



HM Revenue
& Customs

Research report

Corporation Tax: repayments research

Customer views on processes

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Corporation Tax repayments research

About Business Customer & Strategy (BC&S)

Business Customer and Strategy is part of Business Tax.

The goal of BC&S is to maximise Business Customer compliance for HM Revenue & Customs (HMRC) at best cost for both HMRC and the customer. This is done by developing business tax strategies through customer understanding, working with teams in HMRC and across government departments.

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Research requirement (background to the project)

HMRC aims to move to a digital tax system by 2020, as part of which taxpayers will see the information HMRC holds on them via their digital account. Although the majority of businesses submit their Corporation Tax (CT) return online, most automatic repayments of Corporation Tax are being made by cheque rather than by electronic payment, as customers are not providing their bank details on their CT return. HMRC want to encourage greater use of electronic payments to improve the overall service and reduce costs for both customers and HMRC.

This research aimed to understand how customers could be encouraged to provide their bank details on their CT return to allow for automatic repayments to be made electronically. It also explored the appetite for increasing the non-electronic automatic repayments threshold over £20.

The specific aims of the project were:

- To identify the range of reasons why customers do not provide their bank details on the CT return form.
- To test the appetite for adjusting the £20 threshold at which non-electronic automatic repayments are made to £50, £100 and over £100.
- To identify what messages need to be conveyed to CT customers to encourage them to provide their bank details to allow automatic repayments to be made electronically.
- To identify the most effective communication channels that could be used to alert customers and agents that they need to provide their bank details to allow automatic repayments to be made electronically.

When the research took place

The fieldwork was conducted between Thursday 10th March and Thursday 24th March 2016.

Who did the work (research agency)

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

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Method, Data and Tools used, Sample

A total of 16 in-depth interviews were undertaken by telephone across the UK. Participants were recruited according to the quota table below:

Quota Table – showing breakdown of telephone interviews for CT refunds research

16 in-depth telephone interviews were conducted with CT customers and agents		
8 Agents	8 who had not completed bank details	Company size of clients – note multicoded Nano (0-5): 4 Small (6-19): 6 Medium: (20-250): 5 Large (over 250): 1
8 CT Customers	4 had completed bank details 4 had not completed bank details	Company size Nano (0-5): 4 Small (6-19): 2 Medium (20-250): 1 Large (over 250): 1

Participants were recruited by specialist recruiters using a sample provided by HMRC. A purposive sampling approach was adopted, whereby key quotas were set and participants were recruited according to these using a screening document. The interview data were fully analysed using a robust inductive approach, as part of which the data were synthesised thematically and interrogated for patterns and relationships.

Corporation Tax repayments research***Main Findings*****Reasons why bank details were/were not provided on the Corporation Tax return**

1. Participants were asked why they either did or did not provide company bank details on the section of the CT return that asks for them if a repayment is due.
2. Neither customers nor agents were making a conscious decision not to provide bank details on the CT return. Rather, customers were unaware of the need and opportunity to provide details on the return, and agents were either forgetting or not prioritising the provision of their clients' bank details.
3. Customers had not been prompted (for example by their agent) to provide bank details. Furthermore, when checking the return completed by their agent, their attention was not drawn to the section requesting bank details as they typically only checked key figures rather than blank sections of the return. Customers who did not use an agent and submitted their own return were often guided 'step by step' by the software used. Therefore, if the software did not ask them to provide bank details, they would not do so.
4. Once customers learnt of the opportunity to provide bank details during the interview, it was usual for them to say they would provide these on future returns. Customers could see the benefits of providing their bank details - preferring to receive an electronic payment rather than a cheque.
5. Agents said they overlooked the bank details section on the return as:
 - The provision of bank details was not perceived to be a priority when weighed against the need to file the return quickly and on time. If bank details were not provided by the client when they checked and signed the return, an agent was unlikely to delay submission of the return in order to go back to the client to obtain bank details, particularly if the submission deadline was nearing and the process of obtaining bank details was anticipated to be time-consuming.
 - It could be a rare occurrence that a client was due a repayment, so that they could easily forget to obtain bank details in these more exceptional circumstances.
6. Agents cited other (more exceptional) factors that might lead clients to prefer to receive a repayment by cheque. These included: data security concerns around transmitting bank details electronically among less digitally confident, nano-sized companies; concerns that once HMRC had been provided with bank details they could use them to take future payments without seeking permission; and some specific, practical circumstances that meant the company did not have a UK bank account in its name.

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7. Reasons why customers and agents did provide bank details in order to receive a repayment electronically included:
 - Convenience: Electronic payments were easier to receive, removing the 'hassle' of having to go to a bank to pay in a cheque.
 - Speed: Electronic payments were perceived to be issued by HMRC more quickly than cheques. Agents expected that this was a particular incentive for companies whose repayment was due to having made a loss, as the amount could have a significant impact on cash flow.
 - Alignment with other payments: Electronic banking was considered to be common business accounting practice these days, so that a cheque was considered to be an anachronism and an anomaly. For businesses that made and received all other payments electronically a cheque payment was therefore a 'misfit' in their accounting practice.
 - Cost-efficiency: Business bank accounts tended to carry charges for paying in a cheque, yet electronic payments were free of charge.
8. Due to their overall preference for receiving electronic payments, both customers and agents found the idea of Corporation Tax repayments being issued electronically (rather than by cheque) to be acceptable and even preferable. Customers who were not currently providing details due to a lack of awareness anticipated a positive impact of electronic-only payments and wanted to be paid electronically. They explained that they already made and received payments for VAT electronically so expected to find a similar process for Corporation Tax easy to adjust to. Agents also anticipated a positive impact of BACS-only repayments, as it would remove the need for the agent to receive and pass on a cheque to their client.

Views on how to encourage the provision of bank details and communicate information on the repayments process

9. Participants were asked how HMRC could encourage agents and customers to provide bank details on the Corporation Tax return.
10. Providing a prompt to remind and raise awareness of the section on the return where bank details can be provided was said to be the main way to encourage customers and agents to provide bank details. Two specific points were noted:
 - The timeliness of such a prompt was considered to be important; the bank details section of the form needed to be flagged while the return was being completed for maximum efficacy. It was suggested that this could involve a pop-up message or prompt to all filers that appeared when using third party software or the government

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gateway to complete a Corporation Tax return. The prompt would include a reminder to complete the bank details section if a repayment was due. Those for whom a repayment was not due could dismiss the message, while those who were due a repayment would appreciate the opportunity to be paid electronically.

- It was suggested the CT603, Notice to deliver a Corporation Tax return, could include a message to prompt completion of bank details on the back page amongst the details on how to make a payment. This was suggested as potentially the only formal contact from HMRC that a customer who used an agent might receive shortly before their return was due.
11. Agents and customers also received communication about Corporation Tax through other channels on a more general basis, which were therefore considered effective channels for receiving information on changes to the CT repayments process.
- Agents cited a variety of information sources, including email updates from HMRC, Tax Agent Blog, gov.uk website and external providers of information such as professional development course providers and third party subscriptions such as LexisNexis.
 - Customers generally received any information about Corporation Tax from their agent, or by secure online messages from HMRC.
12. In addition to raising awareness of the opportunity to provide bank details on the return, key messages for those who needed further reassurance were thought to include that electronic payments would be:
- Quicker
 - More convenient
 - Secure
 - Not used by HMRC for any other purposes
 - Clear about what the payment was for. This was a specific point made by companies of all sizes, who wanted to be able to easily understand from the reference on the bank statement that it was a repayment for Corporation Tax from HMRC.
13. In addition to suggestions of appropriate messaging, spontaneous suggestions were made to amend the repayments process so that the bank details section of the return became a mandatory field, with an error message if not completed. However, customers were expected to be reluctant to provide such information with no clear purpose, so the software would need to have sufficient intelligence to determine whether or not a repayment was due. Further, there was a suggestion and preference that (based on experience of the VAT payments system), HMRC should be able to retain bank details for

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Corporation Tax customers once provided, to enable repayments to be made, rather than requesting details every year.

Views on and appetite for a repayment threshold for Corporation Tax

14. Participants were asked their views on a threshold under which repayments for Corporation Tax would not be made but instead, carried over. They were informed that currently, under care and management powers, HMRC only make automatic repayments by cheque for amounts of £20 or over (under this amount repayments will only be made if bank details have been provided allowing a payment to be made electronically). They were asked their views on this and the idea of raising this threshold to £50, £100 or a (non-specified) amount over £100.
15. A threshold for repayments to be made was considered by both agents and customers to be acceptable in financial terms, as not receiving a small repayment would have no significant effect on cash flow. Small repayments were generally not expected, and therefore came as a surprise rather than being an income that was anticipated. However, for the sake of simplicity, there was a preference that if a repayment could be made electronically (that is, if bank details had been provided on the return), it should be made even for small amounts, in order to 'square up' Corporation Tax liability and have certainty that the accounts were balanced within a single financial year before moving on to the next year. This was a particular focus for participants in larger companies, for whom simplicity was a greater priority than receiving small amounts of income.
16. Preferences were explored for carrying over a repayment amount under the threshold to the next CT accounting period or offsetting it against another HMRC debt in the same accounting period, such as PAYE or VAT. Although offsetting against another HMRC debt was considered to be easier and simpler (as it would reduce the overall number of payments and provide greater certainty within the accounting year of overall liability), a preference was expressed for the amount to be carried over to the next CT accounting period to make it clearer where the money had gone. This preference was underpinned by concerns that offsetting against another tax type could not be effectively implemented in practice in a timely way.
17. The current threshold of £20 for cheque repayments was considered to be acceptable because such a small amount had no impact on cash flow and it was an inefficient use of HMRC's resources to issue cheques for small amounts. Further, the option of an electronic repayment was still available if bank details were provided so that the choice remained for those who did want to receive the repayment.

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18. In terms of the most acceptable level for a repayment threshold, there was a general consensus that thresholds of £50 and £100 were acceptable. When asked about whether the threshold should be increased to over £100, acceptability started to decline. This was because not receiving amounts over £100 could have an impact on the cash flow of very small companies.

Conclusions

- Bank details were not being omitted deliberately. Rather, customers were unaware of the need or opportunity to provide these in order to receive an electronic repayment, and agents were not prioritising the provision of details, or forgetting to.
- Customers supported the use of electronic payments and said they intended to provide bank details in the future.
- The key suggestions for encouraging provision of bank details on the return was to raise awareness and highlight the need to do this in a timely way on the return. For example, by including a prompt message in the software and government gateway platform at the point of completing the return.
- A threshold of up to £100 for repayments by cheque was acceptable, with a preference for repayments under the threshold to be offset against the following year's Corporation Tax liability for reasons of practicality. However, if the amount could be offset against another HMRC debt in a clear, efficient and timely manner, this would also be acceptable.