HM Revenue & Customs

Research report

CT Online Mandation:

Assessing awareness and ability amongst small unrepresented businesses

Business Customer Unit

About the Business Customer Unit (BCU)

Business Customer Unit (BCU) is part of Business Tax responsible for ensuring businesses pay the right amount of tax whilst improving customer's experience and the overall UK business environment.

The BCU role is to help colleagues make customer focus a reality by understanding our Business Customers needs better and using that understanding to design better products, processes and service delivery. One element of the Business Tax Programme is to deliver online services and BCU, are working with Information Management Services to achieve this. The Project described below, was commissioned to help inform the future design of Corporation Tax communications and guidance products.

Contents

Research requirement (background to the project)

From April 2011, all Corporation Tax (CT) customers will be mandated to file their returns online (using iXBRL[1]) and required to pay electronically. There is the need to continue to raise general awareness of this requirement and understand how customers are responding to the changes.

In August 2009 a mailshot was issued to all unrepresented CT customers – unrepresented companies, charities and unincorporated associations. Another mailshot was issued in March 2010. Research was required to assess the effectiveness of these mailshots in order to inform the development of future communications. With particular focus on their ability to raise awareness of:
- The need to complete CT online from April 2011
- The workings and benefits of the online service, with specific emphasis on iXBRL

The online CT guide was launched on the HMRC website in November 2009 aimed to help customers understand what they need to do to successfully file CT returns online. The format for the guide is based on indications of what is required from customers as a result of previous CT customer research which took place in June 2009. However further research was required to understand whether the final product (guide and the associated demo) are successfully meeting the guidance objective which is: to ensure that unrepresented customers have sufficiently detailed guidance to help them understand how to complete the online return.

There was a need to understand how ready micro / SME unrepresented businesses are to complete their returns online. And in light of this, to explore how helpful they feel the online guidance released in November 2009 was as a tool to help them, if it provided sufficient information and support, how this guidance might be improved and what else could be done to help them/inspire them to take action.

Who did the work (research agency)

Voodoo Research and Brand Consultancy

The team consisted of Peter Fenton-O'Creevy, Joint Managing Director of Voodoo, Jodie Duskwick, Associate Director and Anna Hamon, Research Executive.
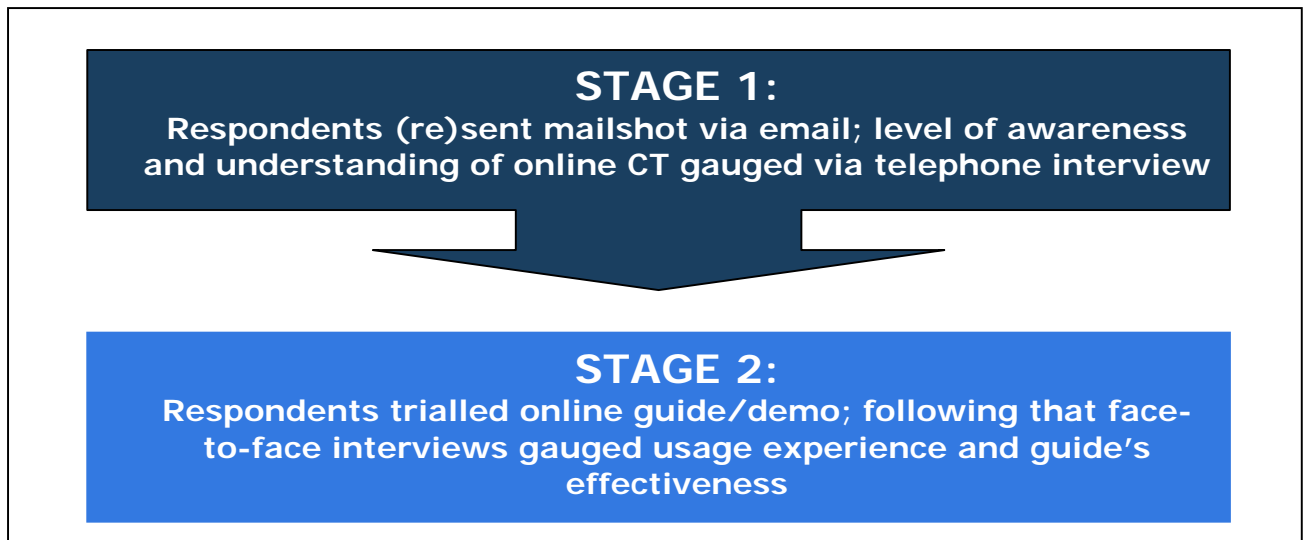
When the research took place
11th February – 8th April 2010

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[1] XBRL is an IT standard designed to streamline financial reporting processes – it allows HMRC systems to receive data directly from businesses' own computer software, or accountants' tax preparation software and tax filing systems.

Method, Data and Tools used, Sample

A two-stage discussion was felt to be the most effective way of both understanding how far along the journey of engagement with the CT changes small unrepresented businesses were as well as gauging the effectiveness of both the mailshots and online guidance in light of this:

STAGE 1:
Respondents (re)sent mailshot via email; level of awareness and understanding of online CT gauged via telephone interview

STAGE 2:
Respondents trialled online guide/demo; following that face-to-face interviews gauged usage experience and guide's effectiveness

Stage one

- 48 x individual telephone depth interviews

Interim self completed pre-task to review current online guidance and demo

Stage two

- 4 x mini-groups (4 respondents per group)
- 16 x paired depths

These interviews were conducted in a range of different locations across the country.

The sample included a spread of different kinds of micro / SME unrepresented businesses – including representatives of clubs/associations and mutuals

Business representatives were recruited to: a) have differing levels of awareness, across a spectrum from low to high (as this would have implications for levels of understanding and preparedness) and b) have differing levels of technical competence/confidence again, from low to high, with regards online CT filing and submission (as this was seen as likely to be a key factor in shaping their overall confidence).

In addition to this there was a need to recruit those who are actively engaged with the process of filing returns. This meant excluding businesses for which an accountant takes on the process of CT filing and submission. (However, this did not exclude businesses that have an accountant that deals with other aspects of their finances, or a bookkeeper who is not actually directly involved with CT

filing/submission). A small number of representatives were also recruited where an accountant was not used in any way by the business.

For businesses with several personnel, the person who was primarily responsible for CT filing/submission in its current form was recruited for the telephone and face-to-face discussions.

A small business was defined as having an annual turnover of up to £100,000 - within this a spread of turnover was recruited. Beyond this, a spread of business size, type (including a number of clubs and mutuals) and length of trading was recruited across the sample.

The diagram below indicates how the sample was structured. It demonstrates a bias towards those with lower levels of awareness/understanding, as these respondents were most likely to require greater support and the guidance may have to work harder for them.
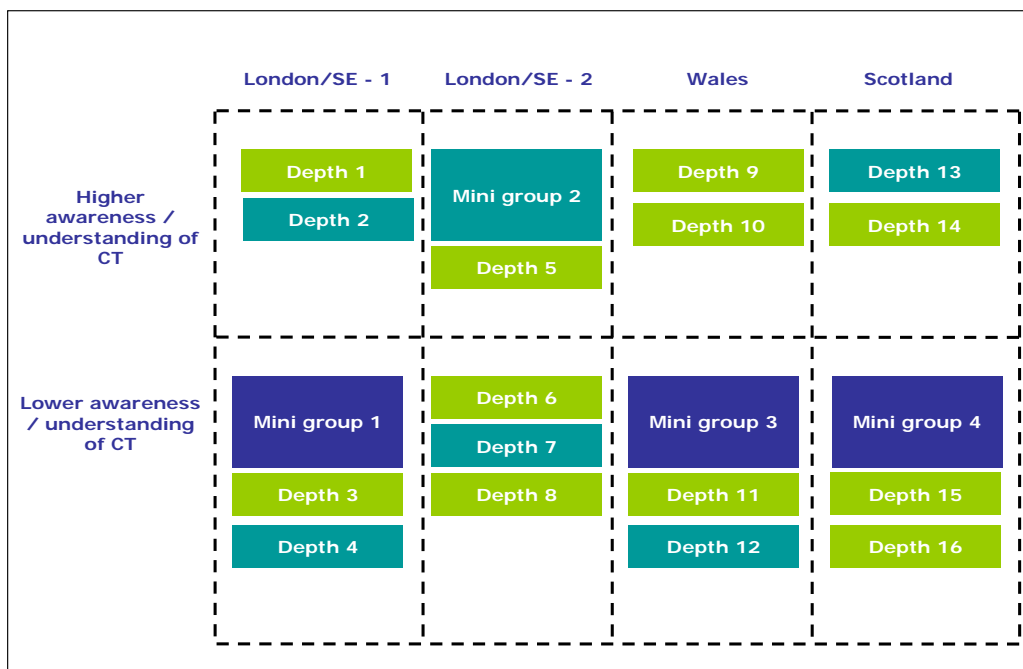
Main Findings

For the most part, CT was felt to be the most 'difficult' of taxes for small businesses to process (in comparison to other 'business tax' - VAT, PAYE). This was driven primarily by the annual nature of the procedure and the sense that a good knowledge of tax law/practice is required in order not to overpay or incur penalties. Of those spoken to, most felt that use of an agent (if feasible) was preferential to tackling CT alone. Around half of the sample was using an agent to perform at least some of the activities within the CT process.

Those with 'lower tech' approaches (solely paper filing) to processing CT were most likely to have idiosyncratic filing and preparation methods. Conversely those utilising professional accounts

packages (Quicken, Sage etc) were most in line with standardised accounting practice with regard to processing CT. Preparedness for the CT changes appeared to be correlated to spectrums of both 'financial interest' and 'financial confidence'. The more financially confident and interested were most likely to be early adopters of online tax filing and be planning ahead for the changes. The lower the level of financial confidence and interest, the more likely they were to be unaware of changes or least willing to engage with any changes to CT.

Current awareness of changes is driven mainly through communication with agents or through notifications on the HMRC website. Even for those who were aware of the online CT mandation, understanding of the actual filing (particularly comprehension of iXBRL) and payment process as well as the actions required was still very low.

Recall of the August 2009 mailshot was low. Less than a third of the sample could remember receiving the document, and even those who did had poor comprehension of the precise nature of the changes. This was felt to be rooted in the 'throwaway' semiotics of the communication. That is to say the non-personalised leaflet-style did little to command attention. For those that did pay closer attention to it, the title page, body of the text and links section all lacked clarity. A number of issues were conflated, making text appear dense and impenetrable for many. The reader had to work hard to seek out meaning of text – and some did not have high levels of literacy and/or confidence.

The March mailshot worked harder to command attention and communicate the changes to CT with more clarity. The personalised nature and letter format of document conveyed a greater sense of importance. Clearly defined sections and the concise nature of letter gave it a structured and accessible appearance.

However, some aspects surrounding the precise nature of the changes and the action required were still not felt to be clearly communicated. In addition, for some, the mailshot did not sufficiently highlight the *significance* or *immediacy* of the changes taking place; they sought greater clarity on the *mandatory nature* of the changes, *what* they need to do in order to comply with these changes and *when* they need to do it.

Most (even those previously unaware of the online CT mandation) had anticipated a move to online for CT due to previous moves for CT & PAYE and also the more general shift to paperless administration within business practices. However, for some, the timing of this move was seen as unwelcome due to current difficulties of managing a small business in the current economic climate.

For the more tech-savvy the move to online was expected to save time on the CT process in the future. For the less tech-savvy the move was seen potentially as a major hurdle that would be *more* time consuming than current practices. This was due in part to their concerns about current lack of compatibility of office equipment & software. Some also felt they would still want to (or even need to) complete their calculations and/or returns on paper before filing online.

The mechanics and process of submission were also of considerable concern for many when thinking about moving to online filing. Anxiety surrounding security of information was secondary, with regard to completing tax returns online, but it was felt to be particularly pertinent for CT. Due to the fact that some feel CT filings contain a large amount of sensitive data on companies' performance, as opposed to VAT or PAYE filing

Compulsory use of standardised accounting methods had varying implications for changes to business practice. For those who sat on the less financially confident and interested ends of the aforementioned spectrums, their more idiosyncratic accounting practices are most likely to require the greatest shift from current practices in order to comply with the changes. At the time of research, moves were not being taken to prepare for changes to CT. Few felt they would have looked at guidance unprompted until very close to the time for paying & filing CT, even though they anticipated the process taking longer to complete, initially.

In the absence of more obvious prompting to 'do something now', there was a general expectation that further communications would be sent out to make small businesses aware of exactly when they need to start preparing for the changes.

Whilst the online CT site was considered comprehensive in terms of the information it provided, responses highlighted some key issues relating to navigation and accessibility of this content. There was also felt to be a need for CT homepage to call attention to changes taking place, as well as a clearer distinction within the CT site between current and future requirements for completing and submitting CT returns. There was also a desire for further information on the differences between HMRC's free software and commercial options. There was a general desire for the site to provide easier and more obvious guidance through the changes– rather than them having to work to seek out information from the website.

Navigation to the 'demo' section was also felt to be difficult and to suffer from the recessive nature of the signposting. The overall tone and appearance of demo was felt to do little to allay any underlying concerns surrounding move to online. The language used in the demo was considered to be pitched at the correct level for most office-based businesses but proved more troublesome for some of those running more blue-collar businesses or with a less-academic background.

Although the online demo was viewed as comprehensive, it was felt to be too information dense, and this was also exacerbated by navigational issues. The 'quick links' were not registered as a way to navigate through the demo by most and the back & forward tabs load on different areas of the browser for each page, making 'flicking through' difficult. In addition, the absence of progress bar does not ease these navigational issues. In short, most do not consider guidance to be a 'demo' in the conventional sense due to static nature of guidance. Lack of interaction or option to navigate through the guide discouraged engagement with the demo- it was also felt to suffer from a lack of continuity, with no demonstration of a 'worked through' example.