



Research report

Developing guidance for new VAT traders

Exploring the most effective way of providing
future guidance for new VAT traders

Business Customer Unit, HMRC

About the Business Customer Unit (BCU)

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

The BCU role is to help colleagues make customer focus a reality by understanding our Business Customers needs better and using that understanding to design better products, processes and service delivery.

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Research requirement (background to the project)

From April 2010, all existing VAT customers with a turnover of £100k or more, and all newly registering VAT customers, will have to file their VAT returns online. There was, therefore, a need to establish the best means of supporting **new** VAT traders with online filing from April 2010 onwards.

Until recently, a CD ROM containing information about how to file accurate VAT returns had gone out with the new VAT trader pack (issued to all new VAT customers after they have successfully registered). This product was introduced several years ago, but had not been evaluated since, and will soon no longer be offered.

It was critical the product provided good value by being easy to use and comprehensive in scope from the customer's perspective, while also being cost-effective for HMRC to deliver.

There was a need, therefore, to identify what newly registering VAT customers believe they need to help them file accurate VAT returns **generally**, and also what they need to enable them to file **online** from the outset. The research needed to establish what information and/or functionality they feel they require, and how best to provide that.

The overarching objective of the research was to explore the most effective way of providing guidance for new VAT traders in order to make the process of filing VAT returns online as easy and hassle-free as possible.

Who did the work (research agency)

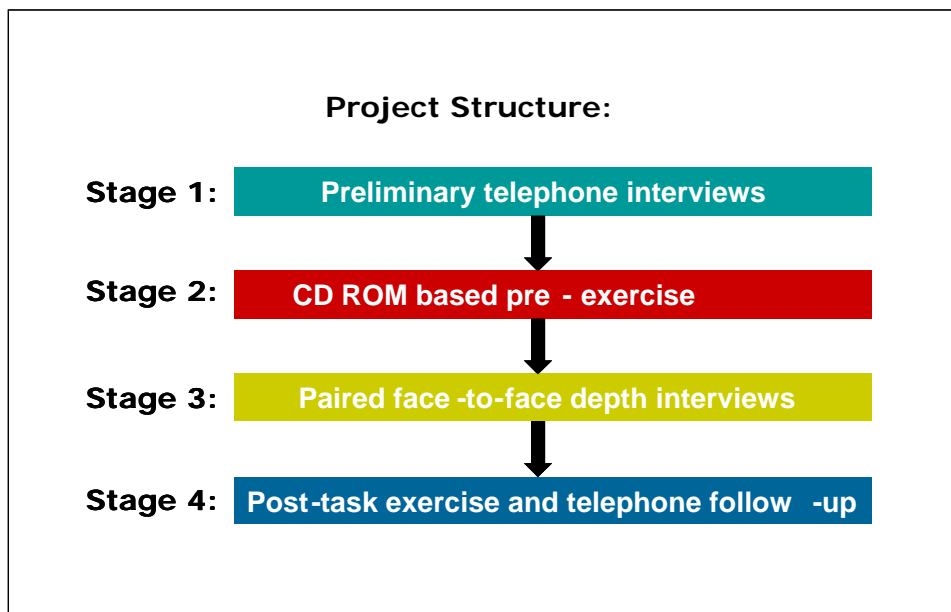
The research was conducted by Voodoo Research and Brand Consultancy. The team consisted of Peter Fenton-O'Creevy, Joint Managing Director of Voodoo, Matt Allen, Associate Director and Lizzie Haycocks, Research Executive.

When the research took place

13th July – 13th August 2009

Method, Data and Tools used, Sample

In order to engage with respondents fully, a staged approach was adopted in which a series of short, initial telephone interviews were conducted (to discover more about the needs and context of the VAT process for each business). Following this, respondents were required to complete a pre-task exercise in which they were asked to spend time looking at and providing feedback on the current CD ROM guidance. The aim of this was to remind respondents of the experiences they had when going through the process of VAT filing as a newly registered trader, as well as gaining feedback on the current guidance. Following this, 1½ hour paired depth interviews were conducted across 3 locations (London, Birmingham and Manchester) to discuss the issues in detail. Following the interviews respondents some options for the future guidance product were developed and these were sent to the respondents for their comments.



All respondents interviewed were responsible for filing their own VAT returns. In addition, the sample was biased towards those whose preference is for paper filing (in order to explore what the barriers to online filing may be for those less comfortable about the prospect).

To ensure we engaged with those close to the experience of being newly registered, all respondents had registered as new traders within the past 3-9 months with a number yet to have filed. Across the sample we aimed to recruit a mix of those who had made use of the current guidance vs. those who hadn't.

To ensure a spread of business types and needs we recruited a range of business sizes (between 1 and 30 people) and a spread of turnover (£14, 000 - £100,000+). In addition, a number of businesses were recruited who had more 'complex' VAT needs (importing/exporting, Z/R, offering international services etc.)

A small number of businesses were recruited who make use of existing accountancy software in order to explore what led to the decision to use accountancy software and the extent to which difficulties/confusion at the point of registration had an impact upon this. In turn, it allowed a fuller understanding of what role the guidance may have for businesses with this software.

In order to ensure the research made full use of the existing customer segmentation data respondents were screened attitudinally based on their attitudes to filing, technology, use of software and the use of online vs. paper systems for filing etc. The questions used for this segmentation during recruitment were based on an existing framework questionnaire provided by HMRC. The sample was split according to the segmentation data as shown below.

As those most nervous but willing to file online (and making up a significant proportion of the current customer segmentation), the sample was weighted towards Nervous Enthusiasts:

3 months or less since registering:	Paired Depth 1: 1 Nervous Enthusiast + 1 Supercapable London	Paired Depth 2: 2 Nervous Enthusiasts Manchester	
	Paired Depth 3: 2 Insecure Sceptics London	Paired Depth 6: 1 Traditionalist + 1 Simplicity seeker London	
3+ months since registering:	Paired Depth 4: 1 Nervous Enthusiast + 1 Insecure Sceptic London	Paired Depth 7: 1 Traditionalist + 1 Simplicity seeker London	Paired Depth 9: 1 Traditionalist + 1 Simplicity seeker London
	Paired Depth 5: 1 Nervous Enthusiast + 1 Insecure Sceptic London	Paired Depth 8: 1 Nervous Enthusiast + 1 Traditionalist Birmingham	Paired Depth 10: -2 Supercapables from same company London

Main Findings

The respondents we spoke to revealed no great concern surrounding their ability to understand the principles of VAT. Even though they had not dealt with it before, VAT is a familiar concept to nearly everyone. The general consensus was that it should take no longer than a half a day to familiarise themselves with the principles of the VAT process. The perceived difficulty of the process lay in understanding how these principles apply to the precise circumstances of their particular business and its specific needs.

The first issue this raised for respondents was being able to locate the aspects of the Guidance that were relevant to them. They accepted that the Guidance would need to work for all kinds of businesses and therefore would be likely to contain elements extraneous to their personal needs. The time constraints involved in running a business mean that being able to rapidly identify which bits of the VAT guidance are applicable to your business is of paramount importance.

Perceptions of the current guidance indicate that the way in which it is currently 'packaged' can make it appear a bit like a comprehensive 'manual', meaning some are put off from engaging with it in the first place. There was a clear appetite for the future product to be positioned as a 'quick start' guide. What respondents ideally wanted was a guidance product tailored to their personal needs, providing them with only the information essential to their particular circumstances, with links to further detail where necessary. In the absence of a truly tailored product there was a desire for a product that made it very easy for the user to distinguish between: elements everyone needed to read, elements they personally needed to read and elements that did not apply to them. This was felt to be principally an issue of clear signposting throughout the product.

The research highlighted the need for the product to work logically within the process of registering and filing for VAT. First, people need to know the principles of the VAT process, before understanding how to apply these to their business in order to file a return. This suggests there is logic in providing a

two-staged approach to guidance. This would entail separating issues relating to registration from concerns that relate to the post-registration process.

There were no real concerns around the guidance being offered online. Given the imminent move to online filing this was seen to be a natural step. In addition, many respondents had already chosen to register online and make use of the HMRC website for further advice, meaning an online guidance product seemed a logical choice. Any concerns that did exist about an online system stemmed from fears about the registration and filing process, not access to guidance.

There were several concerns about the move to online filing. Firstly, concerns surrounding the process of registering for online services. Some of these concerns existed because of negative experiences of using other Government Gateway systems. In addition, negative brand perceptions of HMRC as an organisation (being somewhat 'clunky' and old-fashioned) also fuelled this.

The other main concern around online filing was the result of fears about online payment, how secure this might be and how it might operate. Again, negative perceptions about HMRC and its lack of technological 'savvyness' strengthened these concerns. It should be noted, however, that these concerns were only expressed by a small minority within the sample.

Feedback on the online system indicated a need for any future guidance to play a dual role in *reassuring* customers around the speed and ease of both registration and use of online services as well as the security of payment. In addition, it was seen to be crucial that the *benefits and advantages* of the online system are made clear.

Current usage of the CD ROM was relatively low amongst the audience we spoke with (with only about a quarter making use of it). However, perceptions surrounding the content itself were generally positive. Whilst there was some sense that more detail could be provided in a few areas and less detail in a few others, overall the product was seen to be pitched at the right level.

The structure of the current product was also felt to work reasonably well – though there was a perception that this could be made a little more logical, by distinguishing more clearly between the 'principles' of VAT and sections of the guidance designed to explain 'how to apply the principles to your particular circumstances'.

The most negative feedback on the current CD ROM guidance was driven by issues around usability and user-friendliness. There was a clear desire for a more 'contemporary' visual style, easier to use (and more intuitive) navigation, links that lead straight to the relevant part of the pertinent document (rather than simply to a site or a 'library') as well as greater interactivity where examples are shown.