



HM Revenue
& Customs

Research report

Statutory Review Process

Quantitative research to understand customers' experience and perception of the Statutory Review Process

August 2014

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Statutory Review Process

Research requirement

A statutory review process was introduced in 2009 for use by all customers who disagree with a tax decision made by HMRC. A customer can ask for a review, make an appeal to an independent tribunal, or take both actions. The statutory review system gives HMRC's customers a quick and easy way to ask HMRC to look again at their decisions. The process is open to all taxpayers, and is widely used by those who do not have an accountant or agent.

No policy evaluation has been undertaken of the statutory review process since its introduction five years ago, so this was a good time for HMRC to review and evaluate the process. It is important that HMRC identifies and, where possible, addresses any problems or weaknesses in the review process as soon as possible.

In order to do this, HMRC commissioned research seeking the opinions of customers so that they could understand customers' perceptions and experiences of the statutory review process. In particular the research was aimed at understanding why some customers do not use the review process but go straight to tribunal.

This research is part of the evaluation work to consider the effectiveness of the statutory review process and will provide key evidence for that wider review.

The key business objective in this respect is:

To identify how HMRC can improve the review process to maximise customer take up.

The research objectives were:

To identify the customer experiences and perceptions of using the statutory review process, in particular:

- Whether customers are satisfied with the statutory review process.
- What improvements could be made to the statutory review process.
- Why some customers choose tribunal rather than review when settling their tax disputes.

When the research took place

The interviews for this research were conducted between the 10th and 20th March, 2014.

Who did the work

The research was undertaken by Opinion Leader Research.

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Method, Data and Tools used, Sample

An initial scoping meeting was held with key stakeholders to ensure that all the required content to meet the objectives was in the research design. Following the discussion meeting, the questionnaire content was finalised and signed off by HMRC.

The questionnaire was then scripted ready for a short Computer Assisted Telephone Interview (CATI) with customers. The survey focussed on disputes within the Income Tax Self-Assessment (ITSA), Pay as You Earn (PAYE) and VAT regimes.

Calls were made to customers who had either:

1. Made use of the statutory review process, or
2. Rejected the statutory review process offer in favour of going directly to tribunal

Calling hours were restricted to weekday business hours for business contacts, and weekday evenings for individuals, allowing for appointments set by customers out of these core hours (e.g. speaking to business customers on Saturday at their specific request).

All interviewing was conducted by Opinion Leader's in-house call centre company, Facts International. All Facts interviewers are technically trained and fully experienced, and each attended a full briefing relating to the survey. The same group of interviewers was used for all the interviews to ensure consistency in the approach.

The sampleframe was driven from the number of records available, working on the basis of 10:1 contacts to interviews achievable. The table below sets out the number of interviews held across the different tax types. Whether a respondent had been through the review or tribunal process was evident from the conversation.

Final achieved sample

	ITSA	PAYE	VAT	TOTAL
Review	178	51	146	375
Tribunal	3	4	18	25*
Both	49	25	106	180
TOTAL	230	80	270	580

**Low base; too low for robust analysis (<30)*

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Main Findings

Context

It is important to place all findings in the context of the research undertaken. In this survey the subject matter is emotive and respondents may have particularly strong opinions given the survey was looking at the process to deal with disputes about HMRC's decisions, including decisions to charge financial penalties. This needs to be taken into account when reviewing the survey results and when identifying areas for improvement.

The key groups for analysis are the three tax regimes and whether the customer had been to review or tribunal or both.

Tax regimes:

- ITSA
- PAYE
- VAT

Review or tribunal:

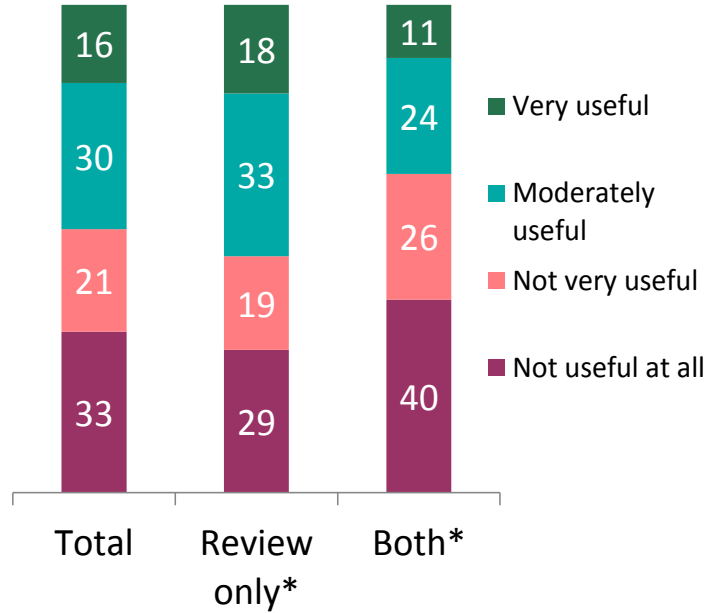
- Review only
- Tribunal only
- Review and tribunal

Overall reactions

Overall, 46% of respondents found the review process useful, while satisfaction with the interaction with review officers was rated at 50%. For both measures, those who had been through both the review and tribunal scored the lowest (35% useful, 46% satisfied). VAT customers were most satisfied with the interaction with the review officer (58%), whilst ITSA were the least satisfied (41%).

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Usefulness of the review process (%)

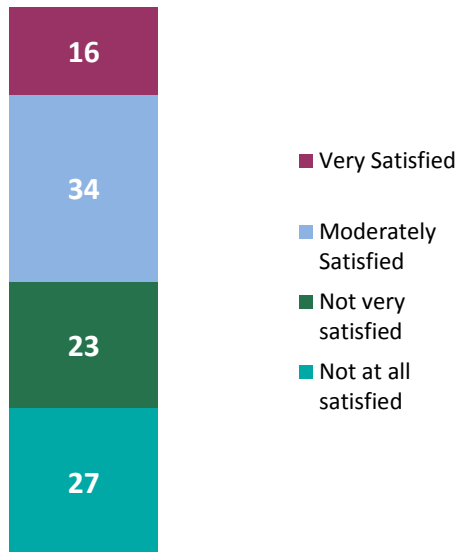


Q1. How useful did you find the review process?

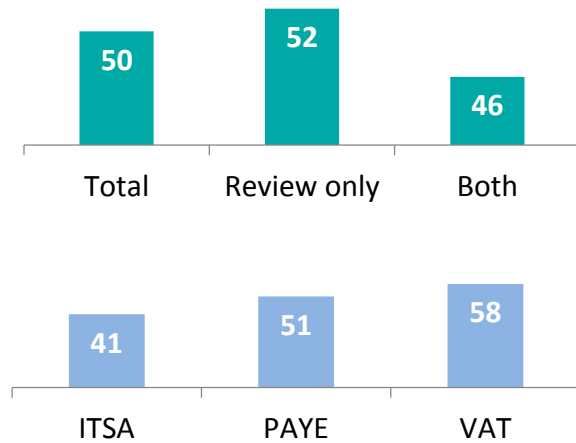
Base: Review and Both (555) Review (375) Both (180) ITSA (227) PAYE (76) VAT (252)

* Data does not equal 100% due to rounding

Satisfaction with the interaction with the review officer (%)



Satisfaction with the interaction with the review officer (Top 2 box %)



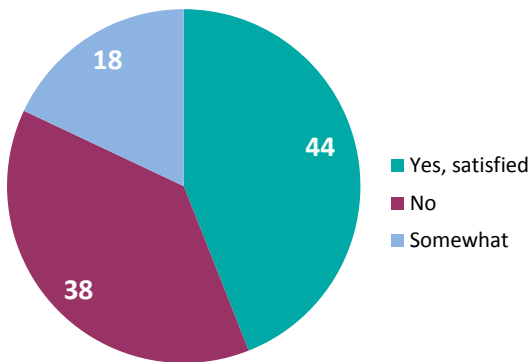
Q5. How satisfied were you with the interaction with the review officer?

Base: Review and Both (555) Review (375) Both (180) ITSA (227) PAYE (76) VAT (252)

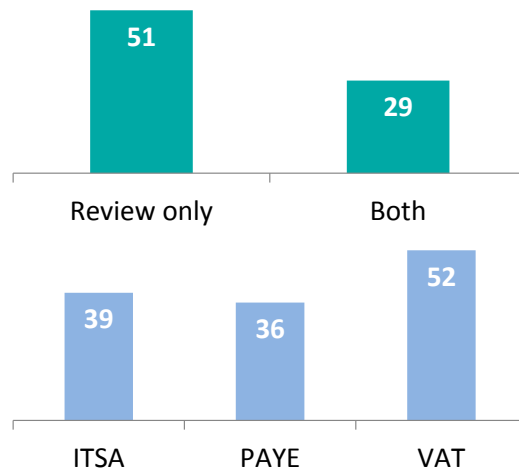
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44% of respondents who had a review were satisfied that the reviewer’s decision was impartial - 18% were somewhat satisfied and 38% were not satisfied it was impartial at all. VAT taxpayers were most satisfied, but only 29% of appellants who went through both the review and tribunal were satisfied that the decision of the review officer was impartial.

Satisfaction that the decision was impartial (%)



Satisfaction that the decision was impartial (% Yes, satisfied)



Q6. Were you satisfied that the review officer made an impartial decision?
 Base: All Review and Both (555) Review (375) Both (180) ITSA (227) PAYE (76) VAT (252)

Success rates

Scores for usefulness and review officer satisfaction might reflect the success rates of reviews, so many who are successful in their review might rate usefulness and review officer satisfaction more highly than those who do not succeed in getting the original decision overturned. However, there is not necessarily a direct correlation, as some of those who succeed in getting the original decision overturned upon review still rate usefulness and satisfaction relatively low, and vice versa.

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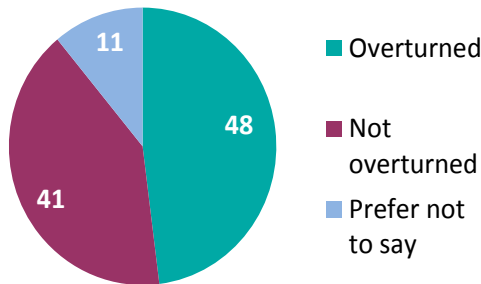


Q1. How useful did you find the review process?
Base: All successful with review (180) Unsuccessful (155)

Q5. How satisfied were you with the interaction with the review officer?
Base: All successful with review (180) Unsuccessful (155)

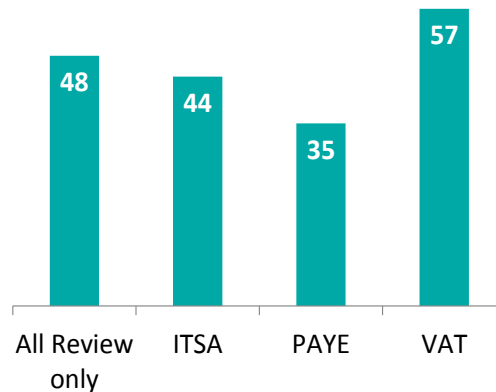
48% of review only respondents had decisions overturned which indicates that the review process is worthwhile for customers. The review process also allows customers to offer additional information at an earlier stage, and so may avoid the case having to be heard at the tax Tribunal.

Decisions overturned at review stage (%)



Q7. Did HMRC change their decision at the review stage, or would you rather not say?
Base: Review (375) ITSA (178) PAYE (51) VAT (146)

% decisions overturned

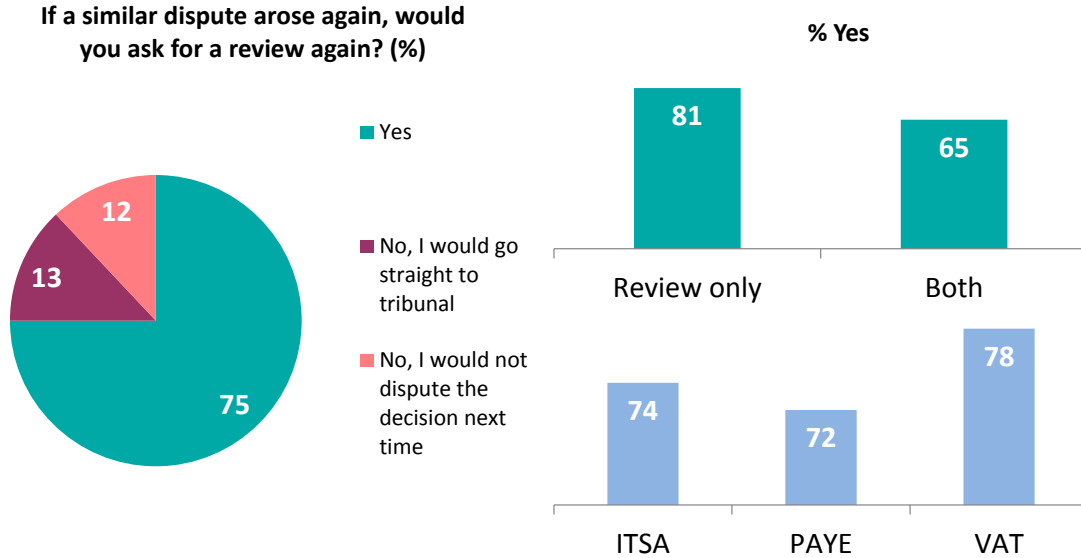


Likelihood to review in future

One key finding that points towards the review process being worthwhile is the fact that the majority of customers who accepted the offer of review would exercise their statutory right to review again if a similar issue arose in the future – only 12% would not dispute the decision at all. Also, 19% of those who went to tribunal following a review said they would

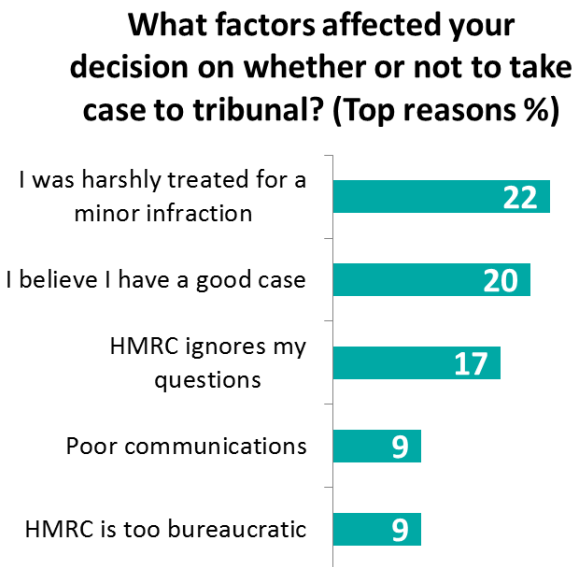
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go straight to tribunal if a similar dispute arose again. This indicates that most would use the review process first in future.



Q9. If a similar dispute arose again, would you ask for a review again?
Base: All Review (375) and Both (180) ITSA (227) PAYE (76) VAT (252)

Going to tribunal



Q8. What factors affected your decision whether or not to take case to tribunal?
Base: All who went to tribunal after a review (147)

Why did you decide not to use the review process and go straight to tribunal instead?(%)*



*Q4. Why did you decide not to use the review process and go straight to tribunal instead?
Base: (Tribunal 25) - too low for robust analysis

CAUTION
LOW BASE

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The top reasons given for going to tribunal following an unsuccessful review are

- harsh treatment for a minor infraction (22%),
- belief in having a good case (20%),
- HMRC ignoring their questions (17%),
- poor communication (9%), and
- HMRC being too bureaucratic (9%).

These reasons could point to there being a lack of understanding or faith in the review process in general.

Lack of awareness of the review process is the biggest reason for going direct to the Tribunal. 24% did not know they could have a review and a further 24% did not get offered a review. In addition, 8% said they were not aware of the procedures or that they weren't aware the review process was important.

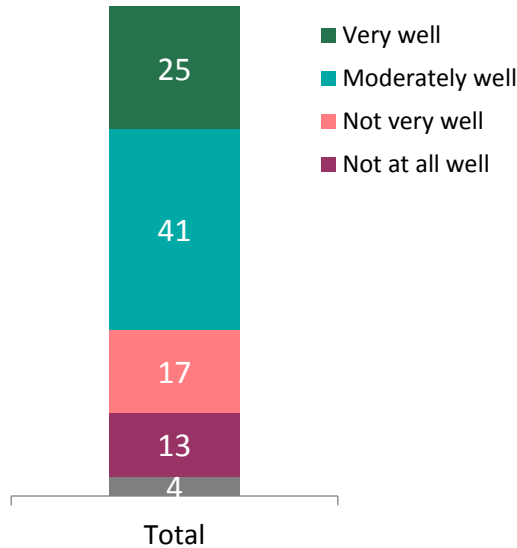
A fair number of HMRC's customers who were unsuccessful at review stage do not take their dispute to tribunal due to a number of perceived barriers, irrespective of whether they think their case would succeed. 14% of those unsuccessful at the review stage feel they have no chance against HMRC at Tribunal; 16% say the cost of going to the tribunal is prohibitive, and 14% say a tribunal would be too time consuming.

The review process letter

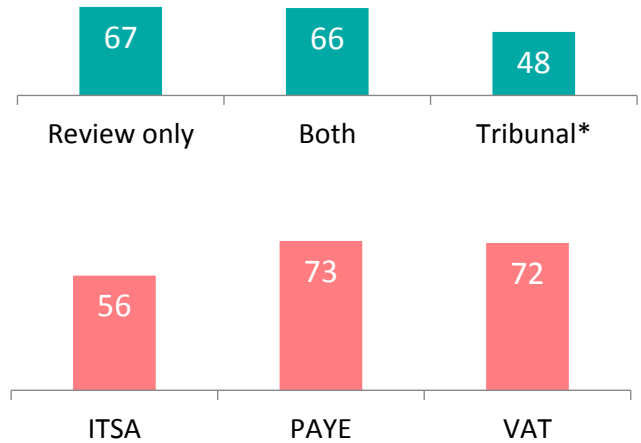
66% of respondents said that the review offer letter explained the process very well or moderately well. Improvements to review letters may help improve understanding about the process; particularly for ITSA and tribunal respondents who score lower on this measure (56% and 48% said the letter explained the process well respectively). For the latter, greater clarity may lead to fewer going straight to tribunal.

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How well did the review offer letter explain the process involved?



% who said review officer letter explained the process very or moderately well



Q2. How well did the review offer letter explain the process involved?
 Base: All respondents (580) Review (375) Both (180) Tribunal (25*) ITSA (230) PAYE (80) VAT (270)

*Indicates low base for robust analysis (<30)

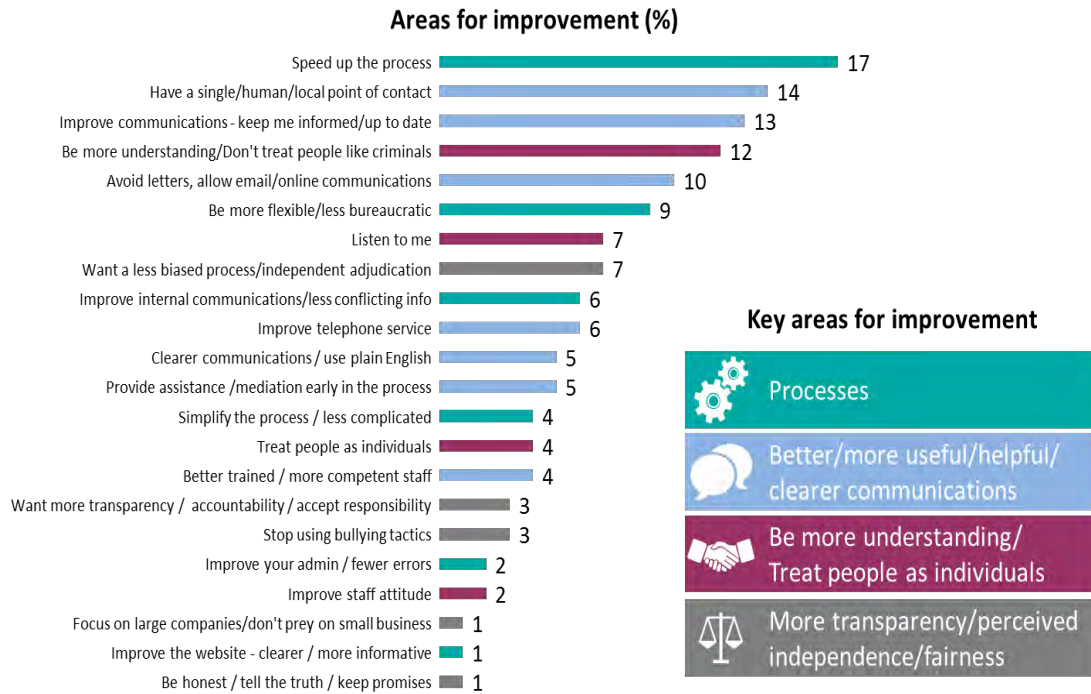
Areas for improvement

Speeding up the process is the most commonly suggested improvement, with 17% of all of those surveyed mentioning this. Having a single/human/local point of contact is the second highest suggested improvement (14%) while improving communications is third (13%). However, 20% provided only neutral or positive comments.

In general, suggested improvements fall under four key areas:

1. Processes
2. Better/more useful/helpful/clearer communications
3. Be more understanding/treat people as individuals
4. More transparency/perceived independence/fairness

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Q11. What, if anything, would you improve about the...<IF REVIEW review process><IF TRIBUNAL the tribunal process><IF BOTH review and tribunal process?>
 Base: All respondents (580) Review (375) Both (180) Tribunal (25*)

1. Processes

In general, this area for improvement focuses on the internal communication and HMRC processes that have become visible to those going through the review process. Many customers say they were passed from department to department and as a result the process was held up or unclear. Some also felt that greater clarity and efficiency in the review process could have prevented their dispute going to tribunal.

2. Better/more useful/helpful/clearer communications

Following on from issues over internal communications and bureaucracy, respondents frequently suggested that the way in which they were communicated with could be improved. 14% said that having a single/local/human point of contact would be a key area of improvement, 13% said improve communications/keep me informed/up to date, 10% said allow email/online communications, and 6% said improve telephone communication.

Only 4% explicitly said that staff need to be better trained/more competent, although some felt they weren't treated as individuals by HMRC staff.

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3. Be more understanding/treat people as individuals

12% of respondents said HMRC should be more understanding/shouldn't treat them as criminals, 7% said HMRC need to listen to them more, 4% said HMRC should treat them as individuals and 2% said HMRC should improve staff attitudes. Small business customers are among those who feel particularly aggrieved in this respect.

Others feel that HMRC employees are too rigid in dealing with disputes and ignore legitimate queries regarding their case, even when a simple response could suffice.

4. More transparency/perceived independence/fairness

Only 7% of respondents would like to see more independent adjudication, 3% want more transparency/accountability and 3% say stop 'bullying tactics'. Many feel that an HMRC review is not independent and so cannot treat appellants fairly. They emphasise transparency and impartiality as vital to a review system.

Some feel that the expertise available to HMRC is not available to them as customers with a dispute, and this puts them at a disadvantage.

ITSA customers

ITSA business customers should be a particular focus for attention as they are more likely to be self-employed and therefore the review process has time and economic impact on their business. They don't necessarily have the support to pursue long-running appeals; this is perhaps why they are the least likely of the three regimes surveyed to take their dispute to tribunal following a review. ITSA customers are also more likely to say it would take too long/be an inconvenience to take their case to tribunal (11% vs. 8% in total).

ITSA taxpayers are more dissatisfied with the review officer (41% satisfied vs. 50% in total). They are more likely to cite incompetence and arrogance as reasons for taking their dispute to tribunal (17% vs. 13% in total). Similarly, they are more likely to cite having no chance of success as a reason for not going to tribunal (12% vs. 9% PAYE and 4% for VAT).

Whilst this group suggest similar areas for improvement to those overall, they are more likely to say improve telephone and internal communications (10% vs. 6% in total) and end 'bullying tactics' (5% vs. 0% PAYE and 2% for VAT).

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Conclusions

Some customers who go on to a tribunal following a review seem to be driven by issues at the review stage. The main issues that seem to drive respondents to tribunal are a sense that their points aren't being listened to, and a lack of understanding/clarity around the process. These findings, and the suggested improvements from those surveyed, point to issues with communication and flexibility – both operational and personal - when dealing with individual cases. The survey results point to HMRC being seen, at times, to be punitive, or at least not offering the right support, to smaller businesses. Similarly, HMRC is not always seen to be impartial or unbiased in its handling of individual disputes.

Other findings suggest more could be done to speed up and streamline the process, particularly around communications, so using email and direct personal contact with a specific caseworker. The most commonly suggested area for improvement - that processes need to be quicker – supports this view.