the change of details process used by the Charities Commission, which took place online and was tailored to the needs of the official making the change. This was seen to be easier and more straightforward than the HMRC print-and-post process.

As above, authorised officials who had been prompted to complete this form in the midst of a different process (e.g. charities applying for Gift Aid) found the lengthy wait for an acknowledgement from HMRC to be particularly frustrating, and a clear downside of using the print-and-post forms.

Potential Online Service

Although the current print-and-post forms were widely accepted by most authorised officials, there was agreement that there were ways in which customer experience and satisfaction could be improved. The suggestion of a new online service was positively received when it was seen to be able to remedy these issues by offering an intuitive, flexible service that could cater for the needs of users with a wide variety of levels of experience and confidence. Specifically, authorised officials were keen for a service that could provide:

- Swifter HMRC response: The most common complain about the print-and-post process was the time it took for HMRC to get back to authorised officials about the outcome of their submission. It was expected that an online service would provide swift (possibly immediate) acknowledgement of receipt once an application was submitted, and at this point provide an estimate of how long a full response would take. It was also hoped that an online application would be easier for HMRC to check for errors and omissions, and that the processing and response time to a submission would be faster overall.

- Improved guidance: Authorised officials responded positively to the idea that support and guidance would be more easily accessible through an online service. This support was expected to be embedded in the online service and therefore immediately accessible. It was also expected to be provided in a 'bite-size' form that corresponded to official's exact questions about a specific element of the service (rather than the more general guidance currently provided).

- Ability to check progress: Authorised officials also responded positively to the idea that an online service might be able to provide a sense of 'progress' as they made their way through the form, providing encouragement by showing how much of the form had been completed and what details still remained to be added.

- Ability to save the form: The idea that authorised officials would be able to save their progress through the form and return to it at a later moment was also seen as a potential advantage of an online process.

- Clarity regarding information required: Many authorised officials (especially among those completing the Charities Applications form) requested a clearer list of the documentation and information that would be required to complete the form. Ideally a 'checklist' would be provided near the beginning of an online application, before any data had been entered. These officials were also keen for greater clarity regarding which fields were mandatory, which fields were optional, and the reasons why various pieces of information needed to be provided.

- Clarity regarding role of signatories: Many authorised officials (again especially among those completing the Charities Applications form) wanted greater clarity around who needed to validate or sign off on their submitted form, and why.

A common point of reference for many authorised officials was the online service provided by HMRC for completing a Self Assessment tax return online. The fact that this service tailored itself to the needs of the user made it a potentially useful model. Thus an online service for Applications/Variations could begin by asking the authorised official using it a range of questions regarding their organisation. The idea that, as a result of this, subsequent instructions and information could be tailored to the needs of that organisation was positively received. (For example, in an Application form, a charity without a Unique Taxpayer Reference would not be asked for one; or in a Variation form, a CASC would only be asked to input details about the change they intended to make.)

While the idea of an online service was largely received positively, a few concerns remained around aspects of the current process that involved explicitly 'offline' work:

- Authorised officials completing the Applications form submitted their governing documents and accounts in hard copy. Some of these documents were very large, raising logistical questions about how these would be uploaded. Authorised officials also wanted to know whether the documents could be presented as scans, or would need to be uploaded as raw files.

- For some charities, governing documents had to be requested in hard copy from parent organisations. These authorised officials wanted to know if an online service would require them to resubmit these documents if they had already been uploaded centrally by the parent organisation.

- Authorised officials also raised questions about the role of signatories in an online process. Would multiple account log-ins be needed for each signatory? Would each charity have a single online account which each signatory would log in to? This also raised the question of whether or not HMRC needed multiple signatories in order to validate the forms, or simply the contact details of a Responsible Person and Nominee. For most authorised officials, working with a single-signatory system seemed to be the simplest and most intuitive option for an online service. The authorised official would register, log in and take full responsibility for the details submitted. A few were concerned about this, and preferred the 'security' that came from having other individuals signing off on the forms as well.

Support Needs

Most authorised officials expected that an online service designed to replace the Applications and Variations forms would be simple, intuitive and able to stand alone without much need for support.

Of the options discussed during the research, the support channel that received the most positive reaction among authorised officials was the suggestion of '?' buttons which could provide further detail on a particular phrase or field on the form when clicked or hovered over. The immediacy of this kind of support (a user would not need to interrupt their filling of the form in order to use it), and the fact that it was likely to be directly tailored to the problem or confusion the user was experiencing, both appealed strongly.

More digitally confident users were keen for further in-depth support to be made available on a help page on HMRC's website, similar to that already provided as guidance for the existing downloadable forms. As part of an online service, it was hoped that this support would be easier to access and more clearly signposted from within the service. Less digitally confident officials were still concerned that the amount of information provided could be daunting.

The idea of 'live' support from either a helpline or web-chat facility appealed to users who felt that they would need to explain their difficulties to another person in order to have them resolved. Less digitally confident users tended to fall back on the idea of calling a helpline if they needed support – this is ingrained behaviour for many, and is what they habitually rely on at present. More digitally confident users showed a greater willingness to use a webchat service, often based on their existing experience of such services on other websites. Webchat also particularly appealed to volunteers who worked for their organisations out of office hours – it was hoped that webchat would have more flexible hours of operation than a call centre.

The idea of a 'call-back' or 'email-back' support service that would provide answers to authorised officials questions once they had requested support was less directly appealing: most wanted to receive an answer to their query immediately, and expected that questions

around the information that needed to be submitted or terminology on the webpage would be handled more promptly and directly by a '?' button service. As with webchat, the idea that this service would be usable out of office hours appealed to those authorised officials who were working for their organisations in their own time.