



HM Revenue
& Customs

Research report

Service Delivery and Attitudes to Tax Obligations

To understand whether customers' experiences of HMRC services influence their attitudes towards their tax obligations and their behaviour

September 2013

Service delivery and attitudes to tax obligations***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)

Two of HMRC's strategic objectives are to improve customer experience and to maximise revenue to close the tax gap. The objective of the research was to improve HMRC's understanding of how these two objectives relate to each other from the perspective of its customers, whether customers' experiences of HMRC services influence their attitudes towards their tax obligations and their behaviour.

The research was exploratory in nature and broad in scope. The range of customer services discussed by participants included the information and advice available, tone of communications, HMRC's accuracy, telephone helpline waiting times and penalties. All HMRC's service delivery channels were discussed. The potential attitudes and behaviours covered were also broad, ranging from accidental error to deliberate evasion.

The key objectives of the research were:

- To understand how customers define customer experience and what the most important areas of customer service are:
 - Explore the concept and importance of flexibility in customers' perceptions of good customer service
 - To understand what procedural fairness looks like to customers in terms of interactions with HMRC
- To test the hypothesis that customer experience has an impact on the propensity to be tax compliant and to understand how this manifests itself:
 - Identify what other factors affect tax compliance e.g. competence, empathy, experience of contacting HMRC, perceived complexity of the tax system;
 - Explore what would need to change about customer experience to make people less tax compliant
 - To gauge the impact that procedural fairness has on customers' propensity to be tax compliant

Service delivery and attitudes to tax obligations***When the research took place***

April and May 2013.

Who did the work (research agency)

The research was conducted by Opinion Leader.

Method, Data and Tools used, Sample

The research was qualitative in nature and consisted of eight focus groups across four locations (Bristol, Coventry, Leeds and London), followed by five depth interviews.

The five interviewees were individuals customers who had been selected from the focus groups in order to understand their experiences in more detail.

Sample was recruited from Individual customers and Small and Medium Enterprises (SMEs) who had been interviewed for the HMRC Customer Survey and agreed to be re-contacted for further research. All participants had contacted HMRC in the past year.

The sample was split between individuals in Self-Assessment and SMEs. The individuals sample were either employees, self-employed or in receipt of a pension and all completed a Self Assessment return, most also received PAYE income.

Individuals who received all their income via a PAYE source were not included in the scope of this research.

The SMEs sample were all the main financial decision maker regarding taxation in a company. They were either sole-traders, directors or owners of the business with fewer than 50 employees. There was some overlap between the individual and SME samples, as sole-traders in self-assessment could be in either sample. There was a mix of VAT registered and non-VAT registered businesses.

Participants were recruited to include a range of compliant and non-compliant behaviours and a range of satisfaction levels in recent experiences of HMRC service. ***The views of participants are therefore not representative of individuals and SMEs as a whole: non-compliant respondents and dissatisfied respondents were over-sampled.***

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Main Findings

Customer Experience

Customer experience is a multi-dimensional issue. For the participants in this research 'problem resolution' was the recurring factor in determining whether this experience is positive or negative.

Although 'problem resolution' is not a characteristic of the customer experience itself, but rather the outcome of it, the emphasis that participants placed on this reflects the nature of the relationship that this sample have with HMRC, remembering that dissatisfied respondents were over-sampled: for many participants this was often characterised by anxiety, low levels of confidence, and, at the most extreme, mutual suspicion. For these participants this meant that while they did not want to contact HMRC they were in a position where they had to do so to clarify their understanding of their obligations or deal with an issue on their tax affairs.

Customer experience can contribute toward the development of their relationship with HMRC either positively and negatively and the relationship influences customers' requirements from the experience. There was a strong degree of agreement across this sample that the most fundamental aspect of the experience was whether customers were treated fairly and flexibly, and that without this it would be very difficult for any customer to have a positive relationship with HMRC. Within this sample participants were open as to which channel services were delivered through, so long as it provided a positive experience.

The concepts of flexibility and fairness were closely linked by participants and in characterising them participants referred to the level of support available (and in particular whether this was transparent about their entitlements and any flexibility available over payment terms), the time commitment expected of them, and the 'harshness' with which SMEs were perceived to be treated.

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Compliance

Most participants did not believe that customer experience was a factor in driving deliberate non-compliance. This was felt to be a question of personal morality or appetite for risk. However, there were some participants who did link their non-compliance to past experience and most felt that improved experience could lead to changes in other aspects of their behaviour regarding their tax affairs, specifically reducing mistakes and improving timeliness.

Participants supported the logical link between the availability of information and support and the amount of error. And even if no error actually occurs, negative experience had led some participants to characterise their relationship with HMRC as one of anxiety and fear: for some this created increased contact with HMRC to seek reassurance that they were compliant; for others it led to them reducing their levels of contact with HMRC

Evidence from participants on the links between late payment and customer experience is more complex. While timely accessible information is necessary, fairness also plays a role here. Either on the basis of a presumption or in some cases previous experience, some participants felt that HMRC would judge harshly and be obstructive to SMEs and individuals in understanding their responsibilities and entitlements. Some participants referred to this creating a 'head in the sand' attitude where, despite a basic desire to be compliant, issues were not addressed because participants were reluctant to contact HMRC regarding them. Some respondents said that this had led to them making late payment.

Even though dissatisfied customers and non-compliant customers were over represented in this research sample, most rejected that there is a link between customer experience and deliberate non-compliance. However, for some respondents claimed that a perceived lack of fairness in their relationship with HMRC made them feel that they did not have a reciprocal obligation to behave fairly toward HMRC. Some participants claimed that this had led to them not taking care on the accuracy of their returns and, at the extreme, to deliberate evasion. The specific aspects of fairness mentioned as contributing to deliberate non-compliance were transparency and flexibility.

It should be borne in mind that within the context of this exploratory research it was not possible to test whether the relationship between customer experience and behaviour that some participants described reflected a real causal relationship or whether customer experience was being used to rationalise a behaviour that would have occurred in any case.