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Understanding tax administration for businesses

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Contents

Key findings.....	1
Executive summary	3
1 Introduction & Background	8
2 Sampling and methodology	9
2.1 Qualitative.....	9
2.2 Quantitative.....	9
3 Agents' services and views on computer technology.....	13
3.1 Agents' business clients and services.....	13
3.2 Impact of computer technology on agents' clients.....	15
3.3 Impact of computer technology on agents' fees.....	15
4 Complying with VAT	17
4.1 Process and Agent Use.....	17
4.2 Use of computer technology	18
4.3 Time, activities and employee involvement.....	19
5 Complying with Corporation Tax	21
5.1 Process and Agent Use.....	21
5.2 Use of computer technology	22
5.3 Time, activities and employee involvement.....	23
6 Complying with PAYE/RTI	25
6.1 Process and Agent Use.....	25
6.2 Use of computer technology	26
6.3 Time, activities and employee involvement.....	27
7 Complying with Self-assessment	29
7.1 Process and Agent Use.....	29
7.2 Use of computer technology	31
7.3 Time, activities and employee involvement.....	31
8 Complying with Customs Duties	33
8.1 Process and Agent Use.....	33
8.2 Use of computer technology	33
8.3 Time, activities and employee involvement.....	34
Conclusions.....	35
Appendices	36

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Key findings

This research was undertaken to update elements of HMRC's Standard Cost Model and to gather agents and businesses views more generally on the administrative burden to businesses of complying with tax obligations. The research focused on 10 tax obligations. The findings are based on qualitative and quantitative (telephone) research with tax and customs agents and businesses of sizes.

Businesses' experience of administrative burden

The large majority of businesses found it easy to prepare and provide information for their tax and customs obligations. Obligations relating to Income Tax for Businesses, VAT and PAYE were deemed easy by at least three-quarters of businesses but significantly fewer found Corporation Tax and Customs Declaration obligations easy to fulfil (63% and 56% respectively).

Businesses were asked to consider whether the administrative burden of complying with the obligations had changed over the past year. This timeframe was used to provide business with a reference point to aid recall. At least four-in-five reported no change. However, Customs Declaration, the provision of P60 information to employees and Full Payment Submissions (part of the payroll process) for existing staff were singled out by around one-fifth of businesses for being more burdensome.

The administrative burden process

Three-in-five businesses (60%) had used an agent to comply with their tax obligations. Use of agent was most common among micro and small sized businesses. Overall, almost all businesses used agents for their Corporation Tax obligations whilst few used them for VAT and Customs Duties obligations.

The majority of agents dealt with businesses of different sizes, providing diverse services. The most common were filing returns, dealing with HMRC queries/requests for information and inspections, preparation of company accounts, calculating tax payable and providing advice on general taxation.

Both the business and agent surveys collected data on the time and costs associated with compliance for each obligation. However, there is evidence that some businesses may have overestimated on both because they were unable to separate activities related to tax compliance from activities that they needed to do for the efficient running of their business.

The survey illustrated considerable variation in the reported time taken to complete each obligation depending on the complexity of the obligation and the business size.

The reported time taken to prepare and file the Corporation Tax Return varied according to business size. Those who **used an agent** (91% of businesses) stated that the obligation takes between 12 hours and 58 minutes for micro sized businesses and 55 hours and 34 minutes for large businesses, making this the most time consuming of the obligations included in this study.

More businesses undertook VAT obligations **completely in-house** rather than use an agent. The average reported time taken by businesses to provide information specified by HMRC on *each* VAT

invoice **was 9 minutes**, with small businesses reported a longer duration compared with medium and large businesses.

The reported time to keep and maintain a VAT account and submit a VAT return ranged from 5 hours and 18 minutes for a small sized business to 16 hours and 21 minutes for a large sized business undertaking this work completely in-house.

Businesses generally reported that they were charged lower agent fees for Income Tax for Businesses compared with PAYE and Corporation Tax. The fees reported by agents showed a similar pattern. However, in absolute terms, when looking at the difference in fees reported by agents and businesses, across all obligations the fees reported by agents were considerably lower than those reported by businesses. This is partly because some businesses found it difficult to isolate the costs for specific obligations from the total costs paid to their agent.

Agents reported that they typically charge their average client:

- **£265** for dealing with *all obligations related to PAYE for an average client*.
- **£184 to £238** for each of the three Income Tax for Business obligations.
- **£341** for Corporation Tax.

The role of digital technology

The move to electronic filing was widely seen as a success by agents and businesses in the qualitative research. Businesses were very enthusiastic about online filing seeing it as easier and quicker, and providing a greater degree of certainty and confidence in terms of the accuracy of calculations.

The business survey collected information on the use of computer software packages to prepare or file information. The majority of businesses used some form of computerised system, most commonly to submit PAYE information and Customs Declaration.

Businesses that used computer software packages tended to say that it had either made no difference or that it had increased the level of administrative burden; the latter was most noticeable for Income Tax for Businesses (around two in five cited an increase in burden) and Customs Declaration (52%).

Businesses offered a number of explanations for this increase these included changes to Customs arrangements, HMRC requirement for more regular information, and the business becoming more complex.

Executive summary

Background and objectives

HMRC commissioned Ipsos MORI to conduct research to update elements of the Standard Cost Model, and to gather agents and businesses views more generally on the administrative burden associated with complying with tax obligations. Specifically, the objectives of the research were:

- To explore views on the administrative burden experienced by business in dealing with HMRC obligations.
- To collect quantifiable data from different types of businesses on time and costs (including agents' fees) involved in complying with 10 obligations.
- To understand the role of digital technology in the way that businesses and agents comply with HMRC obligations.

HMRC chose 10 obligations as the focus for the research because they are believed to present the most burden to a wide range of businesses. The 10 in-scope obligations were in the following policy areas: Corporation Tax; VAT; Income Tax for Businesses; Customs Duties; and PAYE.

Method and sample

There were two stages to the research:

- Qualitative in-depth interviews with **41 businesses** and **18 tax agents** to inform the design of the surveys. These were conducted during August and September 2014.
- Quantitative research consisting of two telephone surveys: a survey of **1,061 businesses** and a survey of **403 tax agents**. These were conducted during October and November 2014. The response rates were 41% and 51% respectively.

Respondents in the business survey were asked about the administrative burden for **up to two** obligations. The obligations were purposively selected to ensure businesses of different sizes were represented for each obligation.

The size category and definitions used in the research were:

- Nano businesses – Zero employees.
- Micro businesses – One to nine employees.
- Small businesses – 10 to 49 employees.
- Medium businesses – 50 to 249 employees.
- Large businesses – 250 or more employees.

Main findings

Time and costs associated with HMRC tax obligations

Both the business and agent surveys collected data on the time and costs associated with compliance for each obligation. However, there is evidence that some businesses may have overestimated on both. For example, businesses in the qualitative research struggled to separate activities related to tax compliance from activities that they needed to do for the efficient running of their business (e.g. general accounts management). Whilst some businesses acknowledged and understood, when it was explained, that accounts management was not within the scope of the research, for many it was seen very much as 'part and parcel' of the tax process and businesses tended to spontaneously include it when asked to outline the steps they went through to meet their tax obligations. While it was clear that businesses see the accounts management process as an important part of managing their business, rather than simply responding to HMRC requirements, on a practical level it was difficult for businesses to disentangle this. This issue did not tend to be restricted to businesses with particular characteristics such as size.

Businesses in the qualitative research also found it difficult to apportion the costs paid to agents by obligation. This was generally a result of a lack of knowledge and involvement in the tax process because they outsource the work to an agent, but also an issue of recall as businesses were unlikely to keep a note of time spent and costs incurred. Some businesses - larger businesses especially – tended to have a broader relationship with their agent which went beyond completion of the tax return and these businesses found it difficult to break down what they use the agent for. To mitigate against these issues a datasheet was sent to businesses in advance of the interviews, and clear and simple instructions were used throughout the survey interview to ensure accuracy in the data collected. However, the differences in data provided by businesses and agents (in particular on agent costs) suggest that this is difficult information for businesses to provide.

Despite these challenges, both the business and agent surveys provide useful data on the relative time and costs associated with compliance for each obligation.

The survey illustrated considerable variation in the reported time taken to complete each obligation depending on the complexity of the obligation and the business size.

The reported time taken to prepare and file the Corporation Tax Return varied according to business size. Those who **used an agent** (91% of businesses) stated that the obligation takes between 12 hours and 58 minutes for micro sized businesses and 55 hours and 34 minutes for large businesses, making this the most time consuming of the obligations included in this study.

More businesses undertook VAT obligations **completely in-house** rather than use an agent. The average reported time taken by businesses to provide information specified by HMRC on *each* VAT invoice **was 9 minutes**, with small businesses reported a longer duration compared with medium and large businesses.

The reported time to *keep and maintain a VAT account and submit a VAT return* ranged from 5 hours and 18 minutes for a small sized business to 16 hours and 21 minutes for a large sized business undertaking this work completely in-house.

On average, agents reported that they charge their average client:

- £265 for dealing with *all obligations related to PAYE for an average client*.
- £184 to £238 for each of the three Income Tax for Business obligations.
- £341 for Corporation Tax.

Businesses' use of agents

The majority of businesses (60%) had used an agent for at least some of their tax administration activities. Use of agent was most common among micro and small sized businesses. Reasons for using an agent were linked to a lack of confidence and fear of submitting incorrect information, a lack of time, and a desire to benefit from the agent's specialist tax knowledge.

The use of agents by businesses varied across the different tax areas. Almost all used agents for their Corporation Tax obligations whilst few used them for VAT and Customs Duties obligations. Use of agents (versus undertaking the work in-house) was more evenly split for Income Tax for Businesses and PAYE obligations.

The majority of agents dealt with businesses of different sizes though in line with the business survey findings, the most common client groups were nano, micro and small sized businesses.

Agents provided a diverse range of services to businesses. **Tax agents** most commonly filed returns, dealt with HMRC queries/requests for information and inspections, prepared company accounts, calculated tax payable and provided advice on general taxation. **Customs agents** performed a narrower set of services for business clients; most commonly they dealt with HMRC queries/requests for information and inspections, calculated tax payable and provided payment advice.

Approaching half of agents (46%) reported an increase in the volume of business clients over the past five years; 30% reported no change and 22% reported a decrease. Agents attributed the increase to a number of factors including the recent economic downturn which left clients with fewer staff to deal with tax matters, the rise in businesses and individuals with complex tax affairs, and compulsory online filing of many taxes and the introduction of Real Time Information (RTI).

Use of computer technology and administrative burden

The large majority of businesses found it easy to prepare and provide information for their tax and customs obligations, and this was evident across the different obligations considered in the research. Obligations relating to Income Tax for Businesses, VAT and PAYE were deemed easy by at least three-quarters of businesses. However, significantly fewer businesses (though still representing a majority) found Corporation Tax and Customs Declaration obligations easy to fulfil (63% and 56% respectively).

Businesses were asked to consider whether the administrative burden of complying with the obligations had changed over the past year. This timeframe was used to provide business with a reference point to aid recall. **The large majority (at least eight in ten) reported no change in administrative burden, slightly less** for Customs Declaration, the provision of P60 information to employees, and Full Payment Submission (FPS) submission for new starters (68%, 71% and 78% respectively). Around one-fifth of businesses felt that there has been an increase in administrative burden for Customs Declaration, the provision of P60 information to employees and Full Payment Submission for existing staff.

Around one in ten also reported an increase in administrative burden for Partnership and Individual Partner tax returns, and Full Payment Submissions for new starters. In contrast, 11% reported a *decrease* in administrative burden for self-employment self-assessment returns.

Businesses in the qualitative research further expanded that they did not see tax obligations as being burdensome. In fact they were very accepting of the need to meet their tax requirements and saw this as an expected part of running a business. The process of preparing data was described as highly automated, using internal electronic systems, particularly for VAT and Partnership returns. Corporation Tax obligations were largely outsourced to an agent. The most burdensome part of the process was typically the preparation and checking of the annual accounts, which it was noted would have to be done anyway as part of general business management.

Where suggestions were made for reducing burden, they were generally related to reducing the burden of inspections, widening the scope of online processes and improving communications from HMRC so that businesses could more easily understand their obligations. In some instances, respondents said they could not see any obvious ways to reduce burden further.

The use of computer software to prepare or file information varied across the obligations. For example, it was least used by businesses to submit Income Tax for Businesses (mainly because more nano sized businesses are affected by these obligations and they are less likely to use computer software compared with larger sized businesses). In contrast, the majority of businesses used computer software to submit PAYE information and Customs Declaration.

Businesses that were positive about using computerised software to meet their tax obligations explained that it had helped them to reduce burden by automating key processes and supporting computations and the checking of figures. Many were already using software for their accounting purposes and were therefore happy to use them to meet their tax obligations as well. Agents in the qualitative research also reported that they actively encourage their clients to use computer software to reduce administrative burden by providing training and advice.

However, businesses that used computer software tended to say that it had made **no difference** or that it had **increased** the level of administrative burden. Reports of an increase in burden as a result of using computer software was most noticeable for Income Tax for Businesses (around two in five cited an increase in burden) and Customs Declaration (52%).

Agents attributed this anomaly to tax obligations in general becoming more complex and therefore, greater potential for errors. They also cited the lack of knowledge among businesses on how to use new systems in the transition period. Businesses also offered a number of explanations for the increased in burden despite greater use of computer software. These included changes to Customs arrangements,

HMRC requirement for more regular information, and their own business growing/becoming more complex.

The move to electronic filing was widely seen as a success by agents and businesses. Businesses were very enthusiastic about online filing seeing it as an easier and quicker route to filing. It was also said to have provided a greater degree of certainty and confidence in terms of the accuracy of calculations.

XBRL¹ was widely understood by agents. Despite some teething problems setting up and running XBRL, it was not seen as problematic. Businesses had rarely heard of this as it was generally seen as a 'hidden' system.

The large majority of agents (88%) used computer software packages when dealing with business client's tax obligations. Just one in ten (10%) had reduced their fees as a result; 76% had not changed their fees.

¹ XBRL or eXtensible Business Reporting Language is a process that adds computer-readable tags to business data. It allows the data to be processed automatically by software. The tags are included in the business accounts and computations that are sent to HMRC as part of the Corporation Tax return.

1 Introduction & Background

Administrative burden is defined as the costs imposed on business when complying with information obligations stemming from government regulation, such as tax returns. HMRC has an ongoing commitment to reduce administrative burden to businesses.

In 2005, HMRC commissioned research to understand and measure the annual ongoing costs to businesses of meeting their tax obligations. The previous work used the Standard Cost Model (SCM) Methodology (also known as the Dutch Model) as a framework methodology for measuring the administrative costs to businesses. The main output was a model which provides a cost estimate of the administrative burden to businesses for all HMRC obligations. HMRC monitors and assesses the administrative burden to business of all policy changes using the SCM as a consistent platform of data collected directly from businesses. The model uses a calculation of price by quantity to derive administrative burden – gathering data on a range of costs (internal, external and acquisition costs) against number of businesses and frequency of activity.

HMRC is updating the model and wanted to review the processes involved for businesses in complying with obligations that present the most burden to a wide range of businesses. There are 10 in-scope obligations, which are in the following tax policy areas: Corporation Tax; VAT; Income Tax for Businesses; Customs Duties; and PAYE. The purpose of this research is to update elements of the SCM and to gather agents' and businesses' views on the administrative burden associated with complying with tax obligations. It does not repeat the work of the previous project, which aimed to build a model to measure the total tax administrative burden for UK business.

This research employed an exploratory qualitative phase, followed by two quantitative surveys with Businesses and Tax Agents. Specifically, the research objectives were:

- To explore views on the administrative burden experienced by business in dealing with HMRC obligations
- To collect quantifiable data from different types of businesses on time and costs (including agents' fees) involved in complying with 10 obligations
- To understand the role of digital technology in the way that businesses and agents comply with HMRC obligations.

2 Sampling and methodology

This chapter provides a summary of the methodological approach adopted in this study. Full technical details are presented in Appendix A.

2.1 Qualitative

A total of 59 interviews were undertaken with businesses and agents (51 by telephone and eight face-to-face²). Businesses were recruited to include a range of sizes, sectors, number of years trading and use of a tax agent. Agents were recruited based on the size of their organisation and the size of their clients' organisations. Organisation sizes were categorised according to number of employees as follows:

- Nano businesses – Zero employees
- Micro businesses – One to nine employees
- Small businesses – 10 to 49 employees
- Medium businesses – 50 to 249 employees
- Large businesses – 250 or more employees.

Recruitment was conducted by telephone from a sample provided by HMRC. Table 1 shows the achieved sample profile for businesses and agents.

Table 1: Qualitative sample profile of businesses and agents

		Businesses Interviewed	Agents Interviewed
Size	Nano (0 employees)	11	8
	Micro (1-9 employees)	2	6
	Small (10-49 employees)	11	1
	Medium (50-249 employees)	7	2
	Large (250+ employees)	10	1
Legal Status	Sole Trader	13	13
	Partnership	10	10
	Company	18	19
Size of clients	Nano (0 employees)		6
	Micro (1-9 employees)		7
	Small (10-49 employees)		2
	Medium (50-249 employees)		2
	Large (250+ employees)		1
Total		41	18

2.2 Quantitative

² Respondents were given the option of face-to-face or telephone interviewing.

Quantitative telephone surveys were conducted with:

- **403 tax/customs agents.** Interviews were conducted with the person who dealt with tax returns or the administration of customs declarations.
- **1,061 businesses** comprising 158 Nano sized; 235 Micro; 238 Small; 284 Medium; and 146 Large. Interviews were conducted with the Managing Director, Finance Director or business owner.

The qualitative research highlighted that businesses found it difficult providing information on the time and cost associated with HMRC requirements at the obligation level (see Table 2 below). As a result, an information sheet was emailed to businesses in advance of the telephone interview; this is standard practice in social surveys that collect information which respondents may need to prepare in advance. The information sheet explained that respondents would be asked questions about the time spent by their organisation in fulfilling certain tax obligations (i.e. excluding time spent on business as usual activities) and it also listed the specific activities that they would be asked about (see Appendix A).

Fieldwork took place during October and November 2014. The average interview length was 15 minutes for both surveys. The response rate was 41% for the business survey and 51% for the agent survey.

The sample for both surveys was provided by HMRC, as well as from the Inter-departmental Business Register (IDBR) which is administered by the Office for National Statistics.

2.2.1 Obligations

The two surveys covered the following tax obligations. Respondents in the business survey were asked about the administrative burden for up to two obligations; these were purposively selected to ensure businesses of different sizes were represented for each obligation.

Table 2: Obligations covered in the surveys

Policy area	Businesses	Agents
Corporation Tax	Produce the Corporation Tax Computation for the Company Tax return (Form CT600)	File the Company Tax return (CT600 Return)
	Prepare and file the Corporation Tax return (CT600 Return)	
VAT	Issue VAT invoices	
	Keep and maintain a VAT account and submit a VAT Return	Prepare information for and submit a VAT Return
Income Tax for Businesses	Complete a Self-assessment Return related to self-employment (Trade pages).	Complete a Self-assessment Return related to self-employment (Trade pages).
	Complete a Partnership Tax Return (SA800)	Partnership Tax Return (SA800)
	Complete a Self-assessment Return related to an individual partner (Partnership pages; Form SA104)	Self-Assessment Return related to an individual partner (Partnership pages; Form SA104)
Customs	Submit a Customs Declaration (Form C88 - Single Administrative Document)	Submit a Customs Declaration (Form C88 - Single Administrative Document)

		Provide evidence to support a claim for a preferential rate – Form A
PAYE	Complete Real Time Information - Full payment submissions to existing staff	Real Time Information - Full Payment Submissions
	Complete Real Time Information - Full payment submissions – additional information for new starter	
	Information to employees about payments and tax deducted during the tax year (Form P60)	Information to employees about payments and tax deducted during the tax year (Form P60)

2.2.2 Activities and staff involved in completing tax obligations

The SCM requires information on the range of activities that businesses might need to carry out in order to complete the obligations. For each obligation, the average length of time spent by businesses undertaking the activities (reported in minutes to be compatible with the SCM) and the average salary of the employees completing the activities, along with any costs paid to tax agents (e.g. accountants) are used by HMRC to estimate the time and money spent by businesses meeting their tax obligations. The information also gives an indication of the activities that are most time-consuming and/or costly.

The SCM uses 16 activity categories³; these have been grouped into five broad categories for this research based on feedback from the qualitative and cognitive testing phases that businesses found it difficult to provide this level of detail over the telephone. The activity categories used in the business survey were:

- Gathering, retrieving and assessing relevant figures/information
- Preparing/calculating figures
- Preparing written descriptions of data, copying, filing, distributing or submitting information/reports
- Making settlements or payments (eg. taxes or charges)
- Any other activities not mentioned.

The following occupations were used to categorise staff undertaking each activity; the categories correspond to Standard Occupational Classification used in the Annual Survey of Hours and Earnings Survey (ASHE):

- Chief executives, Chairperson
- Senior/Departmental managers and director (e.g. Financial Controllers, Group Tax Managers, Operations Managers)
- Office/General managers
- Chartered and certified accountants
- Business, finance and related associate professionals
- Taxation experts
- Human resources and industrial relations officers
- Accountants, Book-keepers, payroll managers and wages clerks

³ The PwC report *Administrative Burdens Measurement Exercise Technical Summary* (2006, pgs 21-22) provided a mapping of the 16 SCM activity categories into the broader categories used in the survey

- Other administrative occupations
- Owner / Proprietor
- Partner
- Another occupation not listed above.

2.2.3 Analysis method

Two weights have been applied to the business survey dataset:

- A *business level weight* designed to make the survey representative of all UK businesses.
- An *obligation level weight* designed to make the dataset per obligation representative of all businesses that comply with that obligation.

Tax agents were weighted by turnover and legal status:

- Agents with turnover of above £81k⁴ (from the IDBR) or £81k and below (from the HMRC database).
- Within each group, they were weighted by legal status: sole traders, partnerships or companies.

The data for customs agents were unweighted because there was no profile information for this group. Findings for customs and tax agents are reported separately.

Outliers in both the business and agents datasets were identified and 'trimmed means' calculated for the 'time' and 'cost' variables (see Appendix A for more details).

The sample for the qualitative research was purposively selected to focus on key groups of interest. Wider inference may be drawn from the findings, but they are not statistically representative.

⁴ The VAT threshold for the financial year April 2014 to March 2015 is £81,000.

3 Agents' services and views on computer technology

This chapter explores businesses' use of tax agents from the perspective of both the businesses and agents that took part in the qualitative research and subsequent surveys.

Overall, **three in five (60%) of businesses reported that they had used an agent for at least some of their tax administration activities**. There was some variation by size of organisation, with medium sized businesses **least** likely to have used an agent (51%), and micro (69%) and small (70%) businesses **most** likely⁵.

The majority of tax agents in the survey were accountancy / auditing firms (85%), whilst nine per cent classed themselves as book keepers and five per cent as tax consultants.

The large majority of customs agents (91%) identified themselves as international trade or freight forwarders. Nine per cent described themselves as customs agents.

3.1 Agents' business clients and services

The majority of agents dealt with businesses of different sizes. The most common clients groups were nano, micro and small sized businesses (Table 3). Significantly fewer of those interviewed dealt with the tax administration for medium and large sized businesses.

Agents in the qualitative interviews provided two main reasons for why their clients use them: lack of knowledge/confidence and fear of inadvertent non-compliance. Using an agent allowed businesses to distance themselves from the anxiety of fulfilling tax obligations. Certain smaller businesses were felt to be especially lacking in confidence and know-how. Even where businesses had managed their own tax affairs as a small business, as businesses grew and their tax affairs became more complex it was said to be difficult for them to acquire the necessary understanding and knowledge to manage this and as such needed the reassurance of handing them to a professional.

Table 3 - Proportion of agents with business clients in each of the five organisation size bands

Agents' clients by business size	Base	Proportion of agents with this size client
Businesses with no employees (e.g. sole traders)	341	84%
Micro businesses (1-9 employees)	347	83%
Small businesses (10-49 employees)	284	60%
Medium businesses (50-249 employees)	153	28%
Large businesses (250+ employees)	71	15%
Total	403	

⁵ The corresponding figures for nano and large sized businesses are 55% and 59% respectively.

Businesses' views of why they use agents broadly supported the reasons given by agents. Smaller businesses (nano, micro and small sized) were widely found to use agents because they lacked the confidence to deal with tax obligations themselves (particularly nano sized businesses). Mainly this related to a lack of understanding regarding what was required – which in more exceptional cases was underpinned by language barriers – but it was also driven by a fear of getting things wrong.

Other reasons given by smaller businesses (nano, micro and small sized) for using an agent tended to relate to a lack of time (and desire) to manage their tax affairs given the need to focus on their business, and to ensure greater privacy (in the case of Partnerships) as using an agent meant information was shared with the agent, rather than the other partners.

The most common services **tax agents** provide to business clients were (agents gave multiple responses):

- Filing returns (97%)
- Dealing with HMRC queries (97%)
- Preparing accounts (95%)
- Dealing with HMRC's requests for information and inspections (95%)
- Calculating tax payable (93%)
- Providing advice on general taxation (86%).

Other common services (though cited less frequently by agents) were providing payment advice (71%) and tax planning (60%).

Customs agents performed a narrower set of services for business clients. The most common were dealing with HMRC queries (90%), dealing with HMRC's requests for information and inspections (77%), calculating tax payable (75%) and providing payment advice (62%).

Nearly half of agents (46%) reported an increase in the volume of business clients they provided tax/customs duties services to over the past five years; 30% reported no change and 22% reported a decrease.

The qualitative interviews with agents also provided some insight into changes in businesses' use of agents. Agents reported that the recent economic climate was said to have left clients with fewer staff, in particular the junior staff who might have pulled together information for tax purposes. Businesses had less time to deal with tax matters, and there was a greater need for tighter controls on business costs. This has led to a change in the way agents work with businesses, as they are asked to provide more support (for example, key services such as book-keeping and end of year accounting) and to upskill staff (running training sessions) – this was particularly the case for nano, micro and small sized businesses. Some clients outsourced labour-intensive activities such as book-keeping to their agent or a third party and handed over tax obligations to an agent at the same time.

Agents also reported that there has been an increase in businesses and individuals with complex tax affairs and in higher tax brackets, resulting in greater demand for agents.

Agents said that compulsory online filing of many taxes had driven certain businesses to start using agents over recent years as they felt uncomfortable using electronic systems – this was felt to apply more to older business owners and smaller businesses. However, agents thought that as younger, more tech-savvy, business owners emerge this may change, with possible implications for HMRC as submissions may become less accurate without the input from agents. There had been a growing use of

software by businesses, for instance to run payroll (as well as for book-keeping) but recently this has changed, as some businesses have chosen to use agents because of the introduction of Real Time Information (RTI).

A final perceived change over recent years was that HMRC's public image has become 'sterner'. HMRC was said to take a more aggressive stance and this was thought to have encouraged more businesses to rely on agents.

3.2 Impact of computer technology on agents' clients

Over three in five agents (63%) believed that there has been an increase in their business clients' use of computerised systems for tax obligations/customs duties over the past ten years; 30% believed that there had been no change.

The majority of agents were positive about the impact of computerised systems on businesses: 59% believed that they have reduced the administrative burden on businesses; 23% disagreed mainly because they felt that tax obligations have become more complex and time consuming, and that businesses do not have the necessary knowledge to use the systems.

The agents interviewed in the qualitative research suggested that most business clients were happy to use software such as Sage or Excel spreadsheets to send information to them, as they were already using these systems for their own business purposes, including keeping records and dealing with their own clients. The exceptions tended to be sole traders (such as painters and decorators) who did not use computers as part of their business and more established businesses who preferred to maintain a paper system. They also reported some resistance from businesses to purchasing new IT systems.

Nevertheless, agents were keen to encourage the use of software as it was said to make their lives easier (providing that it is regularly updated and used correctly) and this, in turn, enabled them to keep their fees down for clients.

The businesses interviewed in the qualitative research shared similar views to agents; use of computerised systems was seen as supporting business to meet their tax obligations and thus reducing the burden experienced. Importantly, computerised systems had helped by automating key processes and supporting computations and the checking of figures. It should be noted, that businesses had generally introduced electronic systems to improve the running of the business rather than because of HMRC requirements specifically, but regardless this had supported them in meeting their tax obligations.

3.3 Impact of computer technology on agents' fees

The large majority of agents (88%) used computer software packages when dealing with business clients' tax obligations. The agents interviewed in the qualitative research tended to use third party software such as Iris and Sage. There were mixed views about HMRC software; some described it as 'clunky' and less flexible and easy to use (for example, unable to work out all the allowances or recalculate tax); others viewed it as 'surprisingly' good and sufficient for simple tasks. In most cases, purchasing packages such as Sage was seen as worth the cost to the agent as they are simple to use and make life easier - especially as they can be used to send returns directly to the HMRC system and when used correctly by clients, ensured a better quality of base record to work from.

Agents who did not use computer software (12%) stated that their workload was manageable without it (54%) or that they had always used paper records (50%). Very few cited cost as a reason (four per cent), or that they lacked the experience (three per cent) or did not have the time to learn how to use computer software (two per cent).

Agents mainly used computer software to calculate tax payable (92%) and submit tax/customs returns (89%). A third of users (33%) transferred information to and from their clients and nine per cent used it for accounts/book-keeping.

Three-quarters of agents in the survey (76%) reported that they had not changed their fees as a result of using computer software packages. One in ten (10%) reported that they had been able to **reduce** their fees because the use of computer software had reduced the time spent on calculations. Other time-saving processes included figure checking, transmission of information to HMRC, information collation and dealing with client queries. On average, agents reported a 23% fees reduction.

A similar proportion of agents – eight per cent - reported a **fee increase** (on average by seven per cent) as a result of using computer software packages. The reasons for the increase related to the additional costs of buying the software and ongoing licence fees, maintenance and upgrade costs, the cost of migrating client information into the new system and staff training.

3.3.1 eFiling and Cloud Accounting

Agents in the qualitative interviews felt that, on the whole, the move to electronic filing had been a success. It had streamlined processes and provided certainty in the form of an immediate written record and reduced the risk of incorrect processing. However, they reported that they had to do more chasing to get clients' accounts submitted earlier. One agent reported that they charge lower fees for clients who were prepared to use Cloud Accounting.

Agents also expressed interest in using Cloud Accounting to interrogate clients' books. However, most had not used it yet because they regarded it as 'slow and clunky'. There were also some concerns over the security of clients' information.

4 Complying with VAT

This chapter presents findings about businesses' experiences of complying with:

- *Issuing VAT invoices* - the process of including the information required by HMRC onto each invoice (e.g. an invoice number, seller's name/ address etc.)
- *Keeping and maintaining a VAT account and submitting a VAT return*. The VAT account includes the general accounting data and involves keeping copies of invoices. The VAT return requires businesses to provide information on the amount of VAT due on sales to HMRC on an annual, quarterly or monthly basis.

All businesses with an annual turnover of £81,000 or more are required to fulfil these VAT obligations.

Agents' views on *submitting a VAT return* are also explored in this chapter, since some businesses outsource this process to tax agents.

The survey findings are based on 199 business responses for *issuing VAT invoices*, 339 business responses for *keeping and maintaining a VAT account and submitting a VAT return*, and 89⁶ agent responses.

4.1 Process and Agent Use

The majority of businesses found it easy to fulfil these VAT obligations. Nearly nine in ten (87%) found *issuing VAT invoices* easy (including 45% citing 'very' easy); slightly fewer (73%) found it easy to *keep and maintain a VAT account and submit a VAT return* (including 25% citing 'very' easy). Businesses that reported difficulty were in the minority (five and seven per cent respectively). The qualitative findings supported this, with VAT deemed one of the least onerous tax areas because, even though it was done in-house, it was a very routine, straightforward process, described by one business as '*a turn-key operation*'. All the information needed was already collected and easily available from accounting software systems. Additionally, the VAT return form was viewed as much shorter and simpler than forms for other tax obligations.

The large majority of businesses reported that the **burden associated with complying with these two VAT obligations was unchanged over the past 12 months** (87% and 85% respectively).

Businesses in the qualitative interviews tended to associate increased burdens with VAT inspections and compliance visits (even though they were not specifically asked about these). These typically affected larger businesses and were viewed as resource-intensive and time-consuming. However, the need to have inspections was understood by businesses. It was said that inspections could be completed more quickly, with one business suggesting their inspection took 18 months to complete including time spent resolving queries⁷. In addition, it was suggested that communication and consistency could be improved regarding inspections, with officers gaining more information ahead of time regarding any previous inspections undertaken in order to better understand the business and avoid duplication. Other burdens

⁶ Base sizes were smaller for questions about time taken and for fees. See Tables in Appendices.

⁷ This also applied to Corporation Tax.

identified were associated with specific business types whose particular circumstances meant that VAT rules were more complex.

The majority of businesses completed VAT returns quarterly (83%); 12% did it monthly and just one per cent did them annually. A sizeable minority (43%) did not incur costs as a result of complying with the requirement to keep and maintain VAT records for six years. However, other businesses reported the following costs: agents' bills (20%); storage/electronic archiving (12%); maintaining computers (10%); and administrative staff time (six per cent).

Three in ten businesses (30%) used an agent to assist with *keeping and maintaining a VAT account and submitting a VAT return*; 17% outsourced all of this work and 13% outsourced some of it.

For *keeping and maintaining a VAT account and submitting a VAT return*, agents were mainly commissioned to calculate tax payable (78%) and to file returns (72%). Across the businesses that used an agent, the fees paid for these services averaged £991.

Agents indicated significantly lower average fees of £158 for *preparing information for and submitting a VAT return*.

4.2 Use of computer technology

Three in five businesses (58%) used computer software to issue VAT invoices; significantly less for *keeping and maintaining a VAT account and submitting a VAT return* (44%), partly because more businesses outsourced this work to an agent. Indeed businesses that performed these tasks (i.e. keep, maintain and submit a VAT return) completely in-house were more likely to have used a computer software (53%).

The main reason for **not** using computer software was that it was unnecessary for the size of the business⁸.

Businesses mainly used computer software to calculate tax payable (77% to issue VAT invoices and 73% for keeping and maintaining a VAT account and submitting a VAT return) and submit returns (69% and 61% respectively). Paid for commercial software was most commonly used (80% used it to issue VAT invoices and 62% used it for keeping and maintaining a VAT account and submitting a VAT return). Free commercial software was significantly less commonly used (nine per cent and 18% respectively).

Use of computer software did not appear to have had a positive impact on businesses' perception of burden for these two VAT obligations. Although the majority indicated that the burden had not changed as a result of using computer software (62% and 51% respectively), a sizeable minority said it had increased the burden to them (37% and 42% respectively).

⁸ Base sizes too small for subgroup analysis.

4.3 Time, activities and employee involvement

The average reported time taken to *issue a VAT invoice* was 9 minutes, with small businesses reported a longer duration compared with medium and large businesses. This process requires businesses to include information specified by HMRC on *each* invoice such as the business name, address, VAT number, date, invoice number, customer's details, description of the goods or services and amount – with and without VAT. However, businesses' breakdown of the activities they undertook to meet this obligation (section 4.3.1) suggests that there was some confusion about what this obligation actually involved. For this reason, the analysis was restricted to those stating 30 minutes or less (i.e. twice the median).

The average reported time to *keep and maintain a VAT account and submit a VAT return* was 5 hours and 52 minutes for businesses undertaking this work completely in-house (ranging from 5 hours and 18 minutes for a small sized business to 16 hours and 21 minutes for a large sized business). The average time for **those that had used an agent was higher**; this was mainly due to the much higher than average time reported by nano sized businesses. This finding is consistent with the views expressed by agents in the qualitative research – that is, nano sized businesses tended to have very limited understanding of taxation and their obligations. Agents also reported that nano sized businesses were *less* likely to keep systematic records/invoices which may involve them spending longer providing this information to their agents compared with businesses that undertake this obligation themselves.

Overall, **agents reported that they spent on average 3 hours and 36 minutes for *submitting a VAT return***.

4.3.1 Activities and employee involvement

Businesses were asked to indicate any of the four activities in Table 4 they had undertaken in order to meet their VAT obligations⁹.

The two most common activities reported by businesses were *gathering, retrieving and assessing relevant figures/information* and *preparing and calculating the figures needed*. The former was also reported to take the longest amount of time to do. Table 4 shows the proportion of businesses engaged in each of the activities in relation to the VAT obligations (businesses were allowed to give multiple responses); the responses suggest that some businesses had misunderstood the requirement of this obligation¹⁰ and included activities which are not applicable. This will have contributed to the higher average time reported.

Businesses were also asked the occupation of the staff member who had carried out the activities. The activities were undertaken by a range of employees, with the business owners, Partners and clerks being involved most frequently¹¹.

⁹ Businesses also had the option to specify other activities that were not listed. See section 2.2.2 for more details on how the activities relate to the SCM.

¹⁰ This is the process of including the information required by HMRC onto **each** invoice (e.g. an invoice number, seller's name/ address, seller's VAT registration number, invoice date, customer's name/address, a description of the goods or services and any cash discount, total amount of VAT charged etc).

¹¹ See section 2.2.2 for more details on the occupations used in the survey.

Table 4: Proportion of businesses who engage in each type of activity

Note: Businesses were allowed to give multiple responses	Base	Gathering / retrieving	Preparing / calculating	Preparing written descriptions	Making settlements	Proportion doing all four activities
Issue VAT invoices¹²	191	70%	76%	62%	52%	27%
Keep and maintain a VAT account	297	90%	80%	56%	69%	44%

Gathering information and *calculation and preparation* were also reported to be the most time consuming processes in the qualitative research. *Gathering information* was typically undertaken by one staff member who obtained the figures needed to complete a VAT return from a set of accounts that had already been compiled as part of a routine book-keeping process. For example, one nano sized business found the required figures already calculated in an excel spreadsheet used to keep the annual accounts, while larger businesses that used software packages such as Sage or Evolution printed off the VAT figures generated automatically by the software. The time and 'effort' with the process of keeping and maintaining the VAT account was very much seen to focus on the book-keeping element rather than the process of submission, and providing accounts were up-to-date this was seen as easy to manage and relatively quick to complete. Submission was certainly seen as a small part of the process. The figures were then checked and verified to varying extents before being manually entered into the online VAT return. In larger businesses, junior accounts staff pulled reports from software and checks were carried out by a more senior staff member such as a Finance Director.

¹² The responses relating to *VAT invoicing* suggest that some respondents may have been considering the VAT process more generally, as this obligation requires information to be added to invoices, as opposed to making settlements.

5 Complying with Corporation Tax

This chapter presents findings about businesses' experiences of *preparing and filing the Corporation Tax Return (CT600 Return)* - the process of calculating and compiling and checking information required to produce the corporation tax computation and to submit the CT600 return to HMRC.

This chapter also includes agents' views on:

- *Producing the Corporation Tax Computation for the Company Tax Return (Form CT600)* - the documentation of the calculations of tax required for the CT600 form.
- *Filing the Company Tax Return the CT600 return* - the process of compiling information from different sources into the CT600 return to submit to HMRC.

All private and public limited companies are required to fulfil this obligation. The survey findings are based on 268 business responses and 80¹³ agent responses.

5.1 Process and Agent Use

Businesses' use of agents was widespread for *preparing and filing the Corporation Tax Return*.

Three-quarters of businesses (74%) completely outsourced their CT600 Return to an agent, whilst 17% outsourced some of the work. Large businesses were more likely to keep some of the work in-house (Table 5). Businesses most commonly used agents to calculate tax payable (87%) and file the return for them (82%).

Table 5 – Use of Agent for Corporation Tax by organisation size

	Base	Completed the obligation in-house	Completely outsourced the obligation	Outsourced some of the work
Micro businesses (1-9 employees)	54	8%	74%	17%
Small businesses (10-49 employees)	64	5%	83%	13%
Medium businesses (50-249 employees)	62	8%	58%	30%
Large businesses (250+ employees)	85	22%	21%	56%

Two thirds of businesses (63%) found it easy to prepare and file the Corporation Tax Return including 20% citing 'very' easy; while one in ten (nine per cent) found this obligation difficult.

Four in five businesses (81%) indicated that the administrative burden of complying with this obligation had not changed over the past 12 months; just one per cent said it had decreased.

Among the minority who reported an increase, the most common reason given was that the business had grown and/or become more complex.

These findings were echoed across the qualitative interviews in which Corporation Tax was generally seen as straightforward, as it was largely outsourced to an agent, and the process of producing a set of

¹³ Base sizes smaller for time and fees questions – see Tables in Appendices.

accounts to be given to the agent was highly automated, with little activity involved in addition to the usual record-keeping which businesses would have to do anyway. In assessing the level of administrative burden, businesses compared Corporation Tax duties to other obligations which were found to be more burdensome. For example, one company set it in the context of greater difficulties they encountered with Excise Duty paperwork for their exports, while another business explained that they spent much more time working on Payroll Tax, even though it constituted less tax spend. Similar to VAT, businesses felt the one area in which Corporation Tax could be improved was in streamlining inspections.

Businesses in the survey reported **paying agents an average fee of £2,490**, ranging from £1,853 for micro businesses up to £43,597 for large businesses. Businesses in the qualitative research also provided very varied estimates for agents' fees, and in a number of instances respondents were unable to separate out specific costs related to Corporation Tax; they tended to provide an overall amount charged by agents for services rather than a firm breakdown of the fees. This was generally said to be a reflection of the way fees were organised, with business usually receiving a total bill covering both tax and other related activities. For instance, the amount negotiated with the agent for dealing with Corporation Tax would also be likely to include preparing the end of year accounts. This suggests that some of the fee estimates provided by businesses for Corporation Tax may include additional services provided by agents.

This may also explain the **much lower average fees reported by agents** - £245 for *producing the Corporation Tax Computation for the Company Tax Return* and £181 for *filing the Company Tax Return* (and £341 for Corporation Tax overall).

5.2 Use of computer technology

Over half of businesses (54%) used computer software for this obligation, most commonly to calculate tax payable (56%) and submit returns (49%). Two in five businesses (43%) did not use computer software mainly because they outsourced the work to an agent.

Paid-for commercial software was used by the large majority (90%); just 8% used free HMRC software. However, most businesses stated that computer software either had not changed (63%) or increased (27%) the administrative burden of meeting the obligation. Just 3% said that the burden had decreased as a result of using computer software.

Similarly, when asked about the impact of the **XBRL process**¹⁴ on administrative costs, two-thirds of the 31 businesses who used XBRL tagging said that it had made no difference, whilst one-third said it has increased costs because they had needed to purchase software, train staff to use the software, or pay for an auditor.

¹⁴ XBRL or eXtensible Business Reporting Language is a process that adds computer-readable tags to business data. It allows the data to be processed automatically by software. The tags are included in the business accounts and computations that are sent to HMRC as part of the Corporation Tax return.

Agents were asked which Corporation Tax services they provide in relation to XBRL. They most frequently provided the full end-to-end service including accounts production, tagging¹⁵ and submission (87%), followed by tagging accounts, computations and submitting the return for the client (83%), and preparing accounts and computations - no tagging (52%). A fifth (19%) used a managed tagging service included those outsourced overseas. The computer software most used by agents for tagging services were¹⁶: IRIS (31%), HMRC Software (22%), VT Software (15%), Sage (13%) and PTP Software¹⁷ (10%). In the qualitative interviews only a handful of businesses knew much about XBRL. In these instances, businesses were familiar with Corporation Tax and knew that agents tagged and transmitted data to HMRC using XBRL.

Agents' views on XBRL in the qualitative interviews were mixed. The majority of agents preparing Corporation Tax returns had heard of XBRL. However, examples of using XBRL were more limited (i.e. to send information to Companies House). Several felt that it was a trouble-free system; once set up it meant that accounts could be submitted at the last minute, without incurring costs on postage or couriers.

However, there had been a steep learning curve and set-up costs (in terms of which packages worked best and how much these would cost), and it also took time to convert clients' accounts into a suitable form if they did not use compatible packages such as Iris. In some instances, agents had passed on these costs to their clients, and this was echoed in the survey in which almost all agents who dealt with Corporation Tax (95%) said that they have had to increase fees as a result of the requirement to use XBRL. Nine-in-ten (90%) also said that there had been no change in the volume of clients as a result of the introduction of XBRL.

5.3 Time, activities and employee involvement

Businesses were asked to indicate any of the four activities in Table 6 they had undertaken when completing the CT600 Return¹⁸. The most **common** activity reported was to *gather, retrieve and assess relevant figures/information*. This was also reported to take the **longest** amount of time.

Businesses were also asked the occupation of the staff member who had carried out the activities. Across the four activities, the employees most frequently involved were senior managers and clerks¹⁹.

¹⁵ Computer-readable tags are attached to electronic files and can be read by people on screen or in printed form. This means that businesses do not need to change the content, style or layout of accounts and tax computations, and HMRC will be able to view the Company Tax Return exactly as it has been submitted.

¹⁶ These are all commercial software with the exception of HMRC software.

¹⁷ Also produced by IRIS.

¹⁸ Businesses also had the option to specify other activities that were not listed. See section 2.2.2 for more details on how the activities relate to the SCM.

¹⁹ See section 2.2.2 for more details on the occupations used in the survey.

Table 6: Proportion of businesses who engage in each type of activity

Note: Businesses were allowed to give multiple responses	Base	Gathering / retrieving	Preparing / calculating	Preparing written descriptions	Making settlements	Proportion undertaking all activities
Prepare and file the Corporation Tax Return	185	90%	60%	63%	80%	42%

The average reported time taken to prepare and file the Corporation Tax Return varied according to business size. On average, those who **used an agent** (91% of businesses) stated that the obligation takes **13 hours and 27 minutes**, and this varied between 12 hours and 58 minutes for micro sized businesses and 55 hours and 34 minutes for large businesses.

The qualitative interviews with businesses provided some insight into these differences. For example, it was found that smaller businesses spent 'minimal' time on their main activity which was *gathering information*. This was because the production of annual accounts was a very quick process as it was based on records kept throughout the year. Running a report in Sage, for example, was explained to be extremely quick, and provided calculations in all the categories needed by the agent.

Medium and large sized businesses on the other hand were more likely to include time spent on checking and finalising the annual accounts in their estimate of time spent on activities relating to Corporation Tax, so their estimates were generally higher. Some larger businesses provided higher estimates of time spent on activities relating to Corporation Tax because they included the time period over which the annual accounts were compiled and finalised, for example two or three weeks. However, it was seen as difficult to provide an accurate account of time spent on this activity as it was carried out intermittently throughout the year.

Agents reported an average of **1 hour and 42 minutes** for *producing the Corporation Tax Computation for the Company Tax Return* and **1 hour and 45 minutes** for *filing the Company Tax Return*.

Agents in the qualitative interviews reported spending minimal time on computations and completion of the Corporation Tax Return, whereas book-keeping and producing a set of accounts took up a much greater proportion of their time. Once the agent had a correct set of accounts, completion of the Corporation Tax form was said to take around an hour. This task would only take longer if the business' affairs were more complicated, for example if they had foreign income. As an example, one agent (micro with mix of sized clients) broke the time they spent on Corporation Tax as follows: book-keeping (60%); account production (25%); tax computation (10%); and submission and dealing with HMRC (five per cent).

6 Complying with PAYE

This chapter presents findings about businesses' experiences of complying with three PAYE obligations:

- *Full Payment Submissions (FPS): additional information for new starter* - part of the PAYE process where businesses have to provide HMRC with information when they have a new starter. The survey findings are based on 304 business responses.
- *FPS: payment to existing staff* - the part of the PAYE process where businesses have to provide HMRC with information when they make a payment to existing staff. The survey findings are based on 189 business responses.
- *Provide information to employees about payments and tax deducted during the tax year (Form P60)* - the process of providing a form P60 to each employee who is working for a business at the end of the tax year and for whom the business has completed a P11. The survey findings are based on 210 business responses.

All employers (i.e. micro through to large sized businesses²⁰) are required to fulfil these obligations.

The chapter also includes agents' views on:

- *FPS* either for new starters or existing staff. A total of 64 agents gave their views.
- *Information to employees about payments and tax deducted during the tax year (Form P60)*. A total of 80 agents gave their views.

6.1 Process and Agent Use

Nearly nine in ten businesses (87%) found it easy to prepare and provide information for the FPS obligations, and slightly less for the P60 obligation (80%). A very small minority found these obligations difficult (four per cent of those making payments to existing staff' and one per cent of those completing P60 forms).

Across the three obligations, **the majority of businesses** (85%, 78% and 71% respectively) **said that the burden of meeting these obligations had not changed over the past 12 months**. HMRC introduced changes to the PAYE process in April 2013. Therefore, businesses were comparing the burden of complying with FPS in the first year of the new system.

A quarter (24%) reported that the burden had increased for completing P60 forms, most commonly because of HMRC requirement for more regular information. Four per cent reported a decrease in burden.

Fewer businesses reported an increase in burden for the two FPS obligations: 11% for *additional information for new staff* and 16% for *payment to existing staff*. Very few businesses indicated that the burden of meeting these obligations had decreased over the past year with, at most, six per cent saying this for payments to existing staff'.

²⁰ Nano sized businesses do not have to fulfil this obligation because they have no employees.

In the qualitative interviews, PAYE was widely mentioned even though the qualitative research did not focus on payroll specifically. Agents and businesses highlighted the difficulties the strict time parameters caused and the associated costs of meeting and indeed not meeting these targets (in terms of penalties).

Businesses' use of agents varied across the three obligations. Over two in five (46% and 43% respectively) outsourced all the work associated with *additional information for new starters* and *P60 forms*, whilst 47% and 52% undertook it all in-house.

Businesses were more likely to keep *payment to existing staff* totally in-house (60%) and less likely to completely outsource this obligation (26%). Table 7 shows the processes that businesses most frequently used agents for along with the average fees paid to agents (in total as opposed to per employee so the average cost would be higher for larger businesses).

The average cost for **form P60 is £1,254**. It is lower for the two RTI submissions - **£992 for FPS for new starter** and **£929 for FPS for existing staff**.

The fees cited by agents were much lower - £265 for dealing with *all obligations related to PAYE for an average client*. In addition, agents cited an average fee of £33 for dealing with *full payment submissions* and £58 for *P60 form*.

Table 7: Processes outsourced to agents and associated fees

Note: Businesses were allowed to give multiple responses					Average amounts paid by businesses (and base)
	Base	Calculate Tax Payable	Audit our accounts	File returns	
Full Payment Submission (FPS) for new starter	123	92%	60%	85%	£992 (47)
Full Payment Submission (FPS) for existing staff	71	73%	80%	82%	£929 (82)
Form P60 - Payments and tax deducted during the tax year	81	86%	48%	87%	£1,254 (53)

6.2 Use of computer technology

Over half of businesses (56%) used computer software to provide *additional information for new starters*, and slightly more for *payment to existing staff* and *P60 forms* (62% and 64% respectively). The main reason for not using computer software was because they outsourced the work to an agent.

The majority used paid-for commercial software (77%, 89% and 68% respectively). For all three obligations, computer software was most frequently used to calculate tax payable and submit returns.

Broadly similar proportions of businesses stated that computer software had either lead to **no change** or had **increased** the burden of providing *additional information for new starters* (45% no change vs 42% increase) and *P60 forms* (48% no change vs 40% increase). More businesses reported no change to the burden associated with *payments to existing staff* (55% vs 38% increase).

6.3 Time, activities and employee involvement

Although PAYE obligations were not included in the qualitative research, some businesses did spontaneously mention that it was generating extra work for those involved in real time reporting. The time estimates collected in the business survey supported this, with businesses citing higher average time for the two FPS obligations compared with the requirement to provide P60 forms.

The average reported time taken to process FPS *for existing staff* for businesses **with an agent** was **2 hours and 51 minutes** (rising to 7 hours and 1 minute for medium/large²¹ sized businesses because they have more employees). In contrast, businesses that **did not use an agent** reported less time - an average of **1 hour and 11 minutes** (rising to 7 hours and 22 minutes for medium/large sized businesses). The difference between the two estimates is mainly due to micro and small sized businesses that used an agent spending much longer on this obligation compared with their counterparts who undertake this obligation in-house. The average time spent by medium and large sized businesses on this obligation was largely unaffected by whether they used an agent or not.

One in five businesses used the Employer Payment Summary (EPS) as part of these processes. The EPS file is submitted to HMRC as part of the RTI cycle on a per PAYE reference number basis (as opposed to a submission per payroll). It is used to, firstly, file a 'NIL Return' if there is no payment due to the Accounts Office for the Month or Quarter; or secondly, to report the recoveries that can be made in respect of any statutory payments. However, the majority (84%) of employers who used EPS reported no difference to the time taken to complete the *full payment submission for existing staff*.

The average reported time to process the FPS *for new starters* was **4 hours and 47 minutes for businesses using an agent**. It was considerably less for businesses that undertook this obligation **in-house – an average of 1 hour and 5 minutes** (ranging from 1 hour and 3 minutes for micro and small sized businesses to 2 hours and 11 minutes for medium/large sized businesses).

Two-thirds of businesses (66%) that provide both information on FPS for new starters and FPS for leavers said that there was no difference in the time taken to deal with either. A fifth (19%) reported that it took more time to deal with new starters and 7% cited less time.

Agents stated that it take them on average **37 minutes** to deal with requirements for FPS for new starters and existing staff²² for their typical client (i.e total average time rather than time per employee).

The average reported time taken to provide *P60 forms* was lower for **businesses with an agent (4 hours and 58 minutes)** compared to those doing it **in-house (6 hours and 9 minutes)**. The average

²¹ Size groups collapsed due to small base sizes.

²² These two obligations were combined for the agent survey.

reported time was considerably higher among medium and large sized businesses undertaking this obligation in-house, reflecting their higher employee volumes – 7 hours and 54 minutes.

In contrast, agents indicated that it takes them on average **1 hour and 14 minutes** to deal with this obligation.

6.3.1 Activities and employee involvement

Businesses were asked to indicate any of the four activities in Table 8 they had undertaken when completing the PAYE obligations²³. For all three obligations, *gathering, retrieving and assessing relevant figures/information* was most frequently reported as the activity which took the longest time (although this was very closely followed by *preparing written descriptions* for P60 forms).

Businesses were also asked the occupation of the staff member who had carried out the activities²⁴. The employees most frequently involved in fulfilling the activities were:

- FPS for new starter: Clerks
- FPS to existing staff: Administration staff and senior managers
- Form P60 - Payments and tax deducted during the tax year: Administration staff and senior managers.

Table 8: Proportion of businesses who engage in each type of activity

Note: Businesses were allowed to give multiple responses	Base	Gathering / retrieving	Preparing / calculating	Preparing written descriptions	Making settlements	Proportion doing all four activities
FPS for new starter	165	81%	64%	64%	59%	45%
FPS for existing staff	249	66%	56%	57%	59%	28%
Form P60 Payments and tax deducted during the tax year	170	72%	72%	77%	64%	47%

²³ Businesses also had the option to specify other activities that were not listed. See section 2.2.2 for more details on how the activities relate to the SCM.

²⁴ See section 2.2.2 for more details on the occupations used in the survey.

7 Complying with Income Tax for Businesses

This chapter presents findings about businesses' and agents' views on complying with these self-assessment obligations:

Table 9: Obligations included in the business and agent surveys

Obligation	Business responses	Agent responses
Complete a Self-assessment Return related to self-employment (Trade pages) which applies to the self-employed	121	80
Complete a Partnership Tax Return (SA800) which the nominated partner completes	78	79
Complete a Self-assessment Return related to an individual partner (Partnership pages; Form SA104) which applies to partnerships.	101	76

7.1 Process and Agent Use

Four in five businesses generally found it easy to fulfil their self-assessment obligations (81% for Trade pages and 80% for Partnership pages and 73% for Partnership Tax Returns). A small minority found these obligations difficult, ranging from two per cent for Trade pages to 11% for Partnership pages.

Across the three obligations, the **majority of businesses** (82%, 90% and 88% respectively) **reported that the burden of meeting these obligations had not changed over the past 12 months.**

One in ten employers said that the burden has increased for the *Partnership Tax Return* (10%) and the *Partnership pages* (12%). For both obligations, businesses frequently attributed this to HMRC requiring more regular information. However, for *Partnership Tax Returns*, businesses also attributed the increased burden to their business having grown and/or becoming more complex.

In contrast, 11% of businesses said that the burden of the Trade pages had decreased with the principle reason being that their workload has decreased over the past year. No businesses felt that the burden of the other two obligations had decreased.

In the qualitative interviews Self-Assessment obligations were not considered to have had a major impact on the business or to be particularly burdensome as they were underpinned by processes that would have to be carried out anyway, that is, regular record keeping. Moreover, it was suggested that the requirement to submit a Self-Assessment acted as a positive discipline to keep records, which allowed businesses to analyse progress and make forecasts with the information recorded. Furthermore, the shortening of the Self-Assessment form and the move to online filing were both felt to have reduced the burden further.

The key burden identified with Self-Assessment was the requirement to understand information provided by HMRC, including guidance on how to complete the form, and the form itself. The task of

understanding which information to enter in which part of the form was thought to be most onerous when submitting a return for the first time, but with experience this became easier – although it was noted that as an annual task, it was very easy to forget from year-to-year.

Partnership tax returns were overall not seen as burdensome because businesses relied heavily on agents to do most of the tasks involved and the business itself only had to produce and hand over a set of accounts. The exceptions to this included one business that resented paying an annual fee for a software package in order to submit the return himself, while another business felt they received more queries from their agent regarding Partnership tax than other types of tax as it concerned personal tax affairs rather than organisational issues.

The survey illustrated that **there was some variation in agent use across the three obligations**. Similar proportions of businesses (46% for Trade pages, 47% for Partnership returns, and 42% for Partnership pages) outsourced all the work associated with the three respective obligations. However, businesses were less likely to retain Self-employment Returns (Trade pages) totally in-house (37%) relative to Partnership Tax Returns (48%) or Individual Partner Returns (Partnership pages) (43%). Table 10 shows the processes that businesses most frequently used agents for along with the average fees.

In contrast, **agents indicated that they charge an average of £223 (Trade pages), £238 (Partnership Tax Return), and £184 (Partnership pages) and £359 Income Tax for Businesses overall** – significantly lower than those cited by businesses. As highlighted in Executive Summary and Conclusions, there is evidence that businesses may be overstating the fees charged by agents because they are unable to break the fees down to the level of the obligation.

Table 10: Processes outsourced to agents and associated fees

Note: Businesses were allowed to give multiple responses	Base	Calculate Tax Payable	Audit our accounts	File returns	Prepare accounts	Average Fees across all businesses (and base)
Self-employment Return (Trade pages)	66	95%	55%	65%	47%	£426 (74)
Partnership Tax Return (SA800)	90	97%	56%	96%	85%	£990 (48)
Individual Partner Return (Partnership pages; Form SA104)	60	83%	40%	81%	70%	£885 (59)

7.2 Use of computer technology

Businesses were less likely to use computer software for Self-assessment compared with other obligations. Only a quarter (25%) used software for Trade pages whilst around a third of businesses used software for the Partnership Tax Return (31%) and the Partnership pages (35%). However, across all three obligations, businesses were still more likely to complete the obligation online than by paper with 75%, 68% and 74% using the online approach respectively (versus 20%, 24% and 15% for paper).

Businesses were most likely to use paid-for commercial software for Partnership pages (66%). The remaining businesses tended to use free HMRC software. As with other obligations, computer software was most frequently used to calculate tax payable and submit returns.

For dealing with Partnership pages, **around three in five businesses who used computer software reported that it had increased the administrative burden** of completing them, whilst around three in ten reported no change.

The proportions of businesses who did **not** use computer software for the three Self-assessment obligations were 73%, 69% and 65% respectively, with the most common reasons being that there was no need because their agent did all of the work, or that there was no need because the process was straightforward.

7.3 Time, activities and employee involvement

The average reported time taken to complete the Trade pages was **10 hours and 3 minutes for businesses with an agent** and considerably less **4 hours and 22 minutes for those who did it completely in-house**. Agents themselves said they spend on average **2 hours and 20 minutes**, though it should be noted that in the qualitative interviews agents were unable to provide an estimate since the time spent depended on a number of factors such as how well prepared their client's accounts were, the complexity of their financial situation and the company size.

In contrast, businesses who used an agent reported shorter times for the other two self-assessment obligations. For *Partnership Tax Returns* those who used **an agent reported 10 hours and 14 minutes**. Agents themselves cited spending an average of **3 hours and 2 minutes** for this obligation.

For *Partnership pages* the difference was more pronounced - an average of **5 hours and 34 minutes was spent by businesses that used an agent**. Again, agents reported spending less time – an average of **1 hour and 23 minutes** for this obligation.

The qualitative interviews found considerable variation in businesses' perception of what constitutes meeting Self-assessment obligations with some businesses including the record keeping element in their estimates on time taken while others did not. The time required to complete the form was reported to be short.

7.3.1 Activities and employee involvement

Businesses were asked to indicate any of the four activities in Table 11 they had undertaken in meeting their business income tax obligations²⁵. For all three obligations, *gathering, retrieving and assessing relevant figures/information* was most frequently reported as the activity which took the longest time (by around three-quarters of businesses).

Businesses were also asked the occupation of the staff member who had carried out the activities²⁶. The employees most frequently involved were the owners for Trade pages, and the Partners for Partnership Tax Returns and Partnership pages.

Table 11: Proportion of businesses who engage in each type of activity

Note: Businesses were allowed to give multiple responses	Base	Gathering / retrieving	Preparing / calculating	Preparing written descriptions	Making settlements	Proportion doing all four activities
Self-employment Return (Trade pages).	54	93%	68%	26%	50%	18%
Partnership Tax Return (SA800)	31	99%	92%	72%	58%	51%
Individual Partner Return (Partnership pages; Form SA104)	39	99%	77%	67%	61%	43%

²⁵ Businesses also had the option to specify other activities that were not listed. See section 2.2.2 for more details on how the activities relate to HMRC's SCM.

²⁶ See section 2.2.2 for more details on the occupations used in the survey.

8 Complying with Customs Duties

This chapter presents findings about businesses' experiences of *submitting a customs declaration* (Form C88 also known as Single Administrative Document (SAD)). The agents survey also asked about the obligation to *Provide evidence to support a claim for a preferential rate – Form A*. The findings in this chapter are based on responses from 151 small, medium and large businesses required to undertake this obligation²⁷ and 81 agent responses.

8.1 Process and Agent Use

Over half of businesses (56%) found it easy to submit a customs declaration including 16% citing 'very' easy. One in ten (10%) found it difficult and the remaining businesses were neutral.

Over two-thirds of businesses (68%) indicated that the administrative burden of complying with this obligation had not changed over the past 12 months; just 2% said that it had decreased. Among the 20% who reported an increase, the most common reason given was that the business had grown and/or become more complex.

The majority of businesses (68%) undertook this obligation completely in-house. One-in-five (19%) completely outsourced to an agent and 7% outsourced some of the work. Businesses most frequently used agents to **calculate tax payable** (72%), for advice on general taxation (65%) and to deal with HMRC's requests for information and inspections (62%).

Customs agents reported that they typically charge their average client **£41** to submit a customs declaration

8.2 Use of computer technology

Seven-in-ten businesses (69%) used computer software to submit a customs declaration. This was mirrored in the fact that 64% completed the obligation online (and 20% completed it by paper). Businesses that did not use computer software to deal with this obligation (25% of businesses) stated that they did not need to because their agent did all the work for them (26%) or that the process was straightforward (20%).

Businesses mainly used computer software to calculate tax payable (80%) and submit returns (57%). Nine in ten (89%) paid for commercial software, whilst 11% used free HMRC software to meet this obligation. The majority of businesses who used computer software stated that it had either led to an increase (52%) or resulted in no change (36%) to the administrative burden of meeting the obligation. Just 5% reported a decrease in burden as a result of using computer software.

²⁷ Customs obligations were not covered in the qualitative research.

8.3 Time, activities and employee involvement

The average reported time taken to submit a customs declaration varied according to business size and use of agent. **Those who used an agent spent an average 2 hours and 43 minutes. Businesses that did not use an agent reported spending less time – an average of 1 hour and 47 minutes.** For this group, medium and large sized businesses gave a longer average time of 184 minutes.

Customs agents reported spending on average just **21 minutes** dealing with this obligation (and 40 minutes for *providing evidence to support a claim for a preferential rate – Form A*).

8.3.1 Activities and employee involvement

Businesses were asked to indicate any of the four activities in Table 12 they had undertaken when submitting the customs declaration return²⁸. Businesses most frequently indicated that they *gather, retrieve and assess relevant figures/information* and that this was the activity that took the longest time.

Businesses were also asked the occupation of the staff member who had carried out the activities²⁹. Most of the activities were undertaken by office clerks and, to a lesser extent, senior managers and other administrative staff (with the latter two groups being equally likely to be involved).

Table 12: Proportion of businesses who engage in each type of activity

	Base	Gathering / retrieving	Preparing / calculating	Preparing written descriptions	Making settlements	Proportion doing all four activities
Prepare and file the Customs declaration (C88)	143	82%	69%	70%	58%	49%

²⁸ Businesses also had the option to specify other activities that were not listed. See section 2.2.2 for more details on how the activities relate to the SCM.

²⁹ See section 2.2.2 for more details on the occupations used in the survey.

Conclusions

This research has shown that businesses generally find it easy to fulfil their tax obligations. Moreover, the majority had not seen an increase in the burden associated with their tax obligations in the past year.

Businesses are, however, very reliant on agents to help them meet their tax obligations. This reinforces the key role that agents play in ensuring the smooth operation of the tax system.

This research has highlighted the challenges associated with collecting accurate time and cost information on tax compliance from businesses. A number of measures were built in to the survey process to aid accurate recall, including the use of an advance datasheet in the business survey. However, the findings suggest that some of the challenges highlighted in the qualitative research remain – namely that many businesses consider the process of meeting their tax obligations in fairly broad terms and find it very challenging to break down the process and isolate activities that are required to comply with the tax obligations from business as usual activities. Similarly many businesses found it challenging (in some cases impossible) to apportion the cost paid to agents by obligation and this is evident in the large differences in fees stated by businesses and agents.

The majority of businesses use some form of computer system to submit their tax returns and/or calculate their tax, and agents actively encourage this to reduce the administrative burden both to their clients and to themselves. However, businesses that use computer software do not generally share this view; the majority reported that it had made no difference or that it has increased the level of administrative burden to them. Agents suggested that this was because tax obligations had become more complex and businesses are still grappling with how to use new systems. Businesses also cited a number of contributing factors including changes to Customs arrangements, HMRC requirement for more regular information, and their own business growing/becoming more complex. These findings suggest that many of these issues were transitional and should bed down with time.

Appendices

Table A1: Average time spent on the obligation by businesses (in minutes)

Corporation tax		Prepare and file the Corporation Tax Return (CT600 return)				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Micro	Agent	778	38	485,779	404	1,152
Small	Agent	664	52	131,451	393	946
Medium	Agent	1,565	44	19,143	926	2,203
Large	Agent	3,334	60	7,130	1,502	5,167
All businesses	Agent	807	197	644,157	519	1,096
Micro-Medium	No agent	848	10	60,471	486	1,210
Large	No agent	5,748	14	1,917	221	11,275
All businesses	No agent	999	24	62,389	703	1,294

VAT		Issue VAT invoices (full or simplified)				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Nano+Micro	n/a	9	44	2,040,932	6	11
Small	n/a	10	36	198,097	7	13
Medium+large	n/a	7	26	40,463	4	4
All businesses	n/a	9	107	2,284,994	7	9

*Analysis restricted to those saying 30 minutes or less (i.e. twice the median).

VAT		Prepare information for and submit a VAT return				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Nano	Agent	592	14	793,985	241	945
Micro	Agent	316	27	318,614	188	444
Small-large	Agent	281	15	34,712	1	658
All businesses	Agent	484	58	1,204,531	264	704
Nano	No agent	354	41	2,325,243	241	467
Micro	No agent	344	63	743,432	249	438
Small	No agent	318	45	147,774	188	449
Medium	No agent	357	52	26,341	241	472
Large	No agent	981	49	8,657	607	1,356
All businesses	No agent	352	252	3,258,014	269	435

Table A1: Average time spent on the obligation by businesses (in minutes)

Income tax for businesses		Self-employment return (trade pages)				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Nano	Agent	509	55	1,142,876	247	771
Micro	Agent	1,149	28	196,190	390	1,907
All businesses	Agent	603	83	1,339,066	357	849
All businesses	No agent	262	30	849,126	137	387

Income tax for businesses		Partnership tax return (SA800)				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Nano	Agent	576	31	551,759	203	948
Micro or larger	Agent	787	24	123,677	213	361
All businesses	Agent	614	55	675,436	304	925
All businesses	No agent	724	17	596,338	261	1,186

Income tax for businesses		Individual partner return (Partnership pages)				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Nano	Agent	269	30	551,635	144	393
Micro	Agent	583	23	140,441	74	1,093
Small or larger	Agent	382	15	23,692	85	679
All businesses	Agent	334	68	715,768	199	469
All businesses	No agent	651	19	605,405	215	1,088

Table A1: Average time spent on the obligation by businesses (in minutes)

Customs		Submit a customs declaration				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Not large	Agent	160	15	9,610	33	287
Large	Agent	204	17	745	67	341
All businesses	Agent	163	32	10,355	48	277
Small	No agent	78	25	23,293	22	135
Medium	No agent	127	24	7,395	83	170
Large	No agent	541	27	1,184	225	858
Medium+large	No agent	184	51	8,578	128	240
All businesses	No agent	107	76	31,870	63	150

Customs		Complete Economic Operator Registration and Identification (EORI)				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
All businesses	No agent	133	19	31,760	38	228

PAYE		Full payment submission - new starter				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Micro/small	Agent	233	33	526,447	1	781
Medium/Large	Agent	527	24	9,724	137	918
All businesses	Agent	287	57	536,171	1	766
Micro/small	No agent	63	49	811,171	30	96
Medium/Large	No agent	131	52	23,915	18	245
All businesses	No agent	65	102	836,823	34	96

Table A1: Average time spent on the obligation by businesses (in minutes)

PAYE		Full payment submission - existing staff				
Business size	Agent use	Trimmed mean	Unweight ed base	Weighted base	95% CI	
					Lower bound	Upper bound
Micro	Agent	125	28	546,050	50	201
Small	Agent	181	25	69,713	109	253
Medium	Agent	364	27	11,521	214	514
Large	Agent	921	14	1,313	511	1,331
Medium+Large	Agent	421	41	12,834	277	565
All businesses	Agent	171	96	649,207	106	235
Micro	No agent	61	26	484,540	32	90
Small	No agent	97	42	113,075	55	140
Medium	No agent	391	41	16,353	180	601
Large	No agent	616	45	4,868	268	963
Medium+Large	No agent	442	86	21,222	259	625
All businesses	No agent	78	157	661,076	55	102

PAYE		Form P60 - payments and tax deducted during the tax year				
Business size	Agent use	Trimmed mean	Unweight ed base	Weighted base	95% CI	
					Lower bound	Upper bound
Micro	Agent	269	16	465,113	1	687
Small	Agent	486	21	64,136	18	954
Micro + small	Agent	295	37	529,249	1	646
Medium	Agent	569	9	6,217	1	1,289
Large	Agent	1,807	11	2,014	564	3,051
Medium+Large	Agent	872	20	8,231	308	1,437
All businesses	Agent	298	59	567,240	1	620
Micro	No agent	350	19	552,322	4	697
Small	No agent	448	36	100,438	199	697
Medium	No agent	386	27	18,650	164	607
Large	No agent	867	23	4,211	248	1,487
Medium+Large	No agent	474	50	22,861	266	683
All businesses	No agent	369	105	675,621	104	634

Table A2: Businesses' reported costs for using an agent

Corporation tax		Prepare and file the Corporation Tax Return (CT600 return)				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Micro	Agent	1,853	34	435,240	891	2,815
Small	Agent	2,979	40	102,900	1,928	4,031
Medium	Agent	4,046	35	14,932	2,491	5,602
Large	Agent	43,597	41	4,936	7,053	80,140
All businesses	Agent	2,490	152	558,662	1,646	3,334

VAT		Prepare information for and submit a VAT return				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Nano	Agent	823	12	680,559	312	1,334
Micro	Agent	526	24	283,212	268	785
Small-large	Agent	2,021	9	17,786	1	4,602
All businesses	Agent	991	46	1,038,270	411	1,570

Income tax for businesses		Self-employment return (trade pages)				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Nano	Agent	370	48	1,089,103	275	465
Micro	Agent	762	26	182,176	544	980
All businesses	Agent	426	74	1,271,279	337	515

Income tax for businesses		Agent				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Nano	Agent	921	30	550,322	520	1,321
Micro or larger	Agent	1,400	18	92,758	829	1,970
All businesses	Agent	990	48	643,080	639	1,340

Income tax for businesses		Agent				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Nano	Agent	739	32	600,570	441	1,038
Micro/small/medium	Agent	1,633	26	117,962	483	2,783
All businesses	Agent	885	59	720,201	565	1,204

Table A2: Businesses' reported costs for using an agent

Customs		Submit a customs declaration				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
All businesses	Agent	3,132	20	9,037	763	5,501

* One very large outlier of 400000 trimmed to 10000.

PAYE		Full payment submission - new starter				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Micro/small	Agent	947	28	465,340	82	1,812
Medium/Large	Agent	3,684	19	7,805	562	6,807
All businesses	Agent	992	47	473,145	170	1,815

* One very large outlier of 300000 trimmed to 28000.

PAYE		Full payment submission - existing staff				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Micro	Agent	819	27	511,794	347	1,290
Small	Agent	1,835	21	57,230	703	2,968
Medium	Agent	2,103	21	9,186	1,009	3,197
Large	Agent	10,556	12	1,015	135	20,978
Medium+Large	Agent	2,944	33	10,201	1,404	4,485
All businesses	Agent	929	82	599,477	522	1,337

PAYE		Form P60 - payments and tax deducted during the tax year				
Business size	Agent use	Trimmed mean	Unweighted base	Weighted base	95% CI	
					Lower bound	Upper bound
Micro	Agent	1,102	12	348,835	613	1,591
Small	Agent	2,260	18	52,596	732	3,789
Medium	Agent	5,781	9	6,217	1,778	9,784
Large	Agent	546	12	2,197	248	843
Medium+Large	Agent	4,414	21	8,414	1,366	7,462
All businesses	Agent	1,254	53	439,605	811	1,696

* One very large outlier of 200,000 trimmed to 16,520.

Table A3: Average charges to businesses, as reported by agents

Policy level	Average cost		
	Untrimmed mean	Trimmed mean	Unweighted base
Corporation Tax	465	341	43
VAT	336	336	12
Income Tax for Businesses	359	359	28
Customs Duties	108	108	14
PAYE	265	265	40

Table A4: Summary of average time spent, type of employee used to undertake the work and average charges to businesses, as reported by agents

Obligation	Average time			Who provides the service?			Average cost		
	Untrimmed mean	Trimmed mean	Unweighted base	Modal value	% in the modal category	Unweighted base	Untrimmed mean	Trimmed mean	Unweighted base
Produce the Corporation Tax Computation for the Company Tax Return (Form CT600)	107	102	74	Partners/owners of the business	65	80	247	245	47
File the Company Tax Return the CT600 return	112	105	73	Partners/owners of the business	61	80	184	181	41
Prepare information for and submit a VAT return	217	216	80	Partners/owners of the business	66	89	163	158	57
Income Tax for Businesses - Self-employment Return (Trade pages)	197	140	74	Partners/owners of the business	70	80	224	223	59
Income Tax for Businesses - Partnership Tax Return (SA800)	198	182	68	Partners/owners of the business	46	79	240	238	47
Income Tax for Businesses - Individual Partner Return (Partnership pages)	86	83	61	Partners/owners of the business	70	76	195	184	55
Submit a customs declaration (Form C88 also known as Single administrative document (SAD))	32	21	71	Senior accountants/managers	28	81	40	41	50
Provide evidence to support a claim for a preferential rate – Form A	65	40	51	Senior accountants/managers	19	79	34	34	22
PAYE - Full Payment Submissions	41	37	55	Partners/owners of the business	59	64	33	33	31
PAYE - Information to employees about payments and tax deducted during the tax year (Form P60)	76	74	61	Partners/owners of the business	51	80	63	58	33

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