



HM Revenue  
& Customs

# ***HM Revenue and Customs Research Report 415***

## **Exploring online services**

Qualitative research with HMRC's trust  
customers

**Prepared by Ipsos MORI**

**August 2016**

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Published by HM Revenue and Customs, August 2016

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

## *About Specialist Personal Taxes (SPT)*

The Specialist Personal Taxes (SPT) Directorate in HMRC is responsible for the delivery of specialist areas of taxation including trusts. A trust is a way of managing assets (money, investments, land, or buildings) for people. There are different types of trusts and they are taxed differently.

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## ***Research requirement (background to the project)***

A trust is a way of managing assets – money, investments, land, or buildings – for other people. There are different types of trusts and they are taxed differently. HM Revenue and Customs (HMRC) are developing a new online service that trust customers can use to provide information.

HMRC commissioned an exploratory qualitative research study on current experience of trust customers in order to support the design of a future online service, ensuring it is fit-for-purpose and does not replicate any current areas of confusion or ‘pain points’. Specifically, the research explored:

- Views on, and experiences of dealing with HMRC
- Sources of information and support on trusts
- Views on language and terminology HMRC use in relation to trusts
- Current approaches to submitting trust information to HMRC; paper versus online methods
- Drivers of current behaviour in relation to dealing with HMRC and submitting information
- Expectations for an online service
- Preferred type of communication and information about changes to the reporting process
- Potential barriers to using the digital service; how to overcome these and facilitate use.

This research focused on three processes: registering a trust with HMRC, notifying HMRC of changes and filing an annual return.

## ***When the research took place***

The research was designed and conducted between January and March 2016. Fieldwork took place between 8<sup>th</sup> and 26<sup>th</sup> February.

## ***Who did the work (research agency)***

The research was undertaken by the Employment Welfare and Skills team working in Ipsos MORI's Social Research Institute.

## ***Method, data and tools used, sample***

Ipsos MORI conducted 40 qualitative telephone depth interviews with agents and individuals who had filed a Trust and Estate tax return (also known as the SA900). Participants were purposively selected (using a screening questionnaire) to achieve agreed quotas. Primary sampling characteristics were: method of submission (paper or digital), geographic area, digital confidence, and for agents, the size of the company and number of returns filed. The achieved sample is provided below.

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Participant type		Agent	Individual
		24	16
Method of submission	Digital	12	8
	Paper	12	8
Area	Scotland	2	
	North	9	
	Midlands	7	
	South	22	
Size	Nano/micro	5	
	Small	7	
	Medium	8	
	Large	4	
Number of returns	1-5	6	
	6+	18	
Digital confidence <sup>1</sup>	Low	1	1
	Medium	6	7
	High	17	8

<sup>1</sup> It was difficult to recruit participants who identified as 'low digital' confidence. This is a reflection of the overall sample file provided. However, it is important to note that while some participants identified having as 'medium' or 'high' digital confidence levels, in some cases, they still found fulfilling tax obligations online challenging.

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## *Main Findings*

The main research findings are outlined below.

### **Overall responses**

Three processes were explored as part of the research: registering a trust with HMRC, notifying HMRC of changes and filing a return. Processes were said to be straightforward and to work well; they were smooth, efficient and in line with participant's expectations. This led to the view that HMRC should not *'fix it if it isn't broken'*. However, this research identified opportunities to address current 'pain points' when developing a future online service. Specific 'pain points' included: tracking the outcome of a filed return/registering a trust (which could be perceived as time consuming), and overcoming technical glitches when filing online (such as software crashes at the point of submission).

This research found trust customers had diverse experiences of trust tax. At one end of the spectrum there were agents who specialised in trust tax matters, while at the other there were individuals who lacked confidence in fulfilling tax obligations (see 'Diversity of needs' below for more detail). The current system does much to meet this diversity of needs. It is important that a future online service replicates this current success.

### **Diversity of needs**

This research identified six broad types of trust customer. These types can be summarised as:

- 1) **'Specialist agents'** were agents from large firms, who might have worked in dedicated trusts teams. These agents filed digitally and looked after large, complex, high-value trusts.
- 2) **'Non-specialist agents'** were also professionals, but the trusts they managed formed only a proportion of their overall workload. These agents filed digitally and by paper.
- 3) **'Accidental non-specialist agents'** ended up looking after a trust when a colleague moved on. Trusts formed a small proportion of their overall role, and they filed by paper. The group included those who were less digitally confident and/or felt daunted by fulfilling tax obligations online.
- 4) **'Confident individuals'** were retired with relevant professional expertise, for example, retired accountants. These individuals were confident in tax matters generally and filed by paper and digitally.
- 5) **'Experienced individuals'** were responsible for simple, discretionary trusts. These participants had long filed by paper, in some cases decades, and so were very familiar and confident with the process, but did not necessarily have previous professional experience.

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- 6) **‘Unconfident individuals’** identified themselves as being *‘bad with tax’* matters generally, and lacked confidence in their ability to complete the return, and preferred to file by paper. The group included those who were less digitally confident and/or felt daunted by fulfilling tax obligations online.

The diversity of experiences suggests trust tax customers could have varied needs and preferences for a future service.

## Registering a trust and notifying HMRC of changes

### Registering a trust

#### Registering a trust – what happened?

The process was entirely paper-based; it was done either by completing the form 41 G or by writing to HMRC with key details (including the name of the trust, details of the trustees and beneficiaries). HMRC wrote to acknowledge the trust had been registered and provide a Unique Taxpayer Reference (UTR) number on receipt of a registration letter or form 41G. The UTR number was required for filing returns and other Trust and Estate tax obligations. Agents completed the form 64-8 to register as an agent of a pre-existing trust. Different process were used depending on whether the trust had a UTR number; if it did the agent could complete this process online, if not it needed to be done by paper submission.

Registering a trust with HMRC was straightforward and simple overall. While recall was limited amongst individuals, those who remembered the process described it as similarly straightforward and in some cases were even impressed by the service (as a result of being assigned a case handler, for example). Participants reported waiting between a week and over a month for their UTR. Participants (agents and individuals) were content with the length of time it took to receive the UTR number when they felt it reasonable; ten days was considered acceptable across participant types. ‘Non-specialist agents’ were sometimes prepared to wait slightly longer, up to a month, and still think it reasonable.

However, participants identified four key ‘pain points’ which could usefully be kept in mind in developing any future services for trust customers.

- **UTR numbers delayed:** ‘Specialist agents’ reported delays in receiving UTR numbers when registering trusts. The form 41G and registration letters went astray, sometimes not being received by HMRC. Time spent ‘chasing’ HMRC caused feelings of frustration amongst agents and meant their clients incurred additional charges when agents were unable to absorb the cost of this professional time. This prevented agents from completing important administrative tasks, like setting up a bank account related to the trust.

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- **Registering as an agent:** The form 64-8 was not complicated or difficult to complete itself, but the process was time consuming, and could take up to a month. Agents reported needing to wait for their client to respond to the 64-8, get a reference number which then needed to be verified. This could make it difficult to file returns on time and the process was perceived as having more steps than required.
- **Sequencing and information for individuals:** When individuals registered trusts themselves (and had good recall of the process), they were sometimes uncertain about what order forms needed to be completed. For example, individuals did not necessarily know they previously had to complete the form R27 to record a death before a trust could be registered (please note the form R27 has since been withdrawn). Those individuals who identified as not being 'tax savvy' struggled to find information when initially researching trusts (before registration). Information on the benefits of trusts and the responsibilities of trustees would have been welcomed.
- **Usability of the 41G form:** Agents noted that there was limited space to declare assets on the form 41G. This was not a major 'pain point', as it was possible to use extension sheets, but making this box larger was suggested as an improvement.

**Notifying HMRC of a change****Notifying of changes - what happened?**

Participants notified HMRC for a wide range of reasons, including when a beneficiary or trustee changed the status of a trust (for example, changing a trust from 'accumulation and maintenance' to 'life interest' when a beneficiary turned eighteen), or changed address. Agents also informed HMRC when they no longer represented a client. The annual return was used to notify HMRC of changes. The exceptions to this were when a trust was closed, or when a participant de-registered as the agent of a trust, which were perceived as time sensitive (closing trusts was a necessary step before assets could be distributed).

As with registration, the process of notifying changes was, on balance, straightforward; those who wrote to HMRC to notify them that a trust had closed found this process simple and what they expected to do in such circumstances. However, as with registration, participants reported variations in the length of time it took to receive an acknowledgement of receipt from HMRC when closing a trust. This was the most significant 'pain point' and similarly to registration, experienced most regularly by 'specialist agents' due to the higher number of trusts they closed. Agents also reported delays in hearing from HMRC when de-registering as an agent. This could lead to agents erroneously being sent information relating to the trust and the ex-client missing important communications, like information on filing a return.



## Filing a Trust and Estate return (SA900)

### Methods of filing

Trust tax customers were required to file an annual Trusts and Estate tax return (SA900). This could be done either by completing a paper form or through commercial third party software. The research identified six influences on filing method choice:

- **Cost:** Participants who perceived the cost of third party software as too high filed by paper. There were instances when the actual cost was known and felt to be poor value for money. There were also those who had made assumptions about cost, sometimes erroneously, and felt it too much. Agents reported that the cost of software licences ranged between £500 and £3,500 depending on the number of licences required, and individuals between £10 and £30.
- **Type of return:** There were instances when filing by paper was felt to be more appropriate. For example, it was deemed to be easier and quicker to file by paper in the case of nil returns. Paper was also used when a return had to be submitted before the end of the tax year, typically when a trustee had died and the family wanted the affairs to be tied up before the end of the tax year.
- **Habit or preference:** A sub-group of paper filers, particularly ‘confident individuals’ and ‘non-specialist agents’ considered the paper return easy to understand and complete. These participants had become familiar with the form over a period of time, in some cases decades, which had seldom changed.
- **Fear of ‘getting it wrong’:** Those who feared making mistakes were reluctant to file digitally. For example, a participant’s colleague made a mistake when filing digitally and was consequently charged a penalty. The issue was eventually resolved – but this participant reported not wanting to file a return electronically out of fear of experiencing something similar.
- **Previous difficulties with online HMRC services:** In a similar vein, previous difficulties with other online HMRC services caused reticence to use a future online service. For example, forgetting passwords and not being easily able to reset them.
- **Lack of confidence in tax matters online:** Those who lacked confidence in dealing with tax matters tended to prefer paper because it was perceived as harder to make mistakes.

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## Paper filing

### Paper filing – what happened?

Individuals would receive the paper form in the post, pass it over to their agent, who completed it and arranged for their client to sign it before the agent posted it to HMRC.

Overall, the paper return was straightforward to complete. An important strength was that it had remained significantly unchanged over a long period of time (participants recalled it looking and feeling similar for the past 5 to 10 years). This familiarity meant there was no need to learn anything new from year-to-year; the process was the same.

However, the form was perceived as overly long and included sections that were not relevant to all trusts, which made ability to navigate and identify relevant sections more time-consuming. There was some uncertainty about when supplementary pages were required, for example, forms for declaring foreign income, capital gains, and the IHT100 (which needed to be completed once every ten years). Paper filers also expressed concerns that their forms got lost after posting to HMRC. ‘Unconfident individuals’ and ‘accidental non-specialist agents’ found the process of filing more challenging, in general, and sometimes struggled with terminology or did not know what needed to be put in which box.

## Digital filing

### Digital filing – what happened?

Participants purchased and used a range of third party software including CCH software, Iris, Tax Calc by Ahoroa, QMS and Open Cloud. This diversity of products met the needs of different types of participant. On the one hand, agents used software packages described as sophisticated and capable of complex calculations and back-scheduling. Alternatively, more simple software packages, for example those not capable of calculating different rates of tax, tended to be used by individuals rather than agents.

Overall digital filing worked well, the process was described as ‘seamless’ and ‘working like a dream’. Five key factors were identified:

- **Usability:** Calculations were done automatically and software packages clarified the process by helping users to navigate the form. These were popular features.
- **Support features:** Guidance and an explanation of terms were integrated into the digital form, which made it easy to navigate the forms and get explanations quickly.

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- **Validation and accuracy:** Third party software highlighted errors, prompting digital filers to make corrections before submitting. Software stored and provided access to previous trust forms – this back scheduling was crucial for ‘specialist agents’ who managed high value, complex cases where human error would be especially costly.
- **Meeting other tax obligations:** It was possible to use the same third party software to meet other tax obligations. Agents reported it was helpful to store all data for one client in the same place. Individuals welcomed having one platform which they used to meet multiple tax obligations, like self-assessment and Trust and Estate tax returns; they only needed be familiar with one software package.
- **Submission process:** The ability to file later than paper was also viewed as advantageous. It was possible to submit the digital return on the day of the deadline because it was not necessary to allow postage time. Digital submission was felt to be cheaper and more reassuring than post.

The most significant ‘pain point’ amongst digital filers was technical glitches, which were felt most acutely near to, or on, the filing deadline. The software package ‘crashing’ when participants tried to submit the return caused concern, and required re-submission. The time lag between the form being updated by HMRC – at the beginning of the tax year – and the software packages catching up to reflect changes resulted in temporary glitches and periods where the software was less user-friendly.

## Ongoing communication and support needs

Different types of trust tax customer had varied support needs, which influenced approaches to getting support and the sources consulted.

### Support needs

- **‘Specialist’ and ‘non-specialist agents’** understood trust tax matters well, and had limited support needs. They felt it was their job to keep abreast of developments and changes in trust tax, and ‘specialist agents’ proactively did this through membership of the Society for Trusts and Estate Professionals (STEP), a professional body.
- **‘Confident’ and ‘experienced individuals’** thought trust tax obligations were as clear and straightforward as they could be given tax was inherently complicated. Areas of confusion, where they existed, tended to centre on the tax system itself rather than HMRC processes. This was less of an issue for those ‘confident individuals’ who had previously worked in tax.
- **‘Unconfident individuals’ and ‘accidental non-specialist agents’** had the greatest support needs, in terms of knowing when and how to complete returns. Digital confidence was more of a potential issue for these participants compared to others. There were those who felt daunted by fulfilling tax obligations online because when you submitted a return it just ‘went into the ether’ instantly, once the button had been clicked.

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### **Sources of support and approach**

- For **'Specialist' and 'non-specialist agents'**, the first port of call was to consult colleagues, a critical mass of people was identified as a valuable resource. Agents also consulted HMRC manuals. Agents called or wrote to HMRC's dedicated trusts centre or called the Central Agent Maintainer (CAM) number when other channels failed.

**'Confident' and 'experienced individuals'** used a range of different channels to access support if there was an area of tax they did not understand, especially new processes (like the IHT100). Channels of support included the guidance notes sent annually with the return, the HMRC website and calling HMRC. Participants were especially likely to call HMRC when they received something unexpected which they found confusing. Digital filers also used guidance incorporated in software packages, like a glossary of key terms.

- **'Unconfident individuals' and 'accidental non-specialist agents'** were sometimes reticent to contact HMRC directly but instead, when possible, preferred to seek advice from colleagues or friends. Accessing support from colleagues or friends was perceived as easier and perhaps less daunting.

### **Implications for a future online service**

While the current system worked well, this research identified four key opportunities for a future, online, digital service:

**Rationalised:** A future online service could be an opportunity to rationalise forms and processes related to trusts. A new platform could make it possible to register a trust, notify HMRC of changes, file a return, make payments, and notify beneficiaries of payments. It could also contain easy links to all forms (IHT100, R40, SA900 – and other documents) and similarly to guidance. The notion of a single 'one stop shop' appealed because it was perceived as making it easier to fulfil trust obligations, and could potentially make it harder to 'miss' or forget about something, especially in the case of 'one off' or irregular responsibilities, like submitting the IHT100. The option to notify HMRC of changes as they occurred rather than waiting to file a return was welcomed by some participants.

- **Supportive:** It would be helpful for any future service for trust customers to support customers who found trust tax matters difficult. It was suggested that any potentially confusing terminology should be glossed in a future online service. For example, through question mark boxes that users can click on to expand and reveal an explanation (in the same way current third party software does). Those with less professional or personal experience reported that pre-recorded webinars and 'live chat' functions could be helpful sources of support in explaining any future online service (for example, how to file a return). This sort of support could limit the need to contact HMRC for support in using any future digital services.

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- **Instant acknowledgement when registering and closing:** Receiving instant acknowledgement of receipt when registering and closing a trust would reduce time spent tracking UTR numbers and the status of trusts. This would remove feelings of frustration amongst agents and avoid clients incurring extra charges. Automating the generation of UTR numbers would enable agents to fulfil other obligations without delay, like setting up bank accounts for the trusts or filing, if very close to a deadline.
- **Online tracking and signposting:** It was sometimes difficult to get in touch with HMRC to track status (registering/closing a trust) and to resolve specific issues. Online tracking could remove the need for contacting HMRC directly. Clear signposting of specific contacts for different types of query would be welcomed. For example, who should a customer approach to resolve a tracking issue, to answer a specific query or make a correction/revision to a submitted form?