

HM Revenue & Customs Non-Statutory Business Clearance Service Research

Her Majesty's Revenue and Customs Research Report 97

Prepared for HM Revenue & Customs by

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Contents

Glossary

Summary

1	Introduction	8
1.1	Background.....	8
1.2	The Non-Statutory Business Clearance Process.....	9
1.3	Research aims.....	9
1.4	Research method.....	9
1.5	Report structure.....	10
2	Sample profile	11
2.1	Breakdown of sample.....	11
3	Headline Satisfaction Scores	14
3.1	Summary.....	14
3.2	Overall satisfaction with the whole clearance process.....	15
3.3	Other key performance scores.....	25
4	Detailed Findings: Preparing the application	26
4.1	Summary.....	26
4.2	Ease of putting together the application.....	27
4.3	How time consuming the application was to put together.....	29
4.4	Time spent putting together the application.....	31
4.5	Level of detail asked for in the application.....	32
4.6	Suggested ways to make the application process easier.....	33
4.7	External sources consulted before submission.....	34
4.8	Usefulness of HMRC’s website.....	35
5	Detailed Findings: Submitting the application	39
5.1	Summary.....	39
5.2	Clarity of guidance.....	40
5.3	Whether received acknowledgment of application.....	42
5.4	Whether the 28 day deadline was met.....	44
5.5	Amount of time taken by HMRC to provide responses.....	47
6	Detailed Findings: HMRC’s response to the enquiry	49
6.1	Summary.....	49
6.2	HMRC’s response addressing issues.....	50
6.3	Resolving uncertainty.....	53
6.4	Reasons for reducing uncertainty.....	56
6.5	Reducing commercial risk.....	58
6.6	Suggested changes to the application process.....	60
6.7	Ease of the whole clearance process.....	62
6.8	Efficiency of the clearance process.....	64
6.9	HMRC’s communication.....	66

Appendix A – Technical report

Appendix B – Questionnaire

Appendix C – Notification letter

Glossary

The following abbreviations and nomenclature occur in this report.

HMRC	Her Majesty's Revenue & Customs – the government department which (among other responsibilities) gathers Income Tax and National Insurance contributions from employers and employees.
CGT	Capital Gains Tax
CRM	Customer Relationship Manager
CT	Corporation Tax
Heads of Duty (HoD) (LC)	Tax or duty types under which clearance applications are prepared. This consists only of Local Compliance issues, so excludes applications under the Large Business Service
LBS	Large Business Service
LC	Local Compliance
NICs	National Insurance contributions
Non-Statutory Business Clearance Process	The clearance process being researched. Designed to provide certainty of the tax consequences of transactions that are commercially significant to business
PAYE	Pay As You Earn Income Tax
VAT	Value Added Tax

Summary

Research context

In April 2008 HM Revenue & Customs (HMRC) introduced a new service designed to help businesses when they are unsure about the effect an action will have on their tax affairs. The service covers all taxes. Where a business shows that there is material uncertainty about the tax outcome of a specific event or transaction, HMRC aims to respond (with written confirmation of its view of the tax consequences) to queries within 28 days.

An attempted census of Non-Statutory Business Clearance applicants was undertaken between October and December 2009 to measure customer satisfaction with the service, and to assess it against a target of 85 per cent of customers being satisfied overall.

Summary of findings

Overall satisfaction with the whole clearance process stands at 90 per cent, at which level it is significantly higher than a year ago, and exceeds the target of 85 per cent set for this year.

The level of satisfaction varies between the different tax types concerned, being highest (as last year) among CGT applicants. Some of the overall growth in satisfaction resulted from changes in the sample's composition from 2008 to 2009. The results also indicate that satisfaction has grown among applicants in the PAYE/NICs and VAT areas, although this growth is not statistically significant.

Higher satisfaction is seen to be driven by receiving a favourable outcome from the application; by the perceived timeliness of HMRC's response; and the quality and comprehensiveness of HMRC's communication. Similarly, those dissatisfied with the process tended to comment on a slow response and poor communication.

Customers' suggested improvements mainly focused on speed and the quality of communication from HMRC (including acknowledgement of the application, and giving a deadline for the response).

Beside satisfaction, perceptions of two other key measures – the ease and speed of the clearance process – have also improved significantly since last year.

Most applicants found it easy to put their application together, with a third finding it *very easy*. Applications related to CGT and CT were regarded as less easy than those for PAYE/NICs. This may reflect greater and lesser complexity in the cases concerned.

The perceived ease or difficulty of making the application appears to have an effect on how favourable the outcome was; those whose outcome was unfavourable tended to report more difficulty in putting the original application together. Again, this may reflect greater and lesser complexity in the cases concerned.

Despite a tendency to regard preparing the application as time-consuming, most applicants felt the amount of time required was reasonable, and the amount of detail required was 'about right'.

Suggested improvements to the application process centred on improving accuracy of information required, improving services provided on HMRC's website, HMRC being easier to contact, and quicker service.

Most applicants had used some external source of guidance in preparing their application, and HMRC's website was the most common source. Most of those consulting the website had found it useful in providing the information, checklist or documents they sought. A quarter of applicants had called HMRC for guidance.

Those who had used HMRC's website found it gave clear guidance on how and where to submit the application. Most found it also specified the promised 28 day turnaround, although PAYE/NICs applicants that had used the website were less sure on both points, suggesting that PAYE/NICs applicants may have been consulting the website in a more general capacity.

Almost three-quarters of applicants remembered receiving acknowledgement from HMRC that their application had been received. Those unhappy with the overall time taken were also less likely to recall receiving an acknowledgement. Those who remembered the acknowledgement were also more satisfied with the process in several other respects, including in perceptions of its efficiency, communication and timeliness.

Overall satisfaction with the amount of time HMRC took to respond has increased significantly since last year.

Three-quarters of applicants reported receiving HMRC's response within 28 days, but among VAT applicants fewer than half reported this. Across the total audience base, applicants' recall of response time was a stronger determinant on their views than HMRC's own record of the time taken, and a difference in opinion of whether the deadline was met exists compared to HMRC's records in around a quarter of cases.

When a full response was not believed to have been received within 28 days, in almost half of cases there was no explanation given to the applicant. Otherwise, the delay was often said to have been caused by HMRC seeking further information from the applicant.

There was a significant increase since last year in the proportion finding the overall clearance process easy.

Almost nine out of ten applicants said HMRC's response had addressed most of their issues, and three-quarters said their issues were addressed fully. But this varied by Heads of Duty; over a third of VAT applicants felt that there were outstanding issues in HMRC's response.

The extent to which issues were considered to be addressed by HMRC closely mirrored applicants' feelings around their uncertainty and commercial risk being reduced. Similarly, those who felt their issues had been addressed well also tended to regard the time taken in applying, the timeliness of response, efficiency and communication from HMRC more favourably.

VAT applicants were the most likely group to report that some of their issues had not been addressed by HMRC. As many as a third of them felt there were issues not dealt with in the response, compared to less than one in ten PAYE/NICs or CGT applicants.

A minority of applicants reported that HMRC's response had increased rather than decreased their uncertainty or commercial risk – most commonly VAT applicants. Half cited poor information returned from HMRC as the reason for this.

Around a third of all applicants felt there was something they would change about the application process. Suggested improvements were typically concerned with improved information or communication and faster responses from HMRC.

1 Introduction

1.1 Background

In 2006 HM Revenue & Customs (HMRC) published its *Review of Links with Large Business (RoLLB)*¹, which outlined measures aimed at improving its relationship with large business customers². The review established four key desired outcomes: –

- providing businesses with greater tax certainty;
- an efficient risk-based approach to dealing with tax matters;
- speedy resolution of issues; and
- clarity through effective consultation and dialogue.

To help provide greater certainty to large businesses, HMRC announced an extension of the non-statutory business clearance process, alongside revised operational guidance. Following an earlier pilot exercise, the Non-Statutory Business Clearance Service was introduced in April 2008. It is a service available to business customers seeking HMRC's view of the tax consequences of transactions that are commercially significant to their business and where there is genuine uncertainty. In addition, HMRC collated and published relevant guidance on the various clearances and rulings in one single location on its website.

In 2008-9 HMRC commissioned a customer satisfaction study to explore applicants' views of the extended clearance application process during its first year³. The research comprised a quantitative telephone survey and small scale qualitative study. The quantitative survey measured satisfaction with the extended clearance process, while the qualitative study was used to gain an in-depth understanding of the applicants' views and experiences.

The earlier research showed that performance (gauged as customer satisfaction) was below target, with 79 per cent of customers satisfied overall (against a target of 85 per cent).

HMRC made operational improvements following the first wave of research, and has now carried out a new assessment of customer perceptions of the Non-Statutory Business Clearance Service, which at the time was approaching the end of its second year of operation. The key quantitative measures gathered in the new study were designed to be comparable to those obtained previously, to assess the effectiveness of changes in the service and its processes.

1 HM Revenue & Customs (November 2006) *Review of Links with Large Business*, Norwich: HMSO

² The definition of large business adopted for this research follows the European Union definition – that is, businesses with 250 or more employees (100 or more where foreign owned); or both a turnover of more than €50 million (approximately £33 million) and a balance sheet total of €43 million (approximately £29 million).

³ Findings from the 2008 study are available at: <http://www.hmrc.gov.uk/research/ext-clear-report.pdf>

1.2 The Non-Statutory Business Clearance Process

The Non-Statutory Business Clearance Service operates a two-stage interaction:-

- When there is material uncertainty about the tax outcome of a specific event or transaction, a business can apply for a clearance from HMRC. For some large businesses, that application is made via the company's Customer Relationship Manager (CRM) within HMRC.
- HMRC then aims to respond to queries within 28 days, with written confirmation of its view of the tax consequences.

1.3 Research aims

The present study was implemented to address two objectives. Its primary objective was to measure customer satisfaction with the Non-Statutory Business Clearance Service, and to assess that satisfaction against a target of 85 per cent of customers being satisfied overall.

The secondary objective was to use customer feedback to identify, where possible, any improvements that customers sought, especially where they would:-

- increase customer satisfaction;
- provide greater clarity; or
- reduce the resource requirement for HMRC, businesses, or both.

1.4 Research method

The following is a summary of the method use for this study. Full details are given in Appendix A – Technical Report.

1.4.1 Overall approach

An attempted census was conducted among businesses making Non-Statutory Business Clearance applications between April and November 2009. To be eligible for interview, the applicant must have received a response from HMRC, (either agreed or disagreed).

Cases that were still open at the time of interview, or where HMRC had not accepted the application were excluded from this study. If multiple applications had been made by the same individual, they were only asked about one application at the time of interview (selected before they were contacted).

A total of 524 Computer Assisted Telephone Interviews were completed between 12 October and 11 December 2009, roughly proportional to the breakdown of real cases over the year. Results were weighted to reflect the total breakdown of applications that HMRC had agreed or disagreed with.

All businesses eligible for interview were sent a letter from HMRC two weeks prior to being contacted, assuring them of the legitimacy of the project and giving them the opportunity to opt out. A copy of the letter can be found in Appendix C.

1.4.2 Comparing sub groups

It was hypothesised prior to this research that there would be differences between certain sample groupings, particularly by type of application and the eventual outcome. Rationale behind these assumptions can be found in further detail in Section 2 of this report.

The breakdown of results in this report concentrates on the type of application made (ie through LBS or by Heads of Duty (LC)) as this often has the greatest effect on opinion. Differences between other sub groups are reported where salient.

1.4.3 Statistical analysis

At some points in the report, results are described as significantly different. These are tested by standard statistical formulae at the 95% confidence level. Where significant, we can be 95% confident that the differences are real and did not occur by chance or sampling error.

1.5 Report structure

For clarity, this document reports findings in a linear manner, tackling each stage of the application process in order; from putting together the application, to submitting the document, to HMRC's response.

- **Section two** gives information on the breakdown of the sample within this project, highlighting issues surrounding the difference in kinds of application, and outlining that the type of application (and the outcome) may have an effect on overall opinion of the application process
- **Section three** discusses the headline satisfaction scores, assessing the overall satisfaction measure by audience and identifying other apparent drivers of satisfaction
- **Section four** centres on the ease of putting together the application, along with the level of information required and the quality of HMRC's website
- **Section five** discusses the process of submitting the application, including HMRC guidance, and how long is reasonable to wait for a response. This section also covers the proportion of applicants believing to have received a response within the 28 day deadline
- **Section six** details opinion of HMRC's response to the enquiry, particularly whether the response addressed all issues, and whether it was felt to have reduced customer uncertainty
- **Section seven** puts forward suggestions for improving the Non-Statutory Business Clearance process

2 Sample profile

2.1 Breakdown of sample

The Non-Statutory Business Clearance process covers a wide range of tax issues, from relatively simple PAYE/NICs applications (such as Salary Sacrifice), to complicated VAT or Corporation Tax issues.

It should therefore be noted that the varying levels of complexity between tax issues are likely to impact on results given in this report. For example, PAYE/NICs applications are generally more straightforward, whereas VAT applications are often complex or concern issues covered in existing guidance. In these latter cases applications may not be accepted as being eligible for the clearance service, with advisers referring applicants to published guidance. This means those VAT cases that *do* result in an outcome (an agreed/disagreed decision) are generally of a more complex nature. Some VAT applicants may also have previously submitted an application that had not been accepted and referred to guidance, before submitting an acceptable application (for which they were interviewed). This is reflected in some of the open-ended comments included in this report.

Also, all LBS cases go through the assigned Customer Relationship Managers and this was also expected to result in higher levels of satisfaction within this sub group.

2.1.1 Sample and weights

As stated above, interviews were undertaken with applicants who received an outcome whereby HMRC either agreed or disagreed. Interviews were weighted to precisely reflect the proportion of agreed and disagreed clearances over the relevant period (April – November 2009) by application type (eg LBS/HoD (LC)), detailed in Chart 2.1.

Chart 2.1

Completed interviews by total cases agreed/disagreed with in 2009

Sample group	Completed interviews		Cases agreed / disagreed 2009		Weighted Interviews*	
LBS	16	(3%)	71	(7%)	35	(7%)
LC	508	(97%)	988	(93%)	488	(93%)
PAYE/NICs	354	(67%)	740	(70%)	366	(70%)
CT	62	(12%)	105	(10%)	52	(10%)
CGT	42	(8%)	67	(6%)	33	(6%)
VAT	38	(7%)	57	(5%)	28	(5%)
Others	12	(2%)	19	(2%)	9	(2%)
Total	524	(100%)	1,059	(100%)	524	(100%)

NB: 'Others' consist of Stamp Duty Land Tax, Income Tax, or were just labelled 'Other' in the HMRC database of clearance applications

**Weighting factors were applied to allow results to be representative of all cases agreed/disagreed*

2.1.2 Differences in sample make-up compared to the 2008 study

The objective of the research in both years was to assess the performance of the clearance process in terms of customer satisfaction. In order to reflect the applications conducted each year, the interview structure and weighting is reflective of cases completed each period.

It must therefore be noted that a change in the volume of different cases being accepted has been observed year-on-year, and this has the potential to affect the overall level of satisfaction. 2009 saw a much higher proportion of PAYE/NICs clearances compared to 2008 (highlighted in Chart 2.2), when the applications were more evenly spread across the Heads of Duty.

Chart 2.2

Breakdown of cases by sample grouping (year-on-year comparison)

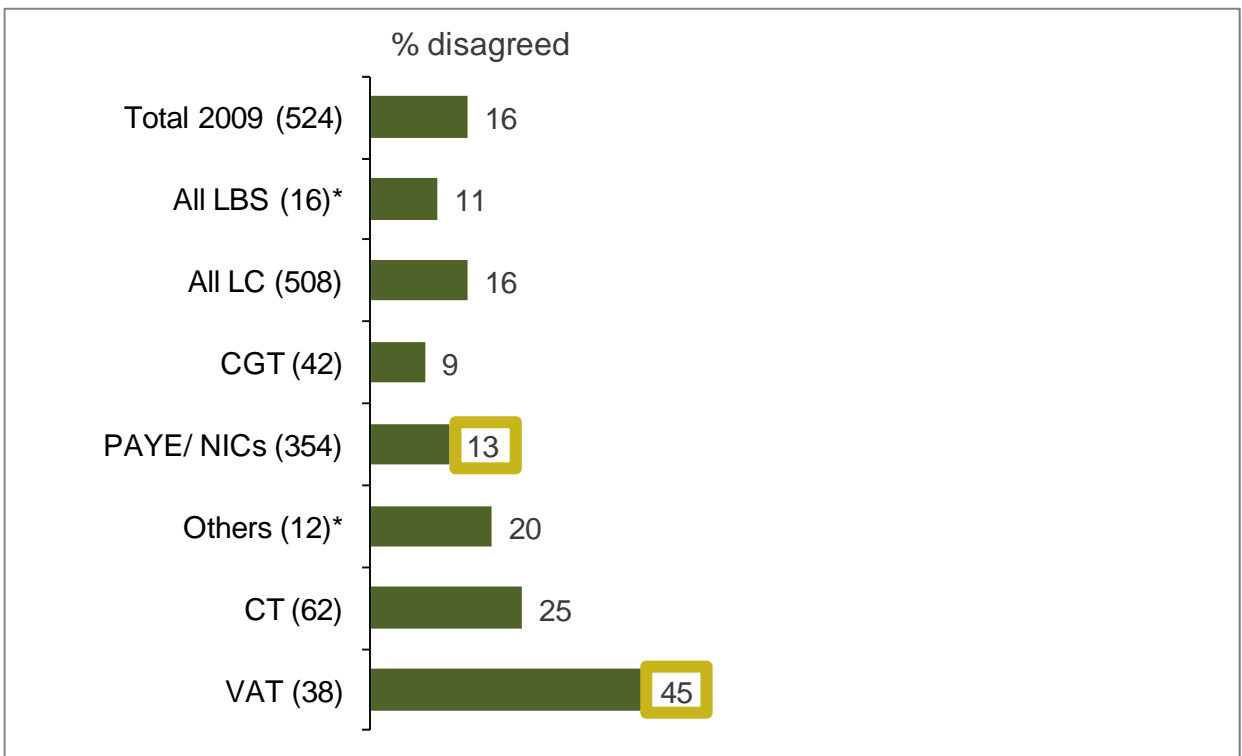
Sample group	2008 agreed/ disagreed	2009 agreed/ disagreed
LC		
PAYE/NICs	29%	75%
CT	28%	11%
CGT	27%	7%
VAT	14%	6%
Others	2%	2%
TOTAL	100%	100%

(LBS applications were incompletely sampled in 2008, so this comparison excludes LBS)

2.1.3 Proportion of cases agreed with

The proportion of applications that HMRC agreed with also differs by Heads of Duty. In 2009 HMRC was significantly more likely to disagree with VAT applications compared to other groups; with 45 per cent of those interviewed having their application disagreed with. Throughout this report, any significant differences, observed by whether cases had been agreed or disagreed with, are highlighted.

Chart 2.3: Proportion of cases disagreed with by sample type
 Base: All respondents (base sizes in brackets)



 = Significantly different from Total 2009

*Caution: low base

2.1.4 Perceived deadlines being met vs. HMRC records

Throughout this study, significant differences in opinion were more frequently observed between those *believing* their response to have been received within the 28 day deadline, compared to those in HMRC's' actual records flagged as having the deadline being met. This resulted in greater dissatisfaction amongst those thinking their deadline had been missed compared to those unaware of the fact.

3 **Headline Satisfaction Scores**

3.1 **Summary**

Overall satisfaction with the whole clearance process stands at 90 per cent, at which level it is significantly higher than a year ago, and exceeds the target of 85 per cent set for this year.

The level of satisfaction varies between the different tax types concerned, being highest (as last year) among CGT applicants. Some of the overall growth in satisfaction resulted from changes in the sample's composition from 2008 to 2009. The results also indicate that satisfaction has grown among applicants in the PAYE/NICs and VAT areas, although this growth is not statistically significant.

Higher satisfaction is apparently driven by receiving a favourable outcome from the application; by the perceived timeliness of HMRC's response; and the quality and comprehensiveness of HMRC's communication. Similarly, those dissatisfied with the process tended to comment on a slow response and poor communication

Customers' suggested improvements mainly focused on speed, and the quality of communication from HMRC (including acknowledgement of the application, and giving a deadline for the response).

Beside satisfaction, perceptions of two other key measures – the ease and speed of the clearance process – have also improved significantly since last year.

3.2 Overall satisfaction with the whole clearance process

3.2.1 Overall satisfaction year-on-year comparison

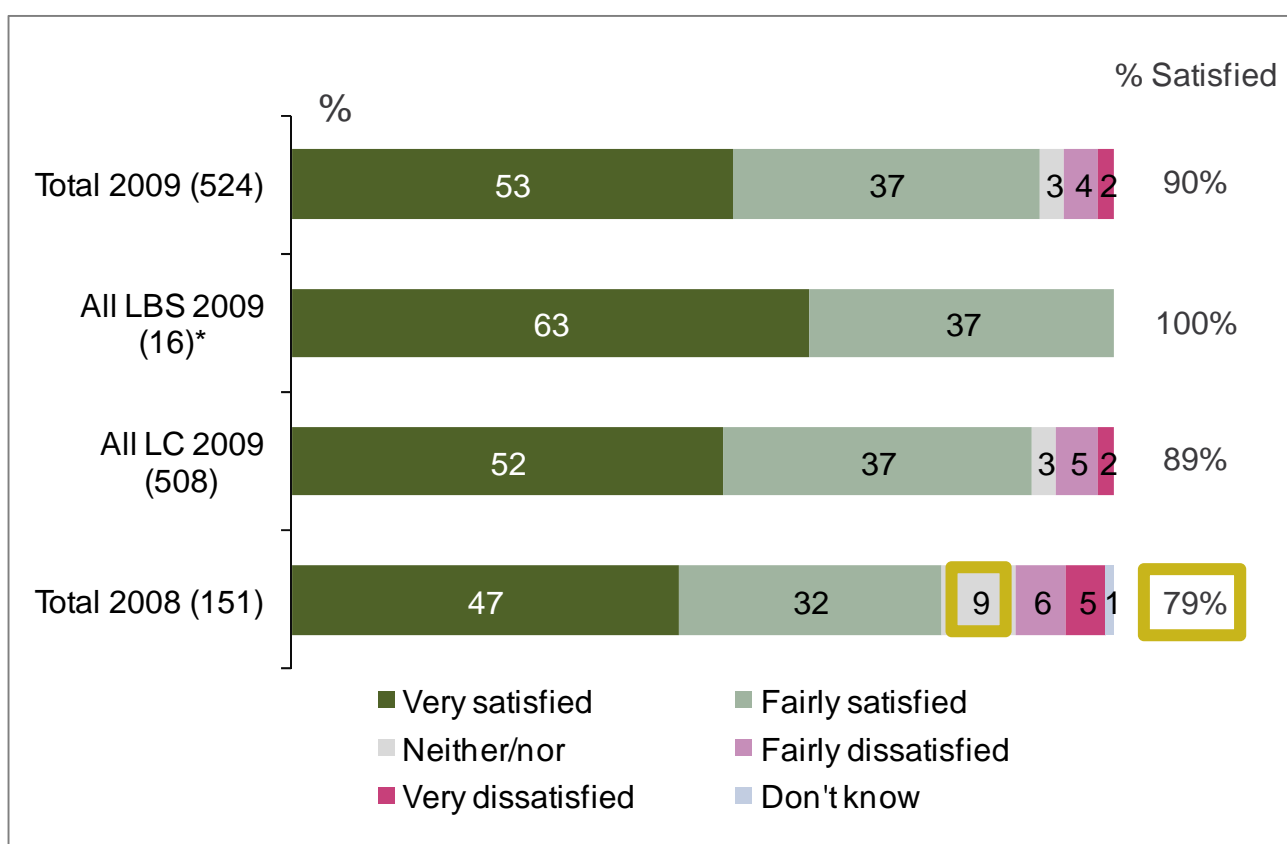
Overall satisfaction with the whole clearance process surpassed the 2009 target of 85 per cent, with 90 per cent reporting they were satisfied overall, with half *very satisfied*. All LBS applicant respondents were satisfied, with approaching two-thirds of them *very satisfied*.

Levels of satisfaction in the overall sample have risen significantly compared to the 2008 study.

Chart 3.1

Q3: Overall how satisfied or dissatisfied were you with the whole clearance process?

Base: All respondents (base sizes in brackets)



 = Significantly different from Total 2009

*Caution: low base

3.2.2 Overall satisfaction year-on-year comparison by Heads of Duty

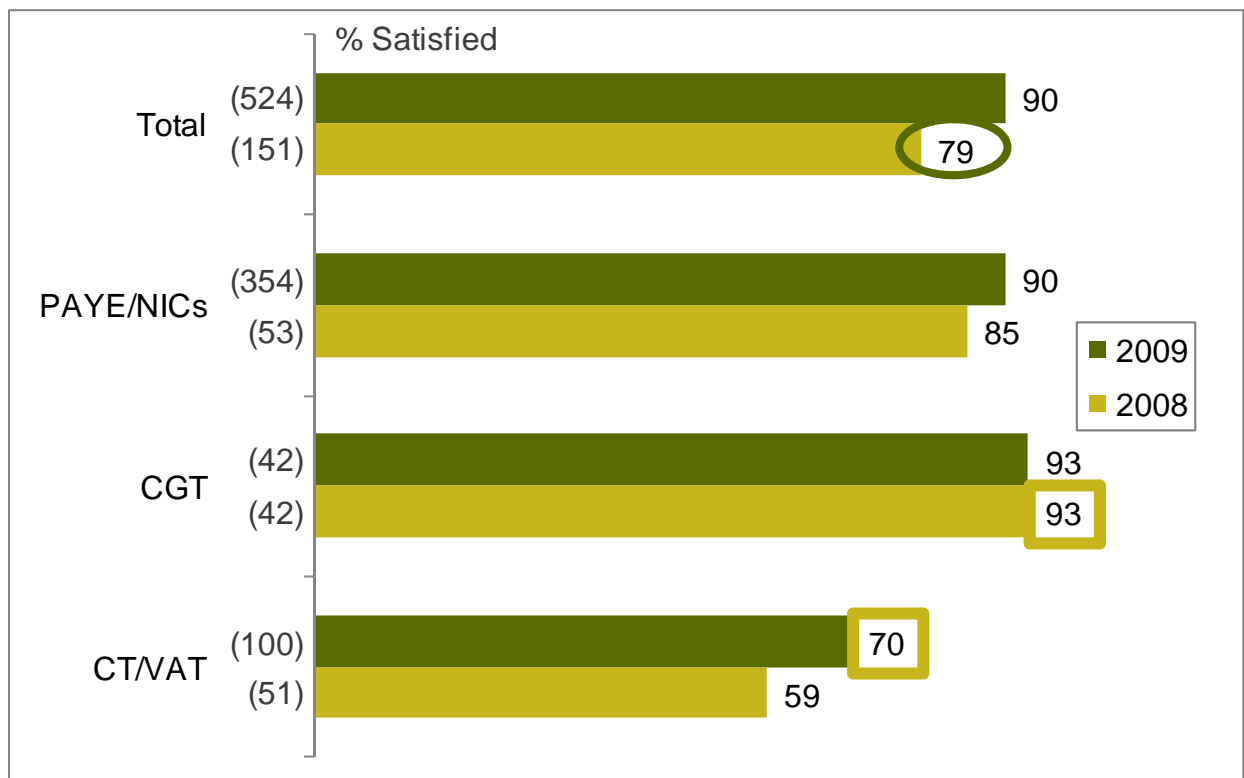
The clearance process yielded greater or lesser satisfaction, depending on Heads of Duty – i.e. the tax type under consideration. As in 2008, applications relating to CT or VAT resulted in lower satisfaction than those about CGT, however further analysis this year suggests that this relates to VAT rather than CT applicants.

The incidence of the different tax types in the sample differed between 2008 and 2009. The greater prevalence of the (more satisfied) PAYE/NICs applicants in 2009 explained much of the overall improvement in satisfaction found between years. Comparing like-for-like sub groups, none significantly improved over 2008, although the CT/VAT category showed an encouraging increase.

Chart 3.2

Q3: Overall how satisfied or dissatisfied were you with the whole clearance process?

Base: All respondents (base sizes in brackets)



 = Significantly different from Total 2009 score

 = Significantly different from 2009 score

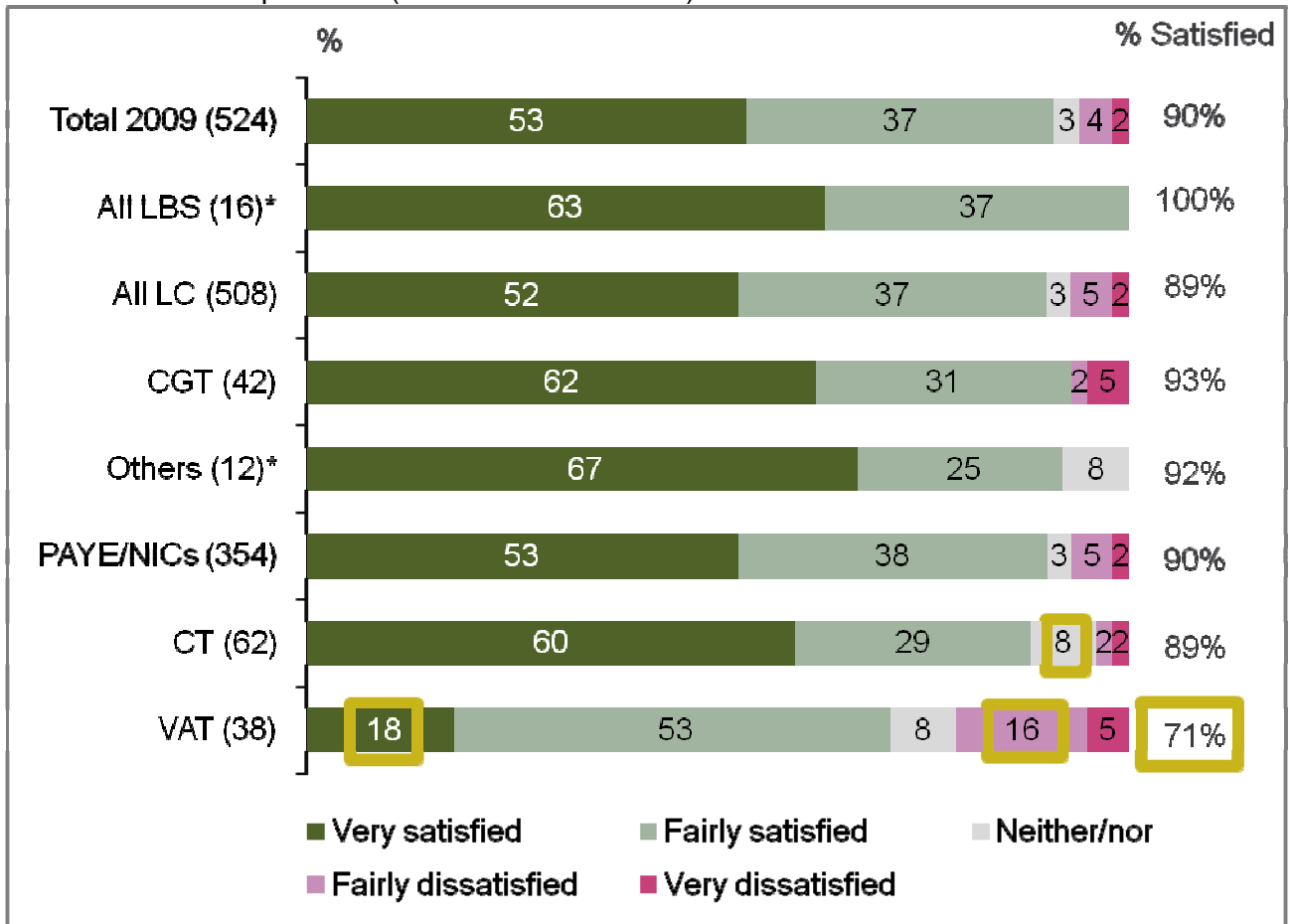
3.2.3 Overall satisfaction in 2009 by Heads of Duty

Broken down by tax type, overall satisfaction was highest among LBS customers and high for all Heads of Duty with the exception of VAT applications, although more than two-thirds of VAT applicants were still satisfied.

Chart 3.3

Q3: Overall, how satisfied or dissatisfied were you with the whole clearance process?

Base: All respondents (base sizes in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

3.2.4 Possible drivers of low levels of overall satisfaction

The tax type being considered clearly influenced the level of satisfaction. Several other aspects also affected overall satisfaction scores.

The first was the outcome of the application, and whether the applicant felt it was favourable. Respondents were asked to disregard the actual outcome of the application when answering the survey, but those having an application agreed with were significantly more likely to be satisfied overall with the whole clearance process, with 93 per cent *very* or *fairly satisfied*, compared to only 75 per cent of those whose application was disagreed with by HMRC.

The timeliness of response also influenced overall satisfaction. Respondents' perception of the response being provided within the 28 day limit had a significant effect on overall satisfaction: among those reporting that their response was supplied within the 28 day limit, 94 per cent were *very* or *fairly satisfied*, compared to only 77 per cent of those believing the limit was not met. It is important to note that this depends on applicants' perception of deadlines being met, rather than HMRC's own record of the timing, where no significant difference in opinion was found.

Satisfaction was also affected by the perceived quality of the information communicated by HMRC, in two respects:-

- Satisfaction was higher when responses reportedly addressed the majority of issues raised; and
- Satisfaction was higher when HMRC was perceived to have communicated well with the applicant.

3.2.5 Reasons for high levels of overall satisfaction

Almost half of applicants who were satisfied with the whole clearance process claimed it was due to the quick service and response (rising to 53 per cent of applicants who reported the 28 day deadline was met). Other reasons they offered included an efficient service, and clear information.

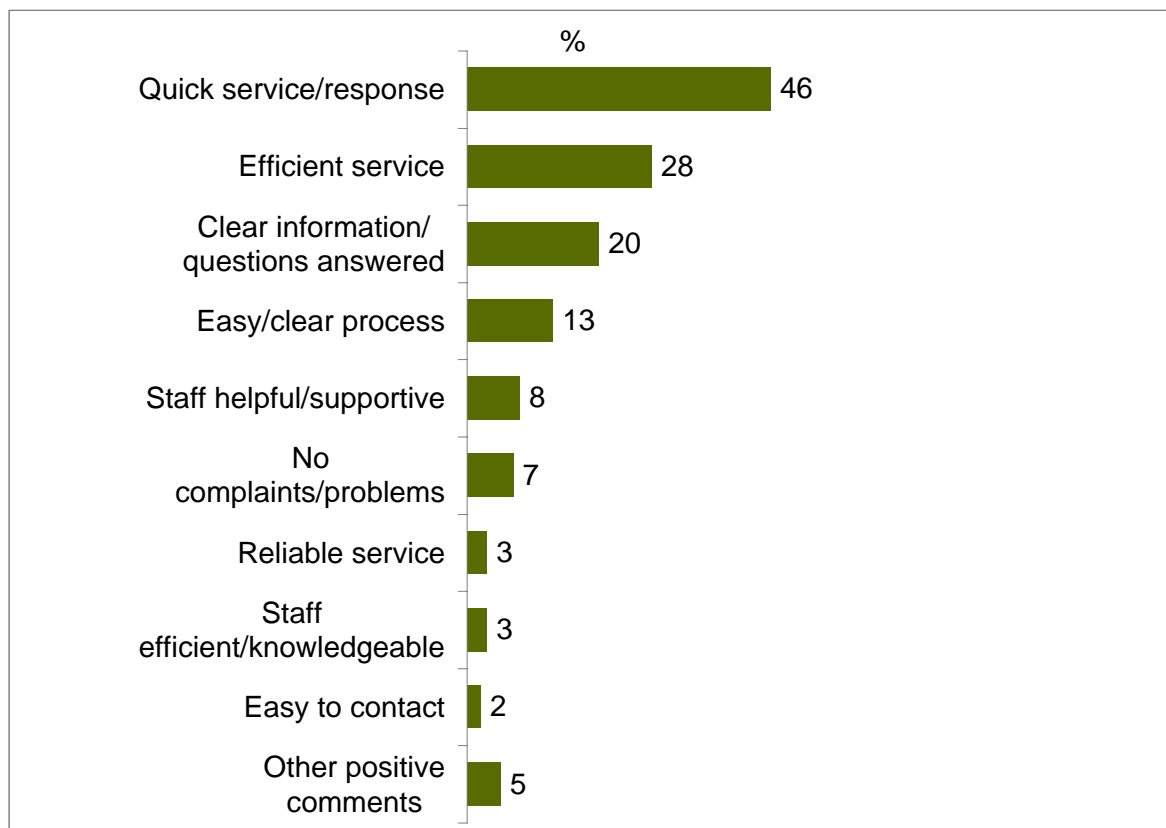
CGT applicants were significantly more likely than PAYE/NICs applicants to attribute their satisfaction to a quick response; 64 per cent stated that was the reason for satisfaction, compared to 42 per cent of PAYE/NICs.

Agents were more likely to ascribe their satisfaction to a quick service than businesses making their own application (52 per cent of Agents, compared to 36 per cent of business applicants). Large companies were also significantly more likely to cite this as a reason for satisfaction compared to companies with less than 50 employees.

Chart 3.4

Q4: Why do you say you were [very/fairly satisfied] with the clearance process?

Base: All satisfied respondents (468)



Letting applicants know when to expect their response, and meeting that promise, were often cited as reasons for high levels of satisfaction.

'We got a call from somebody to say it had been received and that they would respond within a certain time frame, which they did.' (PAYE / NICs)

'It was fast. Correspondence was dealt with quickly. I was given a date and they replied by it.' (CGT)

'I got a speedy response and they had a good understanding of the issue.' (CT)

'It was all very professionally done and if there were delays, I was informed accordingly.' (VAT)

'It was a straightforward process and I received a prompt reply.' (SDLT)

3.2.6 Reasons for poor levels of overall satisfaction

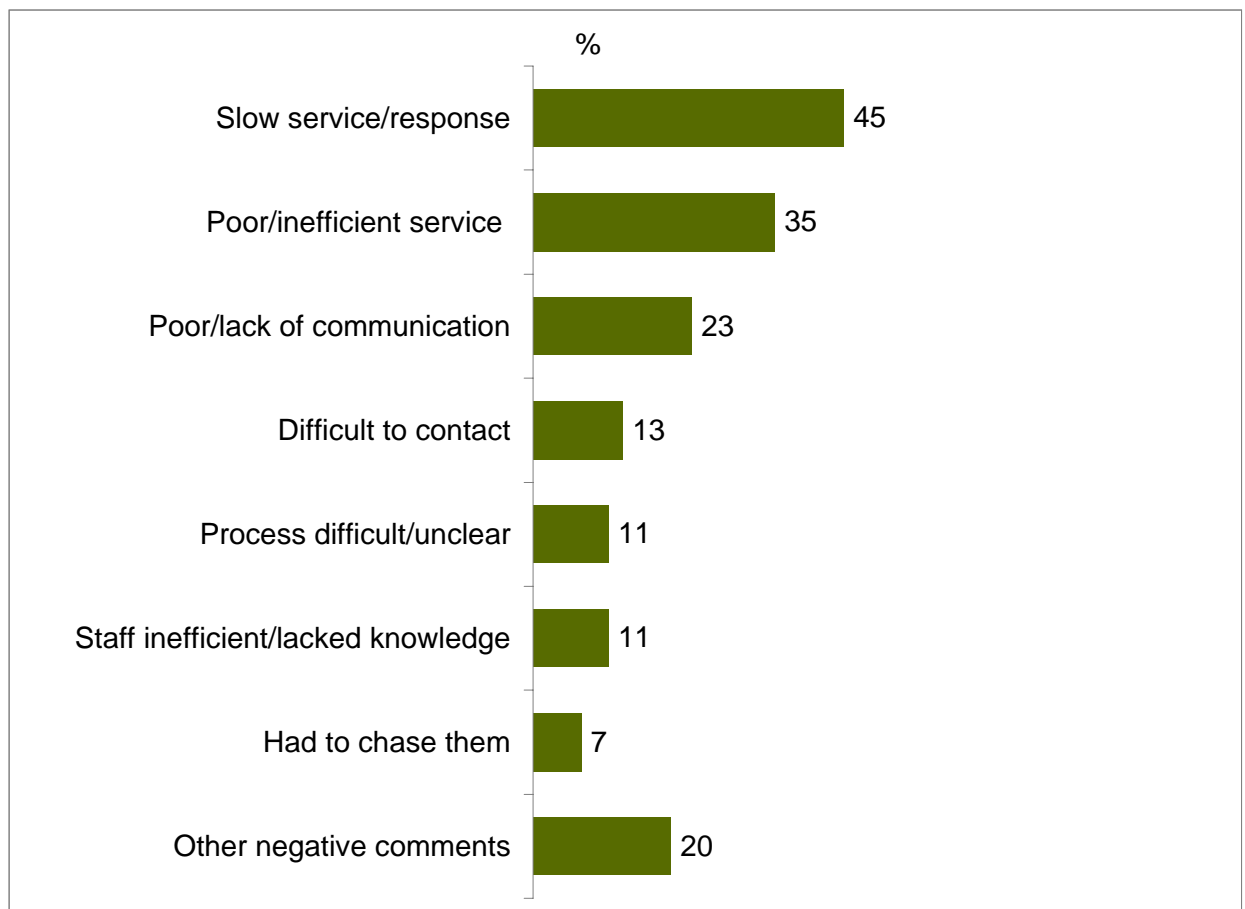
The reasons applicants gave for being *very* or *fairly dissatisfied* with the clearance process overall were the inverse of the reasons for high satisfaction. Nearly half of those dissatisfied overall claimed it was because of a slow service, with a further third citing some form of inefficiency in the process.

The similarity in causes of high and low satisfaction suggests that case handling has been inconsistent.

Chart 3.4

Q4: Why do you say you were [very/fairly dissatisfied] with the clearance process?

Base: All dissatisfied respondents (37)



Giving unsuitable responses, and missing intended timescales were said to have lowered levels of satisfaction.

'They were unable to deal with my initial enquiry so it took longer than it should have done.' (PAYE / NICs)

'I got a very poor response, they didn't come back to me with a definite answer.' (VAT)

'It was a big problem to find out who actually would deal with my application.' (PAYE / NICs)

'It took far longer than it said it would and didn't give many direct answers.' (VAT)

'There were delays in them responding. It was over 28 days and we had to chase it up.' (VAT)

3.2.7 Suggestions to improve satisfaction with the whole clearance process

Most applicants suggested ways HMRC could improve levels of satisfaction with the whole clearance process, often centring on the speed of service and response times, along with improved communication.

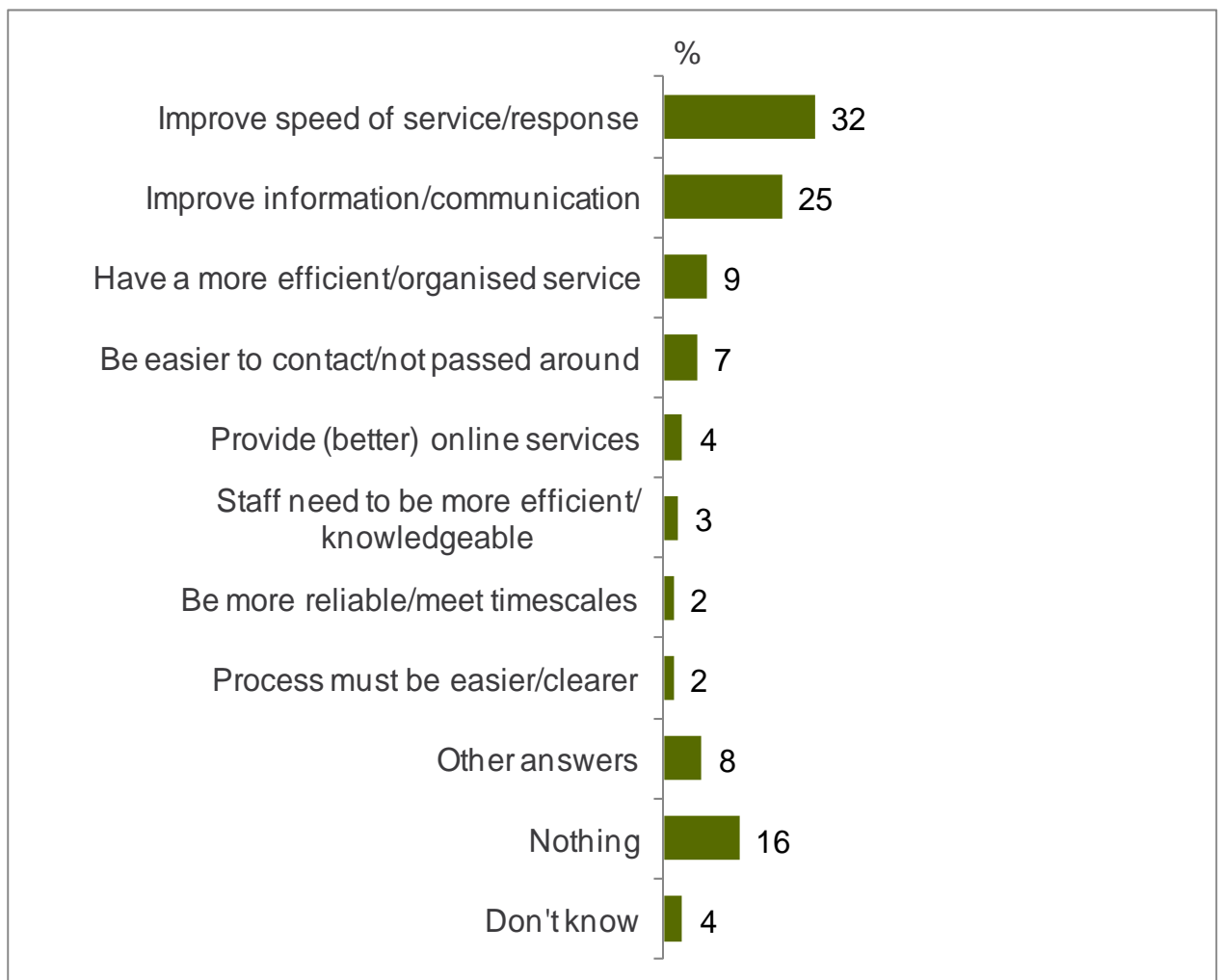
Improved speed of service was most important for those believing that the 28 day deadline had not been met; almost half (43 per cent) suggested this.

Improved communication was particularly important for two audiences; those who had issues outstanding, and those who found the process difficult. That indicates that a complete response to an application and easily accessible guidance may improve satisfaction.

Chart 3.5

Q5: So how could HMRC have improved your satisfaction in the whole clearance process?

Base: All respondents not 'Very satisfied' (249)



Confirming an accurate turnaround time and keeping applicants updated of their progress could improve satisfaction, as could a more personalised or detailed response.

'The turnaround time could have perhaps been confirmed a bit sooner.' (PAYE / NICs)

'Been more pro-active in where my application had got to in the process and been more wholesome in their response and answered all my questions.' (CT)

'Even to send an acknowledgement to say the application had been received or an update as to where in the system it was up to.' (PAYE / NICs)

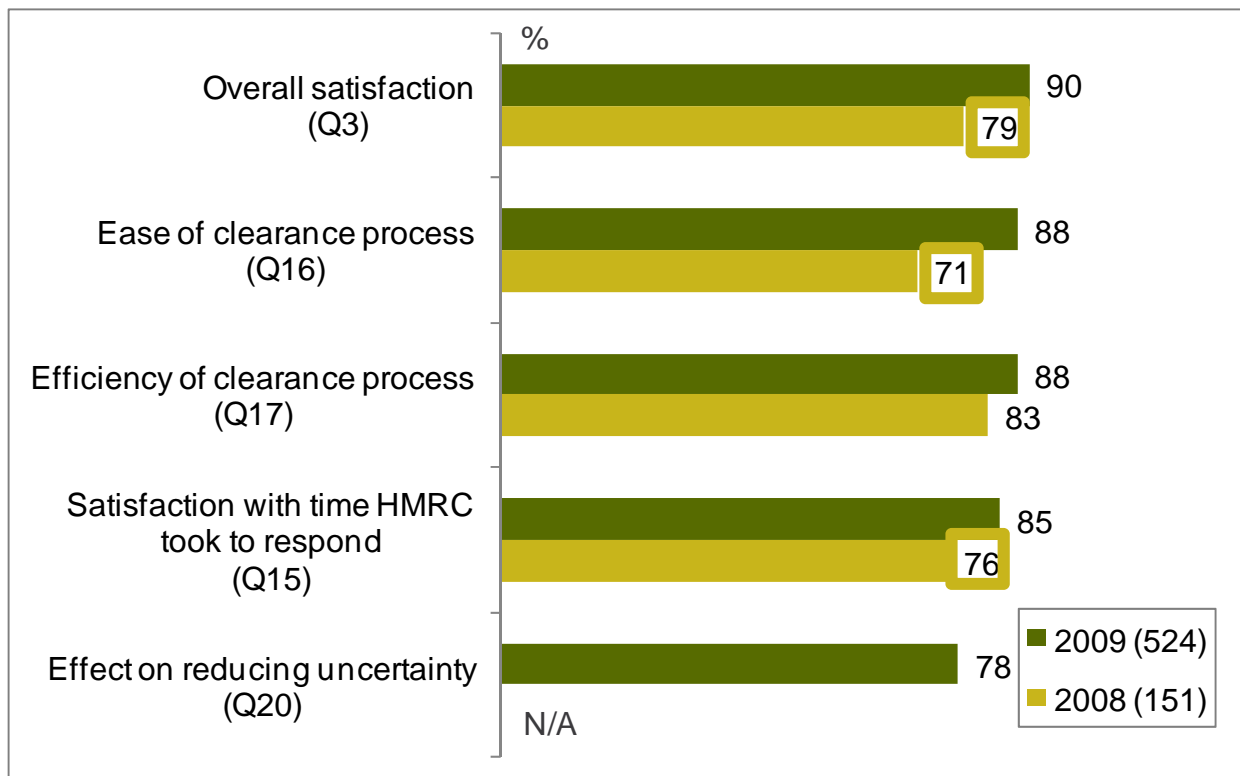
'They should have addressed the question and given a definite answer.' (VAT)

3.3 Other key performance scores

Four key performance scores (overall satisfaction and three others) can be compared against their 2008 levels, and a significant improvement was found in three of the four. A new key measure – that the response to the application has helped reduce uncertainty – returned over three-quarters having their uncertainty reduced.

The key measures are covered in greater depth within the detailed findings (Section 4 - 6).

Chart 3.6
Key performance scores.
 Base: All



 = Significantly different from Total 2009 score

4 Detailed Findings: Preparing the application

4.1 Summary

Most applicants found it easy to put their application together, with a third finding it *very easy*. Applications related to CGT and CT were regarded as less easy than those for PAYE/NICs. This may reflect greater and lesser complexity in the cases concerned.

The apparent ease or difficulty of applying was related to how favourable the outcome was: those whose outcome was unfavourable tended to report more difficulty in putting together the original application. Again, this may reflect greater and lesser complexity in the cases concerned.

Despite a tendency to regard preparing the application as time-consuming, most applicants felt the amount of time required was reasonable, and the amount of detail required was 'about right'.

Suggested improvements to the application process centred on improved details of what information is required for the application, improved services provided on HMRC's website, HMRC being easier to contact, and quicker service.

Most applicants had used some external source of guidance in preparing their application, and HMRC's website was the most common source. Most of those consulting the website had found it useful, providing the information, checklist or documents they sought. A quarter of applicants had called HMRC for guidance.

4.2 Ease of putting together the application

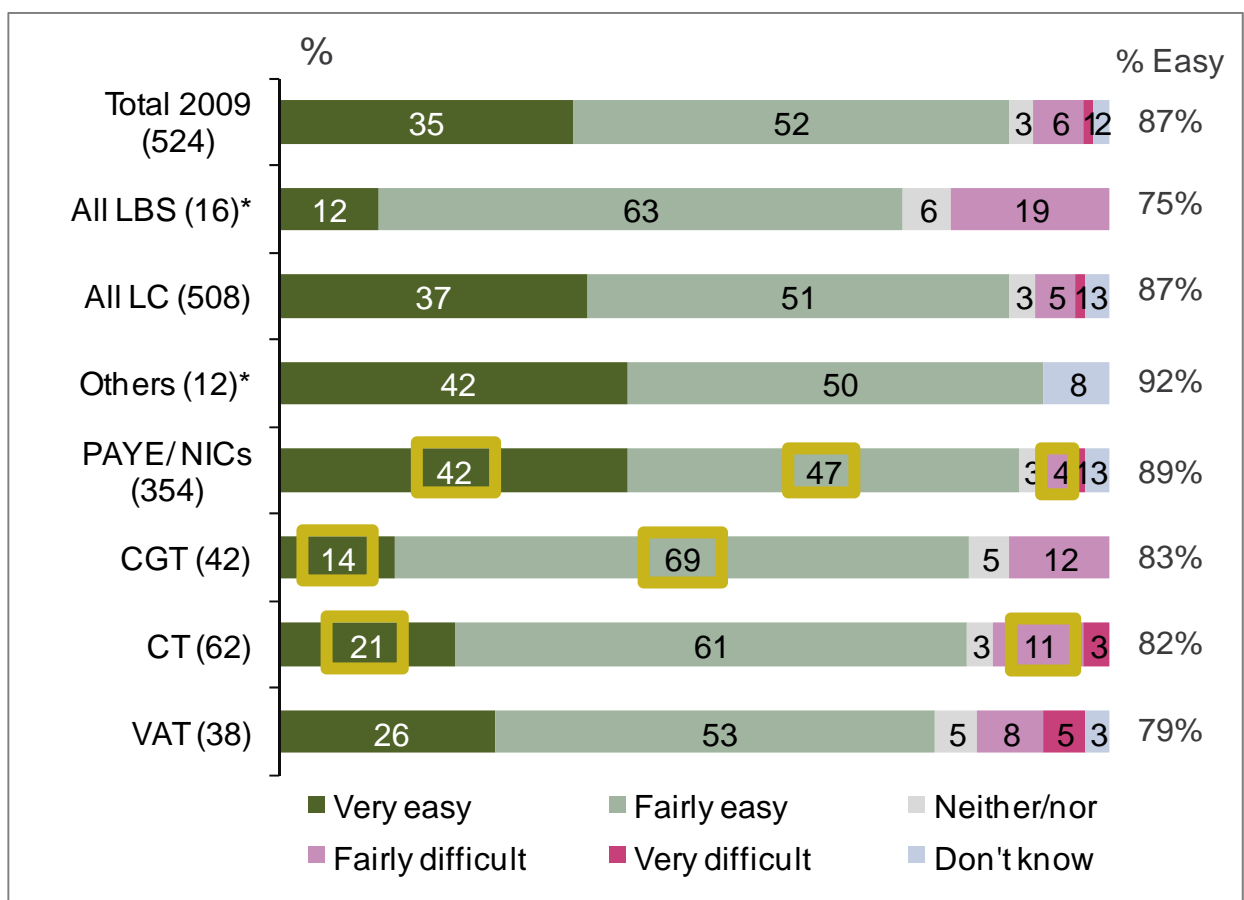
Most applicants – 87 per cent – found it easy to put together their application, with a third finding it *very easy*. LC applicants appeared to find the application easier than the few LBS applicants interviewed, possibly due to the complex nature of some LBS applications. The small number of the latter in the sample means the difference is not statistically significant.

The proportion finding the application easy did not differ significantly by Heads of Duty. The degree of conviction however – the proportions of *very* and *fairly* easy – did vary significantly between different Heads of Duty.

Chart 4.1

Q6: How easy or difficult did you find putting together the application?

Base: All respondents (base sizes in brackets)



*Caution: low base

4.2.1 Further analysis of ease of putting together application

Those whose application had been favourably agreed by HMRC were significantly more likely to consider the application easy to put together (with 88 per cent claiming so, compared to 77 per cent of applicants whose application was not agreed).

There are several significant differences that depend on the type of application. The issue of CGT saw the lowest proportion saying that the application was *very easy* (14 per cent), although the combined total who found it *very* or *fairly easy* was not significantly different from the total. The greatest ease of application was found among PAYE/NICs cases, where 42 per cent found the process *very easy*. PAYE/NICs applicants were also least likely to say that the application was *very* or *fairly difficult* – only 5 per cent in comparison with 12 per cent for CGT, 13 per cent for VAT and 14 per cent for CT.

There was no difference found in the ease of putting together applications between Agents or business applicants, nor by the number of applications made. This suggests that experience or familiarity with the application process did not make the process easier, but instead the type of application appears to be the overriding factor determining ease.

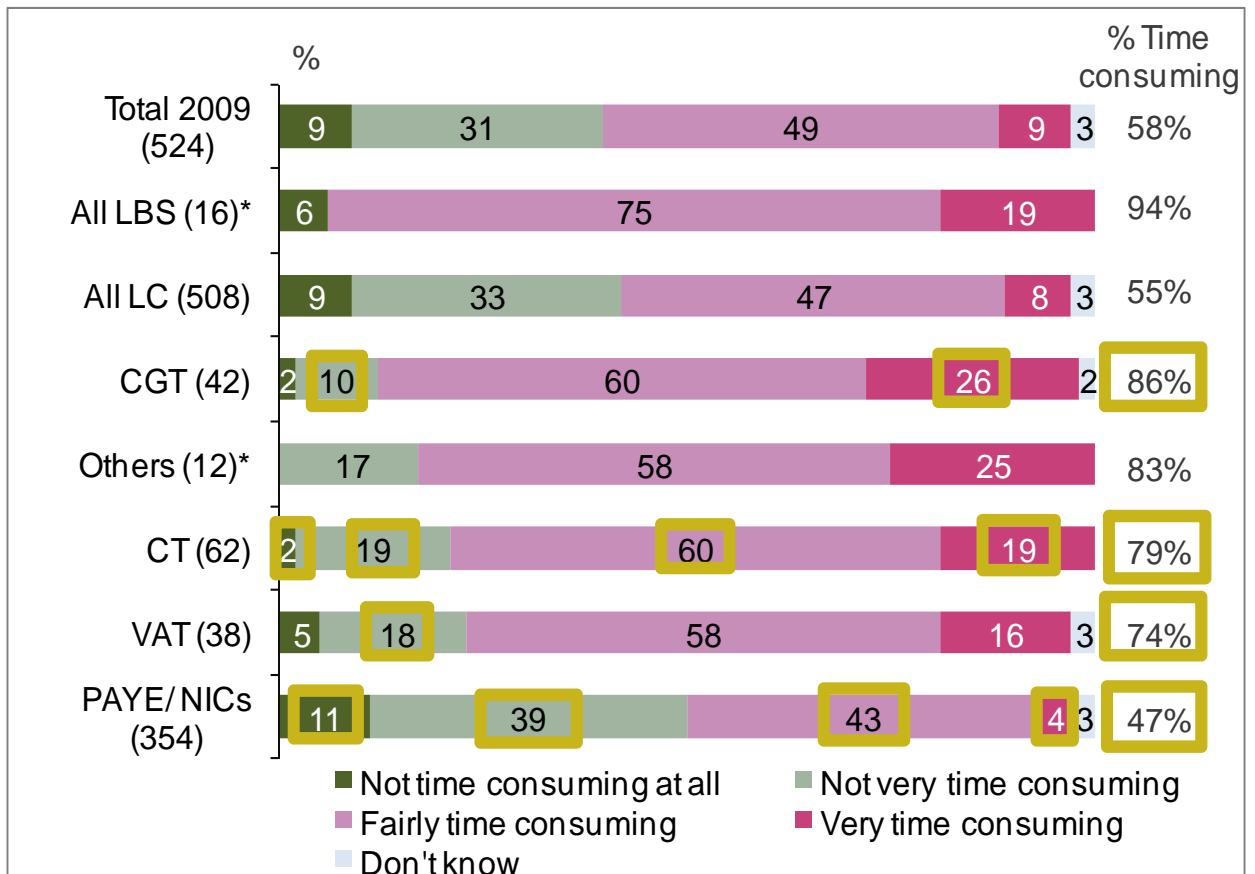
4.3 How time consuming the application was to put together

While many applicants felt the application was easy to put together, more than half felt that it was time consuming. As the complexity of applications differed greatly by Heads of Duty, it was not surprising that some applications (CGT, CT and VAT) were seen to be significantly more time consuming than other, more straightforward applications (PAYE/NICs).

Chart 4.2

Q7a: How time consuming was it putting together the application?

Base: All respondents (base sizes in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

4.3.1 Further analysis of how time consuming putting together the application is

Agents were significantly more likely than business applicants to say that the application process was time consuming. Nearly three-quarters of Agents – 72 per cent – claimed their application was *very* or *fairly time consuming*, in comparison with only 48 per cent of applications made by businesses.

Those who have made more than one application to date are also more likely to have found it time consuming, with only half (49 per cent) of first-time applicants believing so compared to 69 per cent of those having made between 2-5 applications to date, and 75 per cent of those having made more than five applications.

Applicants from smaller companies were significantly less likely than larger companies to say that they found the process time consuming; 47 per cent of businesses with less than 50 employees found it time consuming, in comparison with 60 per cent of those with 50-249 employees and 68 per cent of those with 250+ employees.

4.4 Time spent putting together the application

Whilst the application process was often seen as time-consuming, businesses of all sizes agreed that the amount of time taken was reasonable. Indeed, those groups in the sample who were most likely to perceive the process as time consuming were also those most likely to agree that the time spent was reasonable.

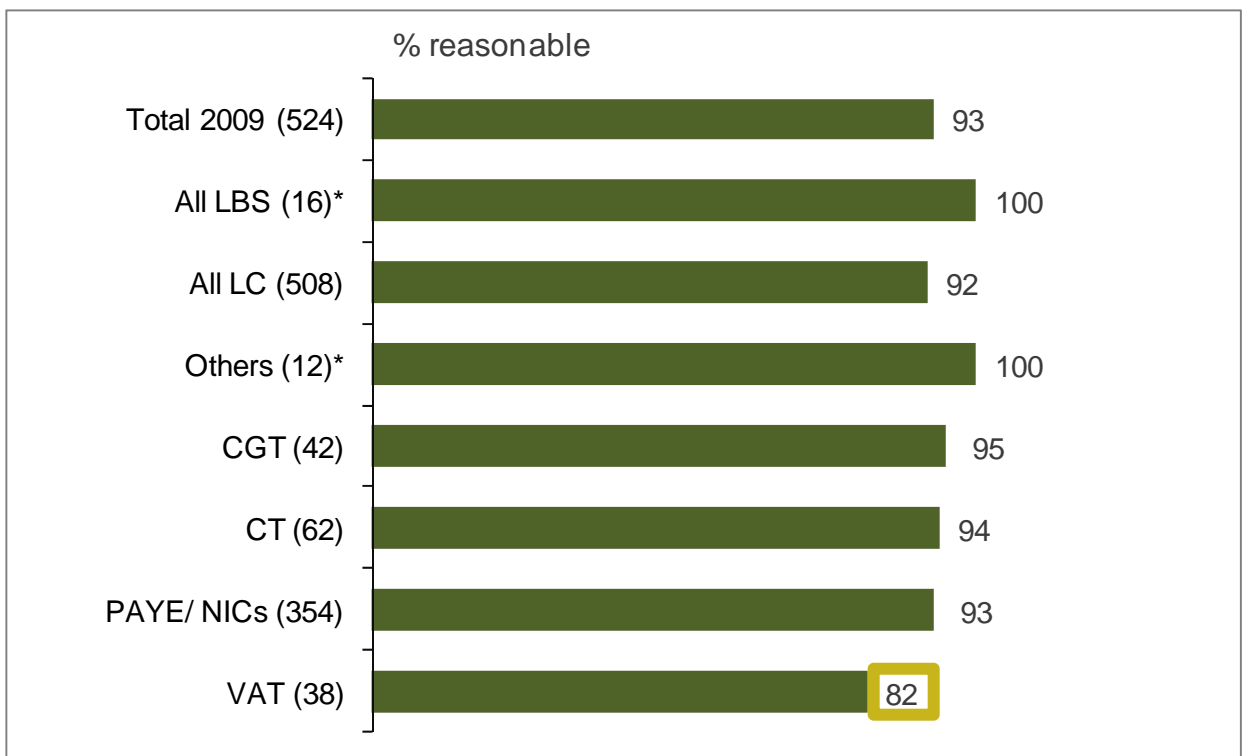
Among the different Heads of Duty, VAT applicants were the least likely to see the time spent on the application to be reasonable – although 82 per cent still agreed that the time spent was reasonable, compared to 93 per cent in the total sample.

Applicants who reported the 28 day deadline was met were significantly more likely to think the time spent on the application was reasonable.

Chart 4.3

Q7b: Do you feel the amount of time you had to spend on the application was reasonable?

Base: All respondents (base sizes in brackets)



82 = Significantly different from Total 2009 score

*Caution: low base

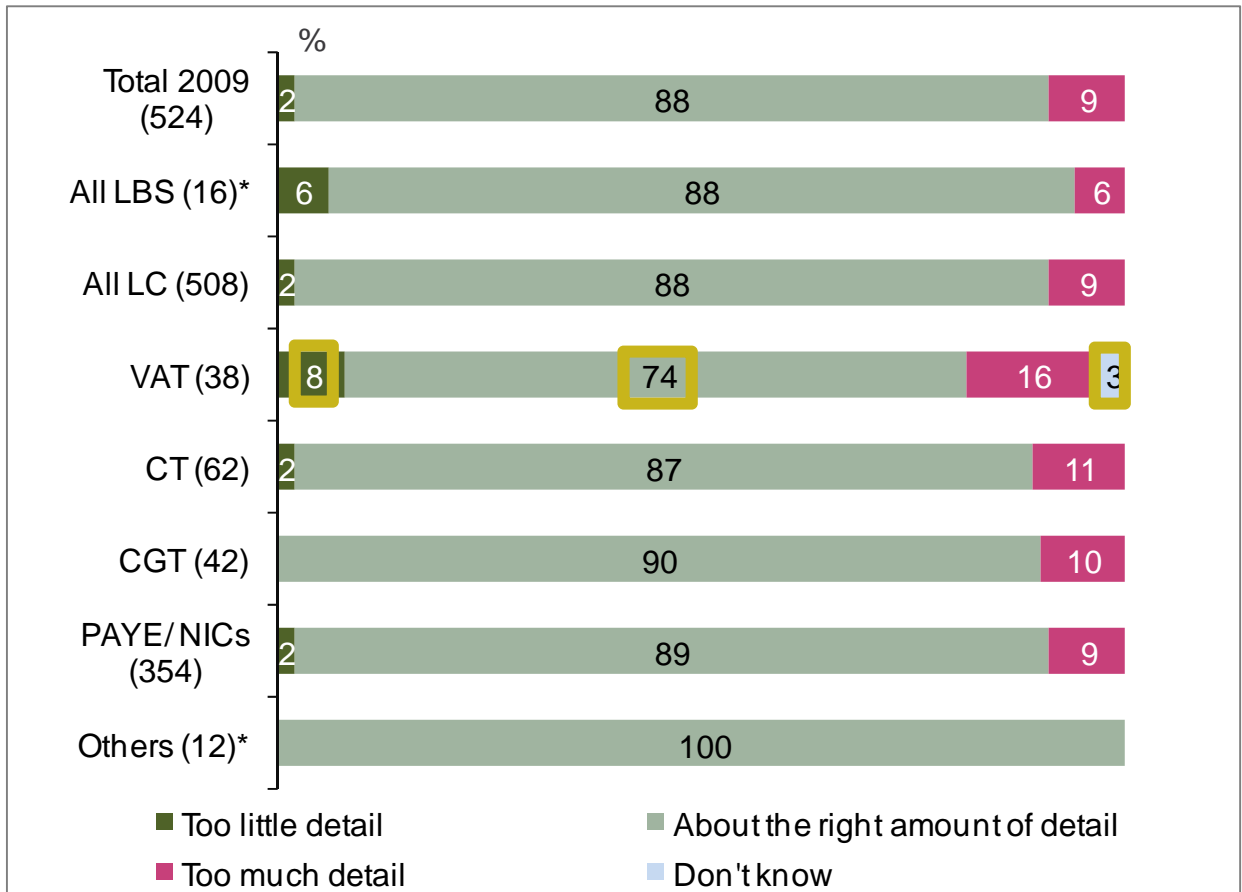
4.5 Level of detail asked for in the application

There was a high level of agreement among applicants that the level of detail requested by HMRC was about right. By application type, only VAT applicants have a significant minority believing the level of detail required was not the right amount – though some said it was too little, while others said it was too much.

Chart 4.4

Q7c: Do you think HMRC asked for the right amount of detail to process the application correctly?

Base: All respondents (figures in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

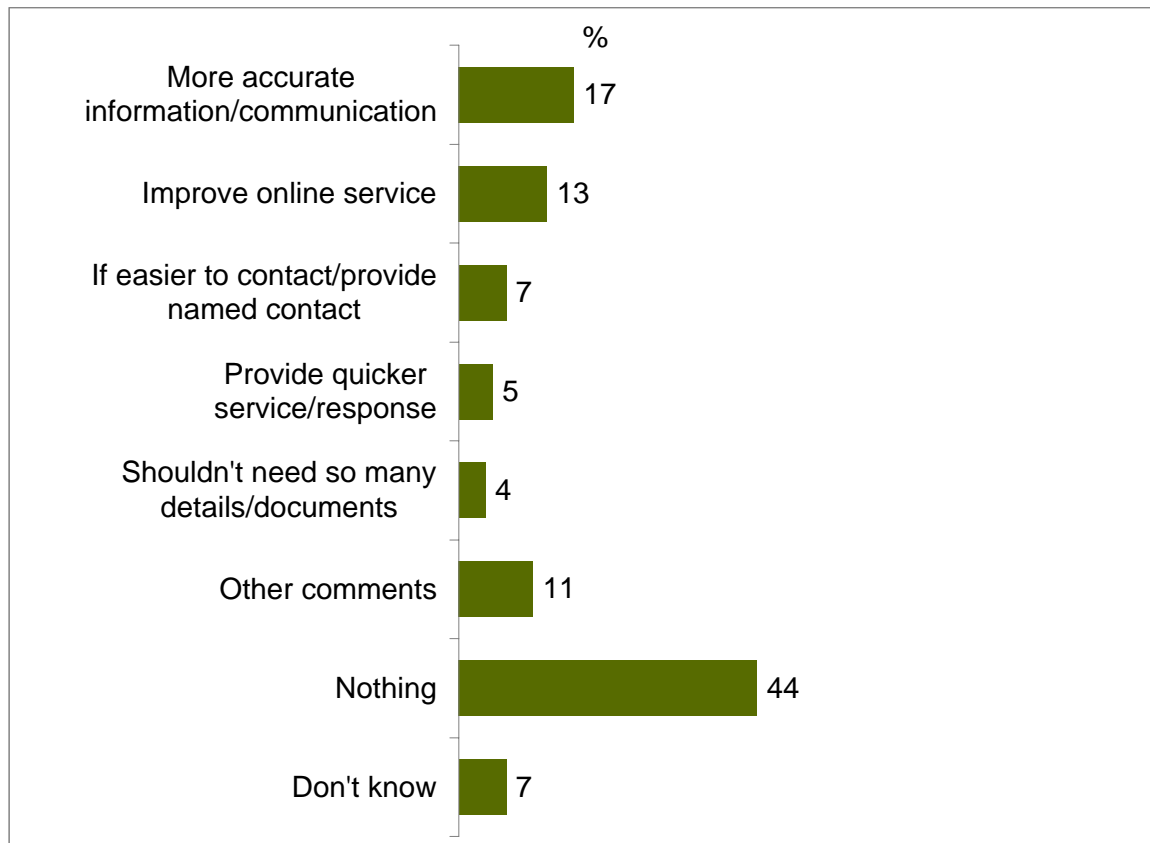
4.6 Suggested ways to make the application process easier

Just under half of applicants (49 per cent) felt able to suggest ways in which the application process could be made easier. Suggested improvements to the application process centred on improved accuracy of information required, improved services provided on HMRC’s website, HMRC being easier to contact, and quicker service.

Chart 4.5

Q8: How could the application process be made easier?

Base: All respondents (524)



Besides general comments relating to information provision, suggested improvements often related to improving access to information on the website (for example, proforma or contact lists).

'I think HMRC could issue more guidance in terms of proformas for different types of applications.' (LBS)

'They could give an appropriate link on the websites to get more information.' (PAYE / NICs)

'More understanding or education on the website.' (PAYE / NICs)

'They could perhaps provide some sort of template on their website to say the type of material required in an application.' (CGT)

'Clearer instructions on the website as to what HMRC want in the first place.' (PAYE/NICs)

4.7 External sources consulted before submission

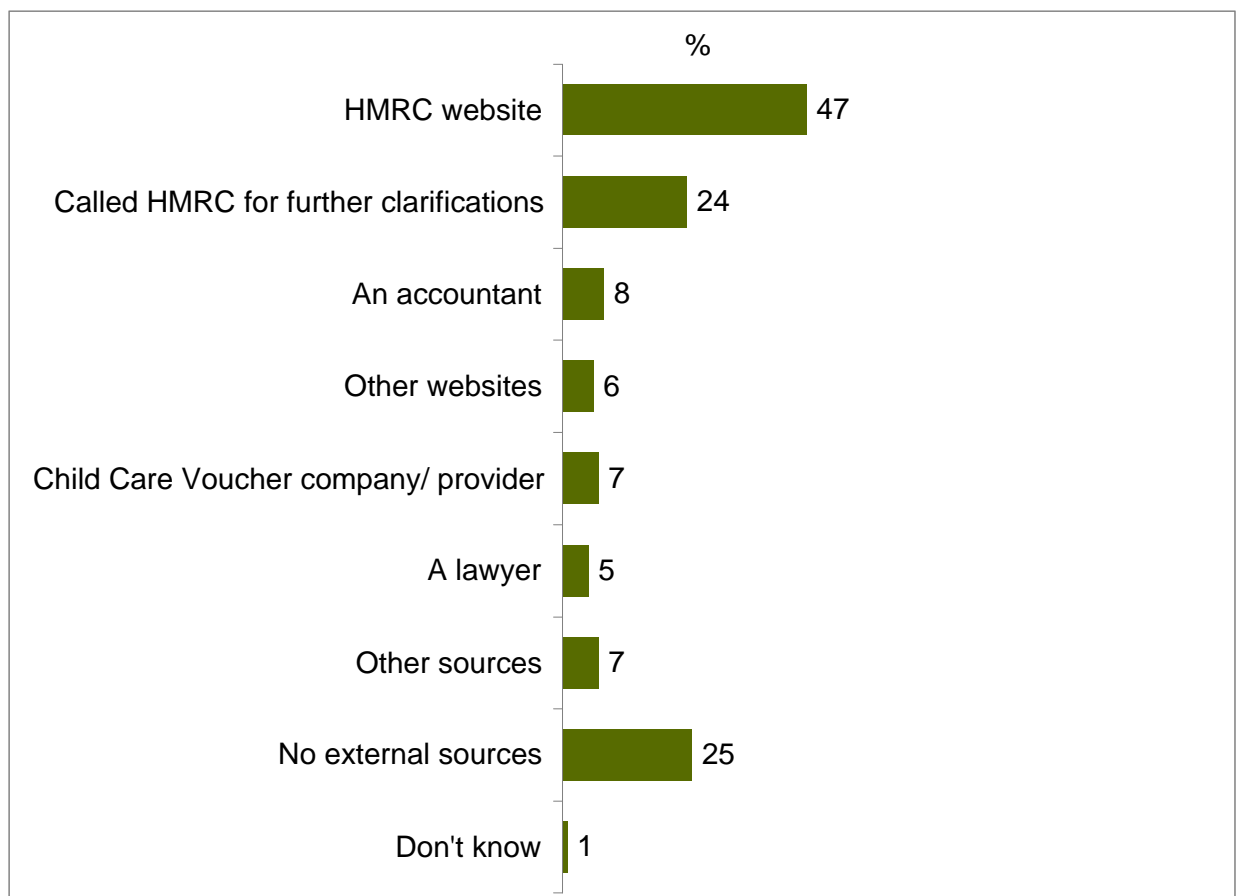
Three-quarters of applicants consulted some external form of information before submitting their application, ranging from 88 per cent of CGT applicants, to 73 per cent of those making PAYE/NICs applications.

The HMRC website was the most frequently consulted source, with almost half of all applicants using it at some point before submission. The website was used to differing extents by those in the different Heads of Duty; three-quarters of CGT or CT applicants (76 per cent) went to the website, along with 71 per cent of VAT applicants, whereas only 38 per cent of PAYE/NICs applicants did so.

Chart 4.6

Q9: Did you consult any of the following EXTERNAL sources of information ... prior to submission?

Base: All respondents (524)



4.7.1 Other usage trends

Agents were significantly more likely to have visited the website compared to businesses making their own application. Among Agents, 60 per cent went to HMRC's website before submitting their application, compared to 38 per cent of businesses.

Almost a quarter (24 per cent) of applicants had called HMRC for further clarification. Those dissatisfied overall with the clearance process were significantly more likely to have used this channel (39 per cent having done so) compared to those satisfied (among whom only 23 per cent had called HMRC).

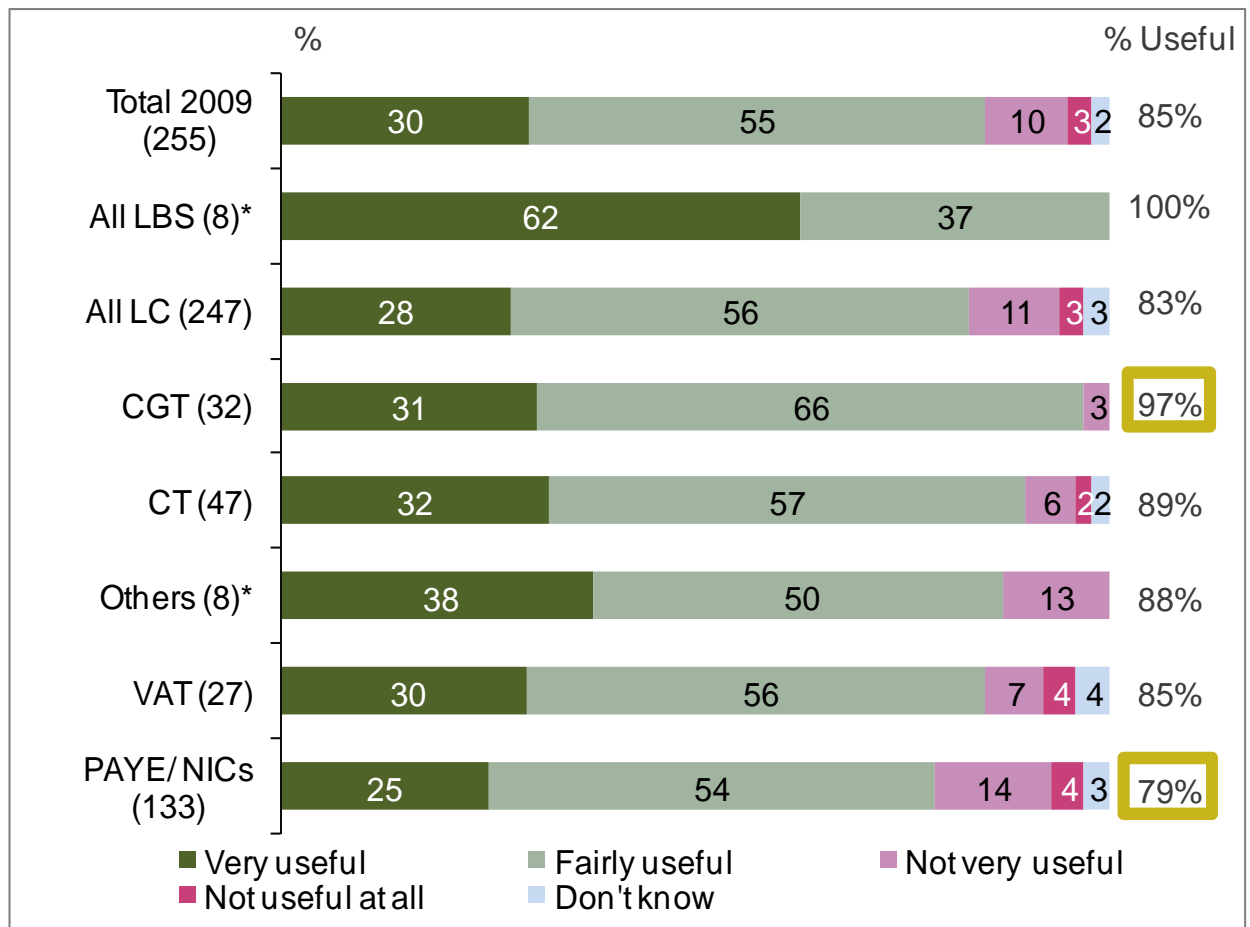
4.8 Usefulness of HMRC's website

The majority of applicants consulting HMRC's website (and all LBS applicants doing so) found it to be useful.

CGT applicants (who were also most likely to consult the website) were most likely to find the website useful. Conversely, PAYE/NICs applicants, who were least likely to use this source, were significantly less likely to find it useful.

Chart 4.7

Q10: When putting together your application, did you find the guidance on HMRC's website...? Base: All respondents who consulted HMRC's website (base sizes in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

4.8.1 Other analysis of website use

Agents were significantly more likely than businesses making their own application to believe that the website provided useful information, with 89 per cent of Agents claiming so (compared to 80 per cent of businesses).

Companies with over 250 employees were also significantly more likely to have found the information useful, with 91 per cent claiming so compared to only 79 per cent of businesses with under 50 employees.

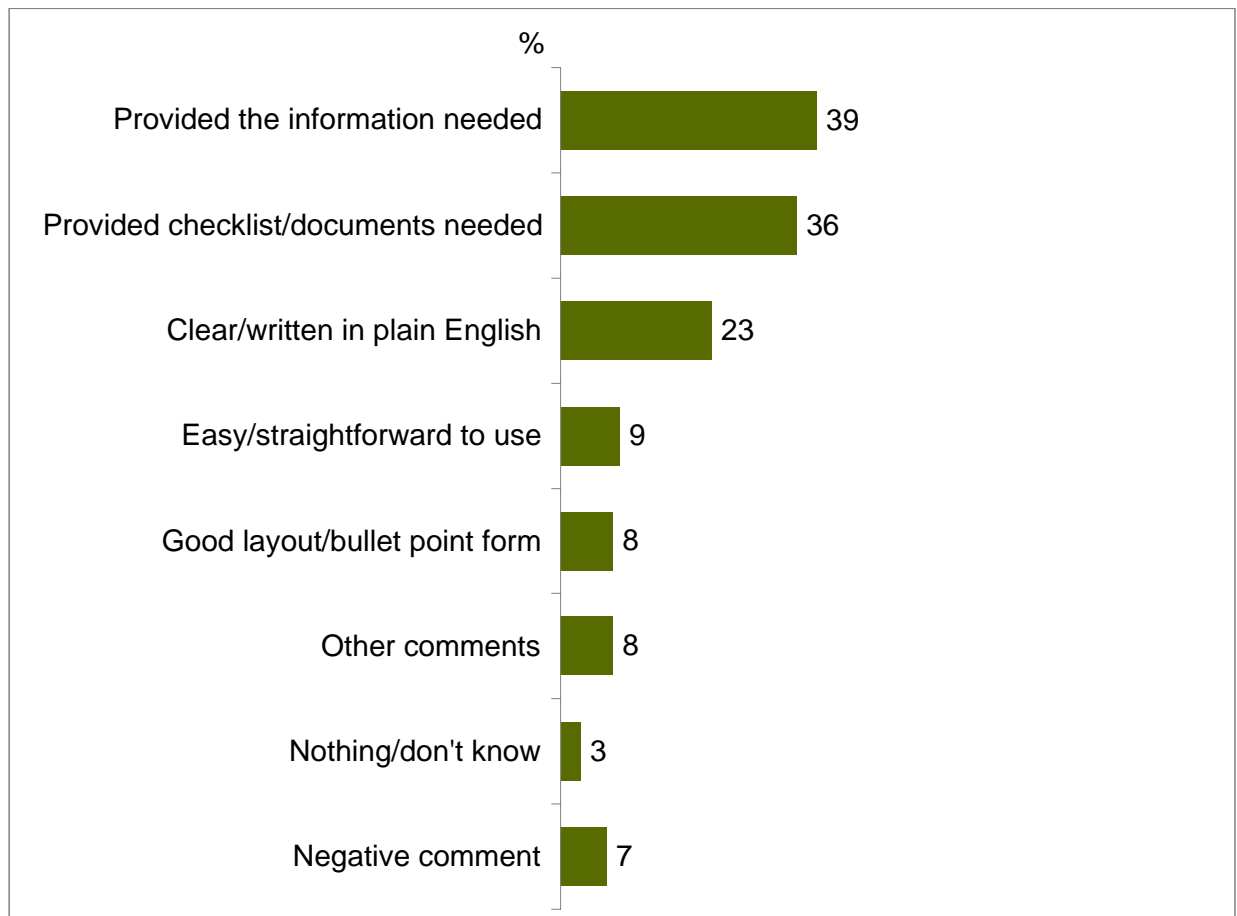
4.8.2 Particular reasons why HMRC’s website was useful

Applicants finding HMRC’s website useful often claimed it was because it provided the relevant information or documentation needed to complete the application.

Chart 4.8

Q10a: Why do you say that? What was particularly useful?

Base: All respondents who consulted the HMRC website and found it useful (216)



Having checklists on the website helped applicants ensure that all matters were dealt with before submission.

'The Non-Statutory Clearance application is well guided and there is a checklist and also a notice as to when the application should be made and how.' (LBS)

'It explained clearly everything I needed to do.' (Income Tax)

'It set out what clearance documents HMRC wanted to see.' (PAYE / NICs)

'The checklist used for this particular clearance, the guidance was very clear.' (CGT)

'It describes the process in detail, explaining exactly what information I need to provide and what HMRC will do when they receive it and also what the range of outcomes could be.' (CGT)

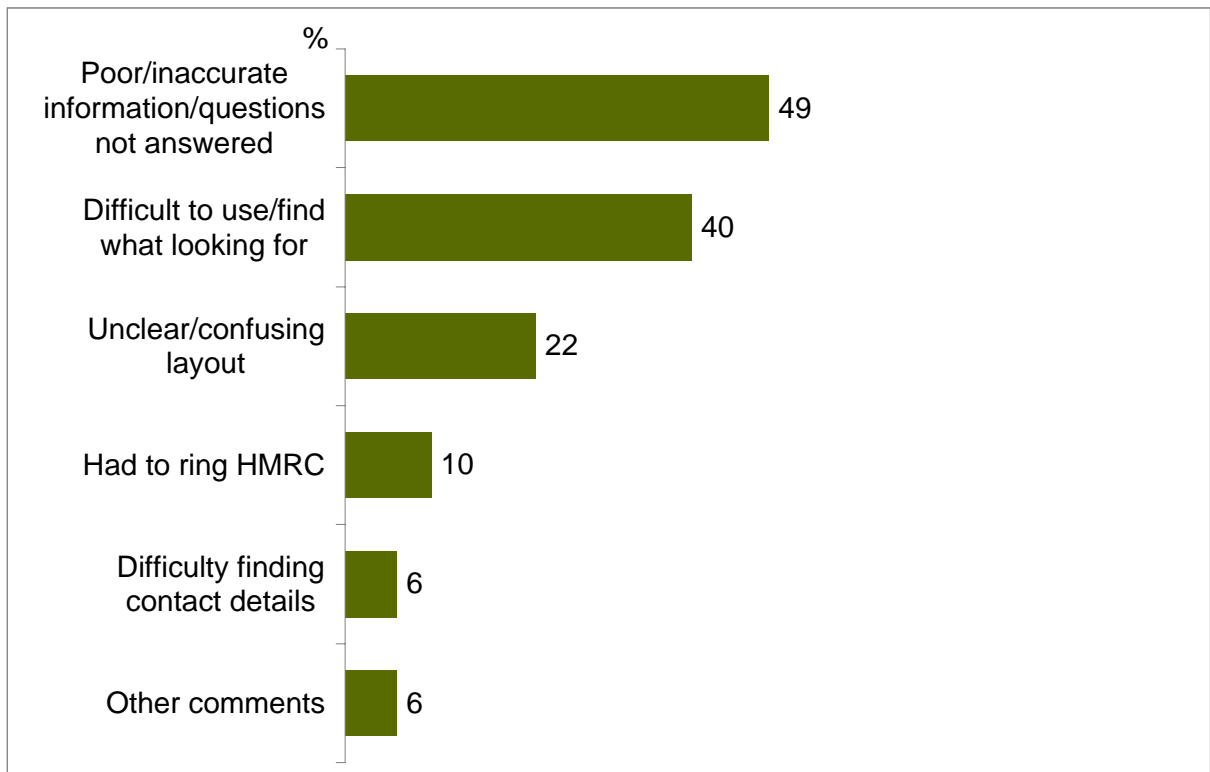
4.8.3 Particular reasons why HMRC’s website was not useful

Only thirty three applicants who had referred to HMRC’s website did *not* find it useful, typically as it did not answer their queries, or they could not find the information they sought.

Chart 4.9

Q10b: Why do you say that? Why was it not very useful?

Base: All respondents who consulted the HMRC website and did not find it useful (33)



Missing, or hard to find information on the website resulted in some applicants not finding it useful.

‘I do not think the guidance is always completely accurate.’ (CT)

‘It was difficult to find what I needed, even though I knew what I was looking for.’ (VAT)

The information was conflicting on the website. (VAT)

‘I thought the information was misleading or incomplete for such a simple enquiry.’ (PAYE / NICs)

‘There wasn’t enough information, the criteria wasn’t on there and we had to call as well.’ (PAYE / NICs)

5 Detailed Findings: Submitting the application

5.1 Summary

Those who had used HMRC's website found it gave clear guidance on how and where to submit the application. Most found it also specified the promised 28 day turnaround, although PAYE/NICs applicants that had used the website were less sure on both points.

Almost three-quarters of applicants remembered receiving acknowledgement from HMRC that their application had been received. Those unhappy with the overall time taken were less likely to recall receiving an acknowledgement. Those who remembered the acknowledgement were also more satisfied with the process in several other respects, including perceptions of its efficiency, communication and timeliness.

Overall satisfaction with the amount of time HMRC took to respond has increased significantly since last year.

Three-quarters of applicants reported receiving HMRC's response within 28 days, but among VAT applicants fewer than half reported this. Applicants' recall of response time was a stronger determinant on their views than HMRC's own record of the time taken, and a difference in opinion of timeliness exists compared to HMRC's records in around a quarter of cases.

When a full response was not believed to have been received within 28 days, in almost half of cases there was no explanation apparent to the applicant. Otherwise, the delay was often said to be caused by HMRC seeking further information from the applicant.

5.2 Clarity of guidance

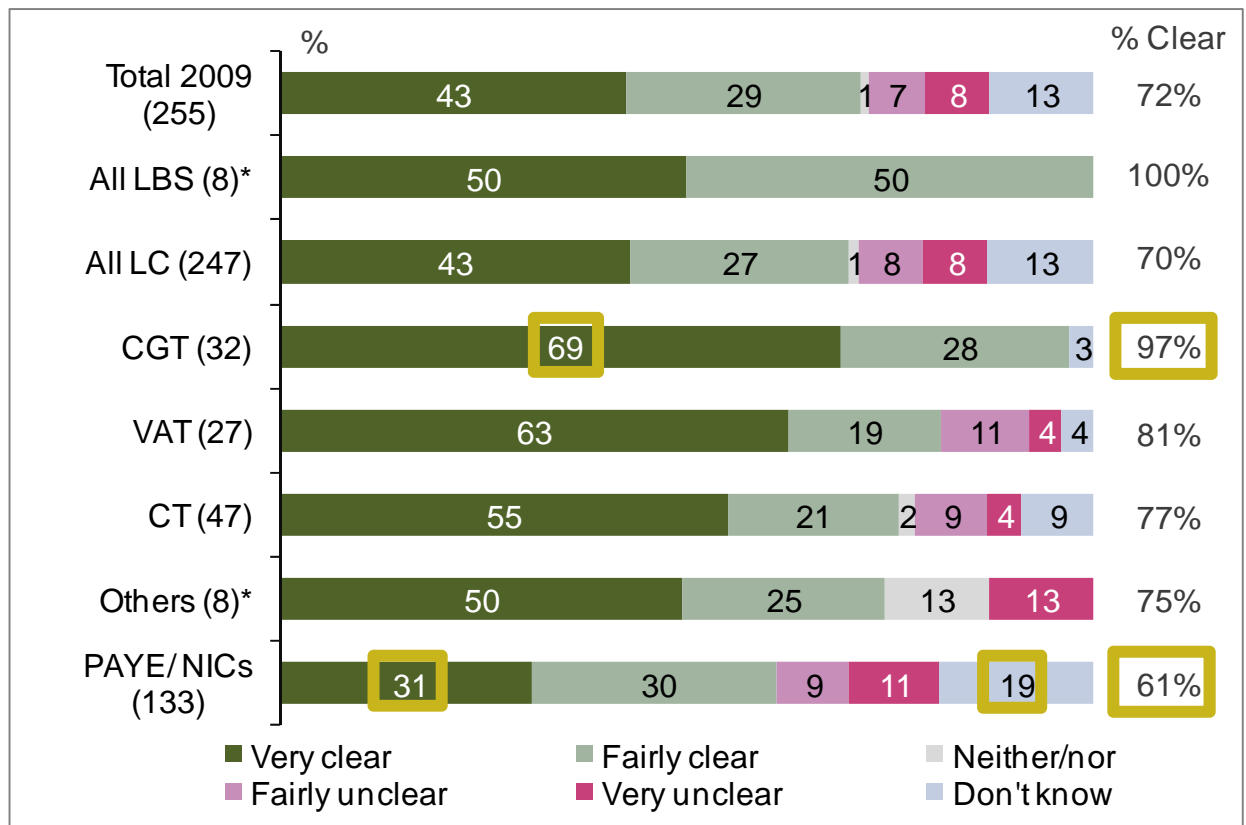
Approaching three-quarters of applicants who consulted the HMRC website before submitting their application had found the guidance outlining the application to be clear.

By different Heads of Duty, there was a large range in opinion of clarity of guidance, likely to reflect the difference in complexity of each tax issue. For example, PAYE/NICs applicants were significantly less likely to have found the website useful, although this is balanced by a significant rise in those unable to comment, rather than an increase in those seeing it as *unhelpful*. Fewer PAYE/NIC applicants had actually used the website in preparing their application, compared to applicants in the other tax types. Conversely, CGT applicants accessing HMRC’s website were significantly more likely to find the guidance clear, as well as being significantly more likely to have used it.

Chart 5.1

Q11a: How clear was the guidance in outlining where the application should be sent and who it should be addressed to?

Base: All respondents who consulted the HMRC website (base sizes in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

There was no difference in perceived clarity of the website guidance between Agents and businesses, nor depending on the number of applications made to date, or the size of company.

5.2.1 Details of HMRC’s response times

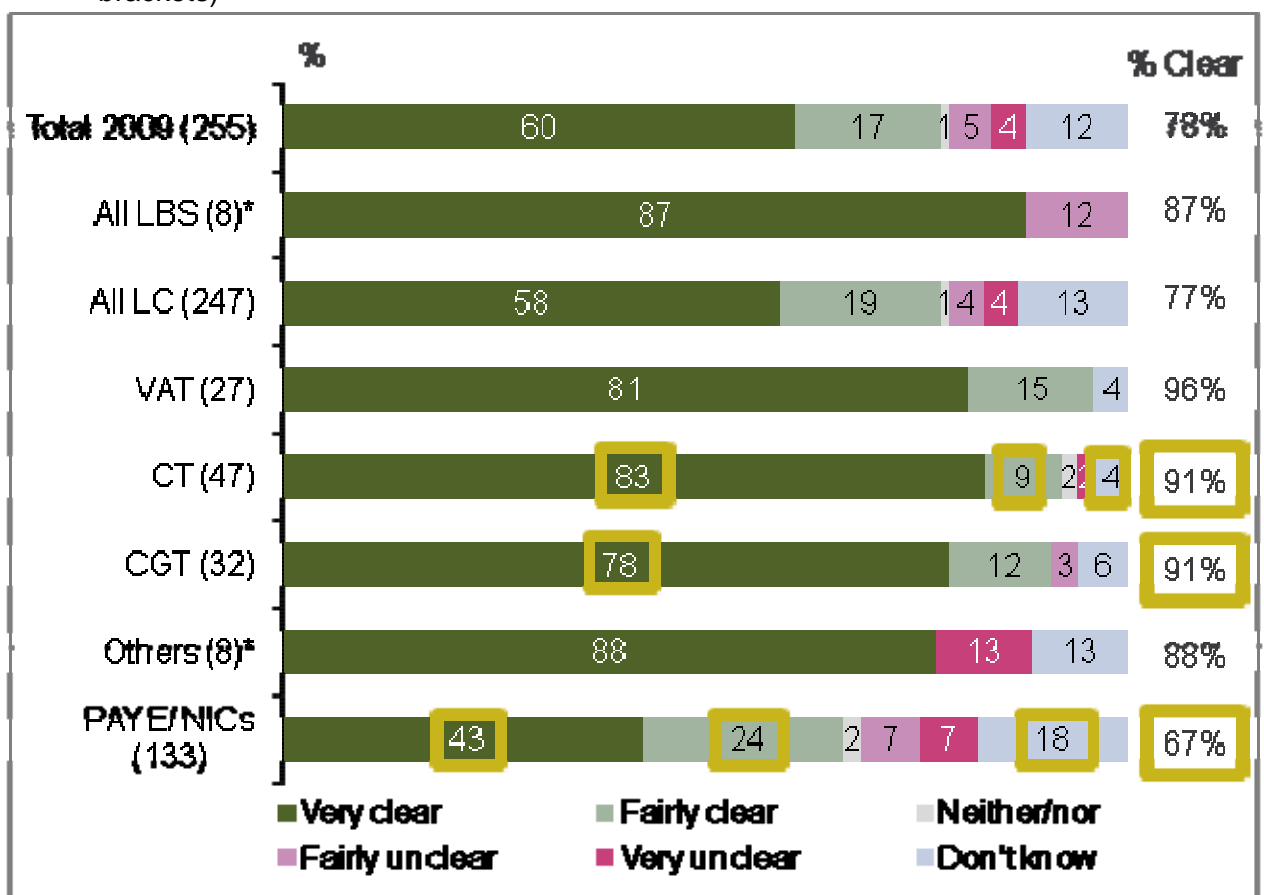
A little over three-quarters of visitors to HMRC’s website felt it was clear that HMRC aimed to provide a response within 28 calendar days from the day the application is received, rising to nine out of ten applicants in the context of VAT, CT or CGT.

PAYE/NICs applicants were significantly less likely to find the website clear in this respect, also with a corresponding rise in those unable to answer. This however may be due to the relatively small amount of detail they require from the website.

Chart 5.2

Q11b: How clear was the guidance in explaining that HMRC aims to provide a response within 28 calendar days from the day the application is received?

Base: All respondents who consulted the HMRC website (base sizes in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

5.2.2 Other analysis of the website information on timing

Agents were significantly more likely than businesses to state that the website was clear in explaining that responses will be provided within 28 days, with 85 per cent thinking it clear (compared to only 70 per cent of businesses).

Among those stating that HMRC did not respond within a 28 day limit, significantly fewer felt the website was clear in alerting them that this should be the case (only 62 per cent) compared to those thinking that their response was returned within the deadline.

5.3 Whether received acknowledgment of application

5.3.1 Whether received acknowledgement

Three-quarters of applicants reported that HMRC acknowledged receipt of their application, with no significant differences by Heads of Duty.

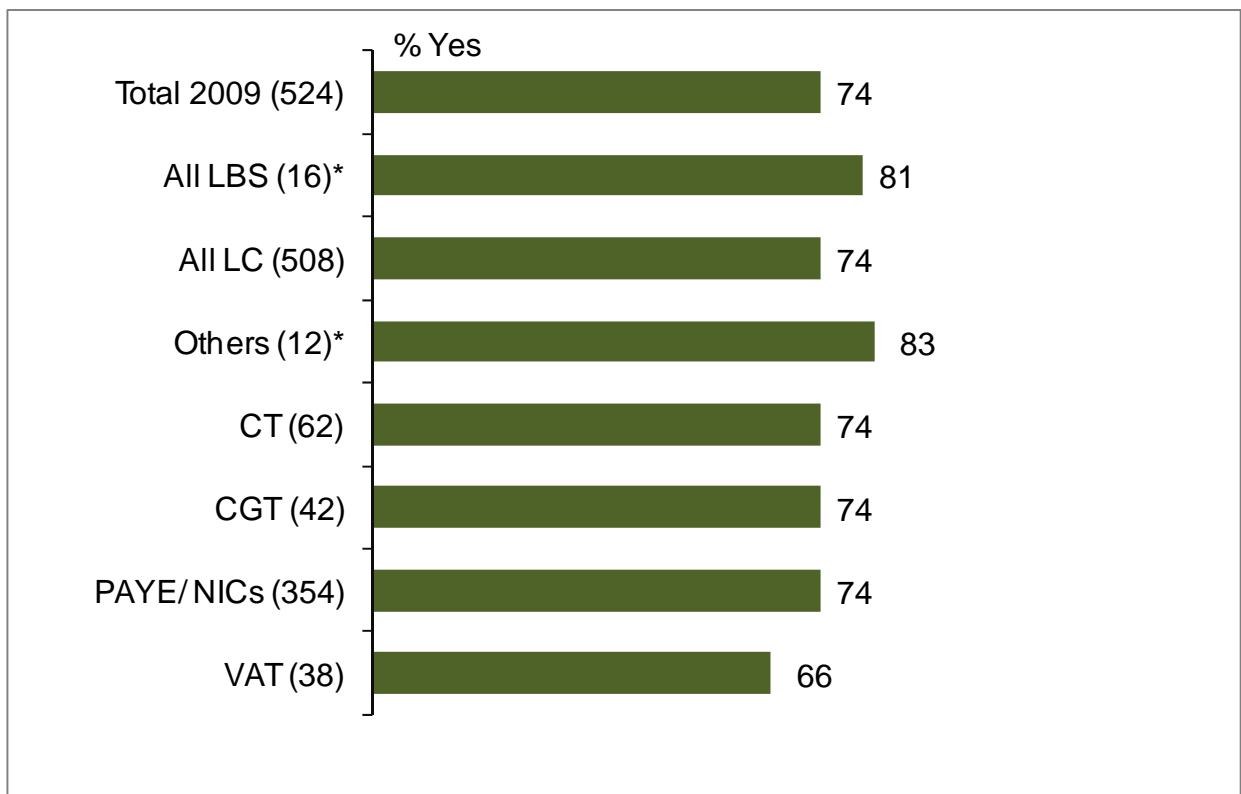
Those claiming that the 28 day deadline was not met were significantly more likely to say HMRC had not acknowledged receipt of the application. Once again, this is not observed when split by HMRC’s records of deadlines being met.

Applicants who felt that HMRC communicates well throughout the application process were significantly more likely to have received some form of acknowledgement, as were those feeling the process was efficient.

Chart 5.3

Q12: Did you receive an acknowledgement from HMRC to let you know that your clearance application had been received by them?

Base: All respondents (base sizes in brackets)



*Caution: low base

5.3.2 Method of receipt of acknowledgement

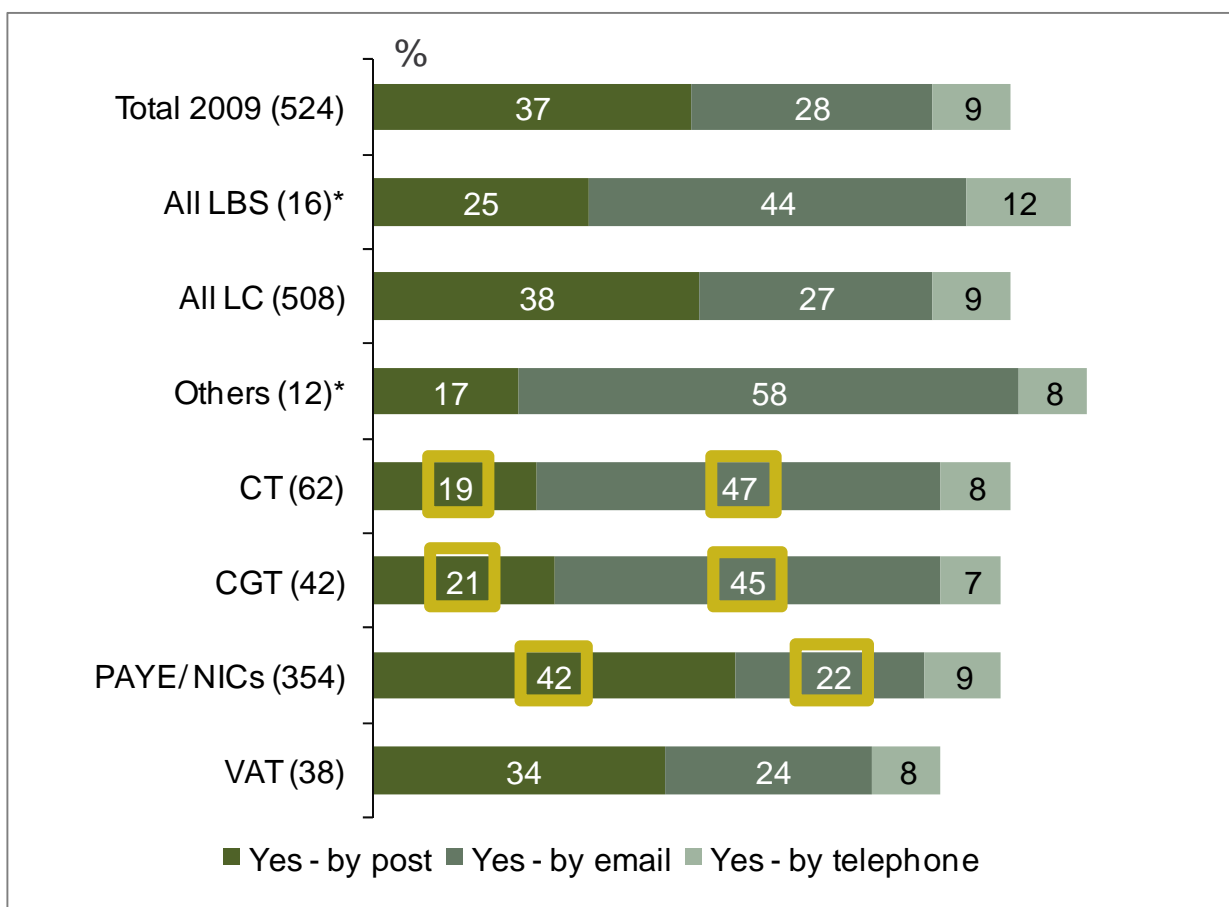
Method of delivery of the acknowledgement from HMRC varied in format, but was usually in written form – either by post or email. CT and CGT applications were significantly more likely to have received their acknowledgement by email, whilst PAYE/NICs applicants were significantly more likely to have received theirs through the post.

Businesses making their own application were significantly more likely than Agents to have received their acknowledgement through the post.

Chart 5.4

Q12: Did you receive an acknowledgement from HMRC to let you know that your clearance application had been received by them?

Base: All respondents (base sizes in brackets)



= Significantly different from Total 2009 score

*Caution: low base

5.4 Whether the 28 day deadline was met

5.4.1 Whether 28 day deadline was met

HMRC was considered to have provided a response within the 28 day deadline for three-quarters of applicants. Among VAT applicants, however, that proportion was barely two-fifths.

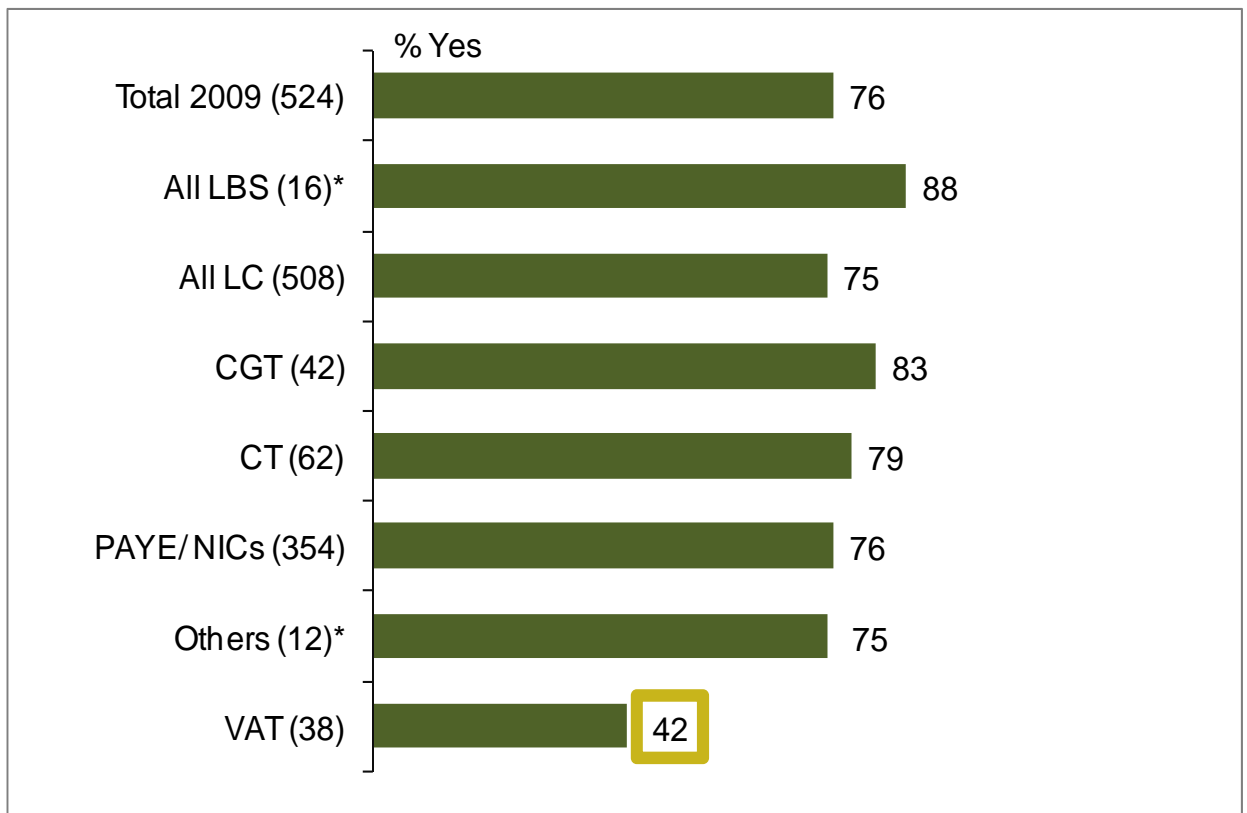
There was no significant difference between businesses and Agents in the extent of deadlines being met.

Applicants who felt the time they put into the application was reasonable were significantly more likely to have received a response within the 28 day deadline.

Chart 5.5

Q13: Did HMRC provide you with a full response within the 28 day deadline?

Base: All respondents (figures in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

5.4.2 Perceived deadlines being met vs. HMRC records

Throughout this study, significant differences in opinion were frequently observed between those *believing* their response to have been received within the 28 day deadline, and those who thought there was a delay. Conversely, fewer significant differences in opinion were observed when comparing results based on HMRC's record of whether responses actually met the deadline.

This suggests that applicants' recollections of response time were different from HMRC's actual records made during the processing of the application, and that if a deadline was perceived to have been missed, that perception had an influence on a range of other measures (not only those about timing).

Overall, HMRC records show that the deadline was met for 77 per cent of applicants interviewed in this study; however 13 per cent of those respondents reported the deadline was actually missed. This may be due to applicants being unaware that if they are asked for more information by HMRC, their application deadline will be extended by the length of time it takes for them to respond.

As perception of meeting the deadline drives so many other scores it is important that applicants are aware of their response, and that it addresses all issues first time.

5.4.3 Reasons for deadlines not being met

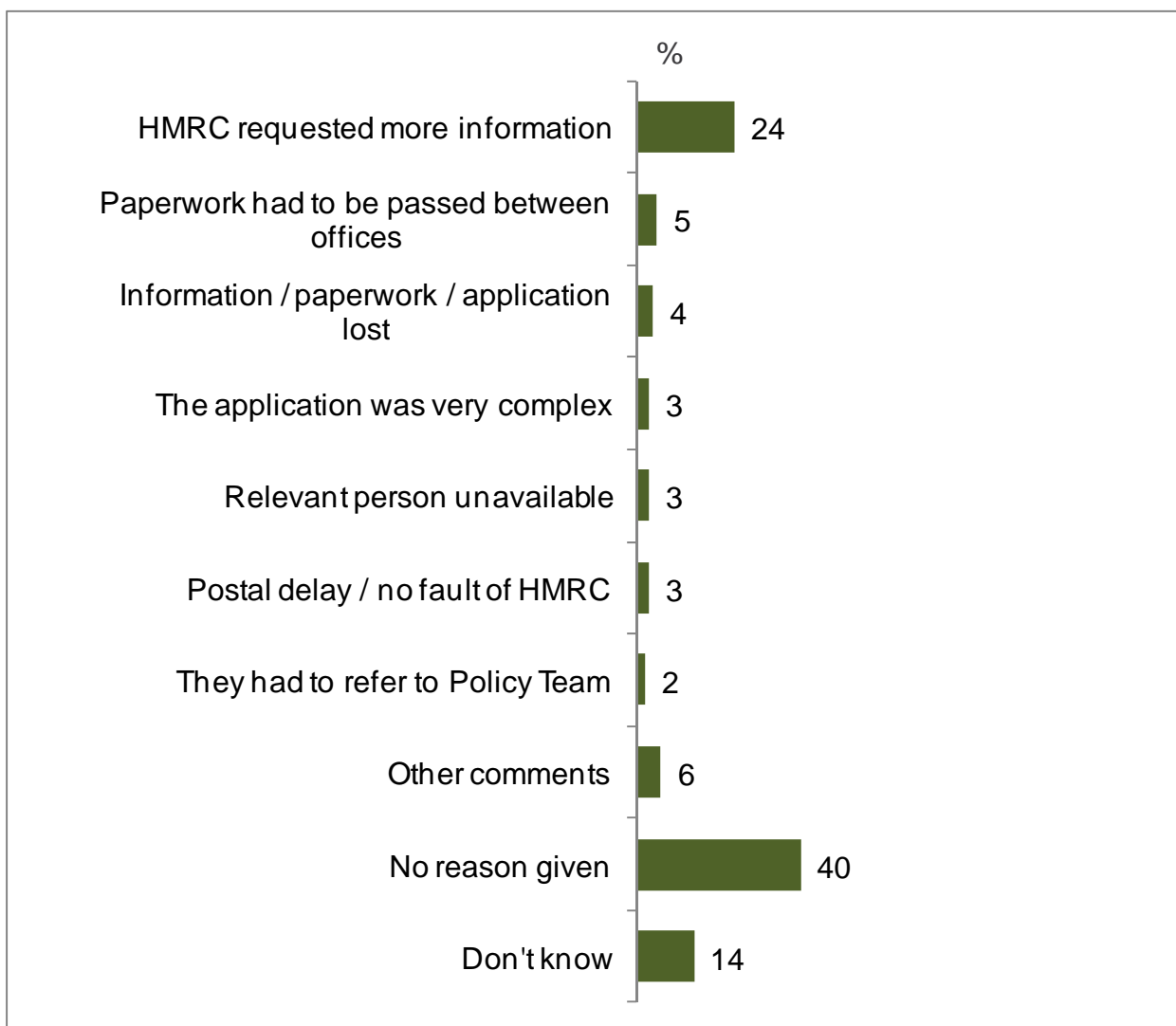
Among those applicants who said the deadline was not met, 40 per cent reported that they were given no explanation why. A quarter said the reason for delay was that HMRC requested more information.

Interestingly, applicants who felt that HMRC communicated well throughout were significantly more likely to say HMRC contacted them requesting more information. This suggests that while the deadline not being met is a major cause for dissatisfaction, giving at least some form of explanation improved applicants' opinion of the process in other ways.

Chart 5.6

Q14: What, if any, were the reasons HMRC gave you for the delay?

Base: All respondents who did not receive a full response within the 28 day deadline (127)



5.5 Amount of time taken by HMRC to provide responses

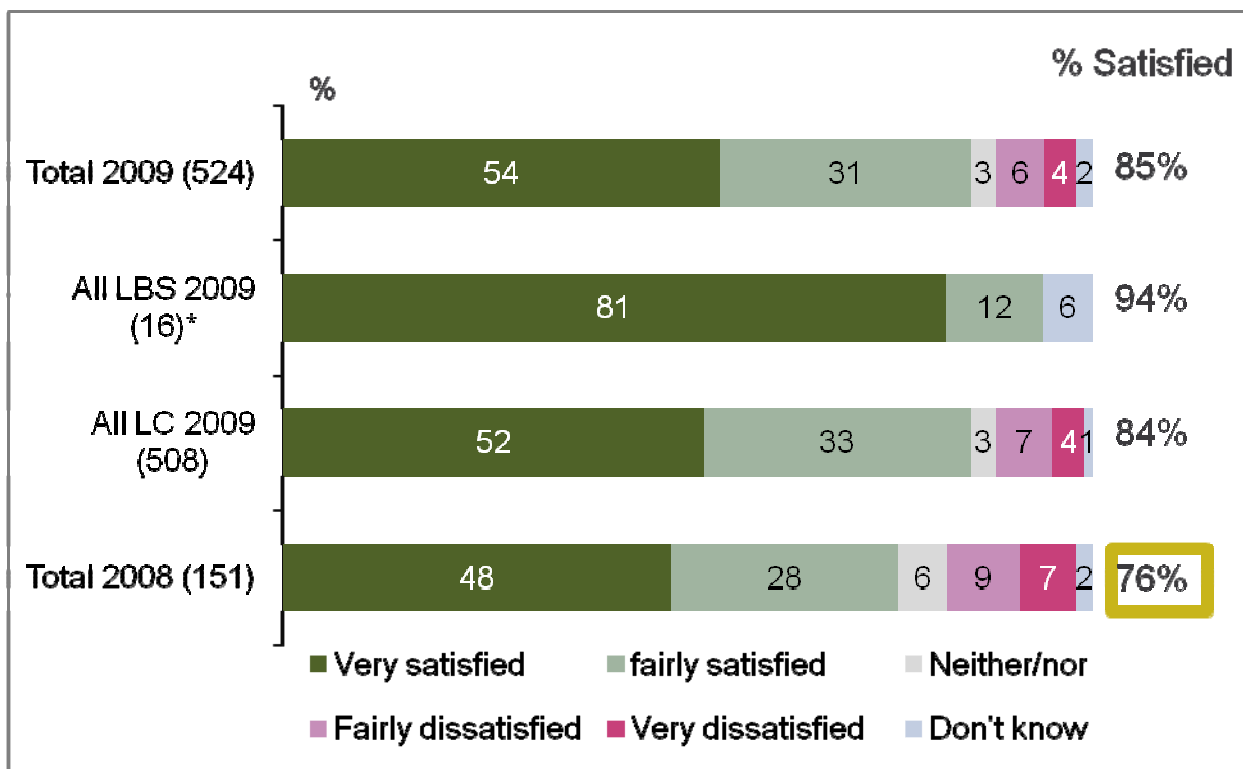
5.5.1 Satisfaction with time taken year-on-year comparison

There has been a significant rise in satisfaction with the amount of time HMRC took in providing a response to applications, rising from 76 per cent in 2008 to 85 per cent in 2009.

Chart 5.7

Q15: Overall, how satisfied or dissatisfied were you with the amount of time that HMRC took in providing you with a response?

Base: All respondents (base sizes in brackets)



76% = Significantly different from Total 2009 score

*Caution: low base

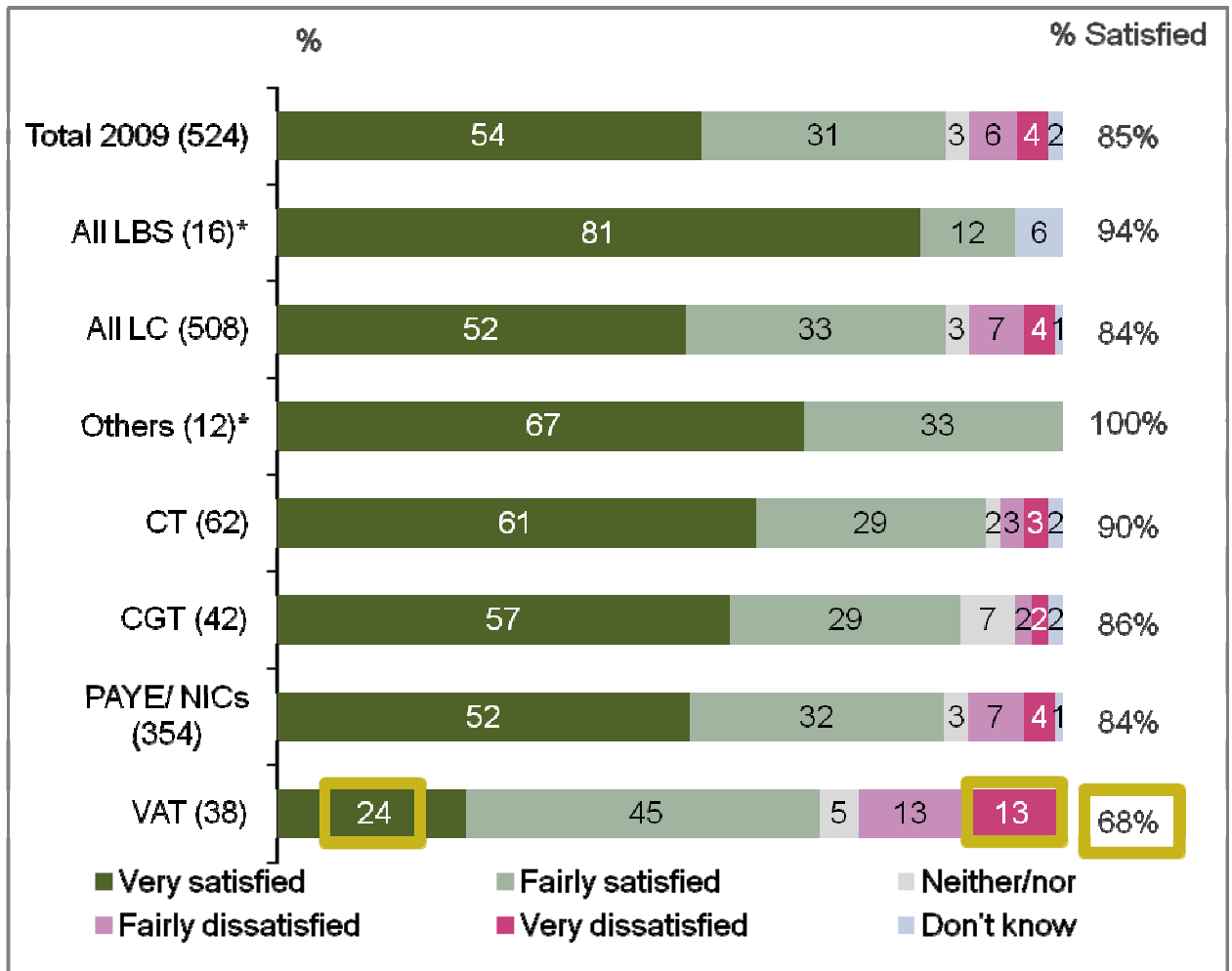
5.5.2 Satisfaction with time taken to provide a response, by Heads of Duty

Satisfaction with the time HMRC took to respond to the application differed significantly by Heads of Duty in just one case; VAT applications. VAT applicants were significantly more dissatisfied with the time taken – apparently because a much larger proportion said they had not received a response within 28 days. Only 45 per cent of those not perceiving their deadline to be met were satisfied with the time taken.

Chart 5.8

Q15: Overall, how satisfied or dissatisfied were you with the amount of time that HMRC took in providing you with a response?

Base: All respondents (figures in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

5.5.3 Possible drivers of low levels of satisfaction with the time taken

There was no difference in satisfaction with the time taken between types of applicant (Agents versus businesses). But those who made an application that HMRC agreed with were significantly more likely to be satisfied with the time taken for the response.

Equally, those who found the application process easy or efficient were significantly more likely to be satisfied with the speed of response, as were those who had all or most of their issues addressed, or reported reduced uncertainty.

6 Detailed Findings: HMRC's response to the enquiry

6.1 Summary

There was a significant increase since last year in the proportion finding the overall clearance process easy.

Almost nine out of ten applicants said HMRC's response had addressed most of their issues, and three-quarters said their issues were addressed fully. But this varied by Heads of Duty; and more VAT applicants felt that there were outstanding issues in HMRC's response.

The extent to which issues were considered to be addressed mirrored closely applicants' feelings around their uncertainty and commercial risk being reduced. Similarly, those who felt their issues had been addressed well also tended to regard more favourably the time taken in applying, the timeliness of response, efficiency and communication from HMRC.

VAT applicants were the most likely group to report that some of their issues had not been addressed by HMRC. As many as a third of them felt there were subjects not dealt with in the response.

A minority of applicants reported that HMRC's response had increased rather than decreased their uncertainty or commercial risk. Half cited poor information returned from HMRC as the reason for this.

Around a third of all applicants felt there was something they would change about the application process. Suggested improvements were typically concerned with improved information or communication and faster responses from HMRC.

6.2 HMRC’s response addressing issues

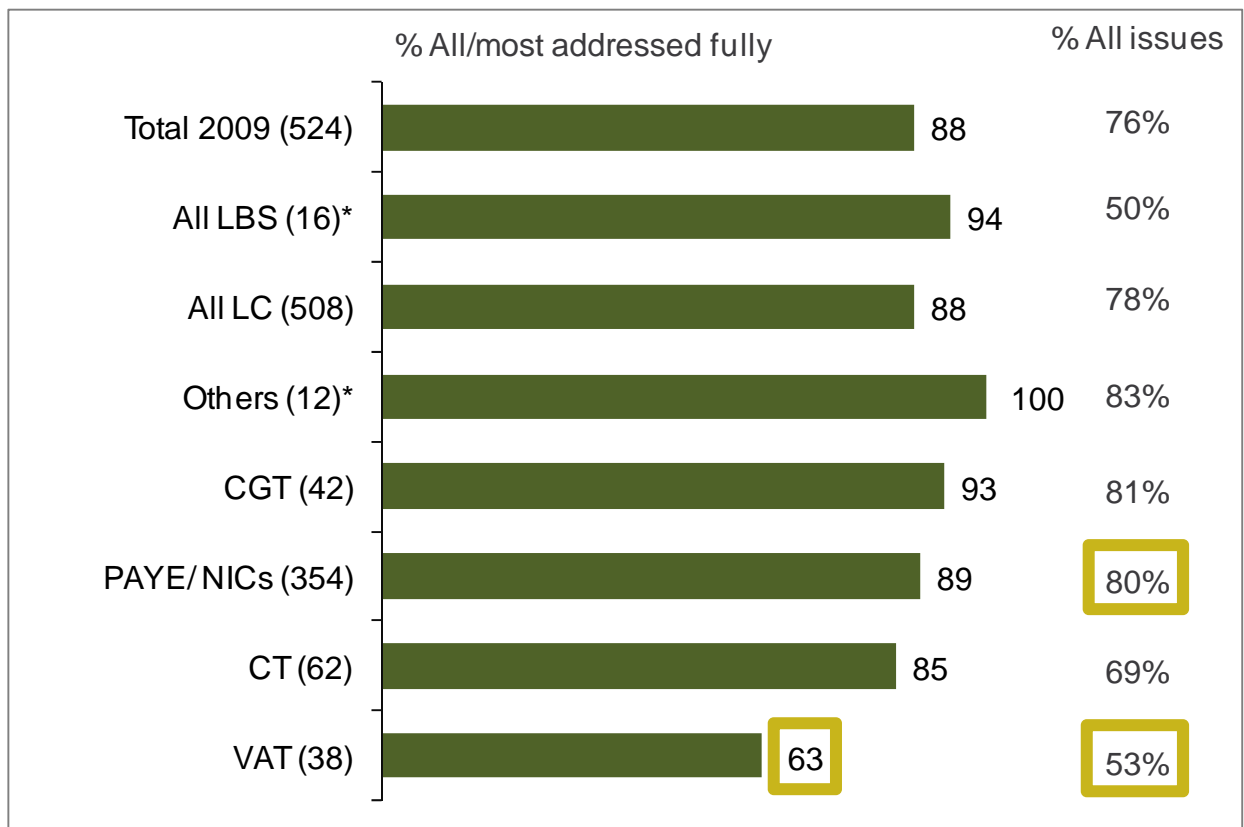
The majority of applicants – 88 per cent – felt that all or most of their issues were addressed fully in HMRC’s response, although this fell to only two-thirds of VAT applications (and only half of VAT applicants felt that all issues were dealt with fully).

Respondents whose application was agreed with were significantly more likely to believe that all or most issues were addressed (with 92 per cent claiming so) compared to those having their application disagreed with.

Chart 6.1

Q19: How well do you think the response from HMRC addressed all the issues you raised?

Base: All respondents (base sizes in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

Receiving a response that addressed all or most issues impacted on several other factors; 99 per cent of those having their uncertainty *eliminated* claimed that their response from HMRC addressed all or most of the issues they raised, with 88 per cent of those having their uncertainty *reduced* believing the same.

Applicants seeing the whole process as efficient were significantly more likely to have had all or most issues addressed, as did those feeling that HMRC communicated well.

There was no difference between Agents and businesses in how well the response addressed issues. However, those with greater experience of the process were more positive about the response: organisations that had made more than five applications were significantly more likely to feel all or most issues had been addressed.

A significantly higher proportion of the applicants who felt the amount of time they spent on the application was reasonable also thought that all or most of their issues had been addressed.

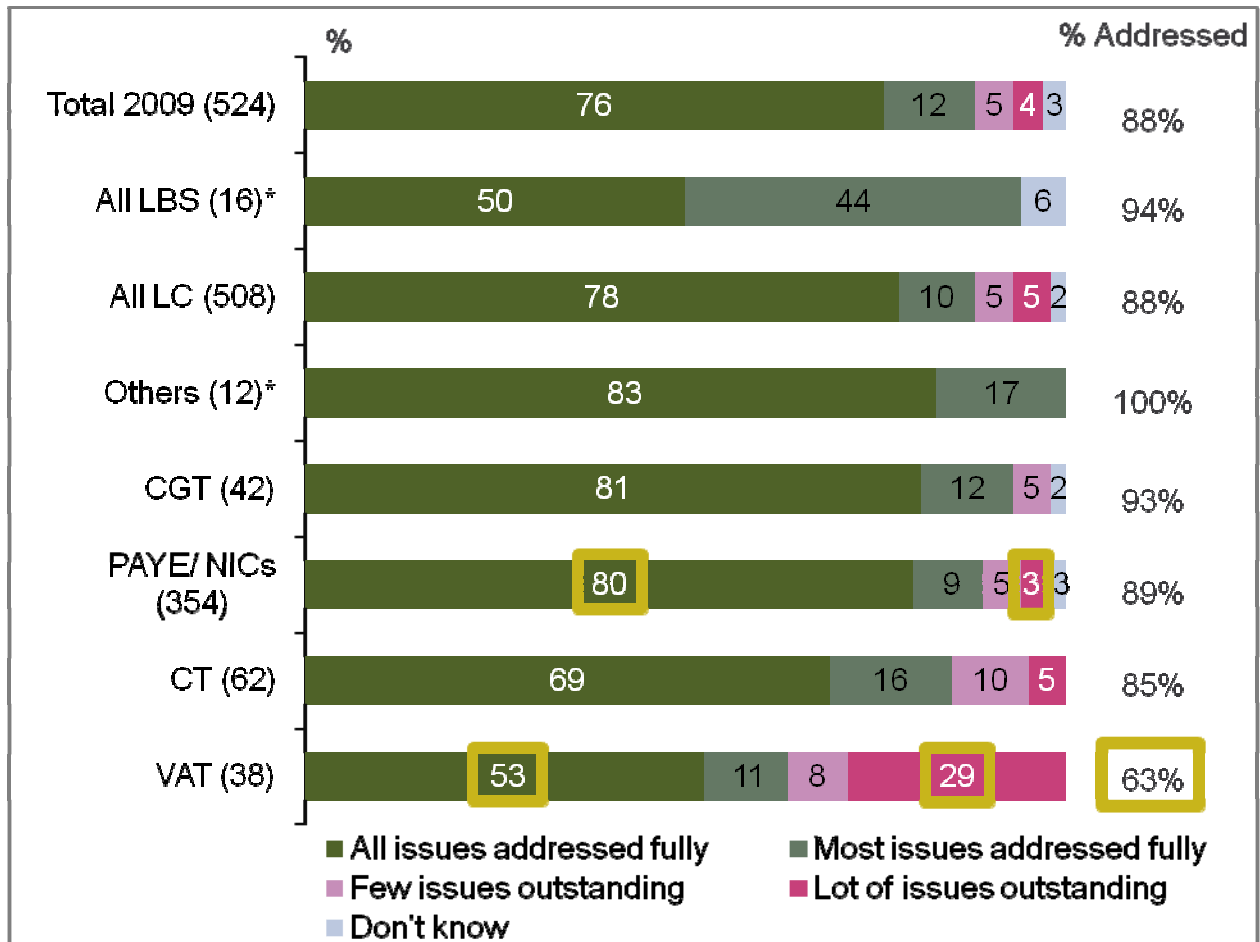
Whether the 28 day deadline was met according to HMRC's actual records did not affect the perception of the response. However, those *reporting* that the deadline had been missed were significantly less likely to think that all or most issues had been addressed in their response.

Applicants under the different Heads of Duty varied considerably in the extent to which they felt there were matters remaining unaddressed. Almost a third of VAT applicants (29 per cent) believed that their response from HMRC had *a lot* of issues outstanding, whereas no LBS clients had any issues outstanding.

Chart 6.2

Q19: How well do you think the response from HMRC addressed all the issues you raised?

Base: All respondents (figures in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

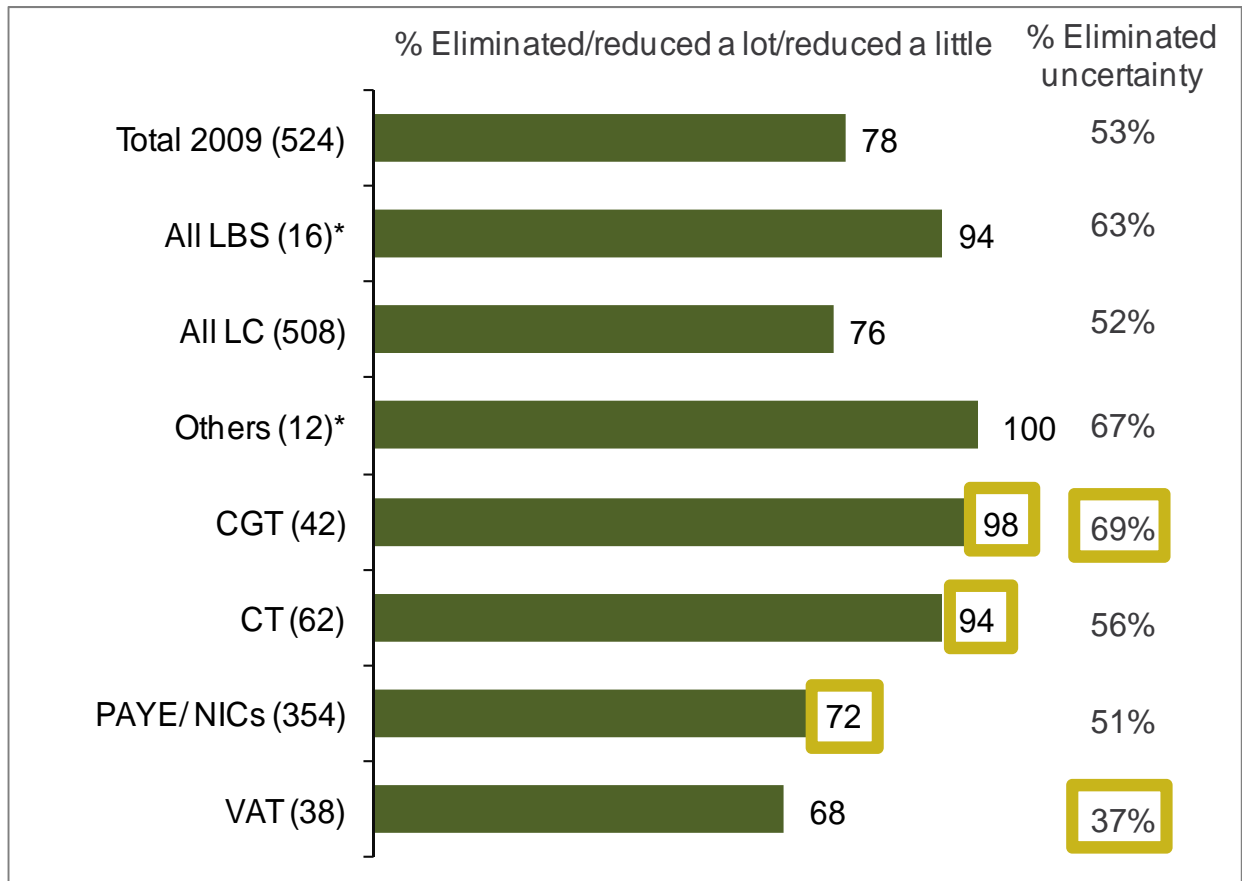
6.3 Resolving uncertainty

A little over three-quarters of applicants felt that HMRC’s response eliminated or reduced the uncertainty in their application, however again this varies considerably by Heads of Duty. Whilst most CGT and CT applicants felt their uncertainty was reduced, the number falls to 72 per cent of PAYE/NICs applicants and 68 per cent of VAT.

Chart 6.3

Q20: Overall, how much do you feel the response from HMRC helped to resolve the uncertainty?

Base: All respondents (figures in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

Agents were significantly more likely to have felt that HMRC's response reduced or eliminated uncertainty, with 90 per cent believing so (compared to only 70 per cent of businesses making their own application). Those whose application had been agreed with were also significantly more likely to have had their uncertainty reduced (with 79 per cent believing so).

Having applicants' uncertainty reduced was associated with a positive effect on the majority of issues measured in this research, particularly:-

- Perceived ease of application;
- Perceived efficiency of application;
- Perception of the amount of time spent on application being reasonable;
- Perception of HMRC communicating well; and
- Reducing the impact of commercial risk.

Having the 28 day deadline met had a positive effect on removing uncertainty, both measured by HMRC's records and by applicants' own opinion of the deadline being met. In addition, those who had made more than five applications were significantly more likely to have had their uncertainties reduced.

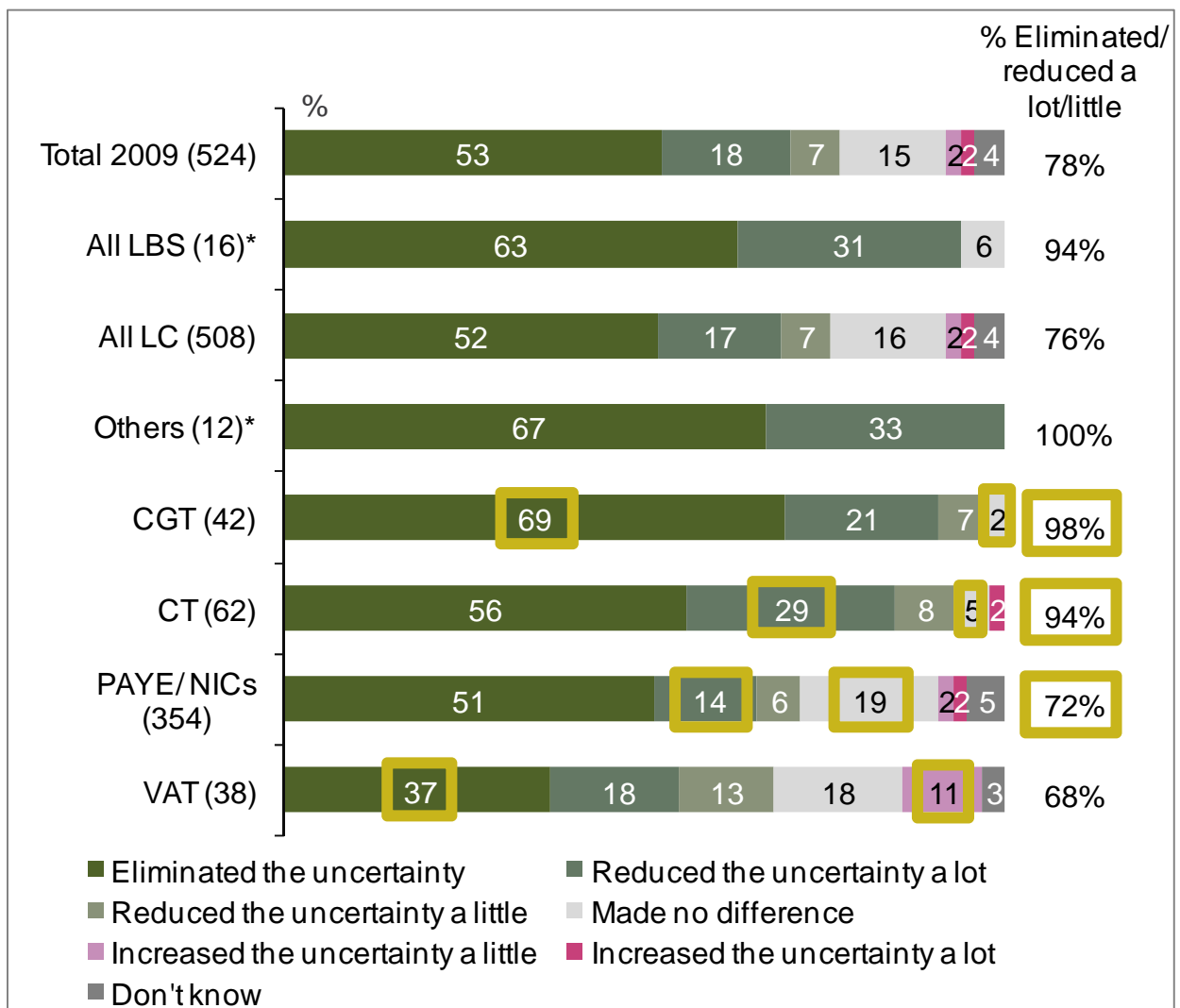
Among the Heads of Duty, significantly more VAT applicants had their uncertainty increased than others. This was probably because a higher proportion of VAT applicants had their application disagreed with, among whom 15 per cent said their uncertainty had increased.

Those who found the application process easy were also significantly more likely to have had their uncertainty reduced; suggesting there may be a knowledge gap, whereby those that struggled putting together the application may also have difficulty interpreting HMRC's response.

Chart 6.4

Q20: Overall, how much do you feel the response from HMRC helped to resolve the uncertainty?

Base: All respondents (base sizes in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

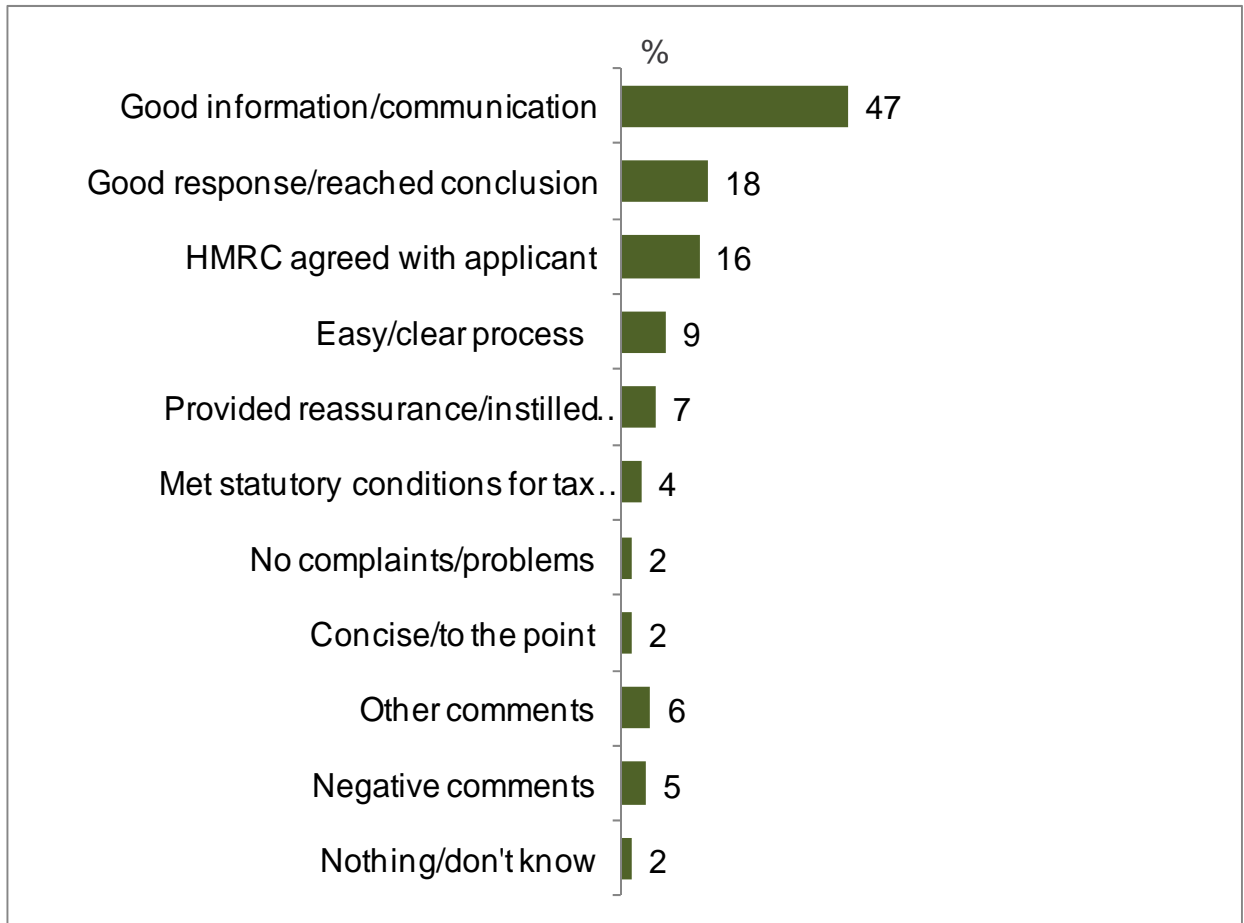
6.4 Reasons for reducing uncertainty

The reasons given for perceiving that HMRC's response reduced uncertainty often related to the quality of information provided, with over half of those having their uncertainty reduced stating this. Having a favourable response or conclusion to the application was also cited as a reason for reducing uncertainty, as was the fact that HMRC had agreed with the application.

Chart 6.5

Q21: In what way has HMRC's response reduced/ eliminated the uncertainty surrounding the tax consequences of the transaction?

Base: All respondents who had their uncertainty eliminated/reduced (406)



'There was a clear opinion given which resolved the uncertainty.' (CGT)

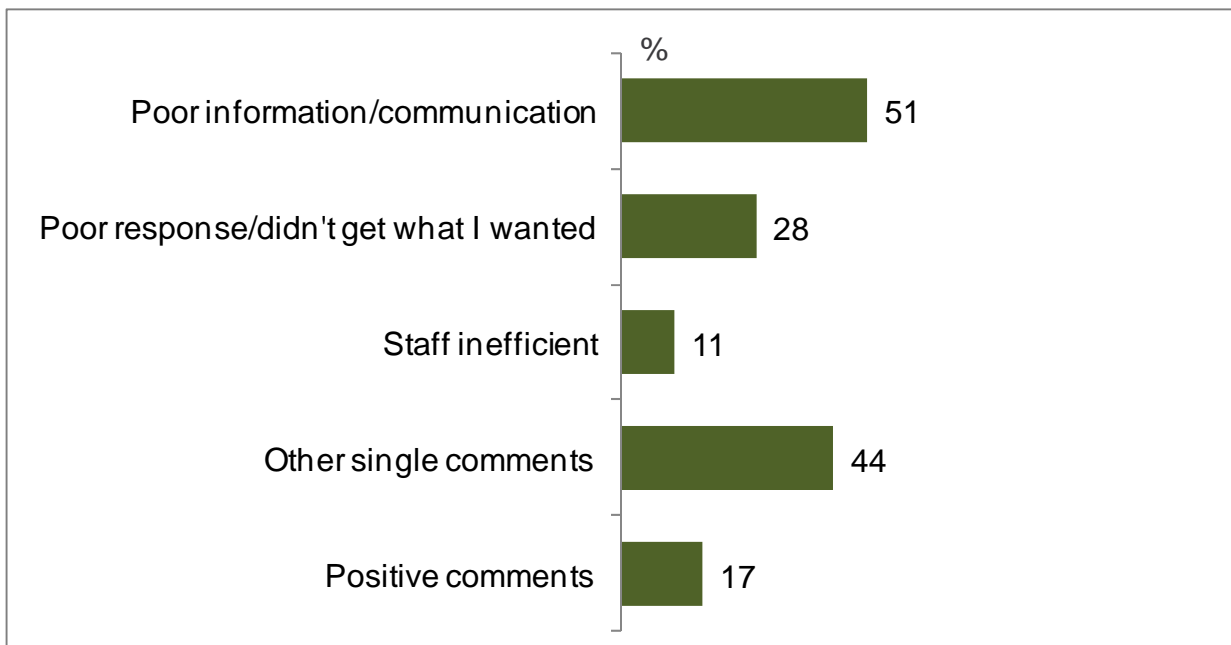
'We asked specific questions about liability, they gave definitive answers, a clear layout and each was stressed individually.' (VAT)

Among the few feeling that HMRC's response *increased* uncertainty, poor quality or a lack of information was often cited.

Chart 6.6

Q21: In what way has HMRC's response increased the uncertainty surrounding the tax consequences of the transaction?

Base: All respondents who had their uncertainty increased (19*)



Caution: small base

Lack of complete and definitive answers causes concern:

'If anything it has increased my fear that there would be problems. They just did not answer my questions.' (CT)

'It provided some clarity, but didn't give a definitive answer.' (PAYE / NICs)

'Their view was that it should be disallowed which came as a huge surprise to us.' (PAYE / NICs)

'They didn't answer all our queries and raised further queries.' (VAT)

'They didn't get a clear response, it was too ambiguous and didn't refer to the points.' (VAT)

6.5 Reducing commercial risk

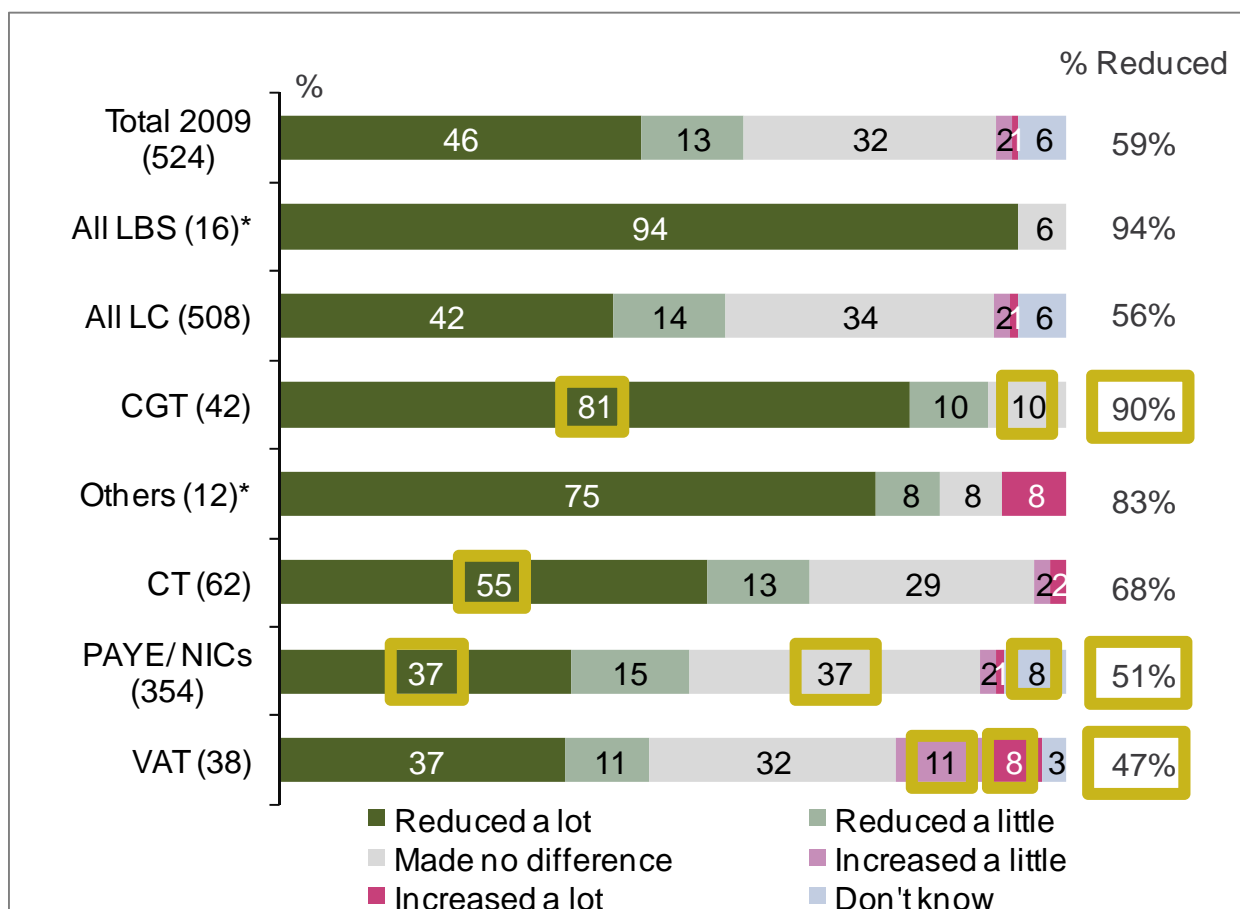
Overall, three-in-five applicants felt that their application had reduced the commercial risk they faced, with a further third feeling that it made no difference.

Among Heads of Duty, significantly more CGT applicants reported that their commercial risk had reduced, with PAYE/NICs and VAT applicants least likely to say so. On the other hand, among PAYE/NICs applicants a significantly greater proportion said the response had no effect on risk (perhaps because it is typically a lower risk business transaction overall). However, one in five VAT applicants felt that their commercial risk had actually increased as a result of the application.

Chart 6.7

Q22: How well do you think this clearance application reduced the commercial risks faced by your (client's) business?

Base: All respondents (base sizes in brackets)



= Significantly different from Total 2009 score

*Caution: low base

Overall, Agents were significantly more likely to say their clients' commercial risks had reduced compared to businesses making their own application, with 75 per cent of Agents believing the risks to have reduced compared to only 48 per cent of businesses.

Cases where HMRC disagreed with the applicant are significantly more likely to say their commercial risks increased, with 11 per cent claiming so.

Having the 28 day deadline met has a positive effect on reducing commercial risk (as it did with removing uncertainty), whether measured by HMRC's records or by applicants' own opinion of the deadline being met. Those that were not first-time applicants were also significantly more likely to believe their commercial risk had reduced.

6.6 Suggested changes to the application process

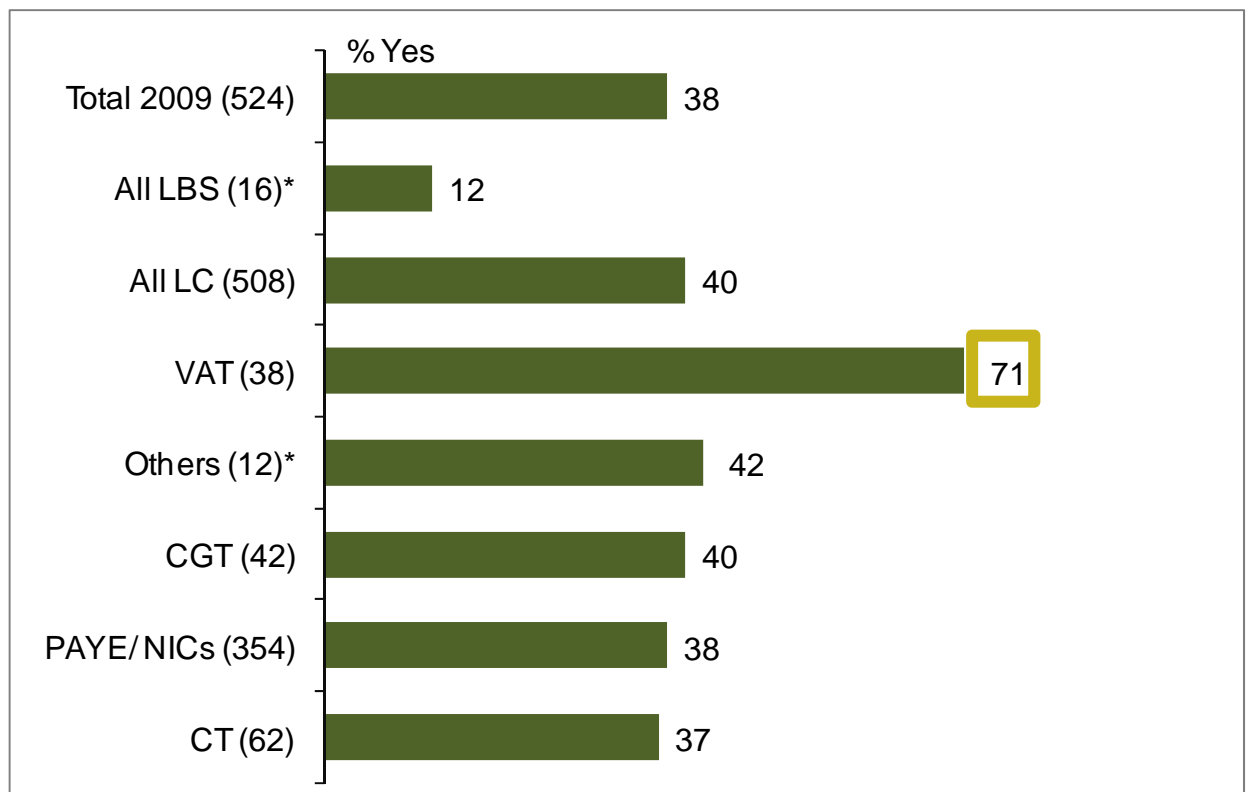
A little over a third of applicants claimed that there was something they would change about the application process; although this rises to almost three-quarters of VAT applicants, and half of those having their application disagreed with.

Agents were also significantly more likely to put forward a suggested change to the process compared to businesses making their own application, with 45 per cent putting forward a suggestion (compared to 35 per cent of businesses).

Chart 6.8

Q23a: Finally, thinking about the whole clearance process, is there anything you would like to change about it?

Base: All respondents (base sizes in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

Applicants with negative views of various aspects of the process were significantly more likely to suggest changes, particularly so among those who: –

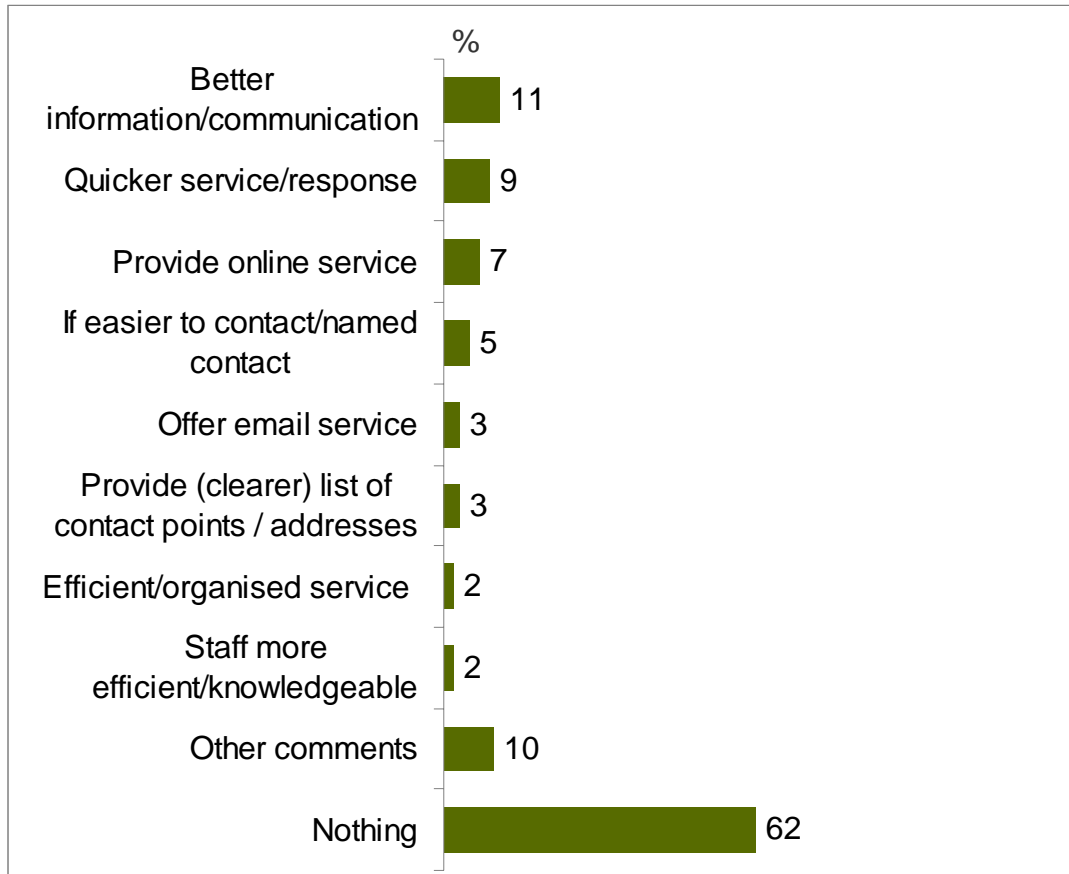
- were dissatisfied overall;
- found the process inefficient;
- found the process difficult;
- believed HMRC communicated badly;
- found the application time consuming;
- believed that HMRC asked for too much detail;
- did not receive their response within the 28 day deadline; or
- had issues outstanding in their response from HMRC.

A variety of changes to the application process were suggested, typically relating to improving information and communication, and quicker responses.

Chart 6.9

Q23a: Finally, thinking about the whole clearance process, is there anything you would like to change about it?

Base: All respondents (524)



Applicants often suggested improving points of contact as a practical suggestion.

'They could be clearer when giving their final response and give more definite answers.' (CGT)

'I would like applications to be dealt with by people with a better knowledge of the subject and within the timescale specified.' (VAT)

'I would have preferred a face to face meeting in the unusual cases.' (VAT)

'There should be someone to discuss the forms and information they send out.' (VAT)

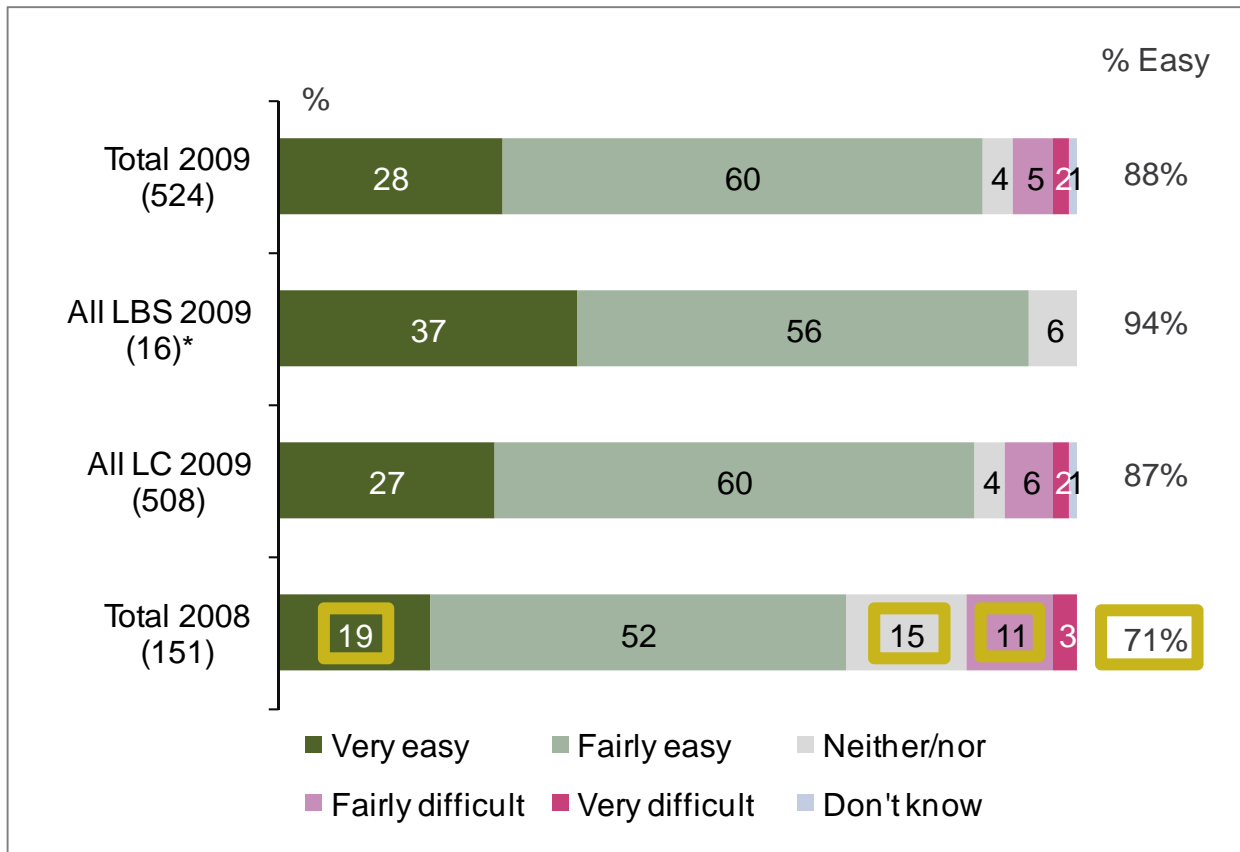
6.7 Ease of the whole clearance process

There was a significant increase in the proportion finding the overall clearance process easy compared to 2008, with all LBS applicants, and almost nine out of ten LC applicants finding it easy.

Chart 6.10

Q16: Overall how easy or difficult did you find the whole clearance process?

Base: All respondents (base sizes in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

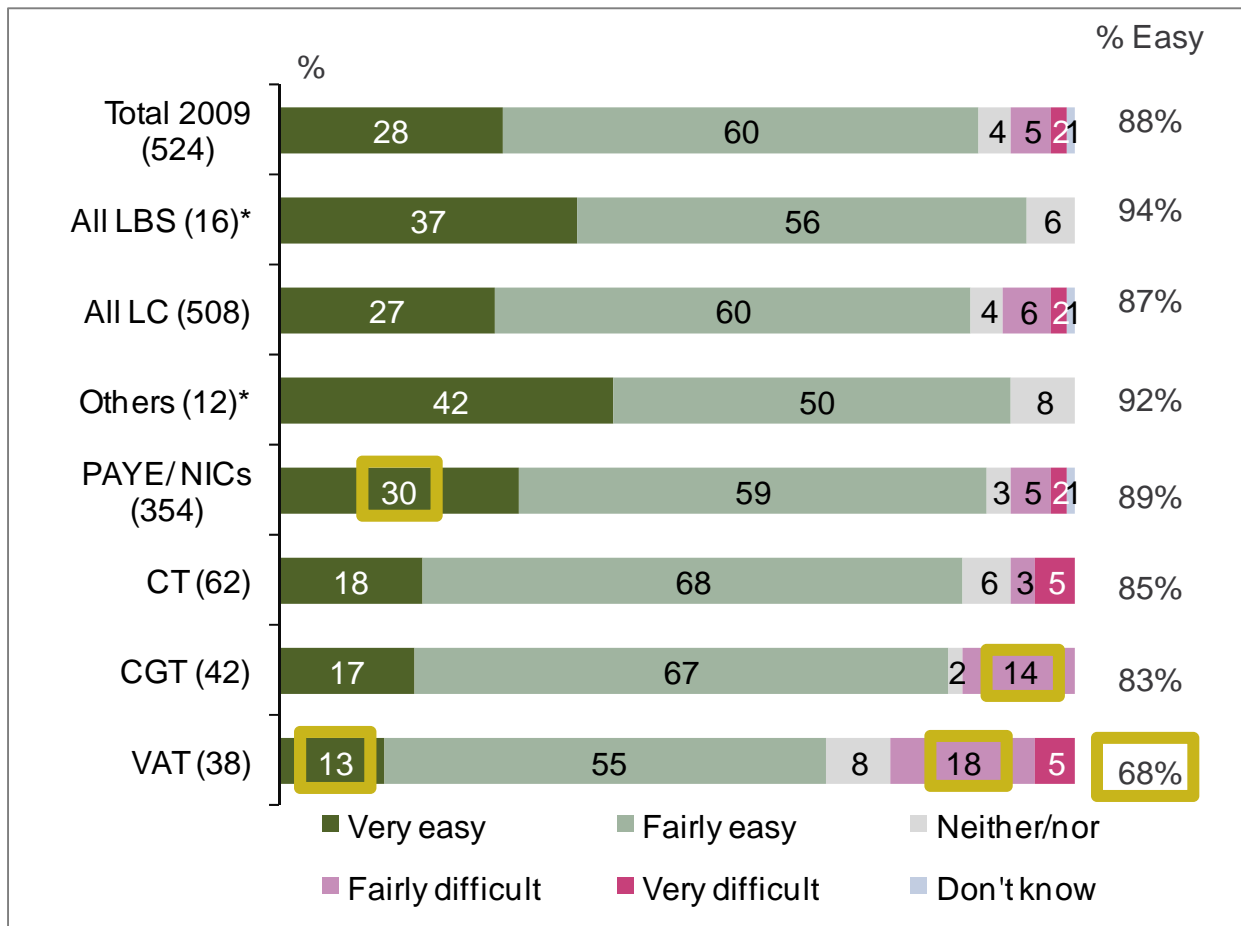
While the majority of applicants had found the clearance process easy, significantly fewer VAT applicants claimed so, and a significant minority of CGT applicants also found it difficult.

Those applicants who reported only some or few of their issues had been addressed were also significantly more likely to have found the process difficult, as were those believing that HMRC communicated poorly.

Chart 6.11

Q16: Overall how easy or difficult did you find the whole clearance process?

Base: All respondents (figures in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

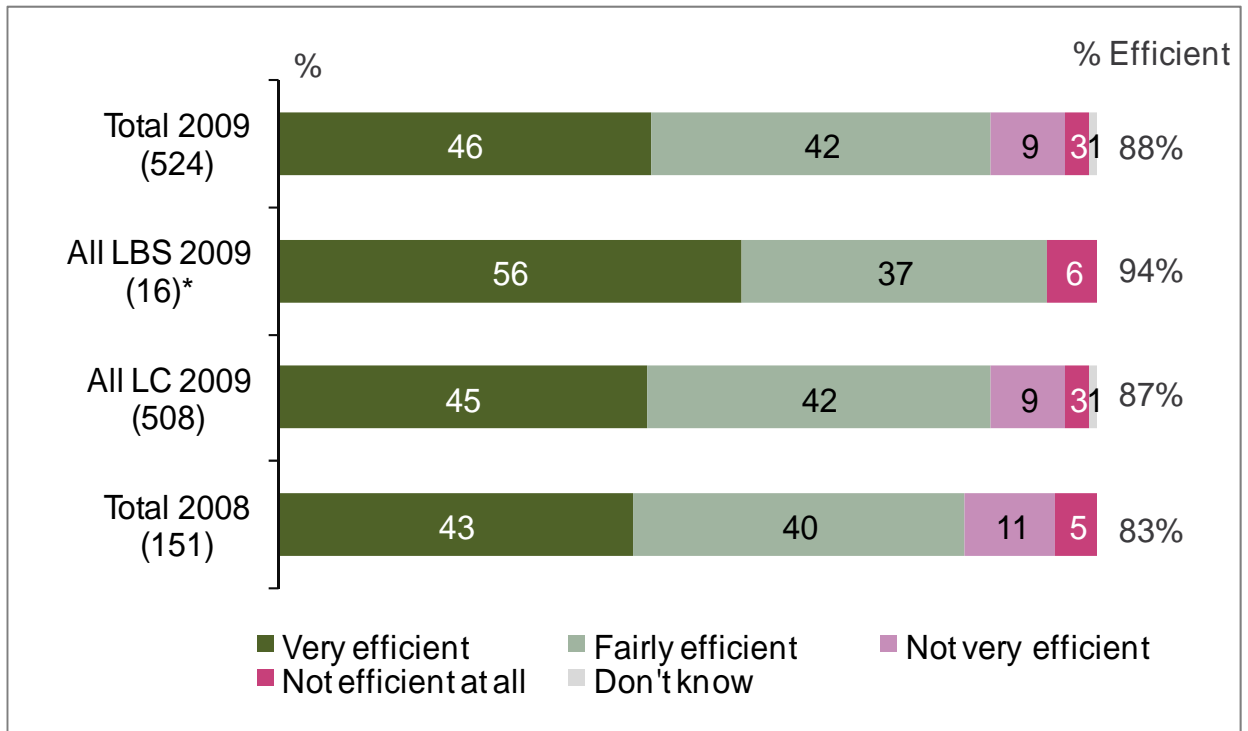
6.8 Efficiency of the clearance process

No significant increase since 2008 was found in those believing the clearance process to be efficient.

Chart 6.12

Q17: How efficient do you think the clearance process was? Do you think it was...?

Base: All respondents (base sizes in brackets)



= Significantly different from Total 2009 score

*Caution: low base

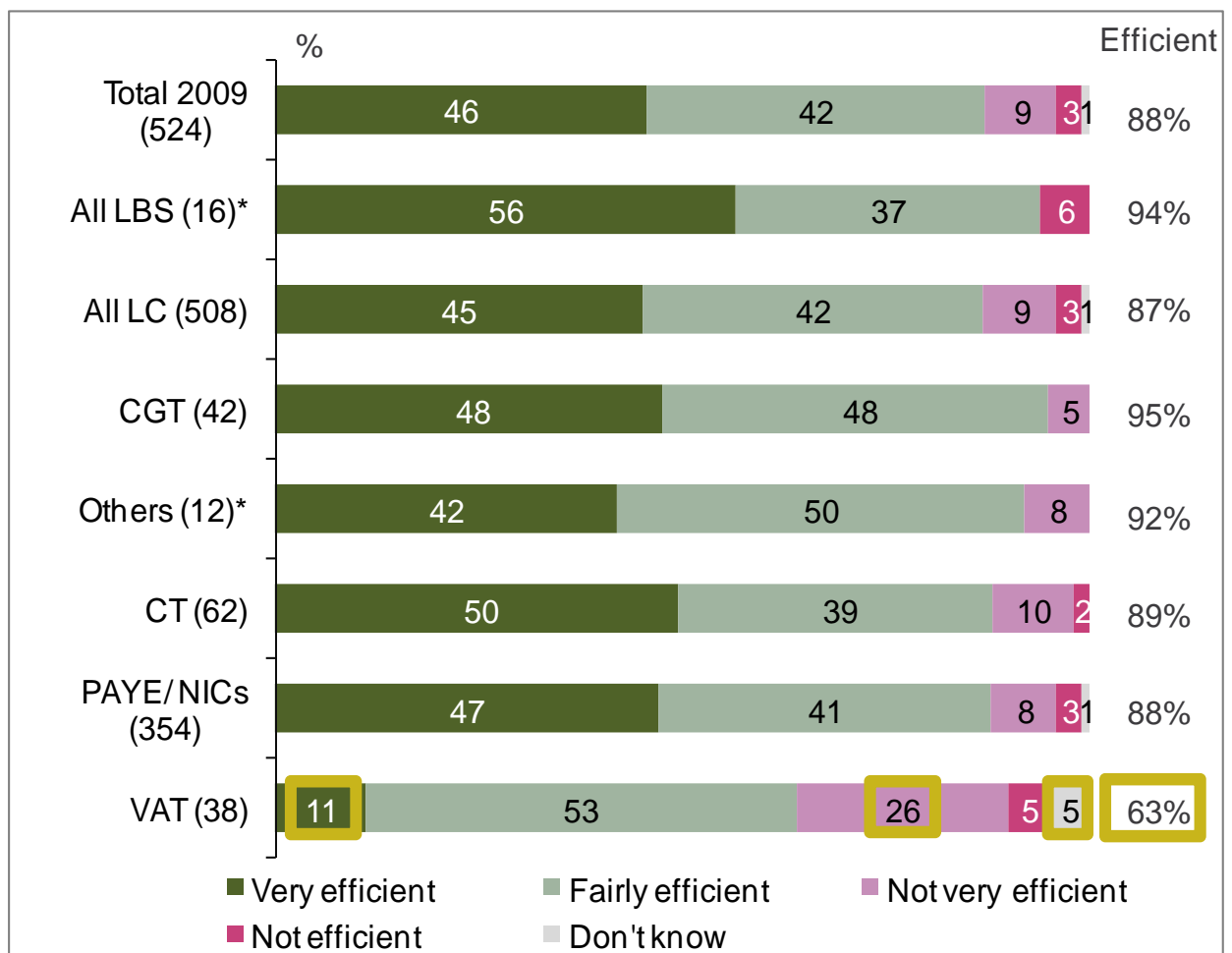
Among the Heads of Duty, VAT applicants were significantly less likely to feel the clearance process had been efficient, as were those applicants that HMRC disagreed with.

Missing the 28 day deadline also had a negative effect on perceived efficiency of the process, both measured by HMRC's records and by applicants' own opinion of the deadline being met.

Chart 6.13

Q17: How efficient do you think the clearance process was? Do you think it was...?

Base: All respondents (base sizes in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

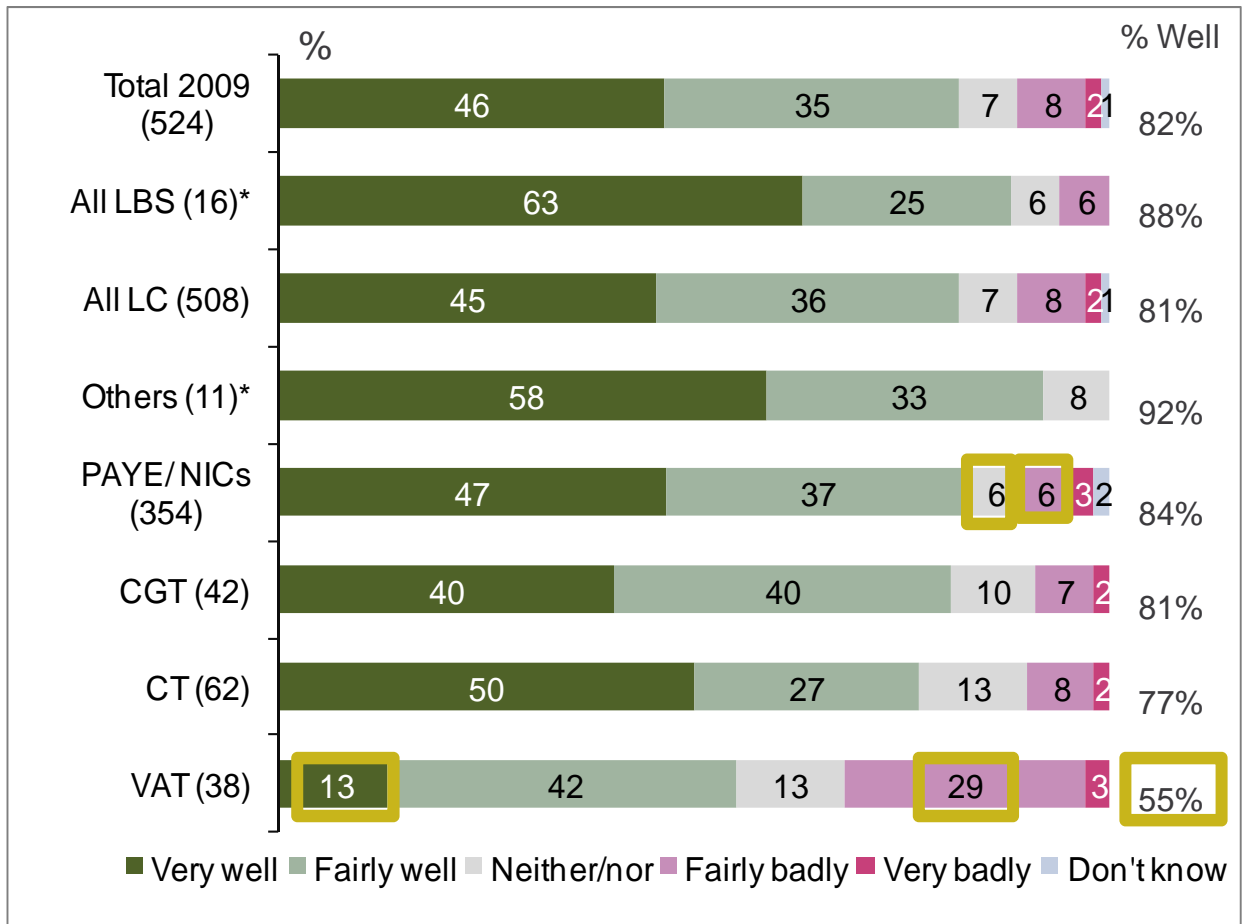
6.9 HMRC's communication

The majority of applicants interviewed felt that HMRC communicated well throughout the application process, with the exception of VAT, where a third felt that HMRC had communicated badly.

Chart 6.14

Q18: How well do you feel HMRC communicated with you throughout the clearance application?

Base: All respondents (figures in brackets)



 = Significantly different from Total 2009 score

*Caution: low base

Businesses making their own application were significantly more likely to feel that HMRC communicated well compared to Agents making an application on a business's behalf; 85 per cent of businesses thought HMRC communicated well, compared to only 76 per cent of Agents. First-time applicants were also more likely to feel HMRC communicated well.

Applicants that HMRC agreed with were also more likely to feel HMRC had communicated well, as did those that believed that HMRC had met the 28 day deadline (although not when split by HMRC's records).

Feeling that HMRC had communicated well was also associated with more positive responses on a number of complementary measures:-

- Having their commercial risk reduced;
- Finding the process easy;
- Finding the process efficient; and
- Thinking the time spent on the application was reasonable.

APPENDIX A – Technical report

Project overview

An attempted census approach was taken to meet the research objectives, whereby all applicants that had their application agreed or disagreed with were eligible for contact.

During the fieldwork stage, 524 telephone interviews were completed from the FDS Newcastle Telecentre using Computer Assisted Telephone Interviewing (CATI). All sample was provided by HMRC, and flagged whether or not their application had been agreed with, along with the type of application made. No information relating to the detailed nature of the application was passed on to FDS.

Sample composition

HMRC supplied a contact list of 1,059 individuals, all of whom had, according to HMRC records, had their application agreed or disagreed with. A large number of respondents had made more than one application (usually for the same Heads of Duty), however were limited to just one application for interviewing, chosen randomly. There were 785 unique contacts with complete contact details to mail to.

Pre-survey letter and opting-out

Prior to fieldwork, respondents were sent a letter informing them of the research and providing means to opt-out should they wish to do so in advance of the research taking place. A copy of the letter can be found in Appendix C. A total of 785 letters were sent to respondents over the course of the fieldwork, in three separate tranches, approximately three weeks apart (25 September, 20 October and 25 November 2009).

The letters were branded HMRC to reassure respondents of the authenticity of the research.

The pilot

Due to the rolling nature of the project, there was no standalone pilot phase of interviewing. Instead, the first three days of fieldwork were classed as a pilot (12-14 October), and a review of the survey and collected data was made after this stage, before fieldwork re-commenced. Interviews were recorded over the first three days for fieldwork and were downloaded and listened to by the research team. A selection of representative interviews was made available for HMRC to access when consent was given by the respondent.

Main stage fieldwork

The main stage fieldwork took place between 15 October and 11 December 2009, allowing the maximum time available for respondents to take part in the survey. In total, two-thirds of the sample completed an interview, with the full breakdown detailed in Table 1 below.

Table 1: Sample breakdown

	Count	Percentage
Complete	524	67%
Refusal	86	11%
Opt-out	42	5%
Not available in fieldwork	13	2%
No Reply/Answering Machine/ Fax/Modem/Busy/Engaged	17	2%
Unobtainable	5	1%
Appointment outstanding at close of fieldwork	21	3%
Other reason	77	10%

The percentage of unobtainable telephone numbers was small, but where possible, replacement numbers were looked up. All telephone numbers that were not initially answered were phoned at least five times before being removed from the CATI system. This boosted response rates, and also helped to ensure the avoidance of an availability bias such that individuals who may not be immediately contactable were not excluded from the survey without further attempts made to contact them.

Throughout the fieldwork period, the majority of telephone calls were made at various times during office hours (10am to 5pm) since individuals were taking part in applications on behalf of their business or a client.

The final average interview length was 12 minutes 48 seconds.

Data analysis

Weighting was applied to the data to make results proportional to the total number of cases agreed or disagreed with in 2009. For this reason, the effective total base size was 496, rather than 524.

Table 2: Weighing of data

Sample group	Completed interviews		Cases agreed / disagreed 2009		Weighted Interviews*	
LBS	16	(3%)	71	(7%)	35	(7%)
LC	508	(97%)	988	(93%)	488	(93%)
PAYE/NICs	354	(67%)	740	(70%)	366	(70%)
CT	62	(12%)	105	(10%)	52	(10%)
CGT	42	(8%)	67	(6%)	33	(6%)
VAT	38	(7%)	57	(5%)	28	(5%)
Others	12	(2%)	19	(2%)	9	(2%)
Total	524	(100%)	1,059	(100%)	524	(100%)

All survey results are subject to confidence intervals reflecting the fact that it is unlikely identical results would be achieved if all of the total population were interviewed. The table below shows the expected margins of error when working to a confidence interval of 95%. Accordingly, a survey result of 50% has a confidence interval of +/- 3.1% meaning that we can be 95% confident that the “true” result if the total population of interest was interviewed would be between 46.9% and 53.1%.

Table 3: Margins of error according to base size

Percentage	Sample size				
	50	100	200	300	500
5%	±6.0	±4.3	±3.0	±2.5	±1.9
10%	±8.3	±5.9	±4.2	±3.4	±2.6
15%	±9.9	±7.0	±4.9	±4.0	±3.1
20%	±11.1	±7.8	±5.5	±4.5	±3.5
25%	±12.0	±8.5	±6.0	±4.9	±3.8
30%	±12.7	±9.0	±6.4	±5.2	±4.0
35%	±13.2	±9.3	±6.6	±5.4	±4.2
40%	±13.6	±9.6	±6.8	±5.5	±4.3
45%	±13.8	±9.8	±6.9	±5.6	±4.4
50%	±13.9	±9.8	±6.9	±5.7	±4.4

Tabulations

The cross-breaks used for analysis in the project are shown in Table 4 below. Where appropriate, these cross-breaks allowed the survey results to be analysed according to sub-groups of interest and are raised in the main part of this report.

Table 4: Cross-breaks for the tables

Main heading	Sub-heading	Question number
Total	Total	-
Heads of Duty	All LC	Taken from sample
	PAYE/ NICs	
	CT	
	CGT	
	VAT	
	Others	
LBS	LBS	Taken from sample
Business Unit	LC Direct Tax	Taken from sample
	VAT/VAT & IPT	
	Corporation Tax/CT & VAT	
	Others	
Submitted by business or Agent	Business	Q2
	Agent	
HMRC's decision	Agreed	Taken from sample
	Disagreed	
Overall satisfaction with process	Satisfied	Q3
	Neither / nor	
	Dissatisfied	
Ease of preparing application	Easy	Q6
	Neither easy nor difficult	
	Difficult	
Efficiency of process	Efficient	Q17
	Not efficient	
Deadline for response (Respondent view)	Deadline met	Q13
	Deadline not met/ Don't know	
Deadline for response (Sample view)	Deadline met	Taken from sample
	Deadline not met/ Don't know	
Number of applications made to date	One	Q24
	2-5	
	6+	
Issues addressed	All	Q19
	Most	
	Some/few	

Impact on uncertainty	Eliminated	Q20
	Reduced	
	No difference	
	Increased	
How time consuming	Time consuming	Q7a
	Not time consuming	
Attitude to time spent on application	Reasonable amount of time	Q7b
	Unreasonable amount of time	
Level of detail asked for by HMRC	Too much detail	Q7c
	Right level of detail	
	Too little detail	
Whole process	Easy	Q16
	Neither easy nor difficult	
	Difficult	
How well did HMRC communicate	Well	Q18
	Neither well nor badly	
	Badly	
Impact on commercial risk	Reduced	Q22
	No difference	
	Increased	
Number of employees	Under 50 employees	Q26
	50 – 249 employees	
	Over 250 employees	

Security

All data received from HMRC was stored electronically and all files were password protected to ensure the secure treatment of sensitive data. Further to this, any files transferred between FDS and HMRC in liaison regarding the project were placed in a shared workspace, to which only the research team at FDS and their points of contact at HMRC had access. All aspects of data transfer and storage were therefore compliant with the Data Protection Act 1998 (of which FDS registered 18th June 2002, registration number Z6793083).

Reporting

A presentation of the key results was given by FDS on 9th February 2010, with the report provided in March 2010.

Index of fieldwork documents

1. The questionnaire
2. Pre-survey letter sent

1 The questionnaire

HM Revenue & Customs Clearances Evaluation Survey 2009

Good morning/afternoon/evening. My name iscalling on behalf of FDS International. We are an independent research company carrying out a survey for HMRC (Revenue & Customs) amongst people who have submitted a clearance application.

We would like to speak to you about the clearance application [IF AGENT: you submitted for INSERT NAME OF CLIENT and received a response from HMRC (Revenue & Customs) about in ENTER MONTH] [IF NOT AGENT: you received a response from HMRC (Revenue & Customs) about in ENTER MONTH].

IF SAMPLE=LC READ OUT

The reference number for this specific application is [ENTER REFERENCE NUMBER].

Is now a good time? It will take no more than 15 minutes to complete.

IF NECESSARY: A clearance application is one made by a business or its advisers where there is a material uncertainty about the tax consequences of transactions affecting the business.

IF NECESSARY: The research is completely anonymous and we do not ask for specific personal details about your or your client's clearance application, we just want to find out how the application process is working.

If someone else dealt with this specific application please ask to speak to them directly

IF ALREADY CALLED TO SAY THEY DON'T WANT TO TAKE PART: I'm very sorry to have bothered you. I will make sure you are not contacted again (RECORD ON OUTCOME CODES).

IF NO ONE IN THE COMPANY HAS SUBMITTED THIS CLEARANCE APPLICATION: I'm very sorry to have bothered you. I will make sure you are not contacted again (RECORD ON OUTCOME CODES).

BACKGROUND INFORMATION

1. We have recorded that [IF AGENT: you submitted a clearance application for **INSERT NAME OF CLIENT** and received a response from HMRC (Revenue & Customs) in **ENTER MONTH**] [IF NOT AGENT: you submitted a clearance application and received a response from HMRC in **ENTER MONTH**].

IF SAMPLE=LC READ OUT

The reference number for this specific application is **[ENTER REFERENCE NUMBER]**

IF NECESSARY: An application is one made by a business or its advisers where there is a material uncertainty about the tax consequences of transactions affecting the business.

IF NECESSARY: If someone else dealt with this specific application please ask to speak to them directly

Is this correct (that you submitted a clearance application and received a response)?

- | | | |
|---------------------------|---|------------------------|
| Yes | 1 | |
| No | 2 | THANK AND CLOSE |
| Don't know/can't remember | 3 | THANK AND CLOSE |

READ OUT

Throughout the rest of the interview please could you ONLY think about the clearance application **[IF AGENT: you submitted for INSERT NAME OF CLIENT and received a response from HMRC/Revenue & Customs about in ENTER MONTH] [IF NOT AGENT: you received a response from HMRC about in ENTER MONTH]**

IF SAMPLE=LC READ OUT IF NECESSARY

The reference number for this specific application is **[ENTER REFERENCE NUMBER]**

2. Did you submit this clearance application for the business you work for or are you an agent acting on behalf of a client?

- | | |
|------------------------|---|
| Submitted for business | 1 |
| Agent | 2 |

3. I'd now like to ask you some questions about the clearance process. When answering, please only give your views on the clearance process, rather than the outcome. Overall how satisfied or dissatisfied were you with the whole clearance process? **PROMPT IF NECESSARY** "Is that very or fairly satisfied/dissatisfied?"

- | | | |
|------------------------------------|---|-----------|
| Very satisfied | 1 | Q4 |
| Fairly satisfied | 2 | Q4 |
| Neither satisfied nor dissatisfied | 3 | Q4 |
| Fairly dissatisfied | 4 | Q4 |
| Very dissatisfied | 5 | Q4 |
| Don't know | 6 | Q6 |

4. Why do you say you were **[ANSWER FROM Q3]** with the clearance process? **PROBE FULLY. WRITE IN FULL VERBATIM**

IF CODE 2-5 IN Q3 ASK Q5. OTHERS GO TO Q6

5. So how could HMRC (Revenue & Customs) have improved your satisfaction in the whole clearance process? **PROBE FULLY. WRITE IN FULL VERBATIM**

PREPARING THE APPLICATION

READ OUT

When submitting a clearance application you are required to provide various supporting documents. Thinking about when you were preparing your clearance application

6. How easy or difficult did you find putting together the application? **PROMPT IF NECESSARY: Is that very/fairly easy/difficult?**

- | | |
|----------------------------|---|
| Very easy | 1 |
| Fairly easy | 2 |
| Neither easy nor difficult | 3 |
| Fairly difficult | 4 |
| Very difficult | 5 |
| Don't know | |

7a. How time consuming was it putting together the application? Was it.....**READ OUT**

- | | |
|---------------------------|---|
| Very time consuming | 1 |
| Fairly time consuming | 2 |
| Not very time consuming | 3 |
| Not time consuming at all | 4 |
| Don't know | 5 |

7b. Do you feel the amount of time you had to spend on the application was reasonable?

- | | |
|-----|---|
| Yes | 1 |
| No | 2 |

7c. Do you think HMRC asked for the right amount of detail to process the application correctly? Was it.....**READ OUT**

- | | |
|----------------------------------|---|
| Too much detail | 1 |
| About the right amount of detail | 2 |
| Too little detail | 3 |

ASK ALL

8. How could the application process be made easier?
PROBE FULLY. WRITE IN FULL VERBATIM

9. Did you consult any of the following EXTERNAL sources of information on how to complete and submit your application prior to submission... **IF NECESSARY:** By external sources of information I mean sources outside of the business
READ OUT. CODE ALL THAT APPLY

HMRC website	1
Other websites	2
A lawyer	3
An accountant	4
Called HMRC for further clarifications	5
Other (specify)	6
No EXTERNAL advice sought or guidance consulted	7
Don't know	8

IF CODE 1 AT Q9 (USED GUIDANCE ON HMRC'S WEBSITE) ASK Q10. OTHERS GO TO Q11

10. When putting together your application, did you find the guidance on HMRC's website.....**READ OUT**
- | | | |
|--------------------|---|-------------|
| Very useful | 1 | Q10A |
| Fairly useful | 2 | Q10A |
| Not very useful | 3 | Q10B |
| Not useful at all? | 4 | Q10B |
| Don't know | 5 | |

- 10a. Why do you say that? What was particularly useful? **PROBE FULLY. WRITE IN FULL VERBATIM**

GO TO TEXT BEFORE Q11

- 10b. Why do you say that? Why was it not very useful? **PROBE FULLY. WRITE IN FULL VERBATIM**

SUBMITTING THE APPLICATION

READ OUT

I'm now going to ask you a series of questions specifically in relation to the process of submitting the clearance application, not the eventual outcome. Please still think about the clearance application [IF AGENT: you submitted for **INSERT NAME OF CLIENT** and received a response from HMRC in **ENTER MONTH**] [IF NOT AGENT: you received a response from HMRC in **ENTER MONTH**]

IF SAMPLE=LC READ OUT IF NECESSARY

IF NECESSARY: The reference number for this specific application is [**ENTER REFERENCE NUMBER**]

IF CODE 1 AT Q9 (USED GUIDANCE ON HMRC'S WEBSITE) ASK Q11. OTHERS GO TO Q12

11. How clear or unclear was the guidance on HMRC's website in... **PROMPT:** Is that very or fairly clear/ unclear?
- a) Outlining where the application should be sent and who it should be addressed to
 - b) Explaining that HMRC aims to provide a response within 28 calendar days from the day the application is received.
- | | |
|---------------------------|---|
| Very clear | 1 |
| Fairly clear | 2 |
| Neither clear nor unclear | 3 |
| Fairly unclear | 4 |
| Or very unclear | 5 |
| Don't know/can't remember | 6 |
12. Did you receive an acknowledgement from HMRC to let you know that your clearance application had been received by them? **IF YES:** was this over the telephone, by email, by post or in some other way
- | | |
|---------------------------|---|
| Yes – by telephone | 1 |
| Yes – by email | 2 |
| Yes – by post | 3 |
| Yes – some other way | 4 |
| No | 5 |
| Don't know/can't remember | 6 |
13. Did HMRC provide you with a full response within the 28 day deadline?
- | | | |
|---------------------------|---|------------|
| Yes | 1 | Q15 |
| No | 2 | Q14 |
| Don't know/can't remember | 3 | Q14 |
14. What, if any, were the reasons HMRC gave you for the delay? **CODE ALL THAT APPLY**
- | | |
|----------------------------------|---|
| HMRC requested more information | 1 |
| The application was very complex | 2 |
| Postal delay/ no fault of HMRC | 3 |
| No reason given | 4 |
| Other (specify) | 5 |
| Don't know/can't remember | 6 |

15. Overall, how satisfied or dissatisfied were you with the amount of time that HMRC took in providing you with a response?
- | | |
|------------------------------------|---|
| Very satisfied | 1 |
| Fairly satisfied | 2 |
| Neither satisfied nor dissatisfied | 3 |
| Fairly dissatisfied | 4 |
| Very dissatisfied | 5 |
| Don't know | 6 |

HMRC RESPONSE TO THE ENQUIRY

READ OUT

The next few questions are about your experiences of the whole clearance process.

Again, please only think about the clearance application [**IF AGENT**: you submitted for **INSERT NAME OF CLIENT** and received a response from HMRC about in **ENTER MONTH**] [**IF NOT AGENT**: you received a response from HMRC about in **ENTER MONTH**]

When thinking about your answers please put aside the final outcome of the application and think about the process as a whole.

IF SAMPLE=LC READ OUT IF NECESSARY: The reference number for this specific application is [**ENTER REFERENCE NUMBER**]

16. Overall how easy or difficult did you find the whole clearance process?
PROMPT IF NECESSARY "Is that very or fairly easy / difficult"
- | | |
|----------------------------|---|
| Very easy | 1 |
| Fairly easy | 2 |
| Neither easy nor difficult | 3 |
| Fairly difficult | 4 |
| Very difficult | 5 |
| Don't know | 6 |

17. How efficient do you think the clearance process was? Do you think it was....**READ OUT**

Very efficient	1
Fairly efficient	2
Not very efficient	3
Not efficient at all	4
Don't know	5

18. How well do you feel HMRC communicated with you throughout the clearance application? Would you say they communicated...**READ OUT**

Very well	1
Fairly well	2
Neither well or badly	3
Fairly badly	4
Very badly	5
Don't know	6

19. How well do you think the response from HMRC addressed all the issues you raised? Do you think...**READ OUT**
- | | |
|---|---|
| All the issues were addressed fully | 1 |
| Most of the issues were addressed fully | 2 |
| A few issues were left outstanding | 3 |
| A lot of issues were left outstanding | 4 |
| Don't know | 5 |
20. One of the aims of the clearance process is to help resolve any uncertainty surrounding the tax consequences of a transaction. Overall, how much do you feel the response from HMRC helped to resolve the uncertainty? Do you feel it... **READ OUT**
- | | | |
|------------------------------------|---|------------|
| Eliminated the uncertainty | 1 | Q21 |
| Reduced the uncertainty a lot | 2 | Q21 |
| Reduced the uncertainty a little | 3 | Q21 |
| Made no difference | 4 | Q22 |
| Increased the uncertainty a little | 5 | Q21 |
| Increased the uncertainty a lot | 6 | Q21 |
| Don't know | 7 | Q22 |
21. In what way has HMRC's response [reduced **IF Q20=1-3**; increased **IF Q20=5 or 6**] the uncertainty surrounding the tax consequences of the transaction? **PROBE FULLY. WRITE IN FULL VERBATIM**
22. Another aim of the clearance process is to reduce the commercial risks faced by businesses due to the tax system. How well do you think this clearance application reduced the commercial risks faced by your [**IF AGENT**: client's] business? Do you think it... **READ OUT**
- | | |
|--|---|
| Reduced it (the commercial risk) a lot | 1 |
| Reduced it a little | 2 |
| Made no difference to the risks | 3 |
| Increased it a little | 4 |
| Increased it a lot | 5 |
| Don't know | 6 |
23. Finally, thinking about the whole clearance process, is there anything you would like to change about it? If so what? **WRITE IN FULL VERBATIM**
- | | |
|-------------------------|---|
| No | 1 |
| Yes (WRITE IN) | 2 |
| Don't know | 3 |

DEMOGRAPHICS

ASK ALL

Now I'd like to ask you a few questions to be used for analysis purposes only

24. Including the application we have been discussing, how many times have you submitted a clearance application to HMRC since April 2008? **KEY IN NUMBER.**

IF Q24>1 ASK Q25. OTHERS SKIP TO Q26.

25. And how many times has HMRC agreed with your application? **KEY IN NUMBER**

26. Can you tell me roughly how many people there are employed [in the/ at your clients] organisation as a whole in the UK? **IF UNSURE PLEASE ASK FOR ROUGH ESTIMATE**

0 (i.e. sole trader)	1
1-9	2
10-49	3
50-249	4
250 or over	5
Don't know	6
Refused	7

SIGN OFF / WILLINGNESS TO TAKE PART IN FUTURE SURVEYS

1. And finally, there is a chance that we may want to contact you again in future. Would this be OK? **IF ASKED:** This would be someone from FDS. Your answers would not be passed to HMRC/Revenue and Customs at an individual level.

Yes	1
No	2

2. There is also a chance that a different research agency, working on behalf of HMRC/Revenue and Customs may want to contact you again at some point in the future. Would this be OK?

Yes	1
No	2



**HM Revenue & Customs
Customer Understanding Team**

[NAME]
[ADDRESS 1]
[ADDRESS 2]
[ADDRESS 3]
[ADDRESS 4]
[POSTCODE]

Louisa Hackney
HM Revenue & Customs
3E/04
100 Parliament Street
London SW1A 2BQ
www.hmrc.gov.uk

Date

Your ref. [Ref]
HMRC ref. 7708/[Ser]

Dear Sir / Madam

Non-Statutory Business Clearances

We are trying to improve our customer service and would like your help. FDS International, an independent market research agency, is carrying out research into our Clearance applications process which you have used to find out how well it is working and where we need to improve.

From [Day] [Month] FDS may contact you by telephone. The survey lasts about 10 minutes.

You do not need to prepare anything in advance of the interview, as questions are about the application process, not the outcome of your application. The interview will be conducted in accordance with the Market Research Society Code of Conduct which ensures your answers are anonymous. In line with the Data Protection Act, FDS will not link your name with any of the information you give.

If you do not want FDS to contact you, please send an email, quoting your reference number 7708/[Ser] as the subject line, to hmrcoptout@fds.co.uk. You can also email this address to provide a suitable time to be contacted.

I hope you agree to take part and help us to help you.

Yours faithfully

A handwritten signature in black ink that reads 'L. J. Hackney'.

**Louisa Hackney
Research Officer**



Awarded for excellence INVESTOR IN PEOPLE