



HM Revenue
& Customs

Research report

Construction Industry Scheme research

Research to help HMRC understand how they
can improve CIS for their customers

April 2014

CIS Research

About PT Change

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

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

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CIS Research***Research requirement (background to the project)***

HMRC's Business Process Re-engineering (BPR) programme has identified the Construction Industry Scheme (CIS) as a prime candidate for re-design and customer research was needed to understand how the customer experience could be improved with the overall business aims of:

- Optimising compliance and thus (tax) yield
- Improving the customer experience/reducing the regulatory burden on the customer, for example by:
 - Making the scheme easier to understand and operate
 - Reducing the amount of re-work currently done and the number of penalties and appeals
 - Improving speed of repayment where there has been an overpayment

When the research took place

The research took place between November 2013 and March 2014.

Who did the work (research agency)

The research was undertaken by Jigsaw research.

Method, Data and Tools used, Sample

Stage 1: A programme of 33 in-depth interviews was undertaken among contractors, subcontractors and agents. 14 of the depths were undertaken face-to-face, the remainder over the telephone.

The face-to-face depths were spread across three locations; London, Birmingham and Manchester. The telephone depths took place with businesses from across the UK, including businesses based in Scotland, Wales and Northern Ireland.

Stage 2: A programme of 15 in-depth interviews was undertaken with smaller, site based contractors and subcontractors.

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Main Findings

We encountered four main customer typologies across the research which are referenced in the report, these typologies are:

- **Office based CIS Administrators** (All of whom were contractors and some of whom were also Subcontractors): usually in larger SMEs with a well established system for administering CIS.
- **Site Based Contractors** (some of whom were also subcontractors): Tended to prevail in the smaller SMEs (fewer than 10 employees). Responsibility for CIS lies with the owner or a director of the company whose 'main job' was to be out and about 'on site'.
- **Subcontractors**: a mix of sole traders and limited companies with lower levels of engagement with CIS.
- **Agents**: accountants that administer the CIS on behalf of the contractor or subcontractor.

Improvements

There are five areas where CIS customers suggested improvements to CIS.

Verification:

- It would benefit contractors if the telephone and online processes were consistent.
- The online verification process could be improved to reduce the incidence of failed verifications resulting in a call to the helpline.

Amendments:

- Contractors would benefit from greater clarity when an amendment is required compared to when it is fine to simply adjust the next month's return.
- Moving away from a telephone based amendments system would benefit Contractors
- Agents would welcome a removal of the limit to the number of amendments that can be made at one time.

Appeals:

- Contractors would benefit from greater clarity around the appeals process, to explain when it is possible to appeal by phoning the CIS Helpline rather than going through written appeals process.
- Contractors (and their agents) would welcome a speedier appeals process.

CIS Research**Gross Status:**

- Some Site based subcontractors were unfamiliar with this concept and would benefit from greater clarity around:
 - The pros and cons of gross status for their business.
 - How to apply and the eligibility criteria.
 - How gross status could be lost and, if it was, how it could be regained.
- Other site based subcontractors were more familiar with it but tended to reject it for them on the grounds that they preferred to have the tax deducted throughout the year so facing a large tax bill at the end of the year. They tended to see gross status as something for bigger businesses with greater exposure and some were feeling they may need to consider moving to gross status in the future

Repayments:

- Subcontractors (and their agents) would welcome a speedier repayments process.

Reactions to the online account

Customer reactions to the Online Digital CIS Account varied by typology as detailed below.

Office Based CIS Administrators

- This customer typology was the most enthusiastic about the idea of being able to undertake more aspects of CIS online. The majority are already submitting the monthly returns and verifying subcontractors online and the idea of being able to undertake all aspects of CIS via an online portal is welcomed.
- The other main advantage of a portal for these contractors is the facility for their subcontractors to automatically receive a statement of payment and deduction without them having to generate this, and for the subcontractors to have a permanent online record.
- In general the potential of the portal to act as an online filing system was appealing to many. This would help them check their status at any point in time as well as holding a record of their transaction history and any communication with the CIS system/team.

CIS Research**Site based Contractors**

- These customers were generally positive about the idea of an online portal, although they were less actively positive computer than their office based counterparts, simply because business admin is a less prominent part of their role.
- The main emotional lever to using an online digital account is the potential for time savings; the less time they need to spend on CIS (and other aspects of business admin) the better. The potential for reduced reliance on accountants is also appealing.
- For these customers the main levers to using an online portal and associated smartphone app are as follows:
 - as with the Office based CIS Administrators, the facility for their subcontractors to automatically receive a statement of payment and deduction without them having to generate this, and for the subcontractors to have a permanent online record is a key advantage
 - as with the Office based CIS Administrators, some of the customers in this typology welcome the idea that the online portal would act as an online filing system for them; a single and permanent record of the payments and deductions made by them to their subcontractors would be useful
 - this typology would welcome the idea of an online CIS calculator built into the portal; where they could enter the payment and the system would calculate the deductions as well as the total CIS payment that month
 - being able to see what contractors have both deducted and reported for the work that they have undertaken – so that they can verify that they are not unwittingly being non-compliant.
 - finally, being able to verify subcontractors using a QR code rather than having to call HMRC was a real benefit to customers in this typology

Site based Subcontractors

- This typology is the one where there is most variability in levels of competence and confidence around tax generally. Some seem resistant to engaging with tax/HMRC generally while others appear highly compliant. Levels of IT literacy were also most variable in this typology. In this context it is to be expected that this typology were more mixed in their reactions to an online portal.
- The more compliant businesses welcomed the idea of having an online account with a record of all of their payments and deductions held on it, but others were indifferent, even somewhat resistant, to the concept.

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- The strongest hook is likely to be a direct link to Self-Assessment and a SA tax return pre-populated with all their payments and deductions will appeal to most at the compliant end. Some subcontractors were particularly enthusiastic about this feature as it reduces the hassle around record keeping and will make life easier at year end; it could also potentially reduce any reliance on accountants and book keepers to complete their SA return. Others seemed keen to distance themselves from HMRC and to spend as little time as possible engaging with their tax affairs. For this group a portal or app did not represent a sufficiently strong hook to change their likely behaviour.

Agents

- The responses of the Agents were similar to the Office based CIS Administrators. They were enthusiastic about the idea of being able to do more online and this seemed a natural progression of what they do now.
- There were no real barriers to uptake. The main emotional levers to using an online portal were speed and ease; again it is important to note that the expectation that CIS would be faster and easier to administer if more aspects were online extended to repayments and appeals.
- The agents raised the need for an agent dedicated area of the portal where they could undertake all aspects of CIS on behalf of their clients without restriction (assuming all the permissions were in place).

Customer Support Mechanism

Contractors and Subcontractors could benefit from being able to access key facts about CIS more easily than is currently possible. This is especially the case for the site based customers, but also for office based customers who are taking over the role from someone else.

When communicating with CIS customers the key findings to take into account are:

- CIS customers tend not to seek out information about CIS
- CIS customers have limited time to absorb CIS related information and this is especially true for the site based customers
- CIS customers are unlikely to work very hard to absorb CIS related information which may not seem immediately beneficial to them
- Some CIS customers (especially those in the site based typologies) may have lower levels of literacy