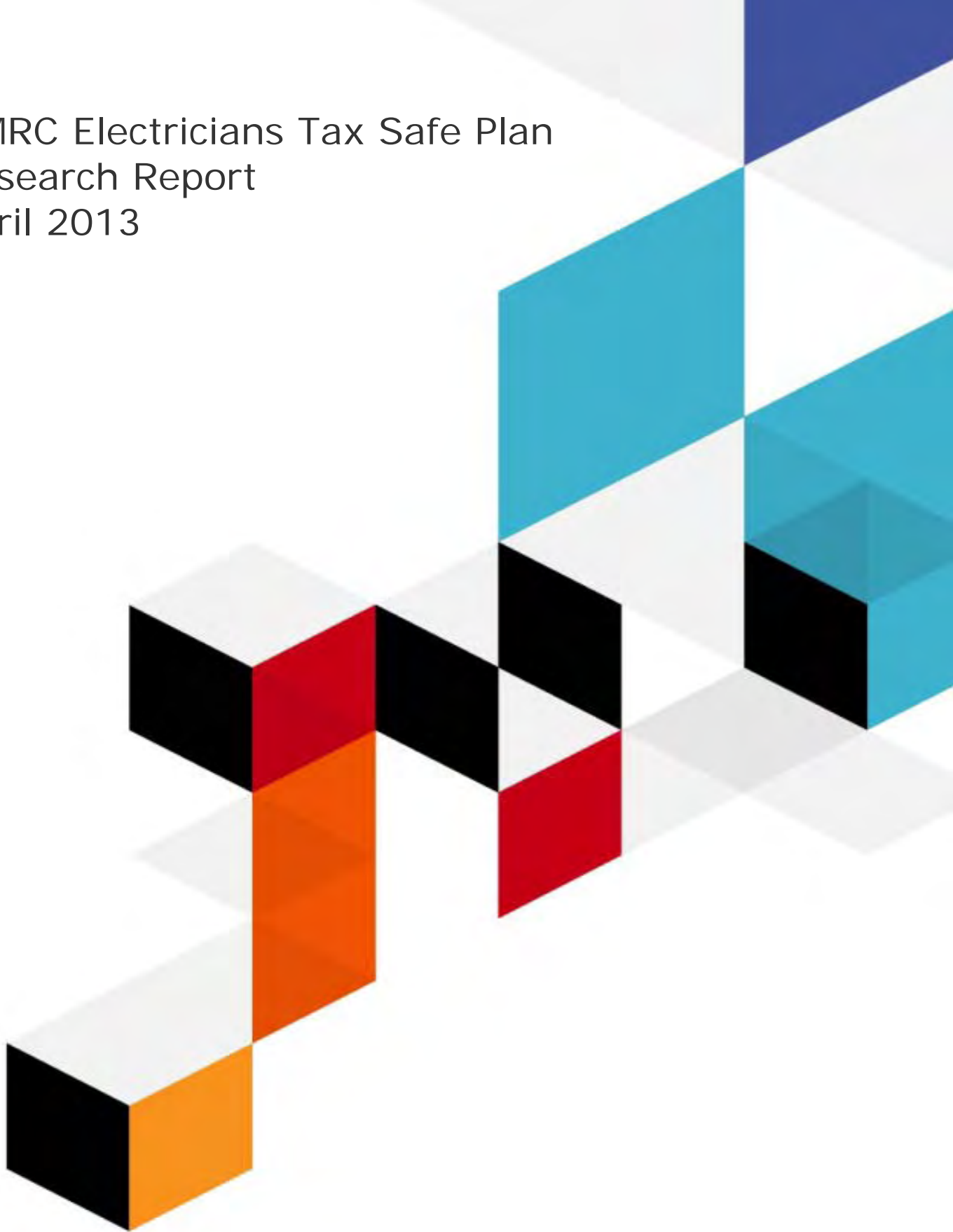


HMRC Electricians Tax Safe Plan
Research Report
April 2013



HM Revenue and Customs Research Report 260



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1. Glossary

For the purpose of this research report the definitions below have been used.

Tax gap	The difference between tax collected and the tax that should be collected (the theoretical liability). The theoretical tax liability represents the tax that would be paid if all individuals and companies complied with both the letter of the law and HMRC's interpretation of the intention of Parliament in setting law (referred to as the spirit of the law). The tax gap estimate is net of the Department's compliance activities.
Tax evasion	Tax evasion is illegal activity, where registered individuals or businesses deliberately omit, conceal or misrepresent information in order to reduce their tax liabilities. Evasion is the deliberate understatement of a declared source of income whereas the hidden economy is the non-declaration of an entire source of hidden income.
Tax avoidance	Tax avoidance is bending the rules of the tax system to gain a tax advantage that Parliament never intended. It often involves contrived, artificial transactions that serve little or no commercial purpose other than to produce a tax advantage. It involves operating within the letter but not the spirit of the law.
Small and medium sized businesses (SMEs)	A business or company with less than 250 employees and a turnover equal to or less than £50 million or a balance sheet total equal to or less than £43 million.
Self-employed	Any individual who runs their own business and takes responsibility for its success or failure. Self-employed individuals are responsible for their own tax and National Insurance contributions.
Trade body	An organisation that exists to support businesses in a particular industry.
Part P	Part P is a section of the Building Regulations relating to electrical safety in the home. All electrical work done in England and Wales must comply with BS7671 and Part P. To ensure that electrical work is completed to the required standard, electricians must be Part P registered.

2. Executive Summary

2.1. Introduction

HMRC's goal is to reduce the amount of unpaid tax (the "tax gap") and to ensure that its customers are provided with a professional and efficient service. One of HMRC's key activities therefore is to reduce tax evasion. One strategy for reducing tax evasion is through campaigns, which initially publicise a voluntary disclosure period for those in certain occupations who are known or suspected to under-declare their income. More lenient terms are offered as an incentive to disclose. Following the disclosure period, HMRC targets those whom its intelligence suspects should have disclosed but who have not done so. Campaigns seek to effect a voluntary improvement in compliance behaviour across the behavioural spectrum and not just from evaders.

The impacts of campaigns are wide ranging and can include:

- Maintaining the compliance of the already compliant because they see HMRC being even handed;
- Helping those who need help get things right;
- Giving the opportunity to put past mistakes right in a straightforward way; and
- Coming down hard on those who continue to choose not to comply either through a lack of care or from deliberate actions.

As part of campaigns, electricians were targeted in the 2012 "Electricians Tax Safe Plan" (ETSP). Here a "campaign" refers to all the activity associated with targeting a group and not merely the public communications element. As part of the campaign, sole trader electricians were sent a letter about voluntary disclosure and notices were also placed in national trade journals, on outdoor posters and on the radio. The voluntary notification and disclosure period ran from 14 February to the end of August 2012. Following this, HMRC has been undertaking targeted investigations among those whom it suspects should have disclosed but who did not, as well as looking into the information provided by disclosers.

Campaigns aim to achieve:

- Short-term financial return;
- Long term behaviour change by improving electricians' general awareness of HMRC's sustained determination to reduce tax evasion; and
- An improvement in electricians' underlying attitudes towards tax evasion.

HMRC wanted to evaluate the effectiveness of its campaign among electricians. Research comprised of pre and post campaign surveys were undertaken with this aim.

The purpose of this research is:

- To consider electricians views about HMRC, the tax collection system and whether attitudes towards tax evasion have shifted, and if this is particularly true of certain sub-groups; and
- Explore whether any such shifts seem to be associated with claimed awareness of the campaign publicity.

The evidence generated by the research will:

- Help HMRC to assess the persuasiveness of the publicity messaging and the effectiveness of the publicity media used in reaching the target audience;
- Refine what sort of behavioural, demographic or attitudinal groups it is most fruitful to target; and
- Inform the design of future campaigns.

2.1.1. Methodology

Two thousand interviews were conducted with a randomly selected sample of SME businesses providing electrician services in January-February 2012 prior to the start of the publicity for the campaign. The same number of interviews was then conducted among a separate sample in November-December 2012 after the end of the disclosure period. This design allows comparison of views pre- and post- ETSP campaign and therefore to assess its possible impact on views and attitudes relating to tax evasion.

The sample was of **businesses** rather than of individual electricians. The business sampled could have been a sole trader, a partnership, a limited liability company or a limited liability partnership. Each business had an equal chance of being included in the sample, regardless of turnover or number of employees. The sample was selected at random from a paid-for business database.

2.2. Campaign Measures

The research sought to provide a number of campaign related measures, including:

- Campaign awareness, both unprompted and prompted;
- Medium through which the campaign was seen/heard;
- Campaign messages and whether or not they were believable; and
- Self reported behaviour change as a result of the campaign.

Campaign Awareness

- HMRC campaign awareness among electricians rose following the ETSP campaign. Awareness of **any** publicity about HMRC activity in relation to tax compliance for specific trade sectors or occupations was **57%** post-campaign compared with only **20%** pre-campaign.
- **Total awareness** (post-campaign) of the ETSP campaign specifically was **55%**, compared to 13% pre- campaign. When including electricians who said they did not recall any publicity but went on to say they had received a letter from HMRC regarding the campaign, total awareness rises to **66%**.
- **Unprompted awareness** of the ETSP campaign was **42%**, accounting for the majority of electricians aware of the ETSP campaign.

- Awareness of HMRC publicity – both in general and ETSP specifically - **tended to be higher** both pre- and post-campaign among those belonging to a trade body and those who are Part P registered. However, the **increase** in campaign awareness post campaign was greater than average for **non-members** and those **not** registered.
 - Pre-campaign awareness of HMRC campaigns was lower for **smaller businesses** but after the ETSP campaign, these groups had higher levels of awareness than larger businesses.
 - These findings suggest that the campaign was more successful at reaching smaller businesses, possibly through the targeting of individual letters to self-employed electricians, whose businesses are likely to be smaller.
- The **Willing & Able** attitudinal segment had the highest post-campaign awareness of any campaign publicity of any segment. However, the **Need Help** and **Rule Breaker** segments had the highest **increases** in awareness of the **ETSP** campaign specifically. The latter finding fits with the intended “help” and the “prosecute” messages of the ETSP campaign.
 - The most commonly cited **medium** through which electricians became aware of the ETSP campaign was the **letter** from HMRC (**30%**), with higher levels of recall for smaller businesses.
 - This rose to **44%** of electricians who recalled receiving a letter from HMRC when asked specifically, and not in the context of broader publicity.

Recall of Messaging

- Prior to the ETSP campaign, by far the most commonly recalled message of HMRC publicity concerned prosecution (30% of those recalling any publicity). After the campaign, electricians were more likely to recall the **voluntary disclosure** message (32% of those recalling any publicity for electricians) and less likely to recall a prosecution message (17%).
 - Recall of the voluntary disclosure message was higher for Part P registered firms, and those belonging to trade bodies.
 - This message was also more likely to be recalled by the Willing and Able segment who had highest recall of the campaign.
- More than eight in ten (83%) that recalled the campaign said that they believed its message. Among the minority who did not believe the message, the most common reason was cynicism about successful action being taken against evaders.
- Just 3% of those who recalled the ETSP campaign claimed to have done or planned to do anything differently as a result. This was most likely to be keeping better records. The majority of those who had not made a disclosure or who had not registered to do so said that was because they did not owe any tax.
- Of those who had seen the ETSP campaign, 5% said that they had looked at the notification/disclosure webpage. Of these, two-thirds gave reasonably positive feedback about how good it was (38% thought it was clear and 27% described it as “OK”). Just 4% of those who had looked at the webpage said it was confusing or complex.

2.3. Attitudes to Tax Compliance

Perceived Fairness of HMRC

- Around three-quarters of the electricians agreed that HMRC treats their business fairly (74% at the post stage), with around one in ten (11%) agreeing strongly.
 - Smaller businesses were more likely than larger businesses to agree, particularly sole traders and those with no employees.
 - Those in the **Unaware** segment were the least likely segment to agree that HMRC is fair pre-campaign (42%), but showed the **greatest increase** in agreement (to 58%). The **Willing & Able** segment had the highest agreement level of any segment pre-campaign (86%) but was the only group to have a **lower** level of agreement post-campaign compared to pre-campaign (7 percentage points reduction).
 - Post-campaign, ratings of HMRC fairness were higher among those aware of the ETSP campaign compared to those not aware (76% vs. 71%), although this may be partly related to higher campaign awareness among smaller businesses.

Acceptability of Tax Evasion

- The majority of electricians said that tax evasion is always unacceptable, and this did not alter pre- to post-campaign (79% pre-campaign; 80% post-campaign).
 - There was no difference in the proportion of electricians that said tax evasion is always unacceptable among those aware of the ETSP campaign and those that were not.
- Acceptability of evasion is a factor in producing customer segmentations, therefore it was inevitable there would be a clear pattern by segments with the **Rule Breakers** segment least likely to think that tax evasion is always unacceptable (69% pre-campaign) and the **Willing & Able** segment the most likely (91%), with no change post campaign.

Perceived Likelihood of Being Caught

- The most commonly cited reasons for not regularly evading tax were the penalties/consequences of being caught (19% pre-campaign) and the probability of being caught (18%). Post-campaign there was a **drop of four percentage points in the proportion citing probability of being caught**. Other motivations were centred on morality, legality and fairness to others.
- Six in ten electricians felt that electricians who regularly evade paying tax were **likely to get caught**, with no change post campaign.
- A much higher proportion of nine in ten felt that their business was likely to be caught if they evaded tax regularly, and this equally showed no change post campaign. The perceived **personal risk** is clearly much higher than the general risk but the campaign does not appear to have influenced this belief.
- One perception did appear to have been influenced by the campaign: the proportion of electricians who thought that electricians who evade tax were more likely than other businesses to get caught rose from 27% pre-campaign to 37% post-campaign.

- An exception to this generally observed increase was those with businesses **employing 10 or more people** and older businesses.
- The majority of electricians thought that it is more likely nowadays those electricians who regularly evade tax will be caught compared to a couple of years ago. This proportion increased from 68% pre-campaign to 73% post-campaign.
 - The increase was particularly high among **Rule Breakers** (55% to 72%).
 - This general pre-post increase was **not** observed, though, among those who are not Part P registered and those who are not members of a trade body.
- This suggests the campaign made electricians more likely to think they would be detected compared with other businesses and compared with a couple of years ago, but this did not increase the overall perception of the likelihood of being caught in the short term, pre to post campaign.
- **HMRC publicity** was cited by twice as many electricians post-campaign compared to pre-campaign as a reason for the higher likelihood of being caught nowadays (18% vs. 8%). Post-campaign, those who were aware of the ETSP campaign were also twice as likely to cite HMRC publicity as a reason for the higher likelihood of being caught, than those who did not recall it (21% vs. 11%).

HMRC Sanctions

- Six in ten electricians pre-campaign (60%) agreed that the financial penalties which HMRC can impose for tax evasion are sufficient deterrent for electricians and this proportion did not increase post-campaign.
 - However, the proportion agreeing did rise among non-members of a trade body, those under the VAT threshold and those with fewer employees.
 - Post-campaign, those who were aware of the ETSP campaign were more likely to agree than those who did not recall it.
- There was no change in the perception of the consequences of tax evasion pre to post campaign: financial penalties dominated (mentioned by 42% at the post-campaign research) and loss of reputation (27%) and a prison sentence (21%) were also mentioned.
 - Those who are Part P registered, those who are a member of a trade body and those above the VAT threshold (i.e. larger businesses) and **Rule Breakers** were all slightly less likely post-campaign than pre-campaign to mention financial penalties and slightly more likely to mention **bad publicity** compared to their counterpart groups, suggesting this message had been communicated.

2.4. Conclusions

The ETSP campaign was undoubtedly noticed and believed by its target audience, driven primarily by the HMRC letter. The relatively high level of unprompted recall of the plumber's campaign¹ by electricians suggests that campaigns also reach those in allied trades/occupations, thus widening their potential impact. The Rule Breaker and Need Help segments seem to have been more likely to have noticed the campaign, perhaps because of its "prosecute" and "help" messages. Those in smaller companies were more likely to remember the HMRC letter, which reflects the fact that it was targeted at sole traders, whereas there is some evidence of the success of other media among

¹ The plumber's campaign was aimed at plumbers nationwide and was launched prior to the electrician's campaign. The disclosure opportunity closed in August 2011. The campaign raised more than £4 million from 638 notifications that led to over 447 disclosures.

larger and more regulated businesses. Voluntary disclosure was the most commonly perceived message of the ETSP campaign, displacing a previous message about prosecution.

Changing deeply held attitudes will always be a long term aim, and already strongly held beliefs that HMRC is fair, and that evasion is always unacceptable will be challenging to increase further. These have not changed post campaign but there is clear evidence that the campaign has increased beliefs that electricians are more likely to be caught than other businesses, and more likely to be caught than a few years ago.

Fear of the personal risk of being caught seems much greater than general belief in the risk to any electrician of being caught. This strengthens the evidence that a personal letter is an effective means of communicating the message. Future campaign messages that may resonate at this personal level include the (financial) penalties of non compliance together, potentially, with issues of fairness and morality. For larger firms, the fear of bad publicity also seems to have increasing importance.

Finally there is a small risk that the voluntary disclosure approach may appear unfair to those in the **Willing & Able** segment who are already compliant. Fewer electricians in the Willing & Able segment agreed that HMRC is fair post-campaign compared to pre-campaign, which was the only decrease among the segments. Further consideration may be required to ensure the campaign message acknowledges most businesses already play by the rules and this approach is designed to ensure that other businesses become equally compliant.

3. Introduction

3.1. Background on campaigns

HMRC plays a pivotal role in UK society as the tax administration and collection body. The Department safeguards 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 its customers feel that they are provided with a professional and efficient service².

A key strand of the current HMRC business plan is to use its understanding of customers to target resources to the areas of greatest risk, investing £900m to tackle avoidance and evasion, attacks by organised criminals and to improve debt collection capacity. This will bring in an estimated £7bn a year in additional revenues by 2014/15.

HMRC estimated the tax gap for 2010-11 at £32bn³. This represents 6.7% of tax liabilities. Nearly half of the 2010-11 tax gap can be attributed to small and medium-sized businesses, with around one quarter from large businesses. Evasion accounts for around 12% of the tax gap.

As part of its strategy HMRC is running a series of compliance campaigns targeted at specific populations aimed at influencing customer compliance behaviour. Each campaign identifies (through internal and third party data sources) and engages with significant numbers of customers, giving them a chance to review their compliance choices, and providing incentives for them to self-correct. Eligible customers have a window of opportunity to voluntarily put their tax affairs in order and pay what they owe. Campaigns seek to effect a voluntary improvement in compliance behaviour across the behavioural spectrum and not just from evaders.

The impacts of campaigns are wide ranging and can include:

- Maintaining the compliance of the already compliant because they see HMRC being even handed;
- Helping those who need help get things right;
- Giving the opportunity to put past mistakes right in a straightforward way; and
- Coming down hard on those who continue to choose not to comply either through a lack of care or from deliberate actions.

Once the campaign expires, HMRC follows up with a programme of action with those who have failed to respond. HMRC uses legal powers to obtain information from an extensive range of sources and, after each campaign, uses this data to identify those who have failed to come forward. HMRC campaigns use cutting-edge tools such as 'web robot' software to search the internet and find targeted information about specified people and companies which helps identify

² <http://www.number10.gov.uk/wp-content/uploads/2011/01/HMRC-Business-Plan.pdf>

³ <http://www.hmrc.gov.uk/statistics/tax-gaps/mtg-2012.pdf>

those who have failed to pay the right amount of tax. HMRC reserves the right to pursue a criminal investigation in cases of tax fraud but an important factor in making this decision is whether a person has made a complete and unprompted disclosure of any amounts evaded or improperly reclaimed.

While HMRC considers each case on its merits, where a person has made a complete and unprompted disclosure, HMRC would generally not carry out a criminal investigation. In this way, a campaign encourages customers to make a full and complete disclosure and emphasises that it will cost them more if HMRC has to come to them instead. HMRC also makes it clear that it looks to maximise the publicity of all criminal investigations.

Those who believe a campaign applies to them are asked to phone the Campaigns Voluntary Disclosure Helpline, as is anyone who has undisclosed income or who is behind with their tax affairs.

Previous campaigns⁴ and their revenue impact are as follows:

- **Tutors and coaches providing private lessons** - This campaign voluntary disclosure opportunity closed on 31 March 2012. It raised more than **£780,000** from 646 notifications that led to over 400 disclosures.
- **Businesses with revenue above the VAT threshold that are not registered for VAT** – This campaign voluntary disclosure opportunity closed on 31 December 2011. HMRC wrote to over 40,000 businesses to highlight the disclosure opportunity and 848 businesses notified HMRC that they should previously have registered for VAT and wished to take part in the campaign. At 30 November 2012, 647 businesses who had registered for VAT through the initiative have submitted their first VAT Return resulting in revenue of **over £13.5 million**.
- **Plumbers** - The Plumbers' Tax Safe Plan (PTSP) voluntary disclosure opportunity closed in August 2011. It raised **more than £4 million** from 638 notifications that led to over 447 disclosures.
- **Doctors and dentists** - The Medics Tax Health Plan (THP) campaign, which closed in June 2010, raised **more than £10 million** from 2160 notifications that led to over 1,500 disclosures.
- **People or businesses using offshore banking** – there have been two campaigns targeting those with any offshore interest, assets or accounts. The latest was in 2009 and the first was in 2007. The 2009 campaign raised **£85 million** from 5,500 disclosures.

At February 2013, HMRC campaigns (including the electricians' campaign) have produced a total yield of **£547 million** from **voluntary** disclosures, and nearly **£140 million from non-compliance follow up** from a large numbers of civil interventions, including over 20,000 completed investigations. There are also 13 criminal investigations underway with five convictions already secured.

Building on the previous campaign targeted at plumbers, a new campaign aimed at electricians was launched called the Electricians Tax Safe Plan (ETSP). It is this campaign which is the subject of this research report. The campaign gave electricians the chance to come forward and declare any unpaid tax within a voluntary disclosure period. The notification and disclosure period was February-August 2012. At November 2012, the campaign had raised **more than £2.2 million**

⁴ <http://www.hmrc.gov.uk/campaigns/news.htm>

from 526 notifications that led to 263 disclosures. The identification of cases suitable for compliance checks and criminal investigation is on-going.

The campaign messages included the following:

- HMRC can help businesses comply with their tax obligations
- HMRC may prosecute businesses who do not comply with tax obligations
- HMRC offers businesses a chance to disclose their non-compliant activity
- It is better to go to HMRC about unpaid tax, than to wait for them to come to you

The campaign communication mechanisms included the following:

- Targeted letters to 9,634 companies and 52,382 individuals
- Adverts in trade journals
- Radio advertisements
- Outdoor posters

Examples of the campaign publicity material are given in the Appendix.

3.2. Research aims and objectives

HMRC was interested in evaluating the effectiveness of its campaign among electricians. While the existing SME Compliance Perceptions Survey enables attitudes among the whole SME population to be tracked over time, a specific piece of research among electricians was needed, as a supplement to this survey, to fully evaluate the campaign.

The overarching aims of this research were to:

- Measure changes in attitudes towards tax evasion as a result of the campaign; and
- Determine the level of awareness of campaign activity and messaging.

This aimed to help HMRC to:

- Understand the impact a targeted campaign has on attitude changes; and
- Assess the extent of the impact of the campaign on raising awareness of HMRC activities and the consequences of tax evasion.

More specific objectives of the research were to:

- Provide data on attitudes and beliefs, to inform the development of future interventions;
- Help assess whether this approach can be used to evaluate the impact of more general compliance messages;
- Evaluate how effective the campaign for electricians has been, in terms of raising awareness of HMRC activities and shifting attitudes, which could later translate into behaviour change;
- Ascertain the perceived levels of non-compliance and levels of acceptability of tax evasion; and

- Understand the perceived consequences of tax evasion (penalties, criminal prosecution and social effects).

4. Methodology

4.1. Survey and sample design

The Electricians Tax Safe Plan was aimed at UK business owners or key decision makers in businesses providing electricians. Therefore the most appropriate universe from which to sample for the survey was UK businesses providing electricians – either on a self-employed or employment basis.

A sample of such businesses was bought from Experian. Alternative sample sources considered were the Inter-Departmental Business Register (IDBR) and HMRC's own data. IDBR does not comprehensively cover smaller businesses without employees or who are not VAT-registered. HMRC's data would have identified individual electricians, but not businesses, and there was insufficient time to convert a sample of the former into the latter.

The Experian sample was selected based on industry sector, from SIC Code 30350 (electrical testing and inspecting) and 30580 (electricians and electrical contractors). The Experian database holds details of 13,900 businesses across these two categories. This database is thought to be broadly representative of the population⁵. At the time of interview the sample was further restricted to SME businesses i.e. with fewer than 250 employees and with an annual sales turnover of under £42m. Any remaining ineligible businesses were screened out at interview.

The survey was designed to compare views before and after the publicity inviting disclosure. Separate samples were selected pre- and post-campaign. A re-contact approach using the same sample at both waves would have carried the risk of those interviewed pre-campaign being primed to be more likely to notice the campaign. Both samples were selected at random using a 1-in-n approach.

The target sample sizes were 2,000 for each survey wave. This size was deemed to offer the best balance between the ability to detect with reasonably high statistical confidence any relatively small changes in views between waves, affordability, sub-group analysis and availability of sufficient sample.

As a rule of thumb, a result from a single sample of 2,000 has a confidence interval of around +/-2 percentage points at the 95% certainty level. Between two waves of this size, a change in a result by at least 4 percentage points would be statistically significant.

To allow for non-response, refusals and out of date details, three times as many businesses compared to the final sample sizes required were drawn from the Experian database i.e. 6,000 at each wave to achieve 2,000 interviews at each wave. The available post wave sample was reduced to 5,809 records after removing duplicate records used in the pre stage sample.

⁵ The sample and in turn the survey may exclude ghosts and moonlighters due to the nature of how they operate.

The estimated response rate achieved was 42% at wave 1 and 43% at wave 2, averaging at 42% across both waves. The details are given in Table 1 below.

Table 1: Response rate

	Wave 1 (pre)	Wave 2 (post)	Average
Sample supplied by Experian	6,000	6,000	6,000
Sample issued for fieldwork	5,650	5,809	5,730
Non-working numbers - removed from eligible base	780	904	842
Sample successfully interviewed (I)	2,000	2,001	2,001
Not eligible - removed from eligible base (NE)	51	85	68
Estimated sample eligibility ($E=I/(I+NE)$)	98%	96%	97%
Unknown respondent eligibility (U)	2,819	2,819	2,819
Resolved sample (refusal, unavailable, language skills)	584	1,632	1,108
Unresolved sample (non contact, unfulfilled appt)	2,235	1,187	1,711
Estimated eligible sample ($ES=I+(U*E)$)	4762	4707	4734
Estimated response rate ($RR=I/ES$)	42%	43%	42%

The campaign publicity was launched on 14 February 2012. The pre-campaign wave of interviewing was carried out 5 January to 10 February 2012. The period during which electricians were invited to disclose any unpaid tax was 15 May to 14 August 2012. The post-campaign wave of interviewing was conducted 5 November to 14 December 2012. The post campaign fieldwork period occurred approximately two months after the publicity ended to allow for some non compliance follow up activity and to test retention of campaign messages.

To help maximise the response rate, all businesses in the sample were sent a letter shortly before survey fieldwork began to give advance warning of the research and that the organisation might be contacted for a research interview. This letter was sent by the research agency on HMRC headed paper and signed by an HMRC stakeholder (see Appendix for a copy of the letter). An explicit opt-out mechanism was not used but appropriate contact details were provided on the letter in case a recipient wished to get in touch to opt-out up-front.

The research interviews were carried out by trained interviewers over the telephone. The questionnaire was displayed and responses captured on-screen using Computer Assisted Telephone Interviewing (CATI). The system automatically calls respondents and alerts interviewers when the call is answered, thus improving efficiency. Interviewing was carried out in the controlled environment of the research agency's dedicated telephone interviewing centre. Rigorous interview quality control procedures prescribed in ISO 20252 were followed, including a supervisor listening into interviews on a systematic basis.

Maximising the response rate is important for ensuring those interviewed are representative of the population in question. Further measures taken to help maximise the response rate included:

- Use of interviewers experienced on other public sector business surveys or on the HMRC SME Compliance Perceptions Survey, and using the same interviewers for both waves of research wherever possible;

- Thorough interviewer briefing, including tips on how to minimise refusals;
- Scheduling interviewing shifts during some evenings and weekends as well as daytimes;
- Calling each number a minimum of 10 times across different days and times;
- Allowing 6 weeks for interviewing to help maximise the chance of contacting the right person; and
- Careful re-contacting of 'gatekeepers' and other respondents who initially refused to be interviewed but might have been persuaded in the future e.g. someone on the switchboard refused to put the call through, or the potential respondent was hesitant at the first contact.

The Experian sample contained a telephone number for each business. When the call was answered, the interviewer asked to speak to either the business owner or the person within the business who makes decisions about the business. The interviewer also checked the business installs, maintains or tests electrical systems, equipment and appliances, and it qualified as a SME to screen for eligibility for the interview.

For businesses in Wales, the advance letter from HMRC was printed in both Welsh and English. The interview was available in Welsh for any respondent who requested it: this was not requested by any respondent at either wave.

The interview length was an average of 15 minutes for the pre-wave and 19 minutes for the post-wave. The post-wave questionnaire contained additional questions about exposure to, and action taken arising from, the campaign publicity.

4.2. Questionnaire design

To aid question design, new questions were cognitively tested. A total of ten face-to-face interviews were undertaken with electricians during November-December 2011. Of these ten interviews, five were with sole traders and five with relevant personnel within larger businesses working in the electrical trade. Interviews lasted 30-45 minutes and explored participants' understanding and interpretation of questions for inclusion within the main survey. Further details are given in the appendix.

4.3. Weighting

Since businesses were sampled from the Experian database in their natural proportions, weighting was not required to correct for deliberate under- or over-sampling. Instead, weighting for non-response was applied to align the profile of achieved interviews to the population profile of the sample provided by the database in terms of region and number of employees.

4.4. Reporting notes

Where percentages shown in bar charts do not sum to exactly 100% (or where they do not exactly sum to a summary statistic given, such as agree/disagree), this will be due to rounding to the nearest whole number.

The attitudinal segments used in this report are described in more detail at:

<http://www.hmrc.gov.uk/research/report205.pdf>

Respondents were allocated to segments via a complex mathematical formula using answers given to a series of segmentation questions on the pre- and post-campaign questionnaires.

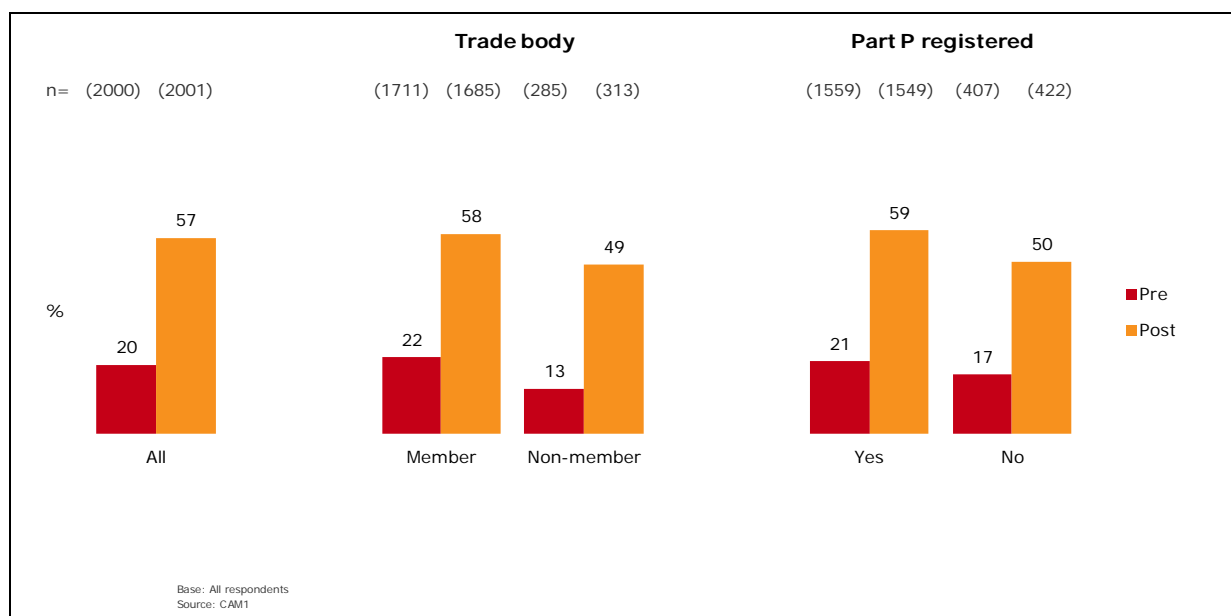
5. Campaign Measures

This chapter examines the target audience's awareness of the tax evasion campaign, what messages were conveyed by it and any claimed behaviour taken or intended as a result.

5.1. Campaign awareness – any sector/occupation

Prior to the ETSP campaign, 20% of the target audience said they were aware of any publicity about HMRC activity in relation to tax compliance for specific trade sectors or occupations. Following the campaign, this rose to 57%, almost a threefold increase (Chart 1).

Chart 1: Publicity awareness – including by trade body membership and Part P registration



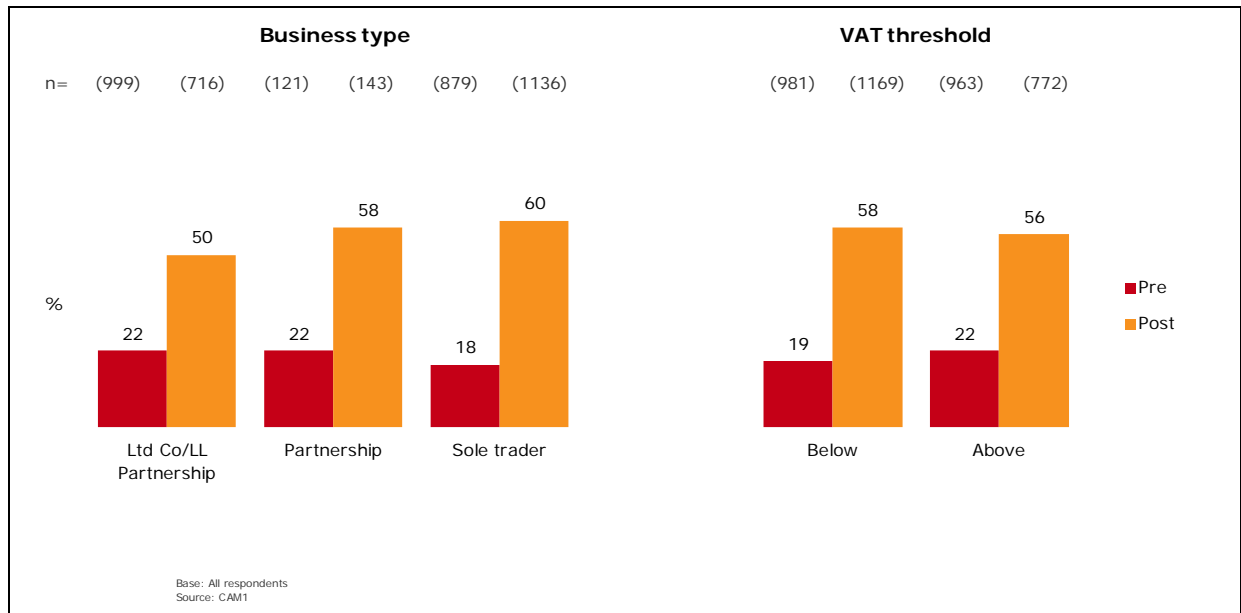
Publicity awareness⁶ was higher both pre- and post-campaign among those belonging to a trade body and among those who are Part P registered (Chart 1). Note that there is a connection between being Part P registered and being a member of a trade body, with those who are registered also being much more likely than those who are not to be a member of a trade body (94% vs. 46%).

Although the absolute level of publicity awareness was lower for non-members than for members of a trade body, the pre-post **increase** in campaign awareness was higher than average for non-members, with post-campaign awareness 3.8 times as high as pre-campaign awareness.

⁶ This would be expected to be publicity awareness across all campaigns, including the electrician's campaign).

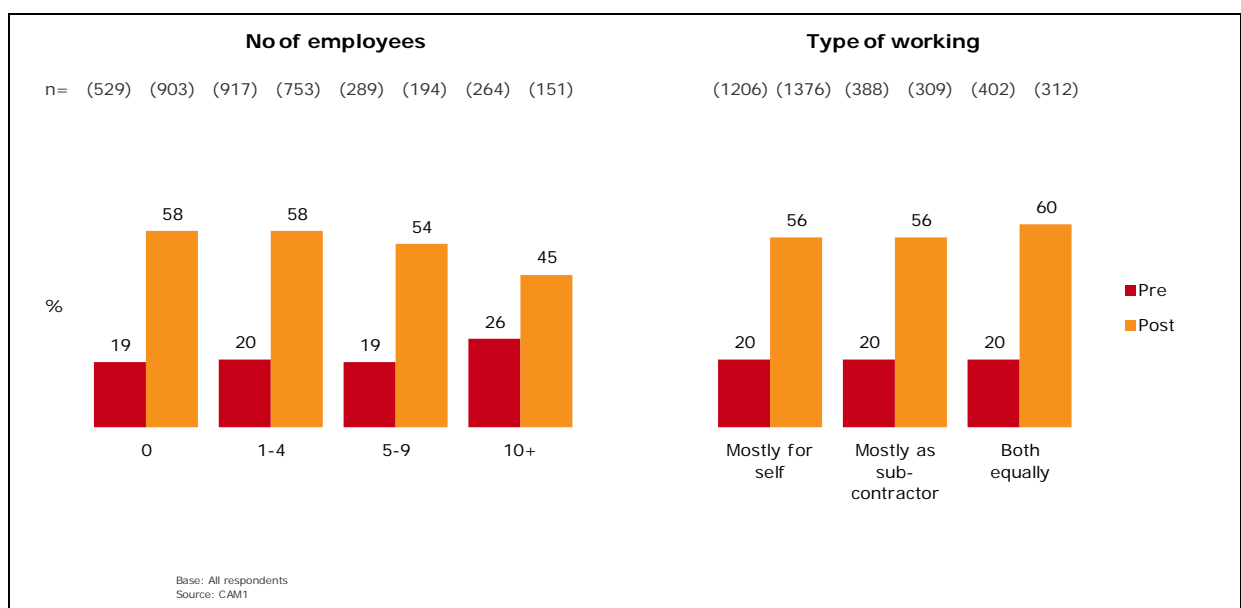
Publicity awareness was similar regardless of whether a business is above or below the VAT threshold (Chart 2) and whether the business carries out work as a sub-contractor or not (Chart 3).

Chart 2: Publicity awareness – by business type and VAT threshold



Pre-campaign awareness was slightly lower for sole traders (18% vs. 22%), but the pre-post increase in publicity awareness was higher than average for sole traders, with much less increase for limited companies and partnerships, resulting in lower post-campaign awareness for this type of business (Chart 2).

Chart 3: Publicity awareness – by number of employees and type of working

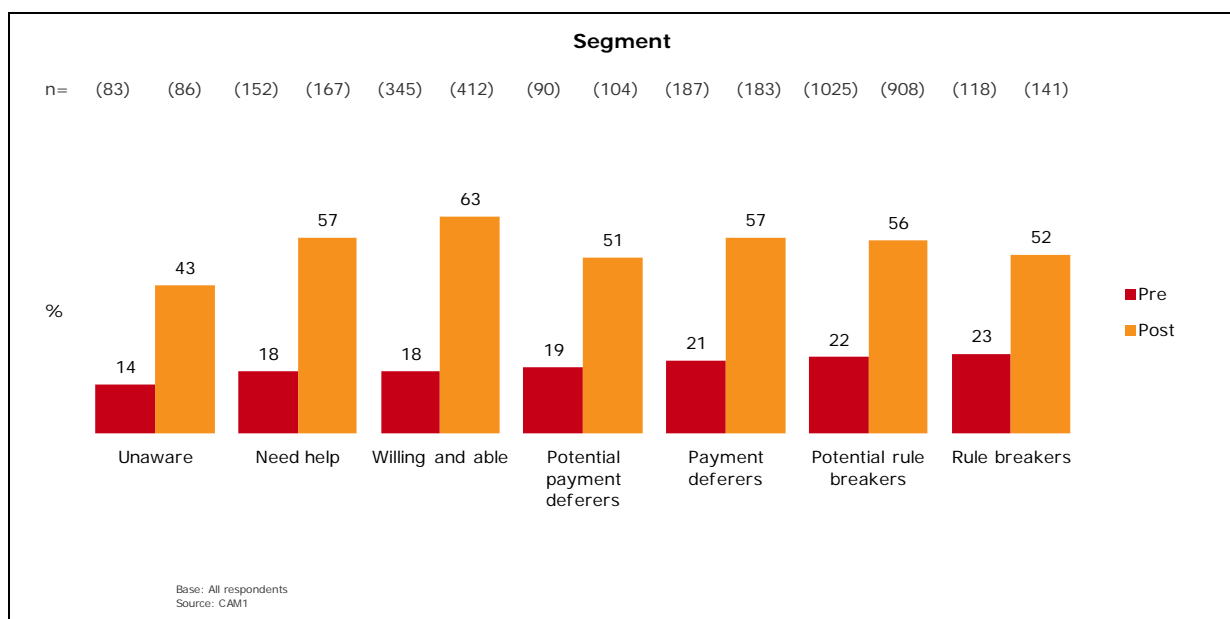


Pre-campaign publicity awareness was higher among businesses with 10 or more employees (26%) than among businesses with fewer staff (19%). However the increase was lower than for smaller businesses post-campaign, indicating that businesses with fewer than ten employees were more aware of HMRC campaigns at this stage (Chart 3).

Taken together, these findings suggest that larger businesses, particularly those registered with a trade body, were more aware of HMRC campaigns before the ETSP campaign, but the campaign itself was relatively more successful in reaching smaller businesses.

Among the attitudinal segments, the *Willing & Able* segment was the group with the highest post-campaign publicity awareness level (63% - Chart 4) and also with the largest pre-to-post campaign increase in publicity awareness (an increase by a factor of 3.5). The *Unaware* segment lived up to its name, with the lowest level of publicity awareness, both pre (14%) and post (43%). Those at the 'risk taking' end of the spectrum (*Payment Deferrers* and *Rule Breakers*) were most likely to be aware of campaigns at the pre-stage (21% and 23%), but awareness increased less following the ETSP campaign for these groups, particularly for *Rule Breakers* and *Potential Rule Breakers*, the segments most at risk of evading taxes.

Chart 4: Publicity awareness – by attitudinal segment



5.2. Campaign awareness – aimed at electricians

Those who said they had seen any publicity about HMRC activity in relation to tax compliance for specific trade sectors or occupations were then asked (unprompted) for which sectors/occupations they had seen it. All respondents were then read out a list of sectors/occupations and asked which others they had seen publicity about HMRC activity for. Unprompted and prompted mentions for each sector/occupation were summed to give a total awareness of publicity for each.

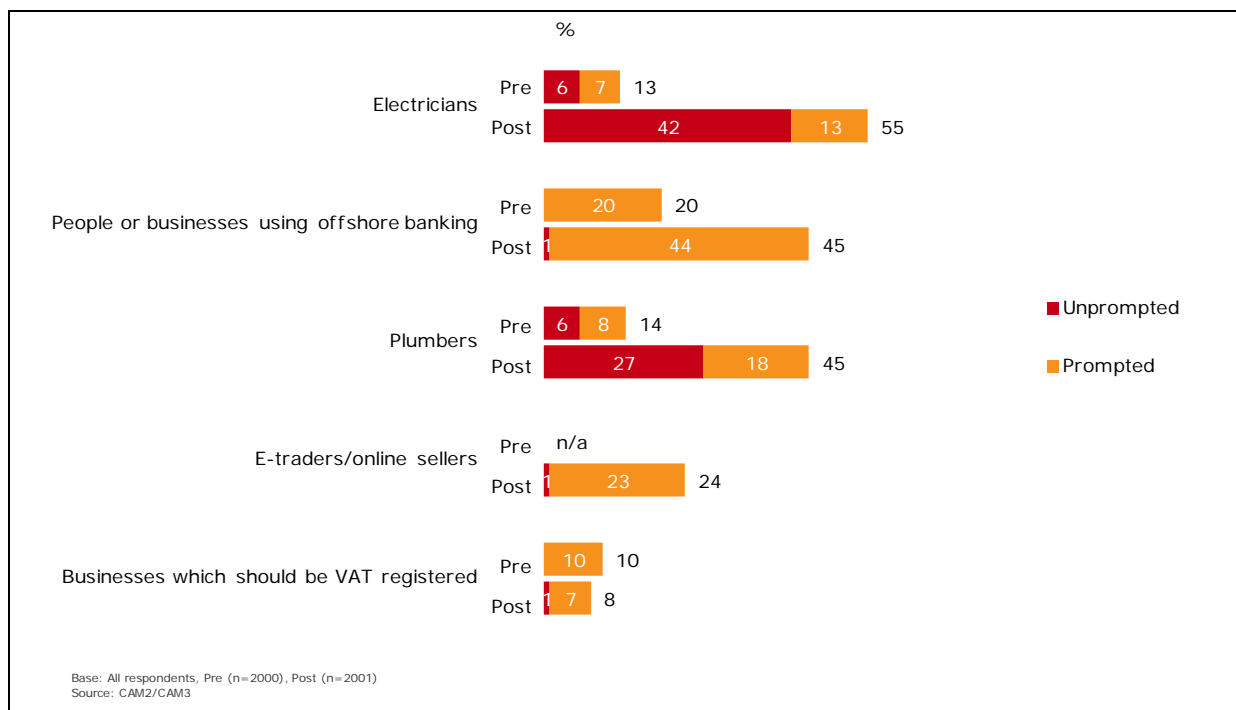
Chart 5 compares the total awareness of HMRC publicity aimed at the most frequently mentioned sectors/occupations pre and post-campaign. The two tones within the pre and post bars indicate the contribution of unprompted and prompted to the total awareness. Unprompted awareness is often considered the stronger indicator of awareness, given that it demonstrates top of mind memory.

Prior to the campaign, the sector most frequently identified as being the target of HMRC publicity was people or businesses using off-shore banking, mentioned by 20% (all prompted). Plumbers (14%) and Electricians (13%) were the second and third most frequently mentioned sector/occupation. Around half of the awareness of publicity aimed at plumbers and at electricians came from unprompted awareness and half from prompted awareness pre ETSP campaign.

Post-ETSP campaign, the awareness levels of publicity aimed at all three of these sectors/occupations was much higher than pre-campaign. The awareness of publicity targeting electricians was the highest at 55% of respondents i.e. just over half of the target audience said they had seen publicity aimed at electricians. Plumbers and people/businesses using off-shore banking were each recalled by 45% of respondents. Publicity aimed at e-traders/online sellers was recalled by 24% post-campaign (prompted awareness was not measured pre-campaign as this campaign had not been launched at this point).

Almost all awareness of publicity aimed at people/businesses using off-shore banking and at e-traders/online sellers was prompted post-ETSP campaign. In contrast, the majority of the awareness of publicity aimed at electricians and at plumbers was unprompted. This indicates that the electricians and plumbers' publicity was more top of mind, presumably as it was particularly salient to this trade. The relatively high unprompted recall of the plumbers campaign (27% post campaign survey) might well be due to the fact that electricians spend a lot of their time working alongside plumbers. The implication here is that publicity aimed at one occupation might well have an impact on those in other related occupations, in terms of highlighting HMRC is getting tougher with tax evaders. The building-related trades would appear to be a good example of this.

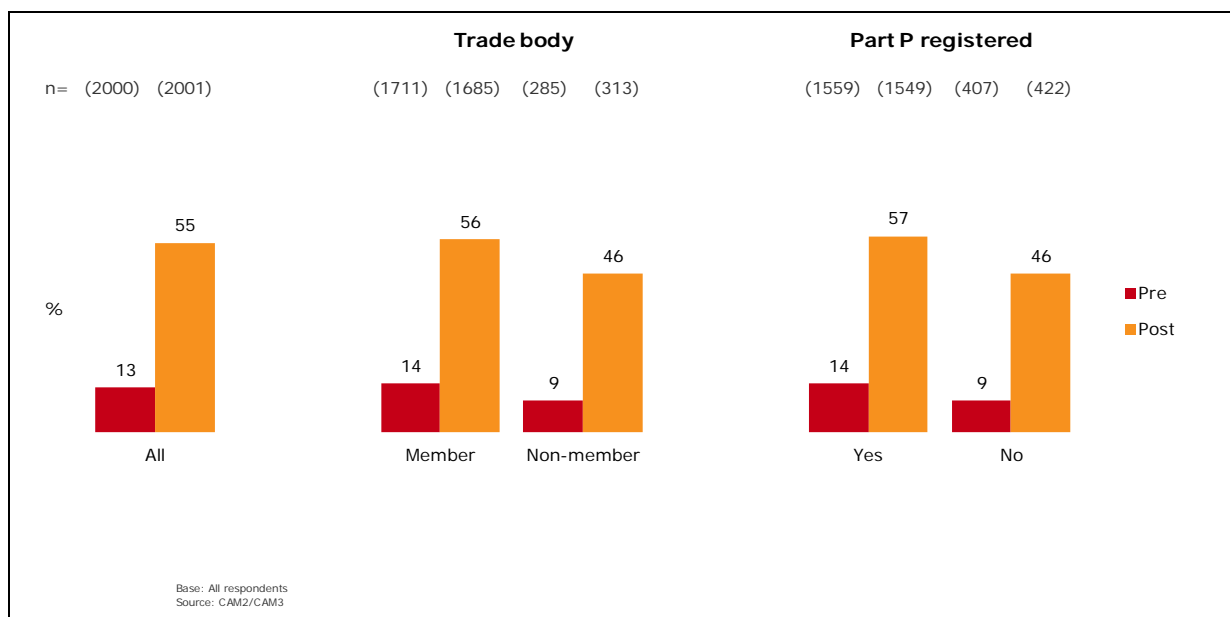
Chart 5: Trade sectors/occupations seen HMRC publicity aimed at – top 5 - unprompted plus prompted awareness



The patterns of pre-post campaign differences in total awareness of publicity aimed at electricians among key sub-groups are similar to those described earlier for awareness of any HMRC tax compliance publicity.

As before, the tendency is for less regulated businesses to be less aware than other groups of HMRC publicity both pre- and post-campaign, but for the **increase** in their awareness pre to post campaign to be higher than that of other groups. This pattern is demonstrated in Chart 6 among non-members of a trade body and among those who are not Part P registered. This may suggest that their increased awareness was due to receipt of HMRC’s letter sent to 50,000 sole trader electricians (or its receipt by someone they know) as opposed to via publicity in a trade journal. The issue of the media through which electricians remembered receiving the publicity is examined in more detail later (Chart 10).

Chart 6: Total awareness of publicity aimed at electricians – by trade body membership and Part P registration



As for all HMRC tax compliance publicity, smaller traders (sole traders, those with under 10 employees, those not registered for VAT) were less likely to be aware of any publicity aimed at electricians pre-campaign (11%), but showed a greater proportional increase in awareness post campaign, indicating that they were ultimately more likely to be aware of the ETSP campaign (Charts 7 & 8).

Chart 7: Total awareness of publicity aimed at electricians – by business type and VAT threshold

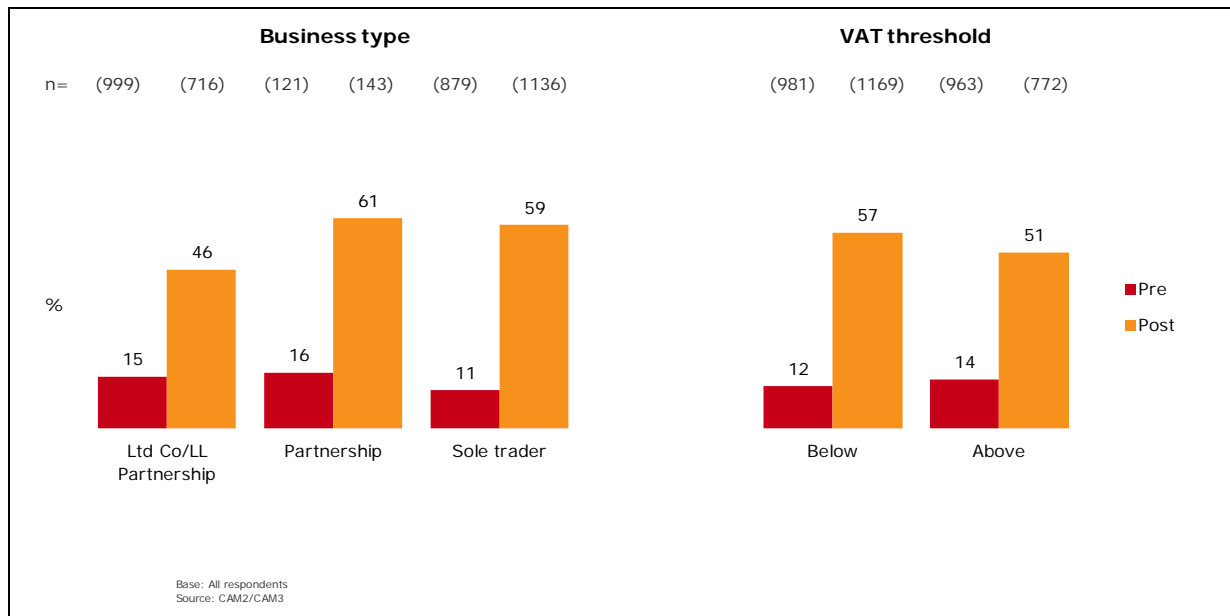
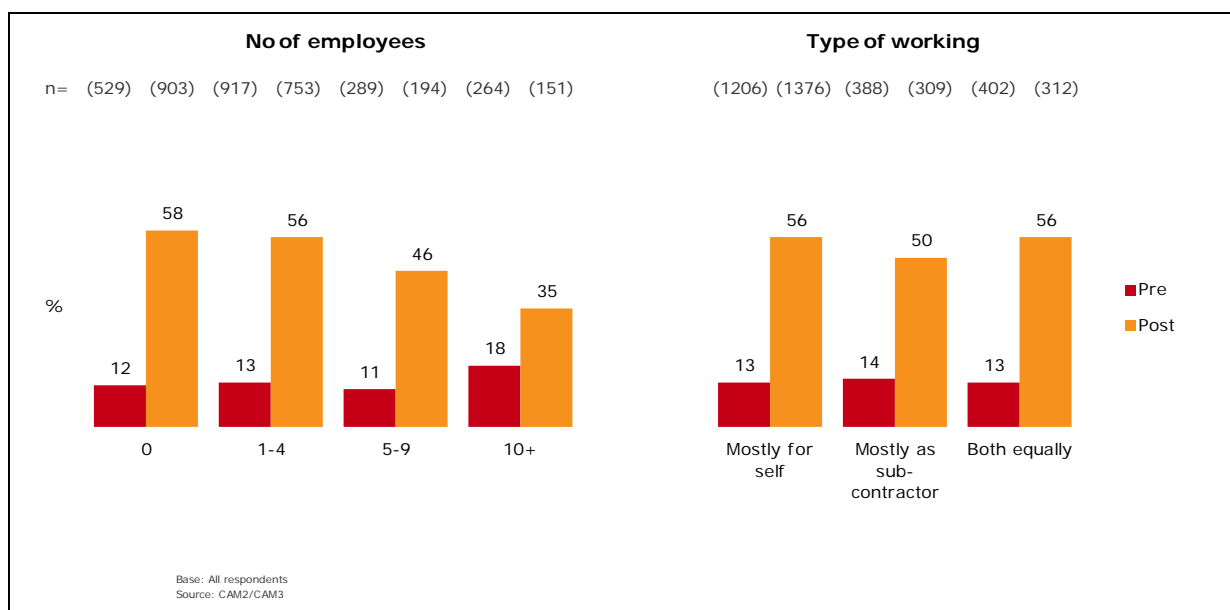


Chart 8: Total awareness of publicity aimed at electricians – by number of employees and type of working

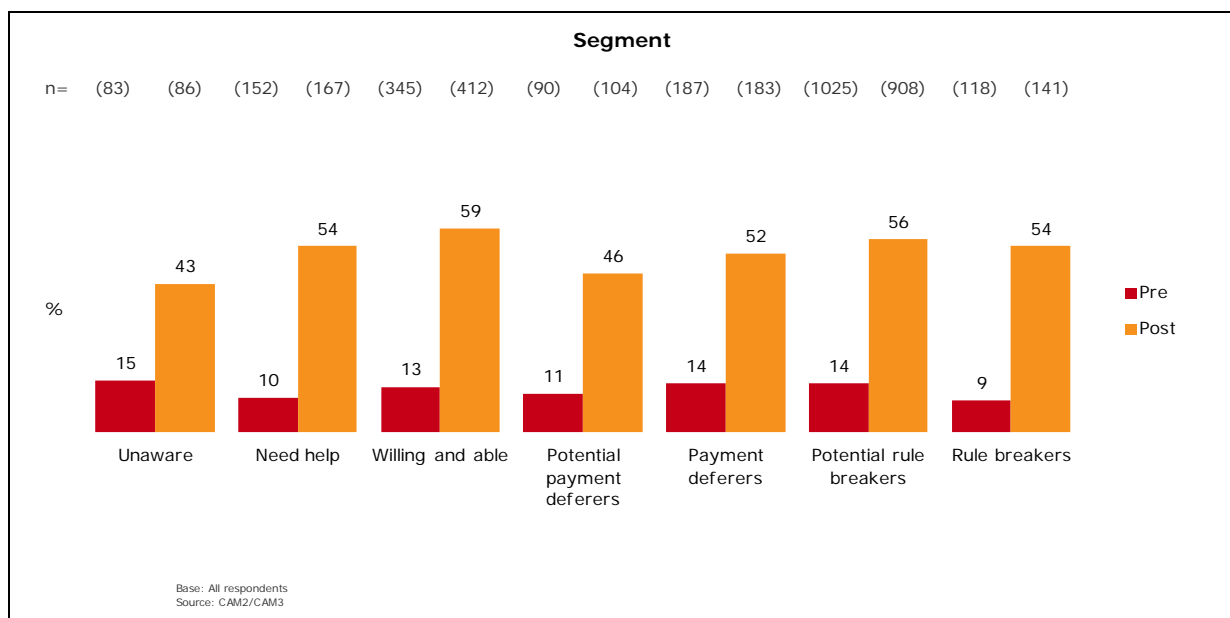


Those who work mostly as a sub-contractor were less likely to be aware of the campaign at the post stage than those in other working arrangements (50% vs 56%), which is probably related to the fact that businesses with 10+ employees are more likely than smaller businesses to work mainly as a sub-contractor⁷.

⁷ A logistic regression model found that electricians with 10 or more employees are 62% less likely to be aware of the campaign than electricians with 1-9 employees whereas those working mainly as a sub-contractor and those that were not were equally as likely to be aware of the campaign.

Among the attitudinal segments, the *Willing & Able* segment tended to have higher post-campaign awareness of publicity aimed at electricians at 59% (Chart 9), although the difference was not significant.

Chart 9: Total awareness of publicity aimed at electricians – by attitudinal segment



However, the *Need Help* and the *Rule Breaker* groups had the largest pre-to-post campaign **increases** in awareness of publicity aimed at electricians (an increase by a factor of 5.4 and of 6.0 respectively). This result fits with the following two campaign messages:

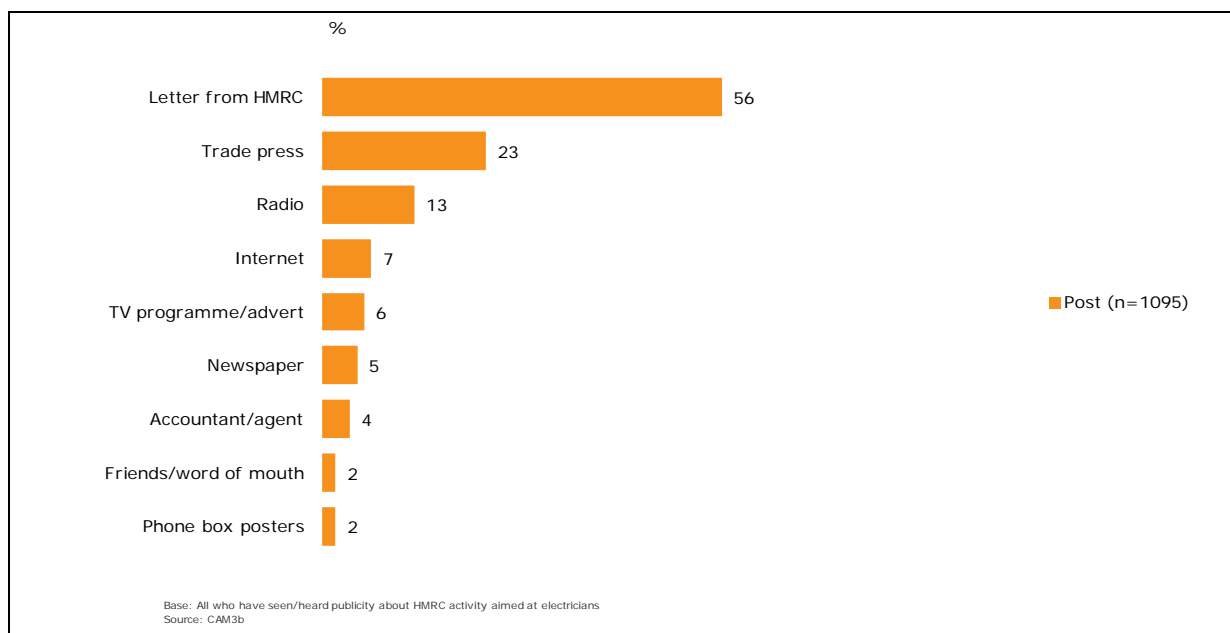
- HMRC can help businesses comply with their tax obligations
- HMRC may prosecute businesses who do not comply with tax obligations

This relative success in raising awareness among the most ‘at risk’ segment of *Rule Breakers*, compared with lower awareness of any HMRC campaigns for this segment, suggests that the targeting of campaigns at specific sectors is important in reaching this group.

The 55% of respondents who said they recalled HMRC publicity aimed at electricians (either unprompted recall or when prompted) were asked where they saw it, and were prompted with a list of possible sources. The most common medium recalled was a letter from HMRC, with 56% of those who remembered any publicity citing this source (Chart 10). The next most frequently mentioned source was trade press (23%) followed by radio (13%). These media were the main publicity mechanisms used by HMRC for this campaign. Phone box posters were recalled by only 2%, but there was evidence that word of mouth played a small role, either from an agent (4%) or friend (2%).

The implication is that the personally targeted letters were the most impactful publicity mechanism, but that mass-media can also play a role.

Chart 10: Source of publicity recalled by electricians among those *who recalled any activity aimed at electricians*



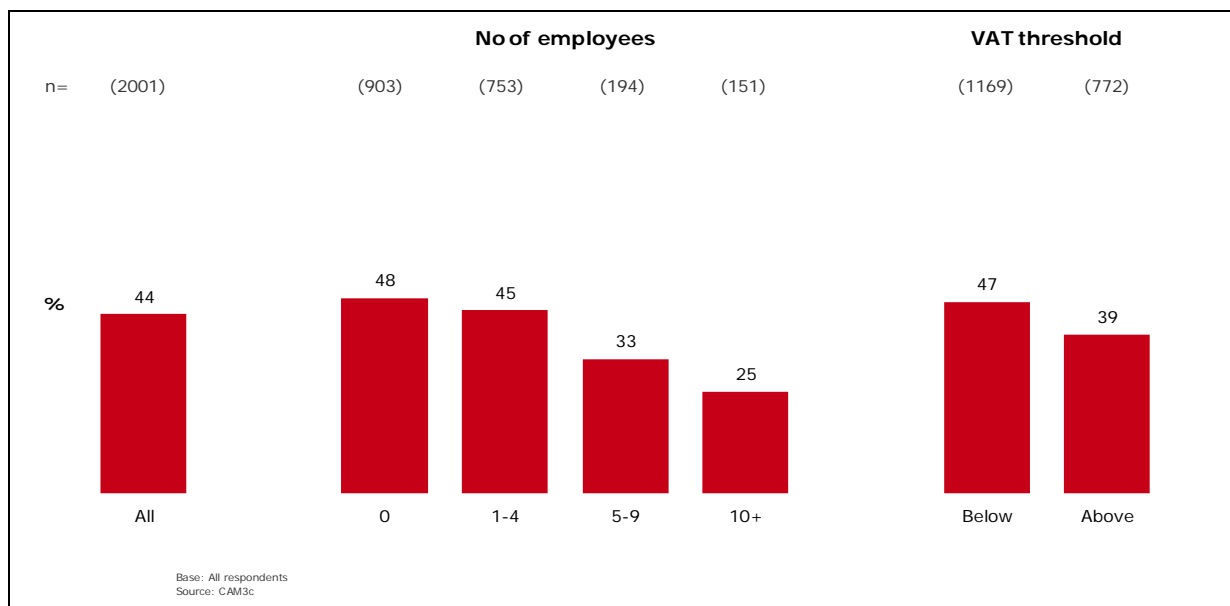
The HMRC letter is the publicity mechanism with the highest recall among all sub-groups. Not surprisingly, members of a trade body were more likely than non-members to recall trade press publicity (25% vs. 15%). Respondents in businesses with 10+ employees were less likely than other businesses to cite the HMRC letter (only 39% vs. 56% for all respondents).

Among all electricians interviewed, 31% said they recalled some publicity in the form of a letter (56% of those who recalled any activity aimed at electricians). Since electricians may not consider a letter to be part of an HMRC publicity campaign, a more accurate estimate of the proportion of electricians receiving HMRC’s letter comes from a separate question to *all* respondents asking them if they had received a letter from HMRC about the ETSP campaign. In answer to this direct question, 44% of the electricians said that they remembered receiving this letter⁸. There was no difference in recall of the letter between members and non-members of a trade body and between Part P registrants and non-registrants. Those in smaller businesses were more likely than those in larger businesses to recall the letter (Chart 11). This is likely to be connected to the targeting of the letter at those who are sole traders or owner-managers.

Of course, some electricians will have received the ETSP message from more than one source. For example, 23% of those who received the ETSP letter also said that they saw publicity aimed at electricians in the trade press.

⁸ Anecdotal evidence collected through interview monitoring suggested that some electricians may have confused the survey letter with the ETSP letter. A copy of the survey letter, which does not specifically mention the ETSP, is in the appendix.

Chart 11: Prompted recall of HMRC letter about the ETSP campaign



The total proportion of respondents who remembered either receiving HMRC’s letter or seeing HMRC publicity aimed at electricians or both was 66%. As expected in line with sub-group analysis relating to publicity awareness described earlier, this proportion is higher among those belonging to a trade body, those who are Part P registered and those in smaller businesses.

To summarise:

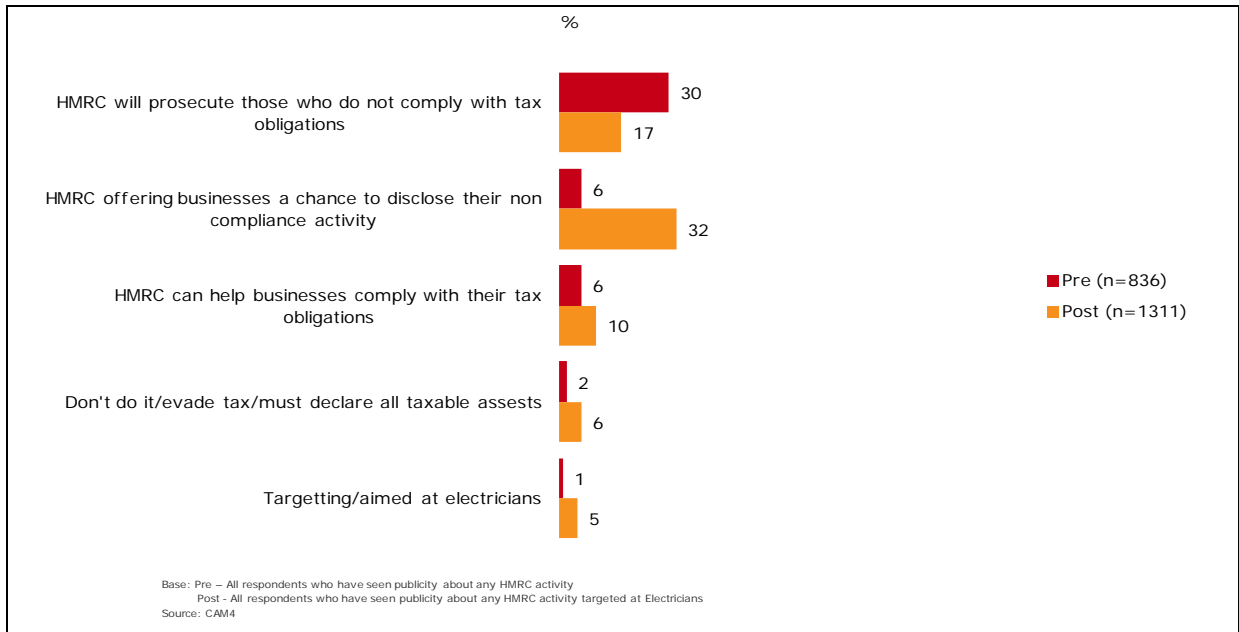
- 55% said they recalled HMRC publicity aimed at electricians;
- 56% of those who recalled HMRC publicity remember a letter which is equivalent to 31% of all electricians;
- 44% of all electricians said they received the ESTP letter when prompted; and
- 66% said they either received an ESTP letter or saw HMRC publicity aimed at electricians.

5.3. Electricians campaign messages

Prior to the campaign, the most commonly recalled message of any HMRC publicity was that HMRC would prosecute those who do not comply with tax obligations. Thirty percent (30%) of those who remembered some sort of publicity mentioned this message, compared with only 6% mentioning that it was about HMRC offering businesses a chance to disclose their non-compliant activity, or help with compliance. Not all of the messages mentioned by participants were used in the campaign.

Post-campaign, the proportion who had seen the electricians’ campaign who mentioned the voluntary disclosure message was 32% and the proportion mentioning prosecution was only 17%. Both were campaign messages, but the implication is that the voluntary disclosure message stood out in the publicity material more prominently. The message that HMRC can help businesses comply was recalled by only 10% post-campaign. The message that it is better to go to HMRC than to wait for them to come to you was mentioned by just 4% post-campaign and did not feature in the top five messages received (Chart 12).

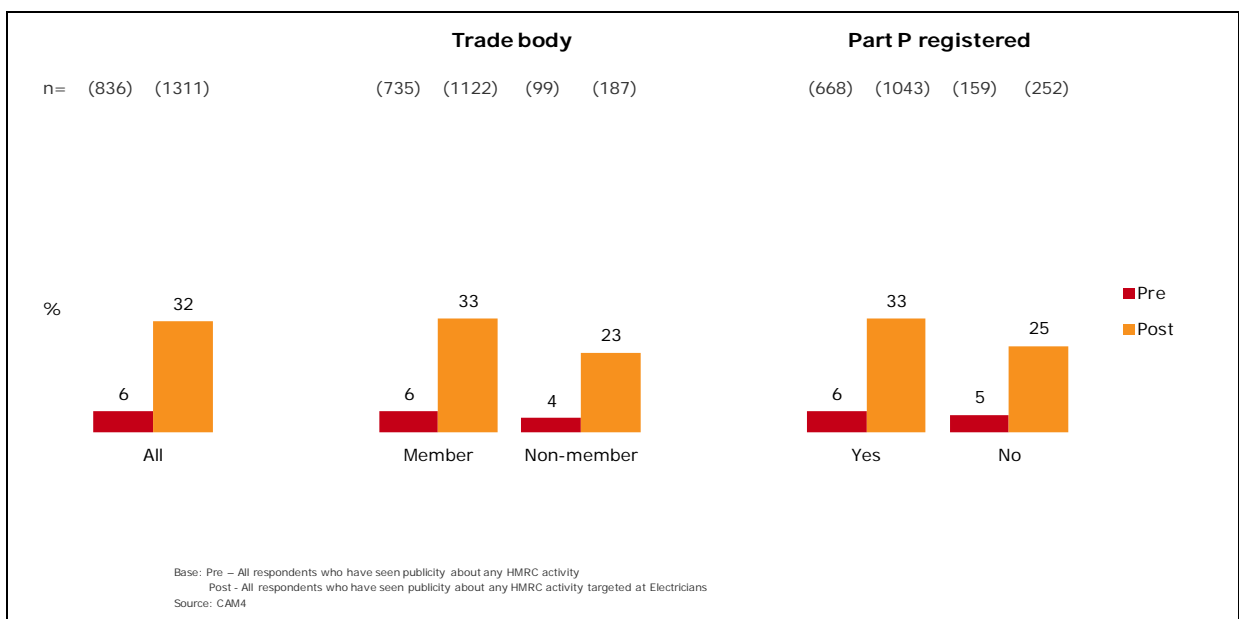
Chart 12: Message of the publicity – top 5 post-campaign – unprompted



The pattern of the prosecution message having higher reception pre-campaign and the voluntary disclosure message having higher reception post-campaign was the same for all sub-groups.

Earlier sections of this report have shown that less regulated electricians' businesses (non-members of a trade body/not Part P registered) had lower levels of awareness than other groups of HMRC campaign activity both pre- and post- campaign. This pattern is also true of recall of the voluntary disclosure message (Chart 13).

Chart 13: Mention of voluntary disclosure message – by trade body membership and Part P registration



Sections 5.1 and 5.2 showed that the *Willing & Able* segment was most aware of the campaign (Charts 4 & Chart 9). This segment also had the highest recall of the voluntary disclosure message post-campaign (37% vs. 32% for all respondents). The implication is that this segment was the most engaged by the campaign. The segments with the lowest recall of the voluntary disclosure message post-campaign were the Unaware and the Payment Deferrers (28% of each mentioned voluntary disclosure). Across the remaining segments, recall of this message was in the 30%-32% region.

Believability of the campaign message was universally high. Eighty-five percent of those who had seen any HMRC activity publicity pre-campaign said they found the message believable. A similar number (83%) of those who saw the electricians' campaign said post campaign that the message was believable. There was little difference in propensity to believe the campaign message by sub-group. It would appear that, again, the *Willing & Able* segment is the most engaged, with 90% saying they found the message believable, although the base size for this result is relatively low (135 respondents).

The most frequently mentioned (unprompted) reasons for not believing the campaign message were that nothing will get/ever gets done about it (11%) and that lots of people do evade tax and get away with it (also mentioned by 11%). These figures are averages for the pre- and post-campaign research combined because of the relatively small numbers of respondents eligible to answer this question (a total of 133 respondents across both waves). For this reason it is also not possible to look at differences by sub-group on this item.

5.4. Planned changes in behaviour

Those who had been aware of the ETSP campaign were asked if they had done or planned to do anything differently as a result: 95% said "no", 2% said "don't know" and 3% said "yes". The proportion saying "yes" did not vary by sub-group, or did so insufficiently to be sure the difference is not a chance result for the base sizes involved.

The 3% (equivalent to 43 people surveyed) who said that they had done or planned to do something differently as a result of the campaign were asked (unprompted) what that was. The most commonly proffered action was to keep better records, mentioned by a third of the 3% (n=15). This implies this group felt they were not evading tax but the campaign had highlighted to them the need to be able to prove it if investigated. Other answers which, on the surface at least, appear to merely reference tightening up on paperwork were to get an accountant (n=3), to speak to their existing accountant (n=2), or to improve their receipt recording behaviour (n=2). Just three respondents said that they had/would stop accepting "cash in hand" jobs. Just one respondent said that they had registered for voluntary disclosure. The same respondent also said that they had got as far as disclosing unpaid tax to HMRC.

The prevalence of registration to disclose and of making a disclosure were further explored via a direct question about whether respondents had either voluntarily disclosed unpaid tax as a result of the campaign, or had at least registered to do so. Putting the answers to this direct question alongside those to the unprompted question mentioned in section 5.4 above reveals that 2 respondents had actually disclosed unpaid tax and that a further 3 respondents had not got this far, but had registered to make a voluntary disclosure, making a grand total of 5 respondents out of the 2000 interviewed.

Those who had seen the ETSP publicity but had not registered to disclose or made a disclosure were asked an unprompted question of why not. The vast majority (83%) said that this was because they did not owe any tax. Further answers were variations of this – don't evade tax

(3%), doesn't apply to me (2%). Two respondents admitted that they were advised against it and eleven said that they didn't get round to it, answers which imply that they should in fact have got in touch with HMRC. A further 72 respondents (6%) said they did not know why they had not registered/disclosed, which could also be interpreted as people in scope to do so. Zero respondents said that they failed to register/disclose because of fear of what might happen next, they could not afford to pay, the guidance was too complex or the risk of getting caught was low/they were willing to risk it.

5.5. Online support for notification and disclosure

Five percent (5%) of respondents in the post-campaign research who had seen ETSP campaign publicity said they had looked at the corresponding disclosure and notification webpage. This group (72 respondents) were asked an unprompted question about what they thought of the webpage. Around two-fifths (38%) thought it was clear or gave them all the information they needed. A quarter (27%) described it as "OK", making a total of two-thirds giving some sort of positive feedback. A fifth (19%) did not know what they thought of it. Just 4% described it as confusing or complex.

6. Attitudes to Tax Compliance

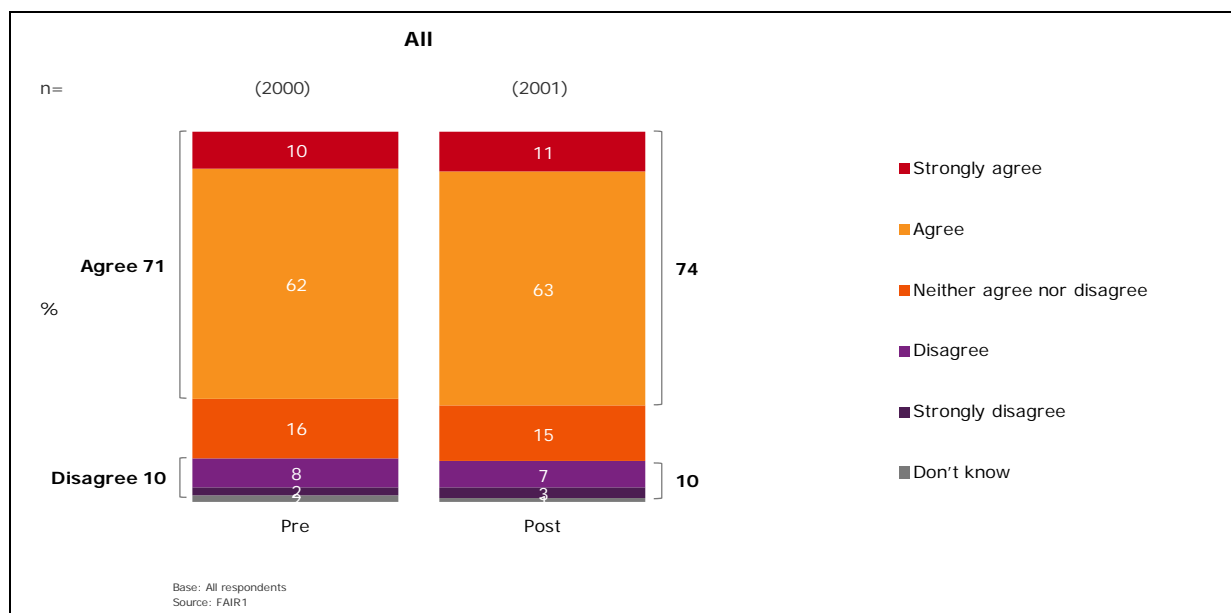
This chapter examines opinion on the acceptability of tax evasion and of the perceived likelihood and consequences of being caught. Due to the bespoke nature of the survey, the hypothesis is that any changes in opinion between the pre- and the post-wave of research are due to the ETSP campaign.

6.1. Perceptions of HMRC

It is self-evident that it is beneficial if taxpayers feel fairly treated by HMRC. Academic literature indicates that one of the benefits of perceived fairness is greater willingness to comply with the tax system (Alm et al 1992). Respondents were therefore asked to what extent they agree that HMRC treats their business fairly in their dealings with them.

Around three-quarters (74%) of the electricians agreed that HMRC treats their business fairly, with around one in ten (11%) agreeing strongly as opposed to just agreeing (63%). One in ten (10%) disagreed and the remainder neither agreed nor disagreed (15%, Chart 14). This is a similar finding to that among a sample of SMEs in the HMRC Compliance Survey 2011⁹. This perception among electricians did not change significantly pre to post campaign.

Chart 14: Agreement/disagreement that HMRC treats your business fairly in dealings with them

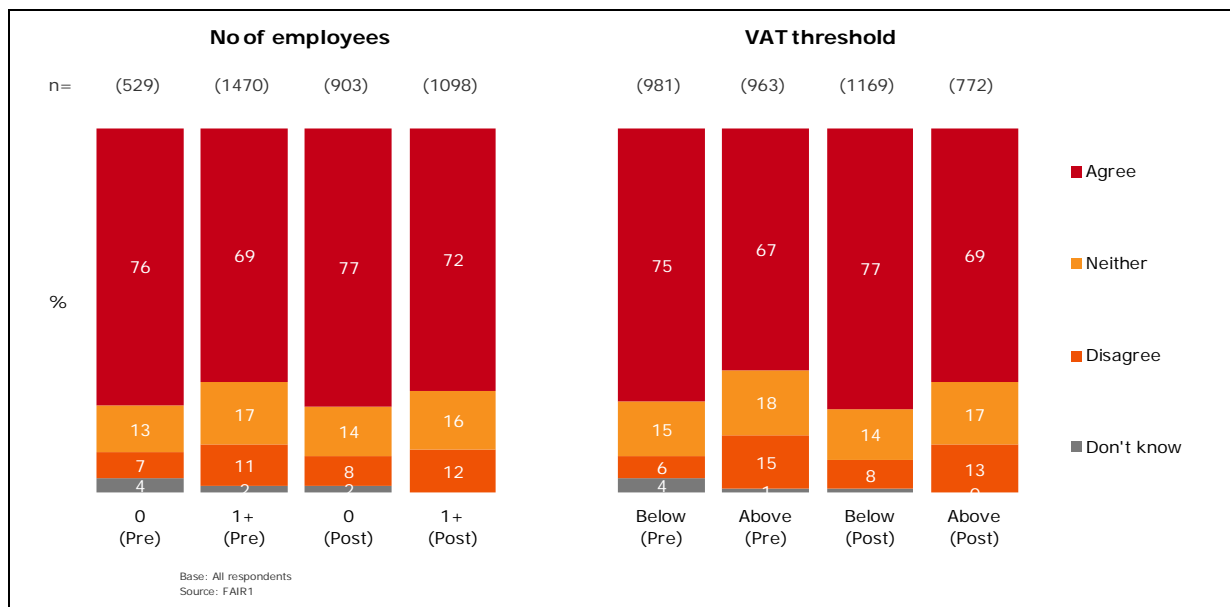


In general, smaller businesses were more likely to perceive HMRC as fair, and this applied equally pre and post campaign. Businesses with no employees were more likely to agree than larger

⁹ <http://www.hmrc.gov.uk/research/report195.pdf>

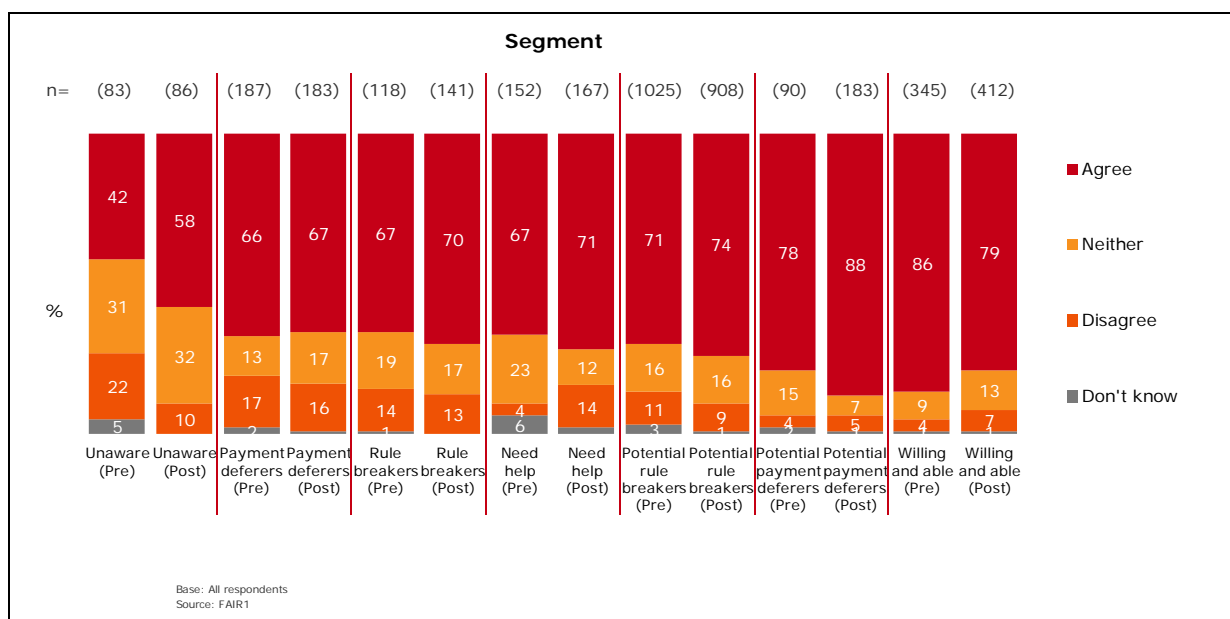
businesses that HMRC is fair. Similarly, those businesses below the VAT threshold (which is much more common among businesses with no employees) were more likely than those above it to agree that HMRC is fair (Chart 15). In line with this, sole trader businesses were also more likely than other businesses to agree that HMRC is fair.

Chart 15: Agreement/disagreement that HMRC is fair – by number of employees and VAT threshold



Pre-campaign, the *Unaware* attitudinal segment had by far the lowest level of agreement that HMRC is fair at 42% (Chart 16). At the other extreme was the *Willing & Able* segment (86% agreement) and the Potential Payment Deferrers (78%).

Chart 16: Agreement/disagreement that HMRC is fair – pre-post campaign comparisons by attitudinal segment

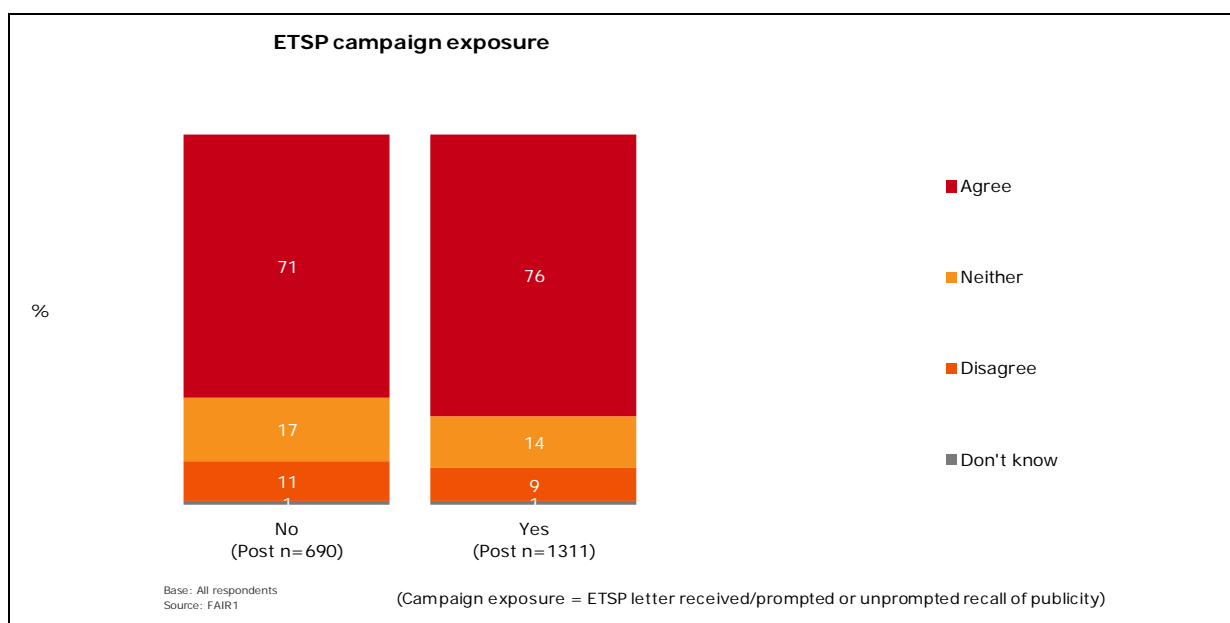


While it is hard to make comparisons, given the small base sizes, there has been an increase in agreement (42% rising to 58%) for the *Unaware* post campaign, shifting away from those who disagree. It is possible that the campaign has helped to inform the opinions of this group in particular.

The only group to apparently have a lower level of agreement that HMRC is fair post-campaign compared to pre-campaign is the *Willing & Able* segment. A hypothesis worth testing here in future research is that HMRC’s voluntary disclosure arrangements feel too lenient (and therefore unfair) to those who are already striving to pay their due.

While there was no significant change in perceptions of HMRC fairness pre to post campaign for all electricians, there was a difference in the post-campaign research between those who were aware of the ETSP campaign and those who were not. Of those who had either received the ETSP letter or who recalled HMRC publicity aimed at electricians (prompted or unprompted) 76% agreed that HMRC was fair, compared with 71% of those who were not aware of the ETSP campaign (Chart 17). It is worth, however, bearing in mind that businesses below the VAT threshold were more likely to recall the campaign, so at least some of this apparent difference may be related to differences in turnover¹⁰.

Chart 17: Agreement/disagreement that HMRC is fair – by exposure to ETSP campaign



6.2. Acceptability of tax evasion

When presented with a choice of statements, the vast majority of electricians said that tax evasion is always unacceptable (79% pre-campaign; 80% post-campaign). 17%-18% said that it is mostly unacceptable but depends on the circumstances. A tiny minority said that they think tax evasion is always or mostly acceptable. These proportions remained the same pre- and post-campaign (Chart 18).

Furthermore, there was no statistically significant difference in this perception between those who were aware of HMRC publicity targeting electricians and those who were not.

¹⁰ A logistic regression model found that electricians with turnover above the VAT threshold are 37% less likely to agree that HMRC is fair than electricians below the threshold whereas those that recalled the campaign and those that did not were equally as likely to agree HMRC is fair.

Chart 18: Acceptability of evasion – including by membership of trade body

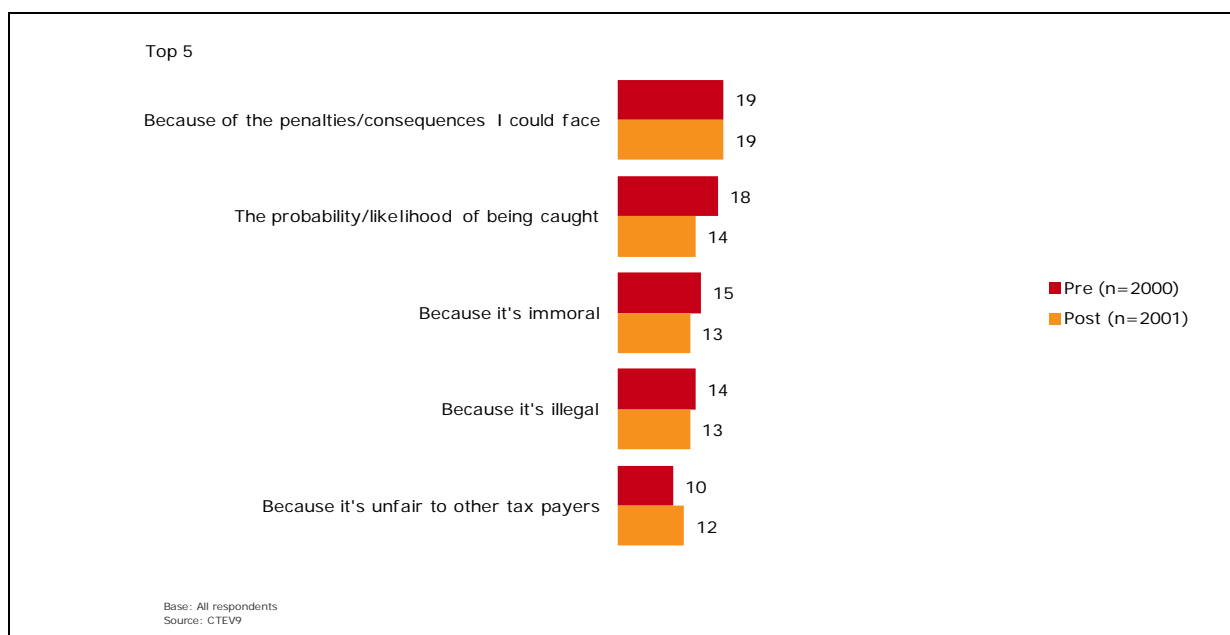


Among businesses who are not members of a trade body there was a slight shift in belief, post campaign, from evasion always being unacceptable towards evasion being mostly unacceptable depending on the circumstances, although this change itself was not significant. However, this small change opened up a significant gap between businesses that are and are not members of a trade body that was not present pre-campaign (Chart 18).

As would be expected (given the way the segments are defined), there were significant differences among attitudinal segment sub-groups in their propensity to think that tax evasion is always unacceptable. Not surprisingly, *Rule Breakers* were the least likely to think that tax evasion is always unacceptable (69% pre-campaign). The *Unaware* and the *Potential Rule Breakers* were also less likely than average to take this hard line. At the other extreme, 91% of the *Willing & Able* segment and 89% of the *Payment Deferrers* were hard-liners pre-campaign. There was no statistically significant difference pre-post campaign in the proportion of each segment who said that tax evasion is always unacceptable.

Respondents were asked to give an unprompted answer as to the main reason why they wouldn't regularly evade tax. A wide range of answers were given. The most common reasons cited were the penalties/consequences of being caught (cited by 19% pre-campaign) and the probability of being caught (18% pre-campaign). These were followed by reasons of immorality (15%), illegality (14%) and unfairness to others (10%). There was little change in the frequency of the top five reasons for not evading tax pre-post campaign. The exception was the **probability of being caught**, which dropped in mentions by 4 percentage points to 14% (Chart 19).

Chart 19: Main reason why wouldn't evade tax – Top 5 mentions



There were, however, no statistically significant differences in the reason given for not evading tax by whether respondents had seen HMRC publicity aimed at electricians or not.

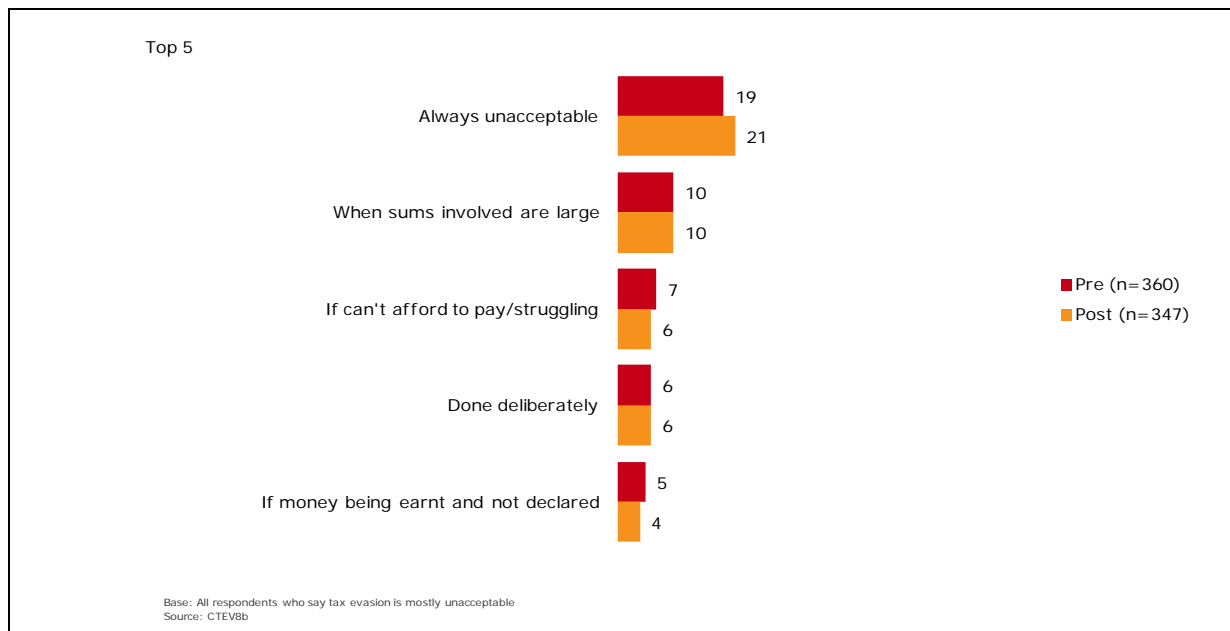
Pre-campaign, businesses with no employees were significantly more likely than those with 10+ employees to cite the probability of being caught as a reason for not evading tax (21% vs. 14%). Those with 10+ employees were significantly more likely than those with no employees to say it was because tax evasion is illegal (18% vs. 10%). The top five reasons for not evading tax were the same for every attitudinal segment.

6.3. Circumstances when evasion is acceptable/unacceptable

The small minority (2%) of electricians who said that tax evasion is mostly acceptable, depending on the circumstances were asked to name unprompted these circumstances. These data are based on only around 30 respondents at each of the pre- and post-campaign surveys and so should be treated cautiously. The most frequently mentioned reasons for evasion being acceptable (cited in each case by n=5 pre and n=2 post campaign) were being a low earner and the business having financial problems (n=4, 3 respectively).

In an equivalent question, the minority (18%) of electricians who said that tax evasion is mostly unacceptable, depending on the circumstances were also asked to name unprompted the circumstances when it would be unacceptable¹¹. These results are also shown in Chart 20.

Chart 20: Circumstances when evasion is unacceptable – Top 5 mentions



At the post stage the answer given most often by those asked when evasion would be unacceptable is that it is always unacceptable (21%). This is despite the fact that this group had previously said that evasion is *mostly* unacceptable, depending on the circumstances. Other reasons commonly cited for being unacceptable were when the sum involved is large (10%), when the person can't afford to pay (6%), when the evasion is deliberate¹² (6%) and if income is undeclared (4%). Again, the prevalence of these answers was stable pre- to post-campaign.

6.4. Perceived chances of detection

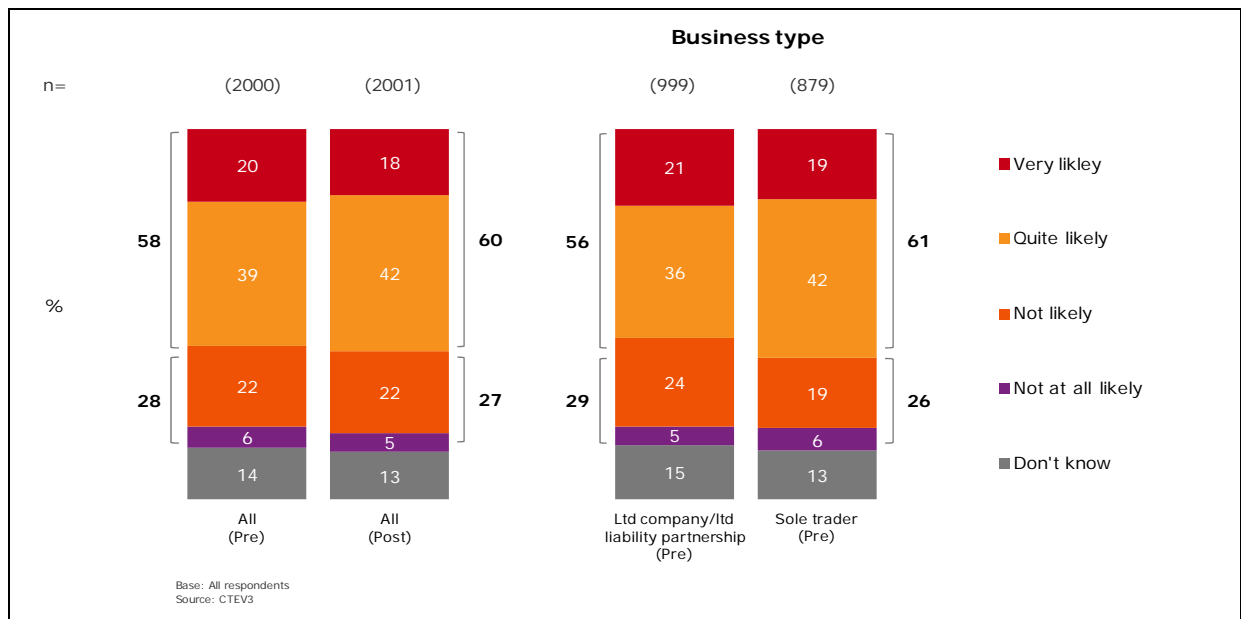
Electricians were asked about their perceptions about detection in three slightly different ways. Firstly, they were asked about how likely they felt it is that electricians who evade tax would get caught. Secondly, they were asked how likely they felt detection was if their business evaded tax. Thirdly, they were asked how likely electricians who evade tax would be caught compared to other businesses.

The majority of electricians felt that electricians who regularly evade paying tax were likely to get caught (58% very/quite likely pre-campaign, 60% post-campaign). These proportions did not change pre-post campaign when looking at the data in aggregate (Chart 21).

¹¹ This question is often misinterpreted by respondents as 'when would tax evasion be acceptable.' As a result, 'can't afford to pay/struggling' was given as a response to this question.

¹² Tax evasion is defined as illegal activity, where registered individuals or businesses deliberately omit, conceal or misrepresent information in order to reduce their tax liabilities.

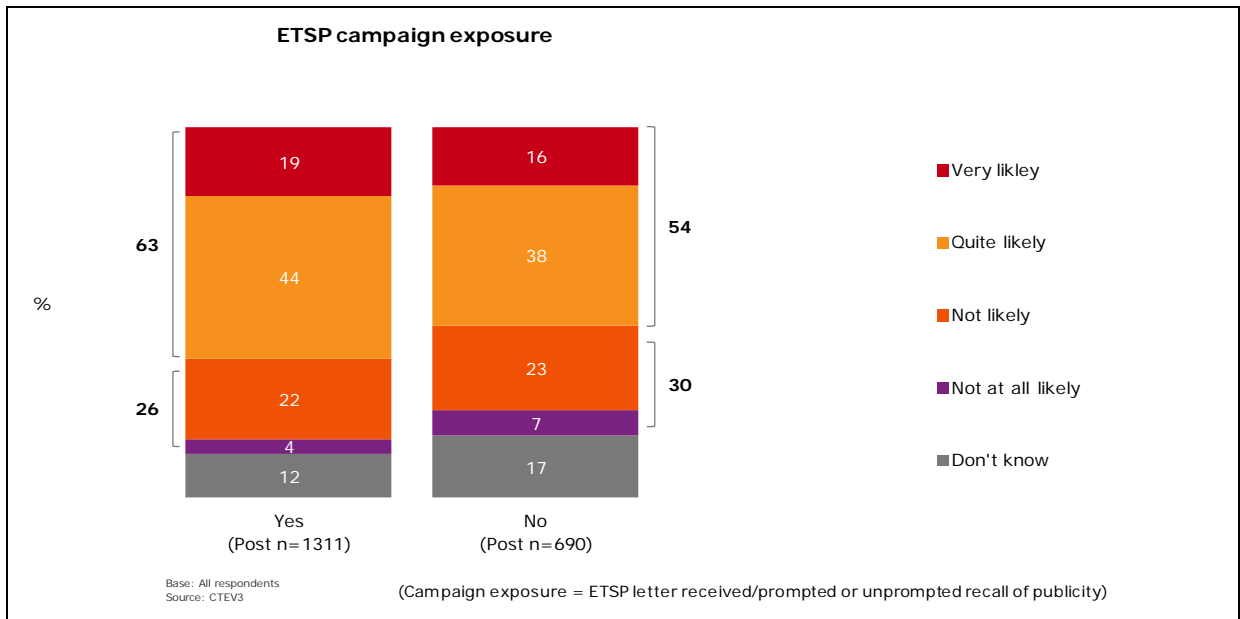
Chart 21: Likelihood of electricians getting caught evading tax – including by business type



There were no statistical differences between sub-groups in their perceived chances of detection, with the exception of sole traders, who were slightly more inclined to say that electricians were likely to get caught than did those in limited companies/limited liability partnerships (56% vs. 61%). This pattern was observed both pre-campaign and post-campaign. Chart 21 shows only the pre-campaign data in this respect for simplicity's sake.

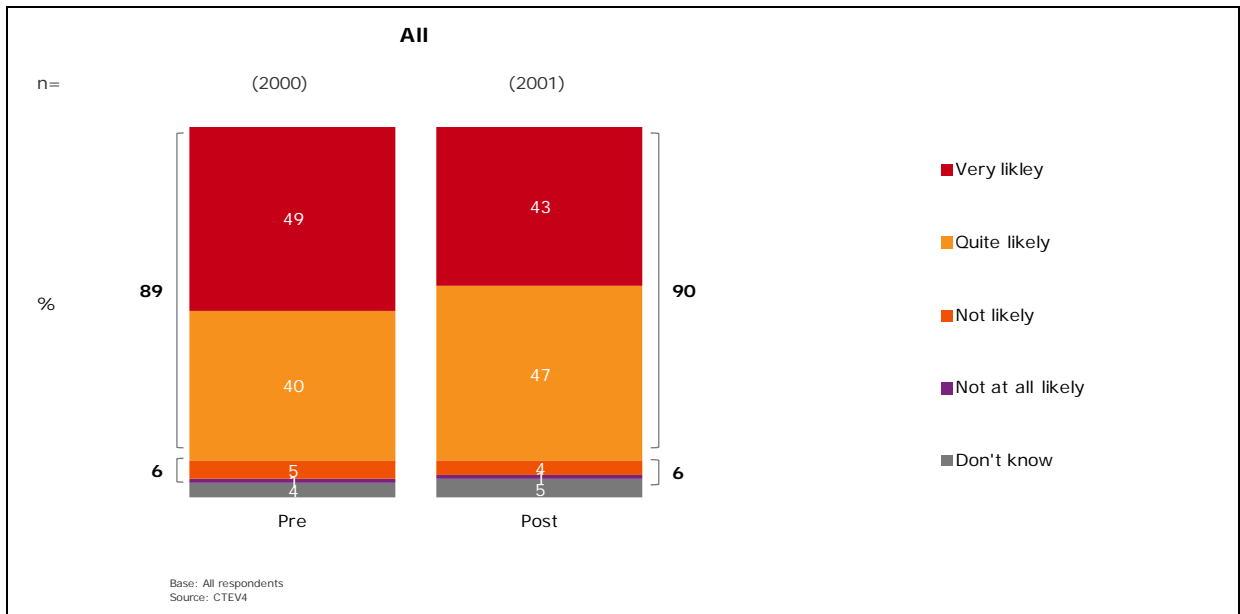
While there was no absolute change in attitudes pre to post campaign, there was a difference post-campaign in perceived chance of detection of electricians by whether respondents were aware of publicity about HMRC targeting electricians. As shown in Chart 22, a slightly higher proportion of those who were aware of the ETSP campaign felt that electricians were likely to be caught if they regularly evaded tax (63%) than those who were not aware of the campaign (54%).

Chart 22: Likelihood of electricians getting caught evading tax – by ETSP campaign exposure



Electricians were also asked how likely they felt detection was if their business regularly under-declared its tax liability (Chart 23). Perceived likelihood of detection for their business was much higher than for the previous question about electricians in general (90% very/quite likely vs. 60%, Chart 21 and Chart 23) for electricians in general post campaign). There were no statistically significant differences by sub-group in this result, or by whether the respondent was aware of the HMRC publicity aimed at electricians.

Chart 23: Likelihood of HMRC finding out if *their* business regularly under-declared its income



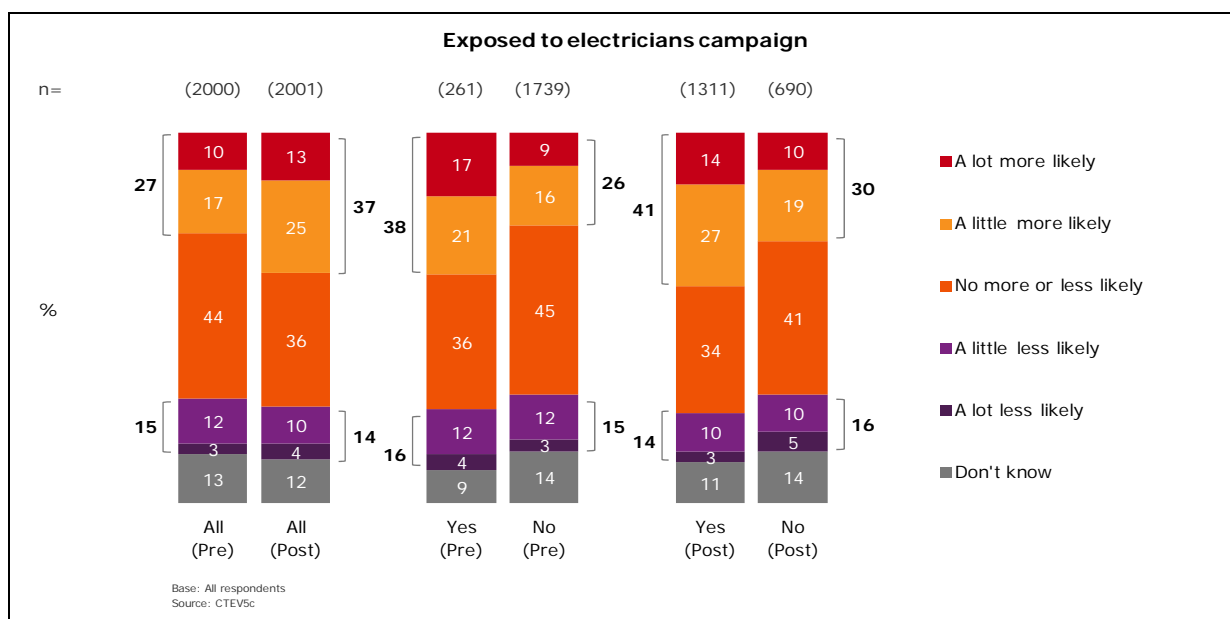
Looking at only the very/quite likely summary data in Chart 23, there appears to be no difference in perceptions of likelihood of detection of tax evasion in electricians' own business pre- to post-campaign. However, focusing instead on the proportions saying "**very** likely" reveals a significant

drop pre- to post-campaign (from 49% to 43%) and a commensurate rise in the proportion saying “quite likely” post-campaign (from 40% to 47%). This pattern of fewer saying “very likely” and more saying “quite likely” pre- to post-campaign is repeated across all sub-groups.

When asked how likely electricians who evade tax were to get caught compared to other businesses, the most common response was that electricians are no more or less likely to get caught (44% pre campaign, 36% post). Electricians were more likely to believe they had a greater chance of getting caught than to think they were less likely to get caught, both at the pre and post campaign stages.

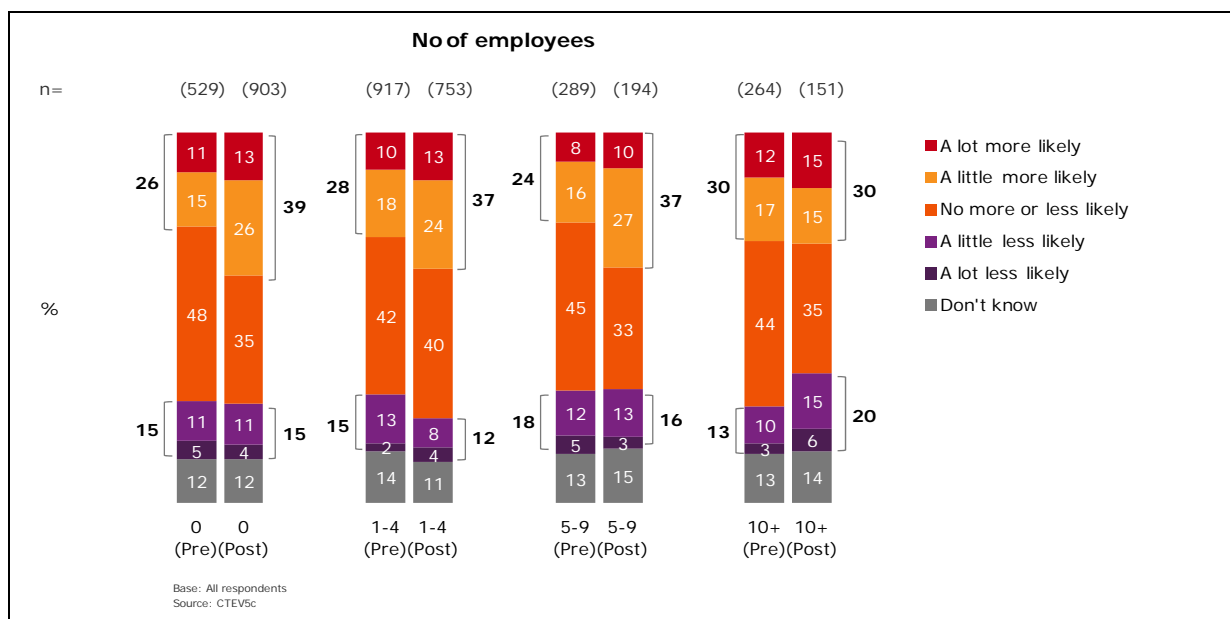
Post campaign there was a shift away from saying electricians were no more or less likely to get caught, and towards the belief that electricians were at least a little more likely to get caught (Chart 24). This suggests that the campaign has influenced this belief about electricians compared with other businesses. However, given the lack of change in belief in the overall likelihood of electricians being caught seen in Chart 23, this is presumably only in relation to other businesses not targeted by a campaign. This is reinforced by the finding that electricians aware of the campaign were more likely to believe electricians are more likely to be caught (41%) than other businesses compared with those not aware of the campaign (30%).

Chart 24: Likelihood of electricians who evade tax getting caught compared to other businesses



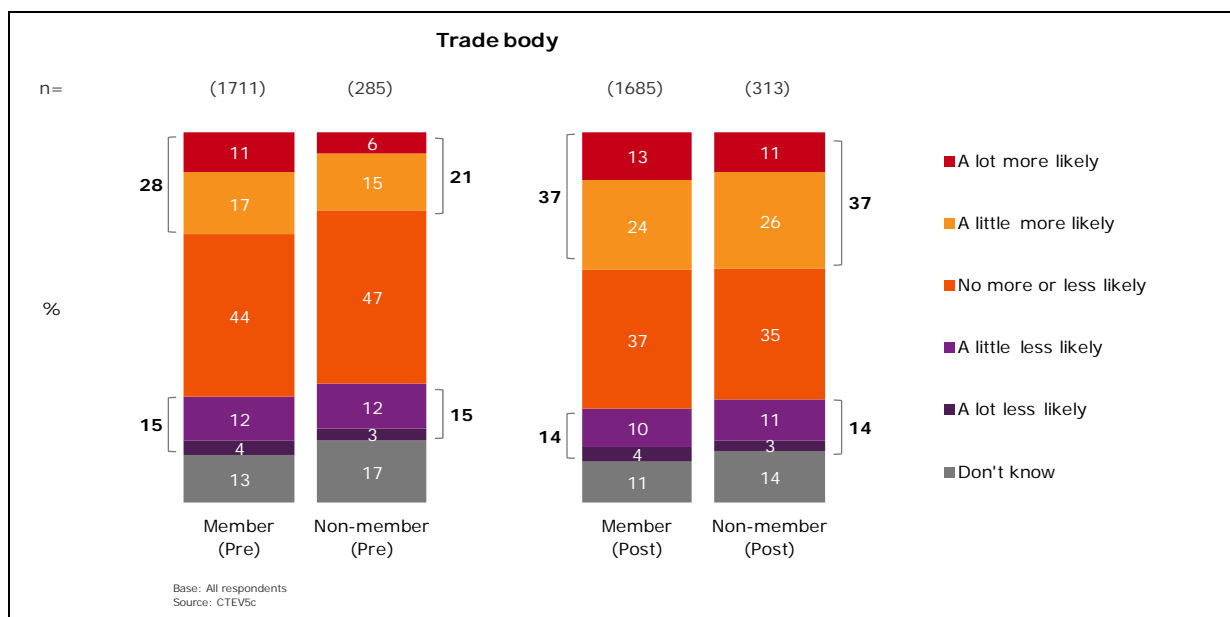
The pattern of more electricians saying post-campaign that electricians are more likely to get caught than other businesses compared to pre-campaign was observed across all sub-groups with two exceptions. One of these was among businesses with 10+ employees (Chart 25). This implies that the campaign has had less of an impact on larger businesses.

Chart 25: Likelihood of electricians who evade tax getting caught compared to other businesses – by number of employees



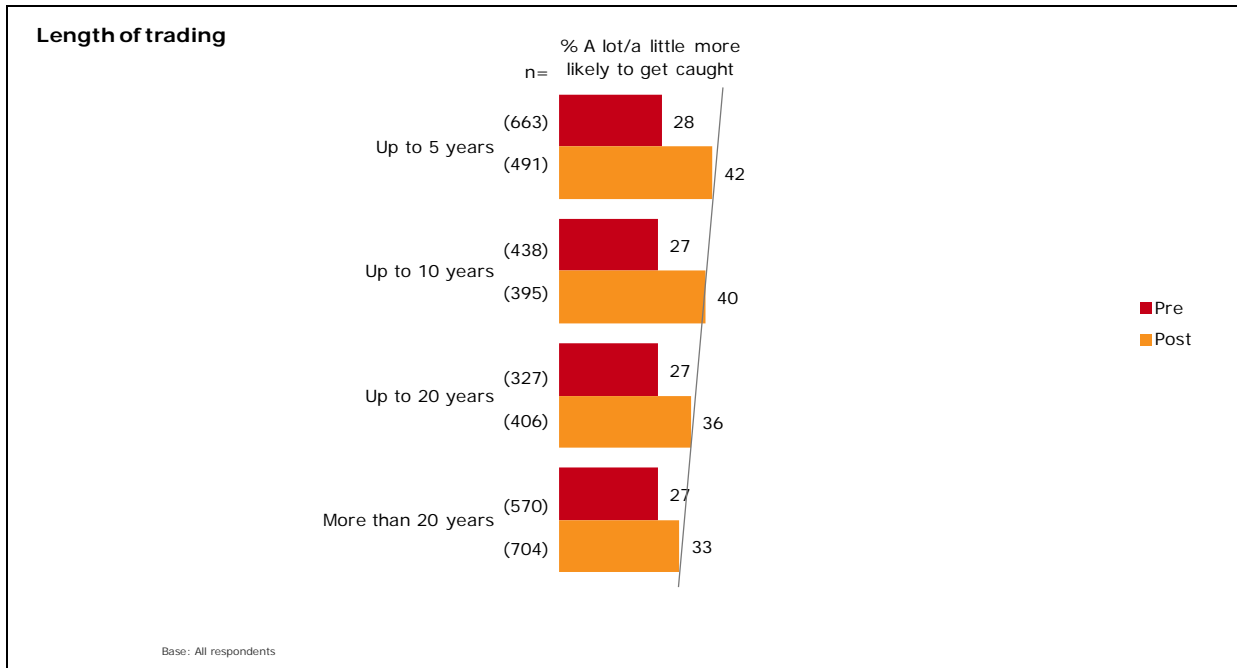
The other exception was electricians who were members of a trade body. Pre-campaign, electrical trade body members were more likely than non-members to say that electricians are more likely than other businesses to get caught for tax evasion (28% vs. 21%). Post-campaign, these proportions were both higher, but there was no difference between members and non-members (Chart 26). This implies that the publicity has impacted non-members to a greater extent.

Chart 26: Likelihood of electricians who evade tax getting caught compared to other businesses – by membership of trade body



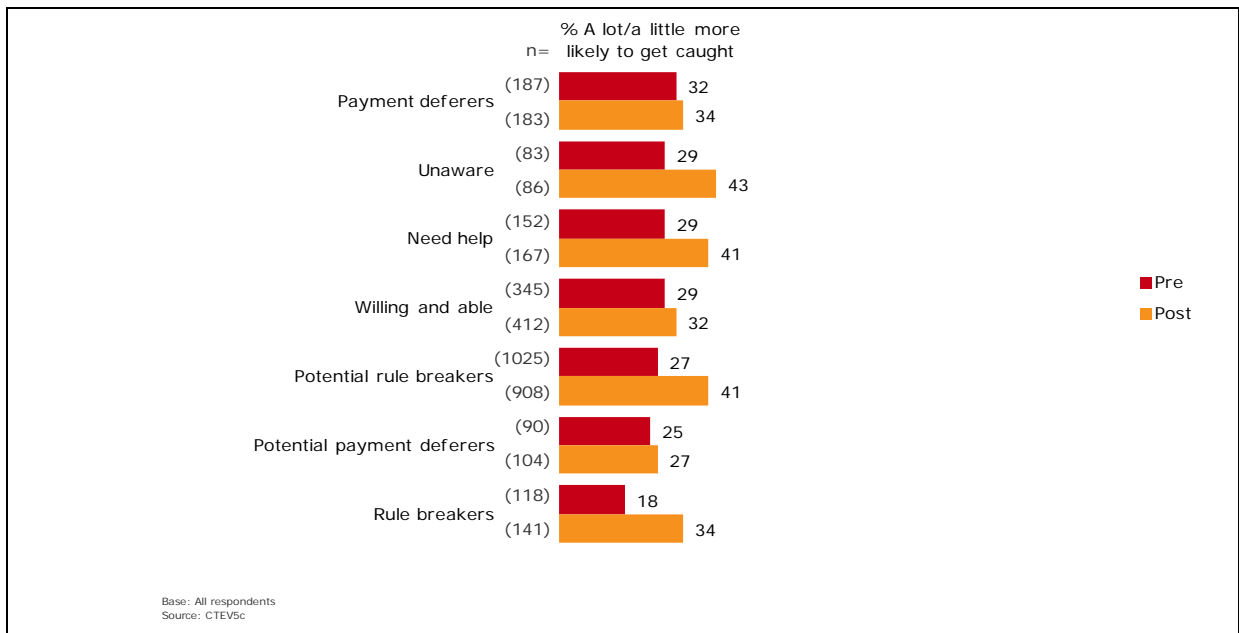
Although post-campaign proportions of those saying electricians who evade tax are more likely to be caught than other businesses were higher than pre-campaign proportions for all businesses, regardless of length of trading, the increase was greater for newer businesses (Chart 27). This implies that newer businesses are more receptive to such campaigns.

Chart 27: Likelihood of electricians who evade tax getting caught compared to other businesses – by length of trading



The other sub-groups not conforming to the pattern of more electricians saying post-campaign that electricians are more likely to get caught than other businesses compared to pre-campaign were the following attitudinal segments: *Willing & Able*, *Payment Deferrers* and *Potential Payment Deferrers*. These showed no real increase pre- to post-campaign (Chart 28).

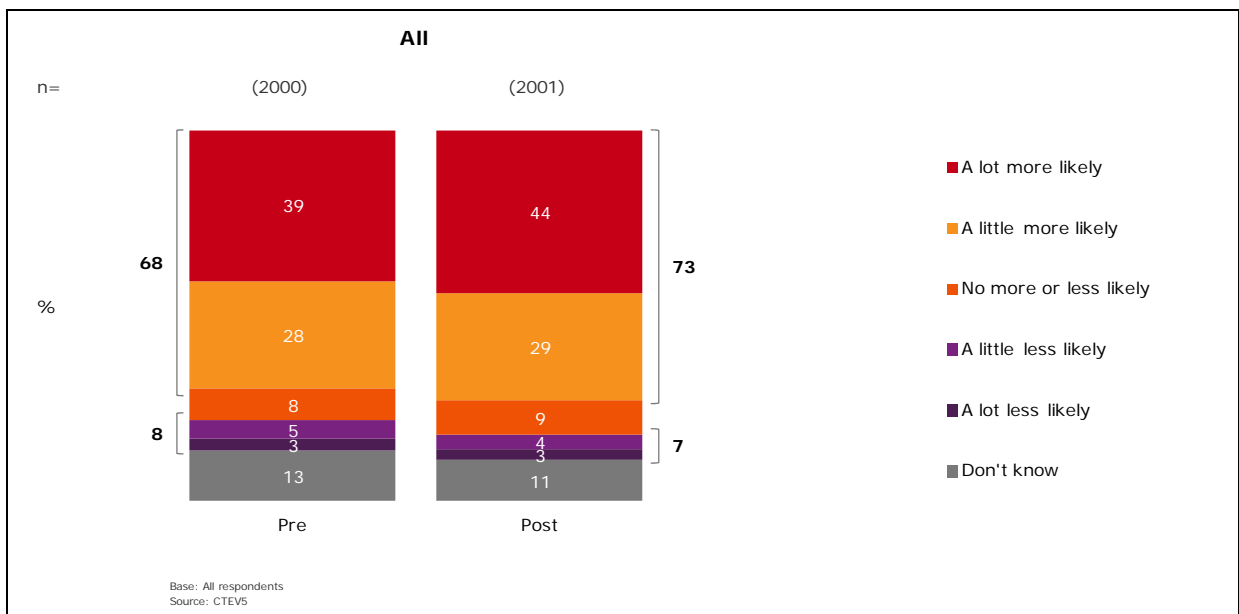
Chart 28: Likelihood of electricians who evade tax getting caught compared to other businesses – by attitudinal segment



6.5. HMRC effort and perceived likelihood of being caught

Related to the likelihood of being caught compared with other businesses, electricians were also asked whether electricians who regularly evade tax are more likely to be caught by HMRC compared to a couple of years ago (Chart 29). The majority do think it is now more likely, and that proportion increased from pre-campaign (68%) to post-campaign (73%). Most of the increase was in those saying “a lot more likely” (39% to 44%) as opposed to “a little more likely” (28% to 29%). This pattern was generally repeated across all sub-groups.

Chart 29: Whether electricians evading tax are more or less likely to be caught than in the past

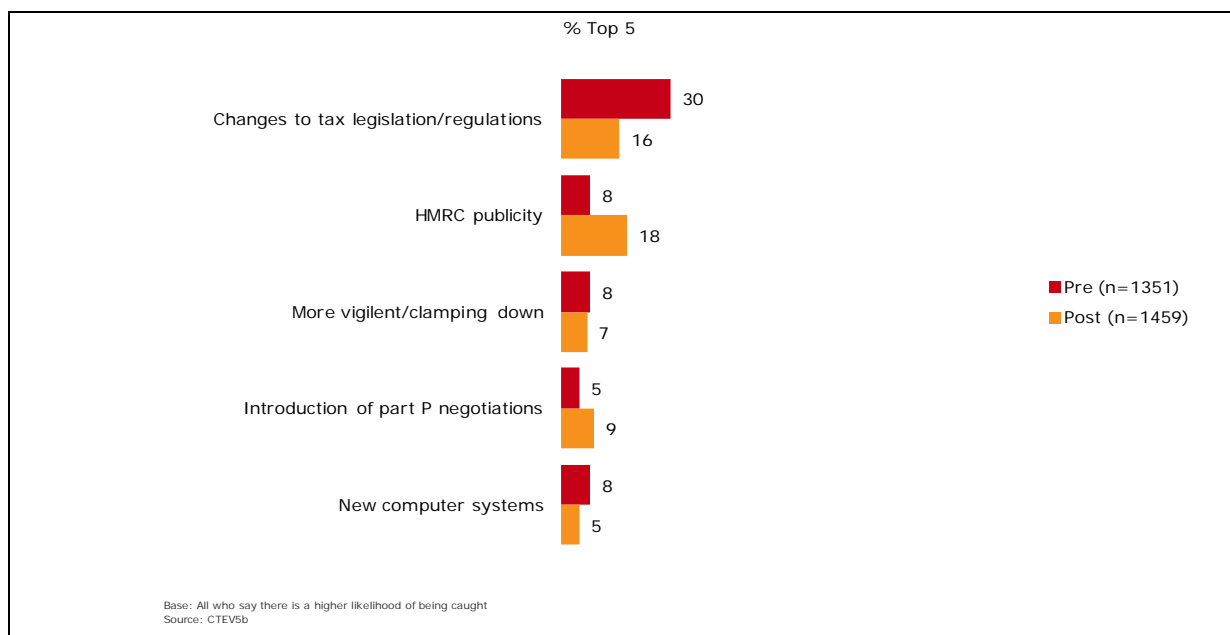


This is likely to be partly influenced by the campaign, as 77% of those aware of the campaign thought electricians a lot more likely to be caught than in the past, compared with 66% of those not aware of the campaign (chart not shown).

One sub-group with a particularly high pre-to-post campaign increase in perceptions of how likely evaders are to be caught nowadays compared to a couple of years ago was the *Rule Breakers* segment: 55% of *Rule Breakers* agreed with this pre-campaign, rising to 72% post-campaign, a 17 percentage point increase.

Those who perceived there to be higher likelihood of being caught evading tax now than a couple of years ago were asked to give an unprompted reason why they thought this. Pre-campaign the most frequently mentioned reason was changes to tax legislation/regulations (30%) with only 8% mentioning the HMRC publicity they had come across. Post-campaign, citing of HMRC publicity had doubled to 18% and the proportion citing changes to tax legislation/regulations had dropped to 16%. A further notable difference pre-post campaign was the rise in the proportion mentioning the introduction of Part P regulations from 5% to 9% (Chart 30). 2% of electricians in the post-stage cited the HMRC letter they had received about the electricians' campaign.

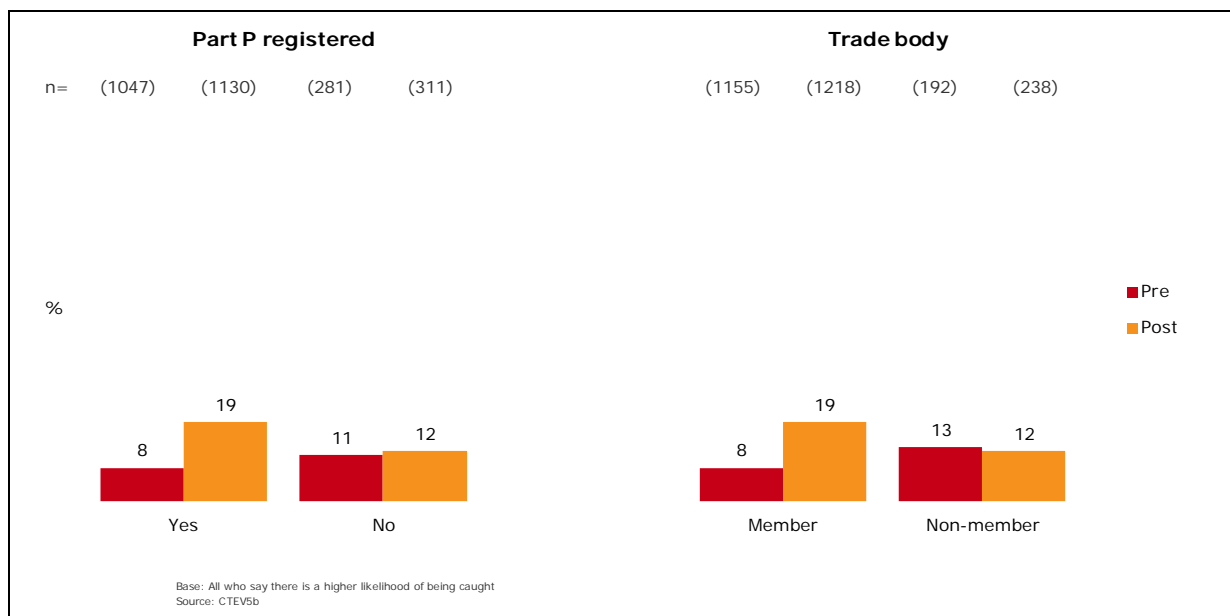
Chart 30: Reasons for the belief that electricians are more likely to be caught by HMRC than in the past – Top 5 mentions



Of those who had seen the electricians' campaign in the post-wave of research, 21% cited HMRC publicity as a reason for believing that electricians who evade tax are more likely to be caught by HMRC, compared with only 11% of those who had not seen the campaign.

Among sub-groups, the pre-post campaign increase in the proportion citing HMRC publicity as a reason for the belief that electricians are more likely to be caught nowadays was universally observed with the **exception of** those who are not Part P registered and those who are not members of a trade body, who showed no change in propensity to give this reason pre- to post-campaign (Chart 31).

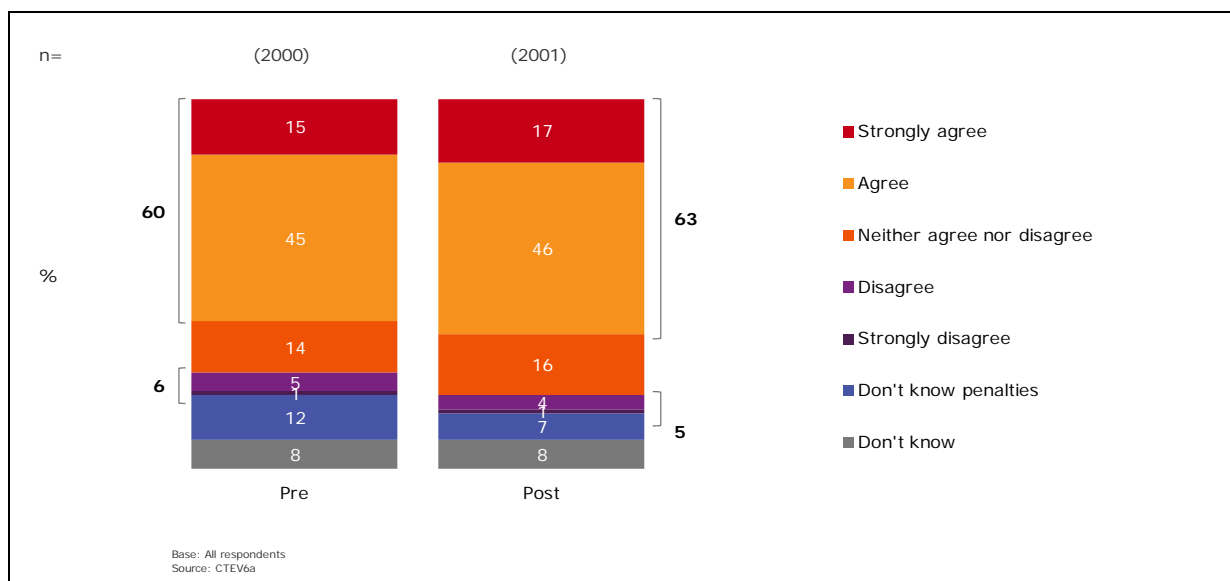
Chart 31: Proportions citing HMRC publicity as a reason for the belief that electricians are more likely to be caught by HMRC than in the past – by whether Part P registered and by trade body membership.



6.6. Financial penalties for tax evasion

60% of electricians agreed pre-campaign that the financial penalties which HMRC can impose are sufficient to deter electricians from regularly evading tax. A small minority (6%) disagreed. A further 12% were unable to say because they do not know the penalties. These proportions were very similar post-campaign (Chart 32). The implication is that the campaign has not generally influenced perceptions about the severity of financial penalties, and indeed this is not the focus of the campaign.

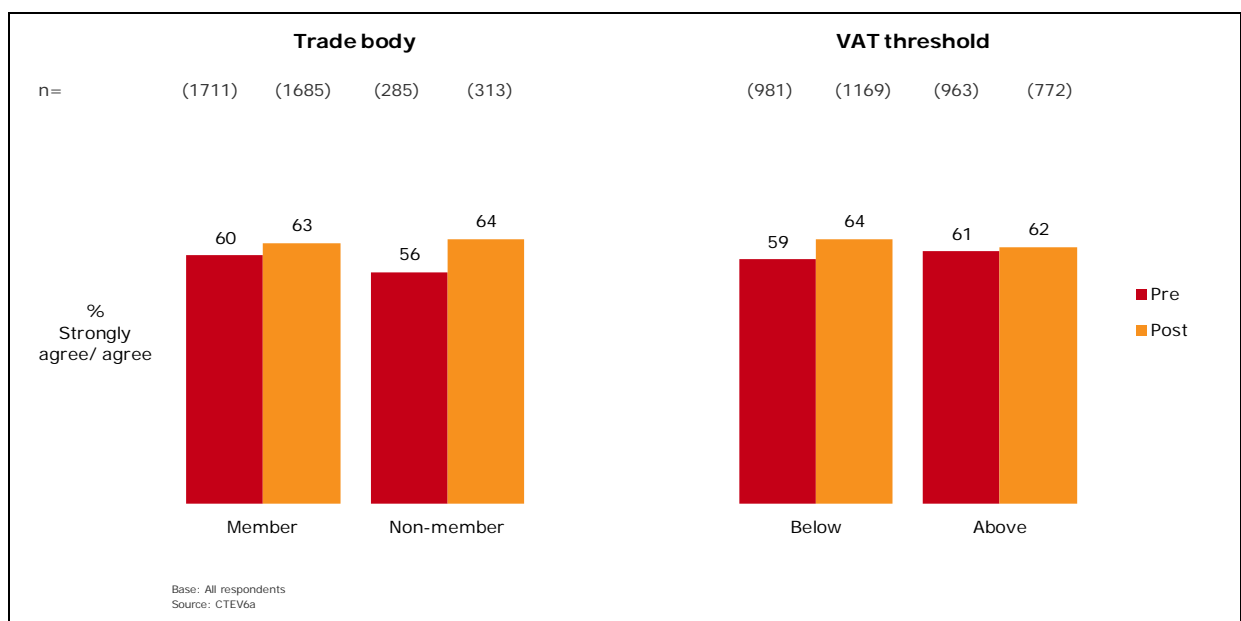
Chart 32: Agreement that financial penalties are sufficient to deter electricians from regularly evading tax.



The proportion of electricians agreeing that the financial penalties are sufficient as a deterrent was higher at 66% among those who were aware of the electricians' campaign than among those who were not (58%, chart not shown).

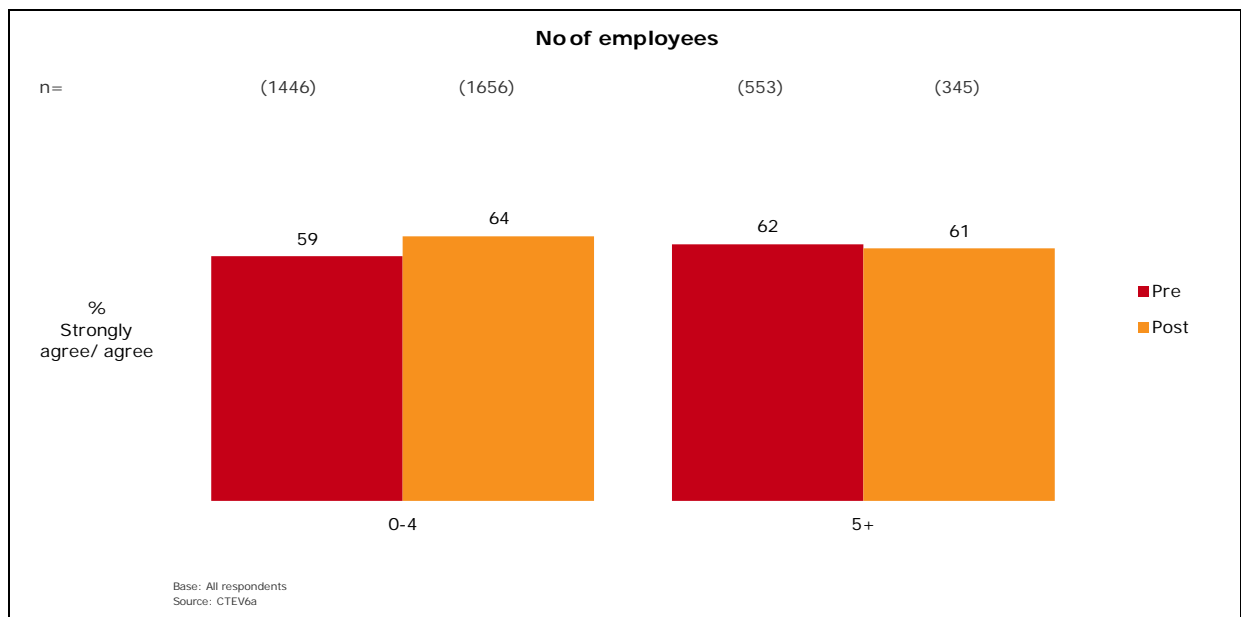
Although there was no change in perceptions about the deterrent effect of the financial penalties in HMRC's armoury pre- to post-campaign across electricians at large, some sub-groups were more likely to agree that they are a deterrent post-campaign compared to pre-campaign. Non-members of a trade body showed a significant increase in agreement, as did businesses below the VAT threshold (Chart 33).

Chart 33: Agreement that financial penalties are sufficient to deter electricians from regularly evading tax – by membership of a trade body and by turnover



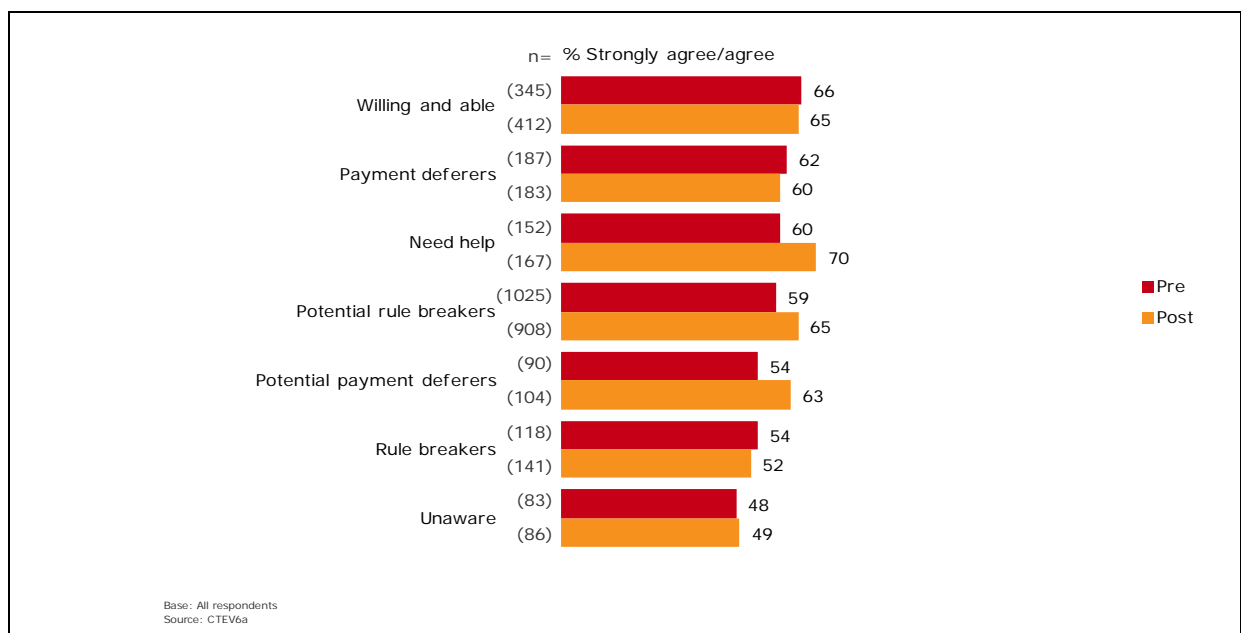
Businesses which are non-members of a trade body and businesses which are under the VAT threshold are more likely to be small businesses. The implication of this may be that financial penalties are more pertinent to small businesses than to larger ones. This conclusion is supported by the fact that there was a pre-post campaign increase in agreement that financial penalties are a deterrent among businesses with fewer than 5 employees, but no change among larger businesses (Chart 34).

Chart 34: Agreement that financial penalties are sufficient to deter electricians from regularly evading tax – by number of employees



Some attitudinal segments were more likely than others to agree that financial penalties are a deterrent (Chart 35). The *Willing & Able* segment was the most likely to agree (66% pre-campaign) and the *Unaware* segment the least likely (48% pre-campaign). One segment, *Potential Rule Breakers*, was significantly more likely to agree post-campaign (65%) than pre-campaign (59%).

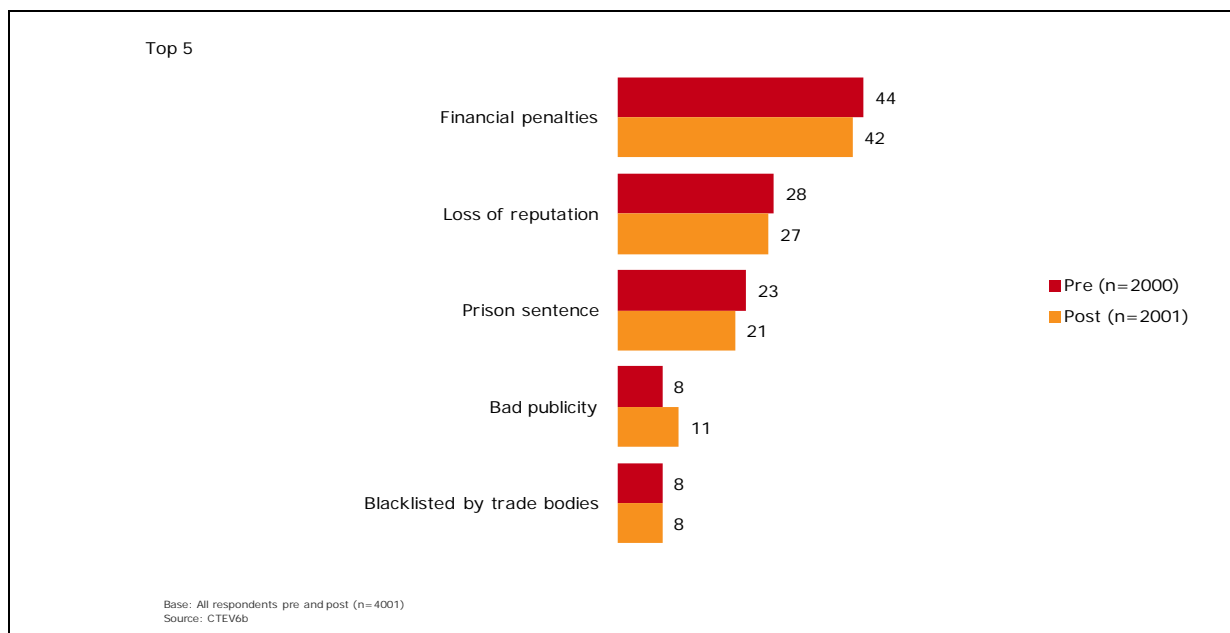
Chart 35: Agreement that financial penalties are sufficient to deter electricians from regularly evading tax – by segment



6.7. Consequences for tax evasion

Perceptions of the consequences for electricians of evading tax were dominated by the prospect of financial penalties (42% mentioned this post-campaign). Loss of reputation (27%) and a prison sentence (21%) were the next most frequently mentioned consequences (Chart 36).

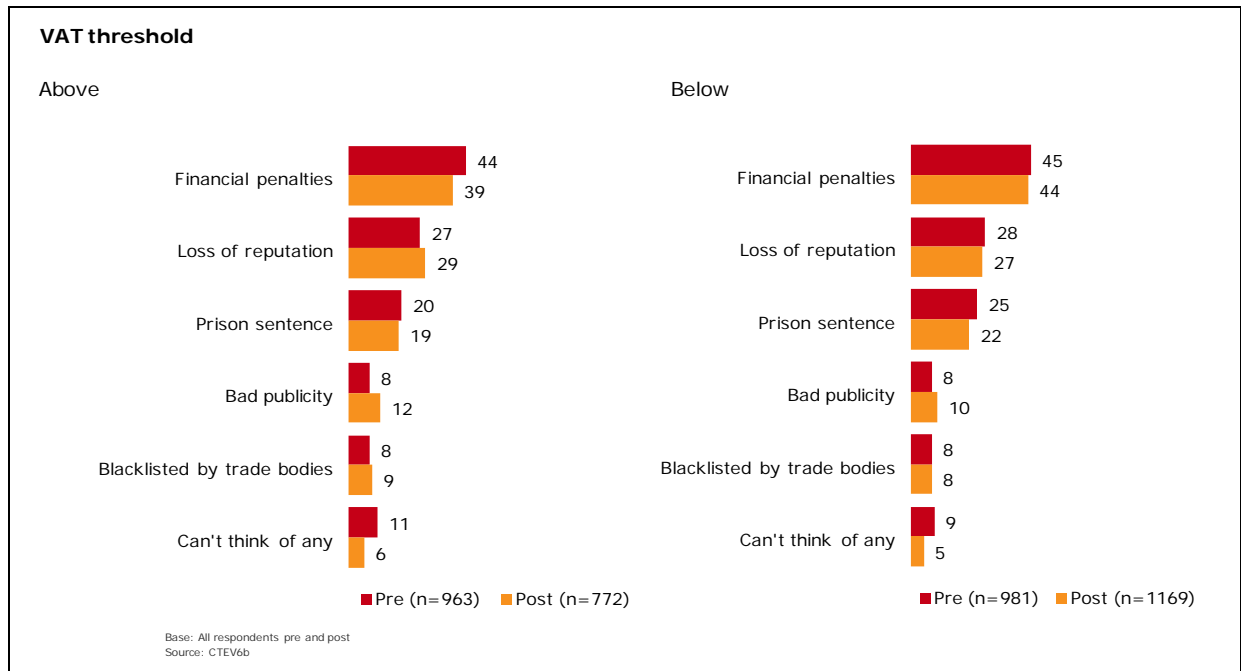
Chart 36: Consequences for electricians caught evading tax – Top 5 mentions



Looking at the sample in aggregate, there was no discernible change pre- to post-campaign in frequency of mention of any of the consequences, apart from the proportion mention of bad publicity (8% to 11%) or a negative impact on their ability to expand their business or to start up another business (1% to 5%), which are statistically significant.

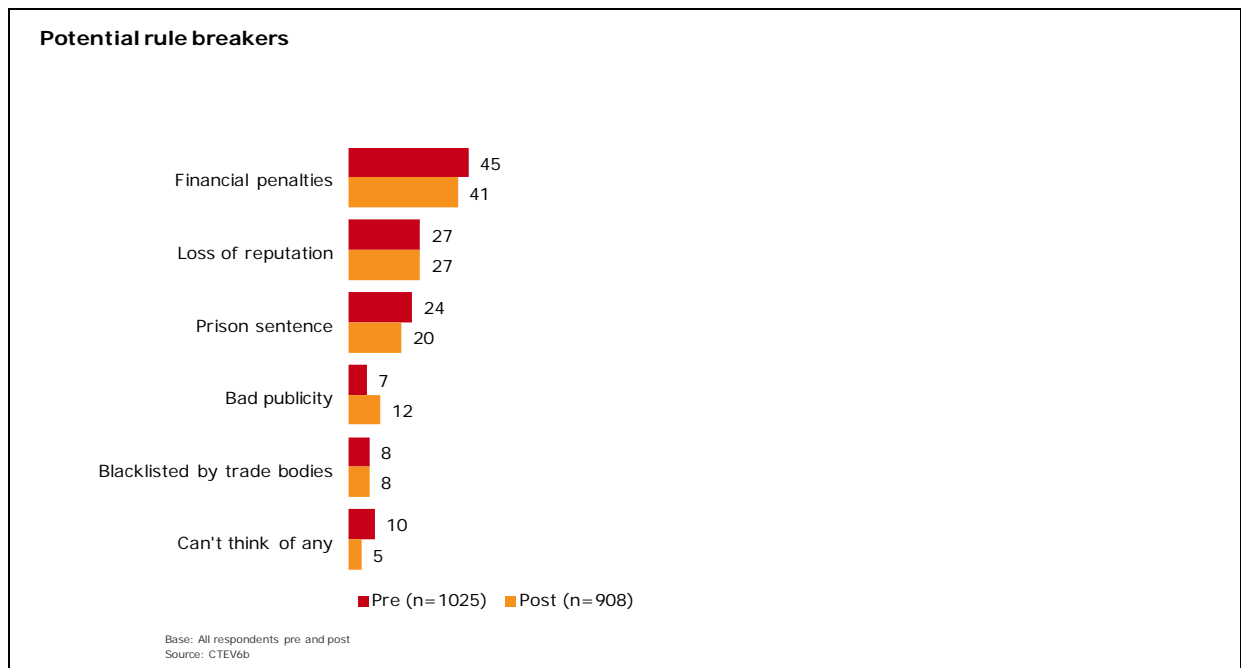
There were some pre- to post-campaign changes in frequency of mention of consequences among some sub-groups. Those who are Part P registered, those who are members of a trade body, and those above the VAT threshold were all slightly **less** likely to mention financial penalties post-compared to pre-campaign, and slightly **more** likely to mention bad publicity compared to their counterpart groups (Charts 37-39). This suggests that bad publicity was a takeout of the electricians' campaign.

Chart 39: Consequences for electricians caught evading tax - by VAT threshold



Any pre- to post-campaign changes in frequency of mention of consequences among attitudinal segment sub-groups are difficult to detect given the relatively small base size of five out of the seven segments. The largest segment, *Potential Rule Breakers*, did show a similar pattern of pre- to post-campaign change to that observed above i.e. a reduced frequency of mention of financial penalties and an increased frequency of mention of bad publicity. This group also was less likely to mention a prison sentence at the post-campaign stage compared to pre-campaign (Chart 40).

Chart 40: Consequences for electricians caught evading tax – Potential Rule Breakers



7. Conclusions

7.1. Campaign awareness

The ETSP campaign was undoubtedly noticed and believed by its target audience. This was evidenced by high pre to post campaign increases in awareness of any HMRC campaigns (66% awareness of publicity or the ETSP letter) together with high levels of spontaneous mentions of an electricians campaign, and 85% belief in the message. Levels of spontaneous awareness of the plumber campaign among electricians also suggest the potential for cross fertilisation of campaigns among those working in related sectors (e.g. the construction sector).

The **Rule Breaker** and **Need Help** segments had the highest **increase** in ETSP campaign awareness, suggesting that they were particularly engaged by the campaign, possibly responding to the “prosecute” and the “help” messages of the campaign.

The **HMRC letter** was the primary source of awareness post-campaign and 44% of electricians recalled receiving one. Smaller companies were more likely than larger companies to remember the HMRC letter, which reflects it’s targeting at the self employed. Awareness of HMRC campaigns was greatest post campaign for **smaller businesses**, illustrating the success of this targeting.

However, firms who are **Part P registered and members of a trade body** were more likely to recall the ETSP campaign than their counterparts. These firms were more likely to mention publicity other than the letter, particularly the trade press, suggesting that the use of these media can be effective for this type of business.

On the other hand, there was a higher proportional **increase** in awareness pre to post campaign among those who are **not** Part P registered and those who are **not** members of a trade body (albeit remaining at a lower level overall), suggesting that these businesses were well targeted by the letter, but started from a point of lower awareness of HMRC publicity.

Voluntary Disclosure was the most commonly recalled message of the ETSP campaign, displacing the pre-campaign message of prosecution. This suggests that it was the most pertinent message to the audience. Recall of the Voluntary Disclosure message was particularly high for Part P registered firms and those belonging to trade bodies, so publicity other than the letter may have helped to strengthen this message.

7.2. Attitudes to compliance

Changing deeply held attitudes is always a long term aim and it is rare to record changes within the timescale of a campaign. Furthermore, if attitudes are generally positive to begin with, it can be very difficult to achieve an improvement. Nevertheless there was some evidence of campaign impact on a small number of attitudes.

Attitudes towards HMRC and tax evasion were generally very positive. Before the campaign, three in four electricians felt HMRC to be fair and eight in ten believed tax evasion was always unacceptable. These attitudes did not change post campaign among all electricians, although those in the **Unaware** segment became more likely to believe HMRC to be fair, so the campaign may have influenced this less engaged group. In contrast those in the **Willing and Able** segment were less likely to feel HMRC were fair post campaign. It is possible that offering disclosure to non-compliant businesses seems unfair to those who are always compliant. Overall, while perceived fairness was higher among those who recalled the ETSP campaign than those who did not, this may be related to more positive attitudes among smaller businesses that were more likely to recall the campaign, rather than offering clear evidence of a campaign impact at this early stage.

Concern about personal risks of being caught was greater than concern about electricians more generally being caught for repeated evasion. While six in ten believed that electricians who were repeat evaders were likely to be caught, nine in ten believed that *their* business was likely to be caught if *they* repeatedly evaded tax. Neither figure changed pre to post campaign so these seem to be deeply held beliefs. While electricians who recalled the campaign were more likely to believe that evaders would be caught than those who did not recall the campaign.

The campaign did appear to have increased the perception that electricians were more likely to be caught *than other businesses* and that electricians who evade tax are more likely to be caught *than a couple of years ago*. **Rule Breakers** showed a particular increase in this latter belief which is a positive outcome for HMRC. Furthermore, the campaign was clearly cited as one of the reasons for believing that the risk was increasing. This suggests that the campaign has conveyed the message that things are changing, and that electricians are increasingly likely to be pursued, but as yet this has not influenced overarching beliefs about the likelihood of being caught.

In terms of **messages** that would encourage changes in attitudes and compliance, the penalties and risks of being caught seem to be the strongest reason not to evade tax for electricians, although issues of morality and fairness also play a role. The involvement of large sums of money, deliberate evasion and undeclared income are seen as particularly unacceptable¹³. However, having financial problems or low earnings may be seen as justification for evasion by some.

The mostly frequently perceived consequence by electricians of getting caught for tax evasion is dominated by the potential financial penalty. Financial penalties are also seen by the majority of electricians as a sufficient deterrent to evasion. However, those who are Part P registered and those who are a member of a trade body showed a pre-post campaign reduction in mention of financial penalties as a perceived consequence of tax evasion and an increase in mention of **bad publicity**. Their counterpart groups showed no such differences. This suggests that the threat of bad publicity has become more salient for those (generally larger) electricians who are subject to regulation.

¹³ It is commonly misunderstood that HMRC only defines tax evasion as evasion if it is a deliberate act.

8. References

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

9. Appendix

9.1. Campaign material

Street talk poster



Flyer



Electricians Tax Safe Plan

The Electricians Tax Safe Plan is the second campaign aimed at trades people. The first targeted plumbers and heating engineers. The information below highlights what happened as a result of the plumbers' campaign. We will build on these results for the electricians' campaign.

- In April 2011 HMRC offered plumbers and heating engineers the opportunity to tell us about any income they had not previously told us about and pay any tax due by 31st August 2011. (Electricians will have until 14 August 2012 to pay any tax due).
- Those plumbers and heating engineers who took up the opportunity have told us about over £4 Million in unpaid taxes.
- Many of those were unable to pay in full immediately, so we have helped them to spread their payments over a longer period.
- Unfortunately there were still many who did not take this opportunity to put things right. To identify those who were not registered for tax and those who had not told us about all their income we used information from a wide range of sources.
- We have referred thousands of individuals for civil investigation.
- Those individuals that have deliberately through action / inaction not paid the right amount of tax face having HMRC monitor their business closely for up to 5 years. More details can be found at www.hmrc.gov.uk/about/tax-defaulters.htm
- We have already referred 30 cases for Criminal Investigation, with more to follow. So far there have been 10 arrests across the UK. In one case, following the arrest of a plumber, we found evidence that his wife was falsely claiming tax credits. She is now also facing prosecution.

We are now looking closely at electricians and we are using a number of different sources to help us target those who have not declared their full income. We are building on the same methods that we used for the plumbers' campaign – because they work.

**Have you told us about all of your income?
If not call 0845 601 5041**

Radio ad script

SFX: The click of an electric switch

MVO: Us electricians can't afford to take chances with safety.

There's a responsibility to do the job right, so our customers stay safe and so do we.

This responsibility also applies to our tax. If we don't declare our earnings, we're running a risky business.

Revenue and Customs want electricians to talk to them about undeclared income by May 15th. Or they'll come looking.

So stay safe. Contact them before they contact you.

Call HMRC now on 0845 601 5041.

Trade press

HMRC to pull the plug on electricians

HMRC has asked BMF and its members to help highlight the new HMRC campaign to their customers who may have under-declared their tax obligations.

The campaign, Electricians Tax Safe Plan (ETSP) is aimed at anyone who installs, maintains or tests electrical systems, equipment or appliances. HMRC are providing the opportunity for electricians to voluntarily come forward if they have for any reason undisclosed taxes – this opportunity expires on 15 May.

Prior to 15 May, electricians can complete a notification form at www.hmrc.gov.uk/campaigns/notify.htm or telephone 0845 601 5041



where someone from a dedicated team will give simple and straightforward advice. A low rate penalty charge will be made

to any electricians who complete a notification form, but this is better than facing a possible criminal investigation.

9.2. Pre-campaign questionnaire

INTRODUCTION

Good morning/afternoon/evening, my name is ..., and I am calling on behalf of TNS-BMRB, the independent social research company. We are carrying out a survey for Her Majesty's Revenue and Customs with small and medium businesses in the electrical trade about their attitudes towards complying with tax obligations.

Please could I speak to a Director of the company, or owner of the business, or senior partner?

NOTE: IF NO-ONE AVAILABLE, ASK FOR A SENIOR MANAGER

WHEN TALKING TO SENIOR RESPONDENT:

Good morning/afternoon/evening, my name is ..., and I am calling on behalf of TNS-BMRB, the independent social research company.

Can I just check, do you have responsibility for making key decisions about the business, either alone, or with others? IF NO – ASK TO SPEAK TO SOMEONE WHO HAS SOLE OR SHARED RESPONSIBILITY FOR MAKING KEY DECISIONS ABOUT THE BUSINESS. NOTE – IF THEY SAY THIS IS SOMETHING DONE AT A HIGHER LEVEL IN THE BUSINESS, PLEASE TAKE REFERRAL UPWARDS.

WHEN TALKING TO SENIOR RESPONDENT WHO HAS SOME/ALL RESPONSIBILITY FOR KEY DECISIONS ABOUT THE BUSINESS:

Good morning/afternoon/evening, my name is ..., and I am calling on behalf of TNS-BMRB, the independent social research company.

We are carrying out a survey for Her Majesty's Revenue and Customs about tax compliance with small to medium size businesses in the electrical trade in the UK. Would this be a good time to ask you some quick questions?

IF NECESSARY: The interview should take around 10 or 11 minutes. It will be conducted in accordance with the rules of the Market Research Society. We guarantee that all your answers will be kept confidential. HM Revenue and Customs will not be able to identify any individual or business from their answers.

INITIAL OUTCOME PRE SCREENER

- Yes – CONTINUE
- No, but want to take part – MAKE APPOINTMENT OR GENERAL CALLBACK
- No, don't want to take part – CLOSE AND CODE AS REFUSED
- Not a small/medium business – more than 250 employees – CLOSE AND CODE AS INELIGIBLE
- Not an electrician – CLOSE AND CODE AS INELIGIBLE

PART 1 SCREENER

ASK ALL

SCR1 Before we start, would you say the key decisions about this business are ... READ OUT (SC)

- Yours alone
- Mainly yours
- Shared equally with someone else/ others
- Mainly someone else's decision - GET REFERRAL TO SOMEONE WITH RESPONSIBILITY FOR KEY DECISIONS AND RE-START INTERVIEW
- Totally someone else's decision - - GET REFERRAL TO SOMEONE WITH RESPONSIBILITY FOR KEY DECISIONS AND RE-START INTERVIEW
-

IF SOMEONE ELSE AT SCR1 NEED TO TRY TO FIND SOMEONE WITH RESPONSIBILITY FOR KEY DECISIONS AND RE-START INTERVIEW OR CODE AS REFUSAL

ASK ALL

SCR2 Can I just check, is your business in the electrical trade? By this I mean your business installs, maintains or tests electrical systems, equipment and appliances. READ OUT (SC)

- Yes
- No – CLOSE INTERVIEW (INELIGIBLE)
-

CLOSE SCRIPT FOR SCR2: Thank you for your time, but we only want to talk to businesses in the electrical trade today.

ASK ALL

SCR3 We would like to talk to a selection of businesses, so could you just tell me the approximate number of people employed by your business including yourself. Would you say there were...? READ OUT (SC)

- 0
- 1-4
- 5-9
- 10-19
- 20-24
- 25-49
- 50-99
- 100-199
- 200-249
- 250 or more – CLOSE INTERVIEW (INELIGIBLE)
- Don't know – CLOSE INTERVIEW (INELIGIBLE)
- Refused – CLOSE INTERVIEW (INELIGIBLE)

CLOSE SCRIPT FOR SCR3: Thank you for your time, but we only need to talk with businesses that we know to have under 250 employees.

ASK ALL

SCR4 And into which of these bands does your annual sales turnover fall? READ OUT UNTIL REACH ANSWER (SC)

- Less than £15,000
- £15,000 or more but under £50,000
- £50,000 or more but under £68,000
- £68,000 or more but under £100,000
- £100,000 or more but under £250,000
- £250,001 or more but under £500,000
- £500,000 or more but under £1 million
- £1million or more but under £10 million
- £10 million or more but under £42 million
- Over £42 million – CLOSE INTERVIEW (INELIGIBLE)
- REFUSED/DON'T KNOW

IF REFUSED/DK AT SCR4 ASK SCR4b

SCR4b In that case, can you tell me, is your annual sales turnover more than £42 million? (SC)

- No – less than £42million
- Yes – more than £42 million – CLOSE INTERVIEW (INELIGIBLE)
- REFUSED/DK
-

CLOSE SCRIPT FOR SCR4/4b: Thank you for your time, but we only need to talk with businesses that we know to have a turnover below £42 million per year.

ASK ALL

SCR5 In which part of the country are you based? READ OUT IF NECESSARY (SC)

- North
- Yorkshire
- North West
- East Midlands
- West Midlands
- East Anglia
- Greater London
- South East
- Wales
- South West
- Scotland

- Northern Ireland
- Don't know

PART 2 CPS QUESTIONS

ASK ALL

I would now like to ask you about your views on taxation. I would like to stress once more that all of your responses will be treated as confidential and not attributed to you.

FAIR1 As you may know, HM Revenue and Customs is the government agency that is responsible for collecting taxes. Please tell me whether and to what extent you agree or disagree that HM Revenue and Customs treats your business fairly in your dealings with them. Do you ... READ OUT (SC)

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree
- DO NOT READ OUT - Don't know

ASK ALL

The next questions are about your views on tax evasion. By tax evasion, we mean deliberately not declaring all the business income that should be declared for tax purposes or deliberately overstating costs for tax.

For the next question I would like you to think broadly about ALL small and medium sized businesses that operate as electricians. So thinking just about these types of business ...

CTEV3 How likely would you say it is for electricians that regularly evade paying tax to get caught? Would you say it is...? READ OUT (SC)

IF NECESSARY: This is just small and medium businesses in the electrical trade

- Very likely
- Quite likely
- Not likely
- Not at all likely
- DO NOT READ OUT - Don't Know

ASK ALL

CTEV4 Suppose your business regularly under-declared its income or corporation tax liability. How likely do you think it is that HM Revenue and Customs would find out about this? Would you say it was...? READ OUT (SC)

- Very likely
- Quite likely

- Not likely
- Not at all likely
- DO NOT READ OUT - Don't Know

ASK ALL

Thinking again about small and medium sized businesses that operate as electricians ...

CTEV5 Do you think electricians that regularly evade paying tax are more or less likely to be caught by HM Revenue and Customs now, than they were a couple of years ago? Is that ... READ OUT (SC)

IF NECESSARY: This is just small and medium businesses in the electrical trade

- A lot more likely
- A little more likely
- A little less likely
- A lot less likely
- DO NOT READ OUT - Don't know
- DO NOT READ OUT – no more or less likely

IF SAY A LOT OR A LITTLE MORE LIKELY AT CTEV5, ASK CTEV5b

CTEV5b What has made you believe that electricians are MORE likely to be caught by HM Revenue and Customs these days? DO NOT READ OUT. PROBE FULLY. (MC)

- The introduction of Part P regulations
- Changes to tax legislation/regulations
- HMRC publicity I have seen/heard
- Other (specify)
- Don't know
- Nothing

ASK ALL

And still thinking again about small and medium sized businesses that operate as electricians ...

CTEV5c Do you think electricians that regularly evade tax are more or less likely to be caught by HM Revenue and Customs than other businesses? Is that ... READ OUT (SC)

- IF NECESSARY: This is just small and medium businesses in the electrical trade
- A lot more likely
- A little more likely
- A little less likely
- A lot less likely
- DO NOT READ OUT - Don't Know
- DO NOT READ OUT – no more or less likely

ASK ALL

CTEV6a 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 electricians from regularly evading tax. Do you ...? READ OUT (SC)

IF NECESSARY: This is just small and medium businesses in the electrical trade

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree
- DO NOT READ OUT - Don't know because I don't know the penalties
- DO NOT READ OUT - Don't know

ASK ALL

CTEV6b What are the possible consequences for electricians caught evading tax, especially where it becomes public knowledge? DO NOT READ OUT. PROBE FULLY. (MC)

IF NECESSARY: This is just small and medium businesses in the electrical trade

- Blacklisted by trade bodies/not able to register as an electrician
- Difficult to find suppliers
- Bad publicity
- Loss of reputation among customers, suppliers, other businesses
- Negative impact on credit record
- Negative impact on ability to expand business or start up another business
- Financial penalties
- Kept under scrutiny by HMRC
- Prison sentence
- No consequences
- Can't think of any
- Other (specify)
- Don't know

ASK ALL

CTEV7 I am going to read out four statements. Please tell me which of them comes closest to your own views about tax evasion. READ OUT. (SC)

- It is always acceptable
- It is mostly acceptable (but depends on the circumstances)
- It is mostly unacceptable (but depends on the circumstances)
- It is always unacceptable
- DO NOT READ OUT – None of these
- DO NOT READ OUT - Don't know

IF CTEV7 CODE 2 (It is mostly acceptable (but depends on the circumstances) ASK CTEV8a

CTEV8a Can you tell me about the circumstances when you think tax evasion would be acceptable?
PROBE FULLY

- Fully open ended
- Don't know
- None

IF CTEV7 CODE 3 (It is mostly unacceptable (but depends on the circumstances) ASK CTEV8b

CTEV8b Can you tell me about the circumstances when you think tax evasion would be unacceptable? PROBE FULLY

- Fully open ended
- Don't know
- None

ASK ALL

CTEV9 And can you tell me the main reason why YOU wouldn't regularly evade tax? NOT READ OUT. PROBE FULLY. (MC)

- Because it's illegal
- Because of the penalties/consequences I could face
- Because it is unfair to other taxpayers
- Because it is immoral
- The probability/likelihood of being caught
- Other (specify)
- Don't know
- No reason

PART 3 CAMPAIGN

ASK ALL

CAM1. Have you seen any publicity about HMRC activity in relation to tax compliance for specific trade sectors or occupations? SC

- Yes
- No
- DK

IF YES AT CAM1 ASK CAM2

CAM2. At which particular trade sectors or occupations was the publicity aimed? DO NOT READ OUT. PROBE FULLY. MC

- Tutors and coaches providing private lessons
- Businesses with revenue above the VAT threshold who are not registered for VAT
- Plumbers
- Doctors and dentists
- People or businesses using offshore banking
- Electricians
- Other (specify).
- Don't know

ASK ALL

CAM3. Can I just check, have you seen any publicity about HMRC activity in relation to tax compliance, aimed at any of the following groups? READ OUT. MC. MASK OUT ANY GIVEN AT CAM2

- Tutors and coaches providing private lessons
- Businesses with revenue above the VAT threshold who are not registered for VAT
- Plumbers
- Doctors and dentists
- People or businesses using offshore banking
- Electricians
- Other (specify).
- Don't know
- None

IF YES AT CAM1 OR ANY OF GROUPS AT CAM3 ASK CAM4

CAM4 What was the message of the publicity you saw? DO NOT READ OUT. PROBE FULLY. MC

- HMRC can help businesses comply with their tax obligations
- HMRC offering businesses a chance to disclose their non-compliant activity
- It is better to go to HMRC than to wait for them to come to you
- HMRC will prosecute businesses who do not comply with tax obligations
- Other (specify)
- Don't know

IF YES AT CAM1 OR ANY OF GROUPS AT CAM3 ASK CAM5

CAM5 And did you find this message believable? SC

- Yes
- No
- Don't know

IF NO AT CAM5 ASK CAM6

CAM6 Why was that? PROBE FULLY

IF NECESSARY: Why did you not find the message believable

- Open ended
- Don't know

PART 6 CLASSIFICATION

ASK ALL

And finally, just for classification purposes

CLAS1 Is this business a...? READ OUT (SC)

- Limited Company
- Partnership
- Limited liability partnership
- Sole trader
- Other (specify)
- DO NOT READ OUT - Don't know

ASK ALL

CLAS2 For how many years has this business been trading? READ OUT UNTIL REACH CORRECT ANSWER (SC)

- Up to 5 years
- More than 5 to up to 10 years
- More than 10 to up to 15 years
- More than 15 to up to 20 years
- More than 20 up to 50 years
- Over 50 years
- Don't know

ASK ALL

CLAS3 Does your business use someone who is not an employee, such as an accountant, to deal with some or any of your taxes, or do you or someone else you employ deal with all of your taxes? SC. READ OUT IF NECESSARY.

- All handed over to someone outside of the business
- Some done in house and some handed to someone outside of the business
- All done in house
- DK

ASK ALL

CLAS4 Do you mostly work for yourself, or mostly as a subcontractor on behalf of someone else?
SC

- Mostly work for self/own business
- Mostly work as subcontractor/on behalf of someone else
- DO NOT READ OUT Both equally
- Don't know

ASK ALL

CLAS4b Are you a member of a trade body or organisation? SC

- Yes
- No
- Don't know

IF YES AT CLAS4 ASK CLAS5

CLAS5 Which trade body or organisation do you belong to? MC. READ OUT IF NECESSARY

- ECA - Electrical Contractors Associate
- SELECT – Scotlands Electrical Trade Association
- NICEIC - National Inspection Council for Electrical Installation Contracting
- NAPIT - National Association for Professional Inspectors and Testers
- IEE - Institution of Electrical Engineers
- ELECSA
- Electrical Forum for Electricians
- Other (specify)
- Don't know
- None

ASK ALL

CLAS6 Is any electrician within your business registered under Building Regulations with a Part P Competent Person self-certification scheme? (SC)

- Yes
- No
- Don't know

ASK ALL

CLAS7 HM Revenue and Customs may be conducting some further research on these topics in the future. Would you be happy for someone from TNS-BMRB to re-contact you and invite you to participate in this research?

- Yes

- No

9.3. Post-campaign questionnaire

INTRODUCTION

Good morning/afternoon/evening, my name is ..., and I am calling on behalf of TNS-BMRB, the independent social research company. We are carrying out a survey for Her Majesty's Revenue and Customs with small and medium businesses in the electrical trade about their attitudes towards complying with tax obligations.

Please could I speak to a Director of the company, or owner of the business, or senior partner?

NOTE: IF NO-ONE AVAILABLE, ASK FOR A SENIOR MANAGER

WHEN TALKING TO SENIOR RESPONDENT:

Good morning/afternoon/evening, my name is ..., and I am calling on behalf of TNS-BMRB, the independent social research company.

Can I just check, do you have responsibility for making key decisions about the business, either alone, or with others? IF NO – ASK TO SPEAK TO SOMEONE WHO HAS SOLE OR SHARED RESPONSIBILITY FOR MAKING KEY DECISIONS ABOUT THE BUSINESS. NOTE – IF THEY SAY THIS IS SOMETHING DONE AT A HIGHER LEVEL IN THE BUSINESS, PLEASE TAKE REFERRAL UPWARDS.

WHEN TALKING TO SENIOR RESPONDENT WHO HAS SOME/ALL RESPONSIBILITY FOR KEY DECISIONS ABOUT THE BUSINESS:

Good morning/afternoon/evening, my name is ..., and I am calling on behalf of TNS-BMRB, the independent social research company.

We are carrying out a survey for Her Majesty's Revenue and Customs about tax compliance with small to medium size businesses in the electrical trade in the UK. Would this be a good time to ask you some quick questions?

IF NECESSARY: The interview should take around 15 minutes. It will be conducted in accordance with the rules of the Market Research Society. We guarantee that all your answers will be kept confidential. HM Revenue and Customs will not be able to identify any individual or business from their answers.

INITIAL OUTCOME PRE SCREENER

- Yes – CONTINUE
- No, but want to take part – MAKE APPOINTMENT OR GENERAL CALLBACK
- No, don't want to take part – CLOSE AND CODE AS REFUSED
- Not a small/medium business – more than 250 employees – CLOSE AND CODE AS INELIGIBLE
- Not an electrician – CLOSE AND CODE AS INELIGIBLE

PART 1 SCREENER

ASK ALL

SCR1 Before we start, would you say the key decisions about this business are ... READ OUT (SC)

- Yours alone
- Mainly yours
- Shared equally with someone else/ others
- Mainly someone else's decision - GET REFERRAL TO SOMEONE WITH RESPONSIBILITY FOR KEY DECISIONS AND RE-START INTERVIEW
- Totally someone else's decision - - GET REFERRAL TO SOMEONE WITH RESPONSIBILITY FOR KEY DECISIONS AND RE-START INTERVIEW
-

IF SOMEONE ELSE AT SCR1 NEED TO TRY TO FIND SOMEONE WITH RESPONSIBILITY FOR KEY DECISIONS AND RE-START INTERVIEW OR CODE AS REFUSAL

ASK ALL

SCR2 Can I just check, is your business in the electrical trade? By this I mean your business installs, maintains or tests electrical systems, equipment and appliances. READ OUT (SC)

- Yes
- No – CLOSE INTERVIEW (INELIGIBLE)
-

CLOSE SCRIPT FOR SCR2: Thank you for your time, but we only want to talk to businesses in the electrical trade today.

ASK ALL

SCR3 We would like to talk to a selection of businesses, so could you just tell me the approximate number of people employed by your business including yourself. Would you say there were...? READ OUT (SC)

- 0 (i.e. sole trader)
- 1-4
- 5-9
- 10-19
- 20-24
- 25-49
- 50-99
- 100-199
- 200-249
- 250 or more – CLOSE INTERVIEW (INELIGIBLE)
- Don't know – CLOSE INTERVIEW (INELIGIBLE)
- Refused – CLOSE INTERVIEW (INELIGIBLE)

CLOSE SCRIPT FOR SCR3: Thank you for your time, but we only need to talk with businesses that we know to have under 250 employees.

ASK ALL

SCR4 And into which of these bands does your annual sales turnover fall? READ OUT UNTIL REACH ANSWER (SC)

- Less than £15,000
- £15,000 or more but under £50,000
- £50,000 or more but under £68,000
- £68,000 or more but under £100,000
- £100,000 or more but under £250,000
- £250,001 or more but under £500,000
- £500,000 or more but under £1 million
- £1million or more but under £10 million
- £10 million or more but under £42 million
- Over £42 million – CLOSE INTERVIEW (INELIGIBLE)
- REFUSED/DON'T KNOW

IF REFUSED/DK AT SCR4 ASK SCR4b

SCR4b In that case, can you tell me, is your annual sales turnover more than £42 million? (SC)

- No – less than £42million
- Yes – more than £42 million – CLOSE INTERVIEW (INELIGIBLE)
- REFUSED/DK
-

CLOSE SCRIPT FOR SCR4/4b: Thank you for your time, but we only need to talk with businesses that we know to have a turnover below £42 million per year.

ASK ALL

SCR5 In which part of the country are you based? READ OUT IF NECESSARY (SC)

- North
- Yorkshire
- North West
- East Midlands
- West Midlands
- East Anglia
- Greater London
- South East
- Wales
- South West
- Scotland

- Northern Ireland
- Don't know

PART 2 CPS QUESTIONS

ASK ALL

I would now like to ask you about your views on taxation. I would like to stress once more that all of your responses will be treated as confidential and not attributed to you.

FAIR1 As you may know, HM Revenue and Customs is the government agency that is responsible for collecting taxes. Please tell me whether and to what extent you agree or disagree that HM Revenue and Customs treats your business fairly in your dealings with them. Do you ... READ OUT (SC)

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree
- DO NOT READ OUT - Don't know

ASK ALL

The next questions are about your views on tax evasion. By tax evasion, we mean deliberately not declaring all the business income that should be declared for tax purposes or deliberately overstating costs for tax.

For the next question I would like you to think broadly about ALL small and medium sized businesses that operate as electricians. So thinking just about these types of business ...

CTEV3 How likely would you say it is for electricians that regularly evade paying tax to get caught? Would you say it is...? READ OUT (SC)

IF NECESSARY: This is just small and medium businesses in the electrical trade

- Very likely
- Quite likely
- Not likely
- Not at all likely
- DO NOT READ OUT - Don't Know

ASK ALL

CTEV4 Suppose your business regularly under-declared its income or corporation tax liability. How likely do you think it is that HM Revenue and Customs would find out about this? Would you say it was...? READ OUT (SC)

- Very likely
- Quite likely
- Not likely
- Not at all likely

- DO NOT READ OUT - Don't Know

ASK ALL

Thinking again about small and medium sized businesses that operate as electricians ...

CTEV5 Do you think electricians that regularly evade paying tax are more or less likely to be caught by HM Revenue and Customs now, than they were a couple of years ago? Is that ... READ OUT (SC)

IF NECESSARY: This is just small and medium businesses in the electrical trade

- A lot more likely
- A little more likely
- A little less likely
- A lot less likely
- DO NOT READ OUT - Don't know
- DO NOT READ OUT – no more or less likely

IF SAY A LOT OR A LITTLE MORE LIKELY AT CTEV5, ASK CTEV5b

CTEV5b What has made you believe that electricians are MORE likely to be caught by HM Revenue and Customs these days? DO NOT READ OUT. PROBE FULLY. (MC)

- The introduction of Part P regulations
- Changes to tax legislation/regulations
- HMRC publicity I have seen/heard
- Other (specify)
- Don't know
- Nothing

ASK ALL

And still thinking again about small and medium sized businesses that operate as electricians ...

CTEV5c Do you think electricians that regularly evade tax are more or less likely to be caught by HM Revenue and Customs than other businesses? Is that ... READ OUT (SC)

IF NECESSARY: This is just small and medium businesses in the electrical trade

- A lot more likely
- A little more likely
- A little less likely
- A lot less likely
- DO NOT READ OUT - Don't Know
- DO NOT READ OUT – no more or less likely

ASK ALL

CTEV6a 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 electricians from regularly evading tax. Do you ...? READ OUT (SC)

IF NECESSARY: This is just small and medium businesses in the electrical trade

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree
- DO NOT READ OUT - Don't know because I don't know the penalties
- DO NOT READ OUT - Don't know

ASK ALL

CTEV6b What are the possible consequences for electricians caught evading tax, especially where it becomes public knowledge? DO NOT READ OUT. PROBE FULLY. (MC)

IF NECESSARY: This is just small and medium businesses in the electrical trade

- Blacklisted by trade bodies/not able to register as an electrician
- Difficult to find suppliers
- Bad publicity
- Loss of reputation among customers, suppliers, other businesses
- Negative impact on credit record
- Negative impact on ability to expand business or start up another business
- Financial penalties
- Kept under scrutiny by HMRC
- Prison sentence
- No consequences
- Can't think of any
- Other (specify)
- Don't know

ASK ALL

CTEV7 I am going to read out four statements. Please tell me which of them comes closest to your own views about tax evasion. READ OUT. (SC)

- It is always acceptable
- It is mostly acceptable (but depends on the circumstances)
- It is mostly unacceptable (but depends on the circumstances)
- It is always unacceptable
- DO NOT READ OUT – None of these
- DO NOT READ OUT - Don't know

IF CTEV7 CODE 2 (It is mostly acceptable (but depends on the circumstances) ASK CTEV8a

CTEV8a Can you tell me about the circumstances when you think tax evasion would be acceptable?
PROBE FULLY

- Fully open ended
- Don't know
- None

IF CTEV7 CODE 3 (It is mostly unacceptable (but depends on the circumstances) ASK CTEV8b

CTEV8b Can you tell me about the circumstances when you think tax evasion would be unacceptable? PROBE FULLY

- Fully open ended
- Don't know
- None

ASK ALL

CTEV9 And can you tell me the main reason why YOU wouldn't regularly evade tax? NOT READ OUT. PROBE FULLY. (SINGLE CODE)

- Because it's illegal
- Because of the penalties/consequences I could face
- Because it is unfair to other taxpayers
- Because it is immoral
- The probability/likelihood of being caught
- Other (specify)
- Don't know
- No reason

PART 3 CAMPAIGN

ASK ALL

CAM1. Have you seen or heard any publicity about HMRC activity in relation to tax compliance for specific trade sectors or occupations? SC

- Yes
- No
- DK

IF YES AT CAM1 ASK CAM2

CAM2. At which particular trade sectors or occupations was the publicity aimed? DO NOT READ OUT. PROBE FULLY. MC

- Tutors and coaches providing private lessons
- Businesses with revenue above the VAT threshold who are not registered for VAT
- Plumbers
- Doctors and dentists
- People or businesses using offshore banking
- Electricians
- E-traders/online sellers
- Direct selling
- General publicity aimed at tax evasion (radio and posters)
- Other (specify).
- Don't know

ASK ALL

CAM3. Can I just check, have you seen or heard any publicity about HMRC activity in relation to tax compliance, aimed at any of the following groups? READ OUT. MC. MASK OUT ANY GIVEN AT CAM2

- Tutors and coaches providing private lessons
- Businesses with revenue above the VAT threshold who are not registered for VAT
- Plumbers
- Doctors and dentists
- People or businesses using offshore banking
- Electricians
- E-traders/online sellers
- Direct selling
- Other (specify).
- Don't know
- None

IF CAM2 OR CAM3 = ELECTRICIANS ASK CAM3b

CAM3b I want you to think just about any publicity aimed at Electricians. Where did you see or hear it? (MC). READ OUT IF NECESSARY. RANDOMISE BUT LEAVE ACCOUNTANT/ANOTHER 3RD PARTY TOGETHER.

- Letter from HMRC
- Radio
- Phone box posters
- Internet
- Trade Press
- Accountant or other financial agent
- Another third Party e.g. Citizen's Advice Bureau

- Other (specify)
- Don't know

ASK ALL

CAM3c Have you received a letter from HMRC informing you of the Electrician's Tax Safe Plan (ETSP) campaign? SC

- Yes
- No
- Don't know

IF CAM2 OR CAM3 = ELECTRICIANS OR CAM3C=1 ASK CAM4

CAM4 Please continue to think about any publicity aimed at Electricians [TEXT SUB IF CAM3C=1:, including letters about the Electricians Tax Safe Plan campaign]. What was the message of anything you saw or heard? DO NOT READ OUT. PROBE FULLY. MC

- HMRC can help businesses comply with their tax obligations
- HMRC offering businesses a chance to disclose their non-compliant activity
- It is better to go to HMRC than to wait for them to come to you
- HMRC will prosecute businesses who do not comply with tax obligations
- Other (specify)
- Don't know

IF CAM2 OR CAM3 = ELECTRICIANS OR CAM3C=1 ASK CAM5

CAM5 And did you find this message believable? SC

- Yes
- No
- Don't know

IF NO AT CAM5 ASK CAM6

CAM6 Why was that? PROBE FULLY

IF NECESSARY: Why did you not find the message believable

- Open ended
- Don't know

IF CAM2 OR CAM3 = ELECTRICIANS OR CAM3C=1 ASK CAM7

CAM7 Did you, or do you plan to do anything different as a result of hearing about the campaign? (SC)

- Yes
- No

- Don't know

IF YES AT CAM7

CAM8 What did you do, or do you plan to do differently? PROBE FULLY. DO NOT READ. (MC)

- Notified HMRC / registered for ETSP / told HMRC I wanted to take part
- Disclosed unpaid tax / made voluntary disclosure to HMRC
- Register for paying tax if previously not registered
- Keep better records
- Stop accepting 'cash in hand' jobs
- Change receipt recording behaviour
- Get an accountant
- Speak to existing accountant
- Other (specify)
- Don't know
- Refused

IF NOT CAM8=1 AND 2

CAM8b Can I just check, did you [TEXT SUB]

IF NOTIFIED ONLY: make a voluntary disclosure to HMRC?

IF NEITHER: notify HMRC that you wanted to make a disclosure or make a voluntary disclosure to HMRC?

(MC)

- Notified HMRC / registered for ETSP / told HMRC I wanted to take part
- Disclosed unpaid tax / made voluntary disclosure to HMRC
- Neither
- Don't know
- Refused

IF NOTIFY BUT NOT DISCLOSE AT COMBINED ANSWERS CAM8/CAM8b

CAM9 Why did you notify HMRC but not make a disclosure? PROBE FULLY. (OE)

- Open ended
- Don't know
- Refused

ASK IF DID NOT SAY NOTIFIED OR DISCLOSED AT COMBINED ANSWERS CAM8/CAM8b

CAM10 After hearing about the HMRC campaign aimed at electricians, why did you not go on to notify HMRC or make a disclosure? PROBE FULLY. DO NOT READ. (MC)

- I did not have any outstanding tax/need to notify or disclose
- Fear of what might happen next
- Cannot afford to pay
- Guidance was too complex
- I was advised against it
- Didn't think I would get caught
- Took the chance of getting caught
- Didn't get around to it
- Other (specify)
- Don't know
- Refused

IF CAM2 OR CAM3 = ELECTRICIANS OR CAM3C=1 ASK CAM7

CAM11 Did you look at the HMRC disclosure and notification webpage for the electrician's tax safe plan (ETSP) campaign? (SC)

- Yes
- No
- Don't know

ASK ALL WHO SAID YES TO ACCESSING THE WEBPAGE AT CAM11

CAM12 What did you think of the notification and disclosure webpage? PROBE FULLY. DO NOT READ. (MC)

- It was clear/gave me all the information I needed
- It was okay
- I found it confusing/complex
- I could not find what I was looking for
- Other (please specify)
- Don't know

PART 6 CLASSIFICATION

ASK ALL

And finally, just for classification purposes

CLAS1 Is this business a...? READ OUT (SC)

- Limited Company
- Partnership

- Limited liability partnership
- Sole trader
- Other (specify
- DO NOT READ OUT - Don't know

ASK ALL

CLAS2 For how many years has this business been trading? READ OUT UNTIL REACH CORRECT ANSWER (SC)

- Up to 5 years
- More than 5 to up to 10 years
- More than 10 to up to 15 years
- More than 15 to up to 20 years
- More than 20 up to 50 years
- Over 50 years
- Don't know

ASK ALL

CLAS3 Does your business use someone who is not an employee, such as an accountant, to deal with some or any of your taxes, or do you or someone else you employ deal with all of your taxes? SC. READ OUT IF NECESSARY.

- All handed over to someone outside of the business
- Some done in house and some handed to someone outside of the business
- All done in house
- DK

ASK ALL

CLAS4 Do you mostly work for yourself, or mostly as a subcontractor on behalf of someone else? SC

- Mostly work for self/own business
- Mostly work as subcontractor/on behalf of someone else
- DO NOT READ OUT Both equally
- Don't know

ASK ALL

CLAS4b Are you a member of a trade body or organisation? SC

- Yes
- No
- Don't know

IF YES AT CLAS4 ASK CLAS5

CLAS5 Which trade body or organisation do you belong to? MC. READ OUT IF NECESSARY

- ECA - Electrical Contractors Associate
- SELECT – Scotlands Electrical Trade Association
- NICEIC - National Inspection Council for Electrical Installation Contracting
- NAPIT - National Association for Professional Inspectors and Testers
- IEE - Institution of Electrical Engineers
- ELECSA
- Electrical Forum for Electricians
- Other (specify)
- Don't know
- None

ASK ALL

CLAS6 Is any electrician within your business registered under Building Regulations with a Part P Competent Person self-certification scheme? (SC)

- Yes
- No
- Don't know

ASK ALL

CLAS7 HM Revenue and Customs may be conducting some further research on these topics in the future. Would you be happy for someone from TNS-BMRB to re-contact you and invite you to participate in this research?

- Yes
- No

9.4. Questionnaire design

Background and methodology

A total of ten face-to-face interviews were undertaken with electricians during November-December 2011. Of these ten interviews, five were with sole traders and five with relevant personnel within larger businesses working in the electrical trade. Interviews lasted 30-45 minutes and explored participants' understanding and interpretation of questions for inclusion within the main survey.

Summary of overall findings

A number of key issues emerged across participants' responses to each of the questions:

- **Question complexity** – Several questions were considered long and incorporating many different elements, resulting in confusion and/or misinterpretation. Suggestion – include a short introduction upfront clarifying that questions will focus on the electrical trade, thereby removing the need to include this element within the questions.
- **Part P regulation** – Recent regulatory changes informed many respondents' views throughout the interview. Part P regulation was described as having created a two tier system within the electrical trade, pushing underground those who do not comply with the regulation and increasing the traceability of those who do comply.
- **Sensitivity** – Some respondents raised concerns about the survey being solely focused on electricians, believing that all of the trades sector have a similar approach to tax. Furthermore, participants were clearly concerned about confidentiality of the survey, and in some cases revealed more honest responses about the extent of their personal tax evasion once the digital recorder had been switched off. "They can't catch me!" (Sole trader, electrician)

Specific questionnaire issues

Original question	Ease of answering	Interpretation	Final question
<p>CTEV3 How likely would you say it is for small and medium sized businesses in the electrical trade that regularly evade paying tax to get caught?</p>	<ul style="list-style-type: none"> ■ 'Regularly evade' was felt to be vague as it did not specify the scale and frequency of the evasion. Participants sought clarity, as for many people this was seen to affect the likelihood of getting caught. ■ Additionally some participants wanted a response option between 'quite likely' and 'not likely'. The lack of a middle option meant they initially resisted answering the question. 	<ul style="list-style-type: none"> ■ 'Evade paying tax' was typically interpreted as undertaking 'cash jobs', which were described as considerably less traceable than cheques or BACS. ■ 'Not likely' to be caught was associated with small businesses and those operating only via cash: <ul style="list-style-type: none"> ○ Small businesses – There was a sense that HMRC would not waste time and resources investigating small businesses due to the lack of tax revenue involved. Indeed, one respondent had been advised by his accountant that smaller businesses were less likely to be pursued by HMRC: <i>"They won't bother with you... you are a nobody... you are not earning anything."</i> (Sole trader, electrician) ○ Cash-only jobs – Those who trade with cash only were felt to be very unlikely to get caught as they operate under the radar of HMRC. This was closely linked to Part P regulations, with those operating outside the regulations effectively working underground. ■ Those who answered 'quite likely' to be caught based their answers on experience of people they know or have heard of being caught for tax evasion. 	<ul style="list-style-type: none"> ■ Suggestion to include a short introduction upfront clarifying that questions will focus on the electrical trade, thereby simplifying the question by removing 'in the electrical trade'. <p>Final introduction: The next questions are about your views on tax evasion. By tax evasion, we mean deliberately not declaring all the business income that should be declared for tax purposes or deliberately overstating costs for tax. For the next question I would like you to think broadly about ALL small and medium sized businesses that operate as electricians. So thinking just about these types of business ...</p> <p>Final question: CTEV3 How likely would you say it is for electricians that regularly evade paying tax to get caught? Would you say it is...? IF NECESSARY: This is just small and medium businesses in the electrical trade Very likely/Quite likely/Not likely Not at all likely/DO NOT READ OUT -</p>

Original question	Ease of answering	Interpretation	Final question
<p>CTEV5 Do you think small and medium sized businesses in the electrical trade that regularly evade tax are more or less likely to be caught by HMRC now than they were a couple of years ago?</p>	<ul style="list-style-type: none"> ■ Not relevant to those who had recently joined the trade. ■ There was some confusion about whether the answers referred to the likelihood of being caught or of getting away with tax evasion. 	<ul style="list-style-type: none"> ■ Respondents drew on their awareness of colleagues who had been caught in recent years and those who were not Part P registered and had evaded tax without getting caught. ■ Reasons given for perceived changes: <ul style="list-style-type: none"> ○ Regulatory changes – Part P regulation was felt to have made it harder to evade tax due to the link to personal tax codes; in contrast, those who were not registered were felt to be untraceable as they now operated outside regulation. ○ Access to information – Increased use of technology meaning that more information is available to HMRC to investigate compliance. ○ HMRC resources – There were mixed views about HMRC resources to investigate tax compliance. On one hand, it was assumed that the current economic climate meant that HMRC would increase capacity to catch tax evaders in order to increase revenue. One respondent reported having seen a newspaper advert about HMRC employing more staff to catch evaders. Conversely, there was a perception that HMRC was cutting staff due to the financial climate, so they would now be less interested in investing time to catch small-scale 	<p>Don't Know</p> <ul style="list-style-type: none"> ■ Suggestion to include a short introduction upfront clarifying that questions will focus on the electrical trade, thereby simplifying the question by removing 'in the electrical trade'. For this question, that would be a reminder of the previous longer introduction preceding CTEV3 <p>Final introduction: Thinking again about small and medium sized businesses that operate as electricians</p> <p>Final question CTEV5 Do you think electricians that regularly evade paying tax are more or less likely to be caught by HM Revenue and Customs now, than they were a couple of years ago? Is that ... IF NECESSARY: This is just small and medium businesses in the electrical trade A lot more likely/A little more likely/A little less likely/A lot less likely/DO NOT READ OUT - Don't know</p> <p>After the first day of fieldwork, the following code was also added for completeness:</p>

Original question	Ease of answering	Interpretation	Final question
		tax evaders.	DO NOT READ OUT – no more or less likely
<p>CTEV5c Do you think that small and medium sized businesses in the electrical trade that regularly evade tax are more or less likely to be caught by HMRC than other businesses?</p>	<ul style="list-style-type: none"> ■ Clarification was required about who the comparison was between; in some cases the 'electrical trade' was not heard in the question, so respondents were comparing small and large businesses (see suggestion above). ■ Again some felt that there needed to be a middle answer to imply that it was equally as likely as other businesses. ■ 'Small and medium sized businesses' – Participants queried the grouping together of small and medium sized businesses, as even at this level size was felt to affect the likelihood of getting caught. Sole traders or smaller businesses were seen as less likely to get caught due to them operating less within the public eye. Furthermore, 	<ul style="list-style-type: none"> ■ 'Other businesses' was interpreted primarily in two ways: <ul style="list-style-type: none"> ○ Other manual trades – in which case respondents believed there was no difference in terms of being caught by HMRC as they operate in a similar way. ○ Larger businesses – such as large corporations successfully avoiding (rather than evading) tax, meaning that electricians were relatively more likely to get caught. 	<ul style="list-style-type: none"> ■ For this question, a shortened introduction would be a reminder of the previous longer introduction preceding CTEV3 <p>Final introduction: And still thinking again about small and medium sized businesses that operate as electricians ...</p> <p>Final question CTEV5c Do you think electricians that regularly evade tax are more or less likely to be caught by HM Revenue and Customs than other businesses? Is that ... IF NECESSARY: This is just small and medium businesses in the electrical trade A lot more likely/A little more likely/A little less likely/A lot less likely/DO NOT READ OUT - Don't know</p> <p>After the first day of fieldwork, the following code was also added for completeness: DO NOT READ OUT – no more or less likely</p>

Original question	Ease of answering	Interpretation	Final question
	<p>medium sized businesses were felt to be a more cost-effective target for HMRC investigations, involving relatively more tax revenue.</p>		
<p>CTEV6b What are the possible consequences for businesses in the electrical trade caught evading tax, especially where it becomes public knowledge?</p>	<ul style="list-style-type: none"> ■ 'Public knowledge' was confusing for some respondents as it was felt to be unspecific, in some cases prompting concern about how such information would become public knowledge. 	<ul style="list-style-type: none"> ■ Other than concerns about 'public knowledge' (see above) the question was consistently interpreted. ■ Responses included: <ul style="list-style-type: none"> ○ Repay tax plus financial penalty – Typically participants responded that they would have to repay any tax owed. In some cases it was recognised that HMRC would also apply a financial penalty on top of the owed taxes. ○ Loss of accreditation – Removal from the NICEIC group (approved contractors) meaning they could be black-listed and unable to start up another company. ○ Loss of reputation – Public knowledge of tax evasion was felt to have variable impact depending on the size of the business, with larger businesses felt to be more sensitive to reputation issues. <i>"Bad press for one, damaging to the future of the company, or any future business."</i> ○ Court proceedings – There was a mention that a consequence could be being taken to court and imprisoned. 	<ul style="list-style-type: none"> ■ The use of the introduction for earlier questions meant this question could be simplified slightly. We also fine tuned some pre codes based on the qualitative work. <p>Final question</p> <p>CTEV6b What are the possible consequences for electricians caught evading tax, especially where it becomes public knowledge? DO NOT READ OUT. PROBE FULLY.</p> <p>IF NECESSARY: This is just small and medium businesses in the electrical trade</p> <ul style="list-style-type: none"> •Blacklisted by trade bodies/not able to register as an electrician •Difficult to find suppliers •Bad publicity •Loss of reputation among customers, suppliers, other businesses •Negative impact on credit record •Negative impact on ability to expand business or start up another business •Financial penalties •Kept under scrutiny by HMRC

Original question	Ease of answering	Interpretation	Final question
		<ul style="list-style-type: none"> o No consequences – For those who described having successfully evaded tax there were felt to be no consequences as they wouldn't care if they were caught. According to this group, it was only those who were abiding by the law who would be concerned about getting it right. 	<ul style="list-style-type: none"> •Prison sentence •No consequences •Can't think of any •Other (specify) •Don't know

The next section on campaign awareness draws on interviews with the electricians and also 20 interviews cognitively testing questions within the CPS questionnaire (all industries).

Q1 Have you seen any publicity about HMRC activity in relation to tax compliance for specific trade sectors or people in specific occupations?	<ul style="list-style-type: none"> ■ Only two respondents were aware of HMRC conducting a sector-specific campaign targeting tax compliance: <ul style="list-style-type: none"> o One electrician had heard through colleagues that HMRC were 'going after heating engineers and plumbers' and that they had received letters with the message that HMRC was offering them six months to come forward and own up for cash jobs and receive a 50% reduction off the financial penalty. They were described as being "scared to death" yet unlikely to come forward, preferring instead to wait and see if HRMC was able to trace the cash work they had undertaken. o One manufacturer (CPS survey) described having seen a double spread in The Sun targeting plumbers, advising them to come forward within 6 months. ■ Beyond these two respondents, awareness was limited. One electrician had heard rumours about HMRC targeting plumbers but had no more details; another knew a plumber who had received a letter from HMRC inviting him to pay what he owed and then no further action would be taken. No other respondents were aware of sector-specific campaigns 	<ul style="list-style-type: none"> ■ This question was used as tested <p>Final question CAM1 Have you seen any publicity about HMRC activity in relation to tax compliance for specific trade sectors or occupations? Yes/No/Don't know</p>
Q2 Have you seen any publicity, such as adverts in the trade press, or	<ul style="list-style-type: none"> ■ When prompted, some mentioned they had seen adverts about benefit fraud, a self-assessment reminder and media stories about insurance fraud and MPs expenses. ■ Overall, there was no significant difference between Q1 and Q2. However, this 	<ul style="list-style-type: none"> ■ This version of the question was not used as CAM1 above was felt to be sufficient and less wordy

<p>coverage more generally in the media, about activity that HMRC is taking to increase tax compliance for particular trade sectors or occupations...</p>	<p>was perhaps a reflection of the limited awareness of sector-specific campaigns.</p>	
<p>The following questions were directly relevant to only the two respondents who were aware of the campaigns, as the majority had little or no awareness. Responses are therefore primarily hypothetical.</p>		
<p>Q3 At which particular trade sectors or occupations was the publicity aimed</p>	<ul style="list-style-type: none"> ■ It was assumed that HMRC would focus on sectors that involved high tax revenue (such as rich individuals) and high staff turn-over and cash work (such as bars and restaurants, the retail sector, and construction, including carpenters, electricians, builders). ■ Some electricians felt HMRC were focusing on the wrong people, as they can easily find those who are traceable. The ones who operate underground and don't pay tax are harder to find. "That affects HMRC credibility for me" (Sole trader, electrician) 	<ul style="list-style-type: none"> ■ The question was used as asked with pre codes based on previous activity <p>Final question CAM2 At which particular trade sectors or occupations was the publicity aimed? DO NOT READ OUT. PROBE FULLY</p> <ul style="list-style-type: none"> •Tutors and coaches providing private lessons •Businesses with revenue above the VAT threshold who are not registered for VAT •Plumbers •Doctors and dentists •People or businesses using offshore banking •Electricians •Other (specify). •Don't know
<p>Q4 What was the</p>	<ul style="list-style-type: none"> ■ See responses to Q1 for those who were aware 	<ul style="list-style-type: none"> ■ The question was used as

<p>message of the publicity you saw</p>	<ul style="list-style-type: none"> ■ Hypothetical reactions to campaign messages: <ul style="list-style-type: none"> ○ Offense – The tone of the messages were felt to be accusatory rather than supportive. ○ Annoyance – An implied focus on their own trade prompted claims that this was a waste of HMRC resources when there were other areas who should be targeted. The authoritative approach was viewed as a ‘backward step’ for HMRC, undermining perceived improvements in customer relations over time. ○ Pointless – It was felt that people would not react to punitive measures except to become more resilient and ‘thick-skinned’. It was suggested that an incentive basis would be more likely to encourage people to comply and/or come forward. ■ Supportive – For those who were not previously aware of the support offered by HMRC to comply with tax requirements, they welcomed the offered help. For this group, taxes were felt to be confusing, particularly when setting up a new business. However, the tone of subsequent messages to some extent undermined the credibility of the support being offered. 	<p>asked, with a list of pre-codes based on intended messages</p> <p>Final question CAM4 What was the message of the publicity you saw? DO NOT READ OUT. PROBE FULLY</p> <ul style="list-style-type: none"> •HMRC can help businesses comply with their tax obligations •HMRC offering businesses a chance to disclose their non-compliant activity •It is better to go to HMRC than to wait for them to come to you •HMRC will prosecute businesses who do not comply with tax obligations •Other (specify) •Don't know
<p>Q5a Thinking about the publicity you saw, did you find the message believable?</p>	<ul style="list-style-type: none"> ■ See responses to Q1 for those who were aware ■ Hypothetical reactions to campaign messages: ■ Limited impact – It was assumed that only a small minority of evaders get caught, and when get only receive minor penalties. “I’ll take my chances, let them come to me... I’d put it on them to find what I have done” (Sole trader, electrician) 	<ul style="list-style-type: none"> ■ The question was simplified as it follows directly from CAM4 but was essentially kept as asked <p>Final question CAM5 And did you find this message believable? SC Yes/No/DK</p>
<p>Q5b Thinking about the publicity you saw, did you find the message credible?</p>	<ul style="list-style-type: none"> ■ See responses to Q1 for those who were aware ■ Hypothetical reactions to campaign messages: ■ ‘Credible’ was seen as a better description than believable as it implies it is achievable and of value. It was seen to carry more of a moral message and have more authority. 	<ul style="list-style-type: none"> ■ This question was rejected in favour of CAM5 above as each worked equally well and it was felt that believable was less likely to be misunderstood. There was a fear that credible would be mis-heard as

		incredible.
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Sample table

Number of employees	Industry sector	Company annual turnover	Area	Total
0: 5	Electricians only	Mix:	2 locations:	10 F2F depths
1-250: 5		£15k-£100k	London	
		£101k-£500k	Coventry	
		£500k-£1m		
		£1m+		

Recruitment approach

Respondents were recruited using free-find, which involves a recruiter approaching individuals either in the street or by door-knocking. Having introduced themselves and confirming their identity as a TNS-BMRB recruiter, the individual is then given a brief overview of the research, the client, and asked whether they would be interested in participating. Where interest is shown, the recruiter then asks a series of questions to determine their eligibility and ensure that the designated quotas are accurately filled. Individuals agreeing to participate in the study would be given a confirmatory letter, which would further describe the nature of the study, the voluntary nature of their participation, the appointment date and time for the group discussion and the confidentiality of their answers. Individuals are re-reminded at least once before the day of the interview. All recruiters are members of the IQCS (Interviewers Quality Control Scheme). A confirmation letter was sent to recruited respondents. Interviews were carried out by four qualitative researchers who have extensive experience and are trained in the techniques of non-directive interviewing.

9.5. Advance letter to survey participants

HM Revenue & Customs

HM Revenue and Customs
Knowledge, Analysis and Intelligence
Bush House
South West Wing
Strand
London
WC2B 4RD

<COMPANY NAME>
<ADDRESS_LINE_1>
<ADDRESS_LINE_2>
<ADDRESS_LINE_3>
<ADDRESS_LINE_4>
<POSTCODE>

Date 1 November 2012
Our ref 106508 /

Free Phone 0800 051 0885
Fax 020 7438 7702
Internet Site www.hmrc.gov.uk

Dear Sir / Madam,

RESEARCH ABOUT COMPLYING WITH TAX OBLIGATIONS

I am writing to ask for your assistance in a very important study HM Revenue and Customs (HMRC) is conducting. The aim of the study is to explore attitudes towards compliance with tax obligations for small and medium enterprises' (SME) like yours. Your feedback is invaluable as it helps us to understand how the tax regime affects your business so that we can improve and tailor the support we provide. Your business has been randomly selected to participate in this study.

We have appointed an independent research company, TNS BMRB, to contact businesses and ask questions about their perceptions of different aspects of the tax regime. Representatives from Kantar Operations, working on behalf of TNS BMRB, will be conducting telephone interviews over the next few weeks. The interview will last approximately 15 minutes and will take place at a time convenient for you. As the key decision maker in your business, we believe that you are the most appropriate person to speak to. However, if you consider another person in your business better placed to help us, we would be grateful if you could pass this letter on to them.

Participation in this research is entirely voluntary. However, it is important to us to hear your thoughts in order to ensure a sufficient number and breadth of views are represented. We understand that you may be concerned about the implications involved with honestly answering questions about taxation but we assure you that all information provided will be treated in strict confidence and TNS BMRB will not give us the names of the people or businesses interviewed; they are bound by the Market Research Society Code of Conduct to keep your answers and personal data confidential.

If you have any questions about the research you can call the TNS BMRB free phone number **0800 051 0885** or write to me directly at the address above. If you would prefer to get in touch directly with the research team at HMRC, then please contact Iram Zahid at iram.zahid@hmrc.gsi.gov.uk.

Thank you for your time; your feedback is highly valuable in helping us to continue to improve the efficiency of the service we provide to you and all our customers.

Yours sincerely,



Mick Thackray
Knowledge Analysis and Intelligence (KAI) Deputy Director