



**IFF Research**

# Large Business Panel Survey 2014

Prepared for



**HM Revenue  
& Customs**

By IFF Research

July 2015



**IFF Research**

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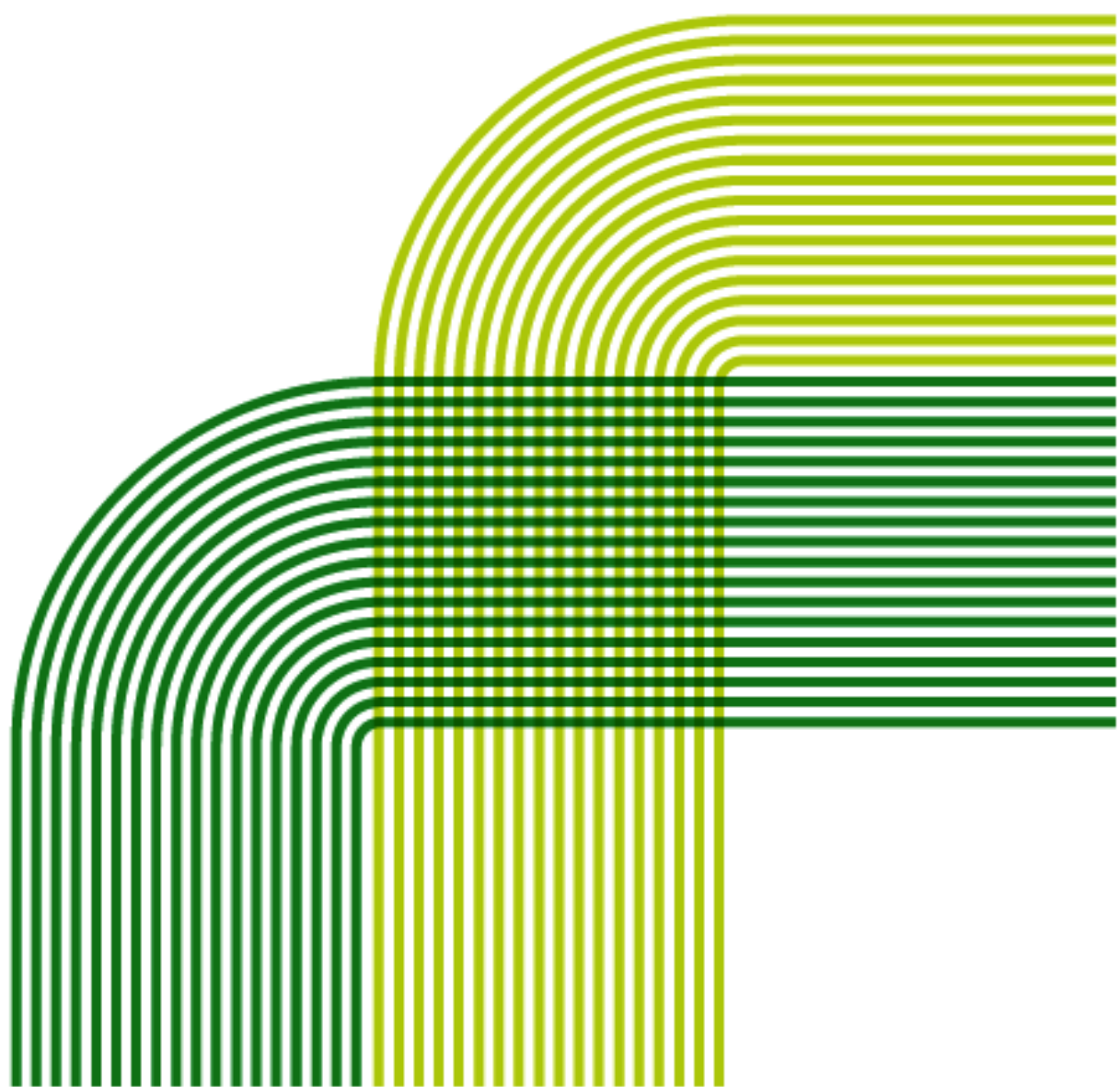
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# 1 Key Findings

## Background to LBPS 2014

- In 2014 the Large Business Panel Survey (LBPS) and the Tax Opinions Panel Survey (TOPS) were consolidated to reduce the research burden on HM Revenue and Customs' (HMRC's) large business customer population. The combined study provides robust, actionable data on large businesses' experiences of dealing with HMRC and opinions regarding the administration of current tax policy and changes to legislation. HMRC has conducted the Large Business Panel Survey (LBPS) annually since 2010.

## Reporting of findings

- For consistency with previous reports findings are reported separately for three groups of large business customers: customers who were managed by the Large Business Service (referred to as 'LBS'), Local Compliance Large & Complex customers with a Customer Relationship Manager (referred to as 'LC CRM'); and Local Compliance Large & Complex customers with an assigned point of contact (LC CC). These groups reflect HMRC's internal structures up until March 2014. More details are included in the introduction.
- Only differences that are statistically significant are highlighted in this report.

## Overall customer experience

- The majority of large business customers described their experience of dealing with HMRC as good or very good in 2014 - 87% of LBS customers, 78% of LC CRM customers and 68% of LC CC customers.
- Across the previous five years there were no significant differences in overall experience when 2014 feedback is compared with 2010 feedback. However, between 2010 and 2013 proportions of LBS customers who rated their overall experience as good increased from 89% to 93% but it fell thereafter to 87% in 2014. This decline was accounted for by an increase in the proportion of LBS customers who gave a neutral rating in 2014 rather than an increase in the proportion of LBS customers who provided negative feedback.
- The qualitative follow up research highlighted that some large business customers thought that personnel changes (particularly changes to their CRM) had impacted negatively on their overall relationship with HMRC. Of these customers, some felt that their new CRM was now less engaged with their business.

## Core measures of customer experience

- Close to 80% of large business customers were in agreement that HMRC treats businesses fairly and that HMRC are consistent in the way they deal with businesses. Opinions varied by customer group across the other core customer service measures, with LBS customers generally more likely to give positive ratings than LC CRM and LC CC customers.
- Across six of the nine core customer service measures there have been significant increases in the proportion of large business customers giving positive ratings between 2010 and 2014 – these increases were most common among LC CRM and LC CC customers.
- Across all customer groups, around nine in ten customers said they felt confident they knew what HMRC would challenge as tax avoidance (a significant increase between 2013 and 2014 among LBS and LC CRM customers).



## Real Time Working

- Just over half of all LBS businesses reported that they had contact with HMRC over the last 12 months about issues that HMRC would broadly define as Real Time Working. By contrast a smaller proportion of LC CRM and LC CC customers stated they had contact with HMRC about these types of issues.
- The use of Real Time Working declined among LBS customers between 2013 and 2014. This decline can largely be accounted for by fewer LBS customers in 2014 stating that they discuss specific tax issues with HMRC as they arise through the year.
- LBS customers that had undertaken Real Time Working were significantly more likely than those that did not to rate their overall experience as good/very good. Given fewer LBS customers worked in Real Time in 2014, there may be a link between this decrease and the overall change in LBS customer experience.
- The qualitative research explored the potential reasons behind the decline of Real Time Working among LBS customers between 2013 and 2014. Some LBS customers who had worked in Real Time less 2014<sup>1</sup> stated that changes to their CRM had caused them to be more reluctant to work in Real Time.

## Administration of tax policy

- Large business customers were asked to consider the impacts of the following tax policy changes since 2009 – reductions in Corporation Tax rates, the temporary increase in the Annual Investment Allowance, The Patent Box reforms and the reforms to the Controlled Foreign Companies (CFC) regime. The majority of large business customers thought that these changes (taken together) have had a positive impact on their business.
- Changes to Corporation Tax were viewed particularly favourably - indeed over 78% of all customers stated the Corporation Tax reforms were effective in maintaining the UK's competitive position in the global economy.
- Customers were also asked whether, in the 12 months prior to being surveyed, they had actively considered re-locating their business or parts of their business from the UK to another country. The proportions saying they had were significantly lower than they were in 2010.

## Influences on the tax paid by the business

- In 2014, a greater proportion of LBS customers said that using agents resulted in their business making fewer errors in its tax calculations than said it resulted in them implementing tax planning strategies that might not otherwise have been considered or paying less tax. The LBS customer group had become less likely between 2011 and 2014 to say their use of agents resulted in them implementing previously unconsidered tax strategies.
- The extent to which large business customers agreed with the statement 'tax avoidance is acceptable' also declined across all customer groups compared to 2013.
- Large business customers largely disagreed that recent media coverage about tax avoidance had caused them to consider similar opportunities. Amongst the LBS customer group, disagreement with this question on media coverage increased between 2013 and 2014.

<sup>1</sup>Six qualitative interviews were conducted with LBS customers who worked in Real Time in 2013 but not in 2014.



## 2 Introduction and background

### Background to study

- 2.1 HMRC places considerable importance on its customer relationships, and undertakes regular surveys to gain in-depth information about customers' experiences of HMRC. In the case of large businesses, HMRC has conducted the Large Business Panel Survey (LBPS) since 2010. Between 2011 and 2013 HMRC also conducted the Tax Opinion Panel Survey (TOPS) which interviewed the same business population about their attitudes to changes in tax policy and administration.
- 2.2 The panel approach to surveying large businesses allows HMRC to survey the same businesses every year and gain a better insight into how individual businesses' experiences and expectations change over time.
- 2.3 In 2014 the LBPS and the TOPS studies were consolidated to reduce the research burden on HMRC's large business customers while still ensuring robust, actionable data on:
- Large businesses' experiences of dealing with HMRC; and
  - Opinions regarding the administration of current tax policy and changes to legislation.
- 2.4 The study enables HMRC to gain in-depth knowledge on how its relationship with businesses changes over time and to assess the impact of new initiatives.

### Understanding HMRC's Large Business Customers

- 2.5 Until March 2014, HMRC's relationships with large businesses were managed by either the Large Business Service (LBS) or the Local Compliance Large and Complex (LC) group. The LBS was responsible for working with the UK's largest businesses which all had a Customer Relationship Manager (CRM) assigned to them. Local Compliance (LC) partnered the LBS in dealing with the tax affairs of the remaining large businesses. The larger businesses in LC also had a CRM, while the rest of the customers had an assigned point of contact from 2010 onwards.
- 2.6 In April 2014 the Large Business Directorate (LBD) was formed to deal with all businesses who had been allocated at CRM (i.e. the largest and most complex businesses)<sup>2</sup>. The change to Large Business Directorate (LBD) was a period of significant change, with a necessary planned reassignment of CRMs and businesses. It is not anticipated that such a wholesale change will be required in subsequent years.
- 2.7 For comparability across the five years of the survey we have continued to report on these three business groups separately<sup>3</sup>. Throughout the report large businesses are therefore categorised into:
- Large Business Service customers (LBS);
  - Local Compliance Large & Complex customers with a Customer Relationship Manager (LC CRM);  
or
  - Local Compliance Large & Complex customers with an assigned point of contact (LC CC).

<sup>2</sup> Other businesses with a UK turnover of £10 million or above and a minimum of 20 employees have been defined as mid-sized businesses and, from April 2014, HMRC began transitioning to a new strategic approach to improve customer service, risk management and compliance amongst this group and to support these customers at strategic 'life' events. The Mid-size business population is made up of LC CC customers and businesses that were previously in the Small and Medium Enterprises population. More information can be found here: <https://www.gov.uk/mid-size-businesses>

<sup>3</sup> Businesses were asked to answer questions based on the 12 months prior to the interview which overlaps with the creation of the LBD and Mid-size business units. It is possible that these changes affected responses from the businesses interviewed.





- 2.8 Further background on HMRC's large business customers and details about the analytical techniques used are included in the glossary and technical appendix to this report.

## 3 Sampling and methodology

### Overview

- 3.1 The questionnaire lasted an average of 20 minutes and fieldwork was conducted using Computer Assisted Telephone Interviewing (CATI) between 15 September and 19 December 2014. In total 1,689 Heads of Tax or Finance Directors from HMRC's large business customers took part in the 2014 study.
- 3.2 To explore some of the quantitative findings in more depth, certain types of large business customers were specifically selected to take part in qualitative follow up interviews (e.g. those whose overall experience with HMRC has declined). Combined with the comparatively small numbers interviewed for the qualitative research, this means that **qualitative responses in this report are not representative of the overall large business population.**
- 3.3 A total of 30 qualitative 'follow-up' interviews were conducted between 2 February and 19 March 2015, Interviews were conducted face to face and lasted approximately 60 minutes<sup>4</sup>.
- 3.4 As the 2014 LBPS included some questions previously carried on the TOPS survey, many questions were only asked of half the sample (with the exception of the questions which feed into metrics necessary for the calculation of the customer experience score). This allowed for a large range of questions from the earlier waves of LBPS and TOPS to be included in the 2014 questionnaire without impacting on interview length.

### Approach to analysis

- 3.5 This report summarises the findings from the latest wave of the LBPS that took place towards the end of 2014 (and early 2015)<sup>5</sup>. The main aim of this research was to assess (and track) businesses' views of the services provided by HMRC. In order to achieve this, several analysis techniques were adopted:
- Year-on-year 'trend' analysis;
  - Comparison with the first wave of LBPS in 2010;
  - Longitudinal analysis<sup>6</sup>;
  - Key Driver Analysis; and
  - Sub-group analysis.
- 3.6 Across each of these analysis techniques, only differences identified as significant<sup>7</sup> have been included in this report.
- 3.7 For reasons of clarity, 'don't know' or 'prefer not to say' responses have not been included in some tables and figures. Consequently not all figures will necessarily sum to a total of 100%. Figures may also not add to a total of 100% if the response was multi-coded. Where all responses have been included, figures may not sum to exactly 100% due to rounding.

<sup>4</sup> For more details see Appendix B and Appendix D.

<sup>5</sup> The qualitative follow-up research took place between 2 February and 19 March 2015.

<sup>6</sup> To ensure robust base sizes for analysis the longitudinal analysis was limited to 3 waves of the Panel Survey rather than all five waves: Wave 3: 2012, Wave 4: 2013, Wave 5: 2014.

<sup>7</sup> This means results are statistically significant using a chi-squared test at the 95% confidence level.



## 4 Main findings

### Overall customer experience

- 4.1 As Figure 4.1 shows, 87% of LBS customers, 78% of LC CRM customers and 68% of LC CC customers described their experience of dealing with HMRC as good or very good in 2014.
- 4.2 Across the five years of the LBPS as a whole there had been very little change in perceptions of overall experience – i.e. there were no significant differences between feedback provided in 2014 and 2010. However, between 2010 and 2013 proportions of LBS customers who rated their overall experience as good increased from 89% to 93% but fell thereafter to 87% in 2014. This decline is accounted for by an increase in the proportion of LBS customers that gave a neutral rating in 2014 rather than an increase in the proportion that provided negative feedback<sup>8</sup>.
- 4.3 Looking at LBS customer experience longitudinally, although a relatively high proportion of LBS customers had experienced a change of CRM between 2013 and 2014 there were no clear differences in experience between those that had experienced a change of CRM and those that had not. This suggests that LBS customer experience was not affected by changes made by HMRC to the relationship team<sup>9</sup>. (As will be discussed later, there were however differences in the experience of LC CRM customers who had experienced a change in CRM).
- 4.4 However, overall experience with HMRC was also explored further in the qualitative research<sup>10</sup>. This showed that, amongst those respondents interviewed face to face, overall experience among LBS and LC CRM customers was often strongly linked to their relationship with their CRM.
- 4.5 Some large business customers that were interviewed face to face thought that personnel changes (particularly changes to their CRM) had impacted negatively on their overall relationship with HMRC. Of these customers, many stated in the qualitative research that their new CRMs were now less engaged with their business:

*[We] had a very, very good CRM who cleared a lot of issues but that is going back 3 years. He moved on within HMRC and he was replaced with a CRM which, although my boss has met, I have never met; we heard nothing from him since. We have since found out from our auditors that he has now moved on and we now have another CRM who we haven't met.*

**LC CRM**

- 4.6 A number of large business customers participating in the qualitative interviews also felt that they had had less frequent contact with HMRC in the 12 months prior to being interviewed (often as a result of CRM changes) and perceived that this has led to a decline in HMRC's understanding of their business.

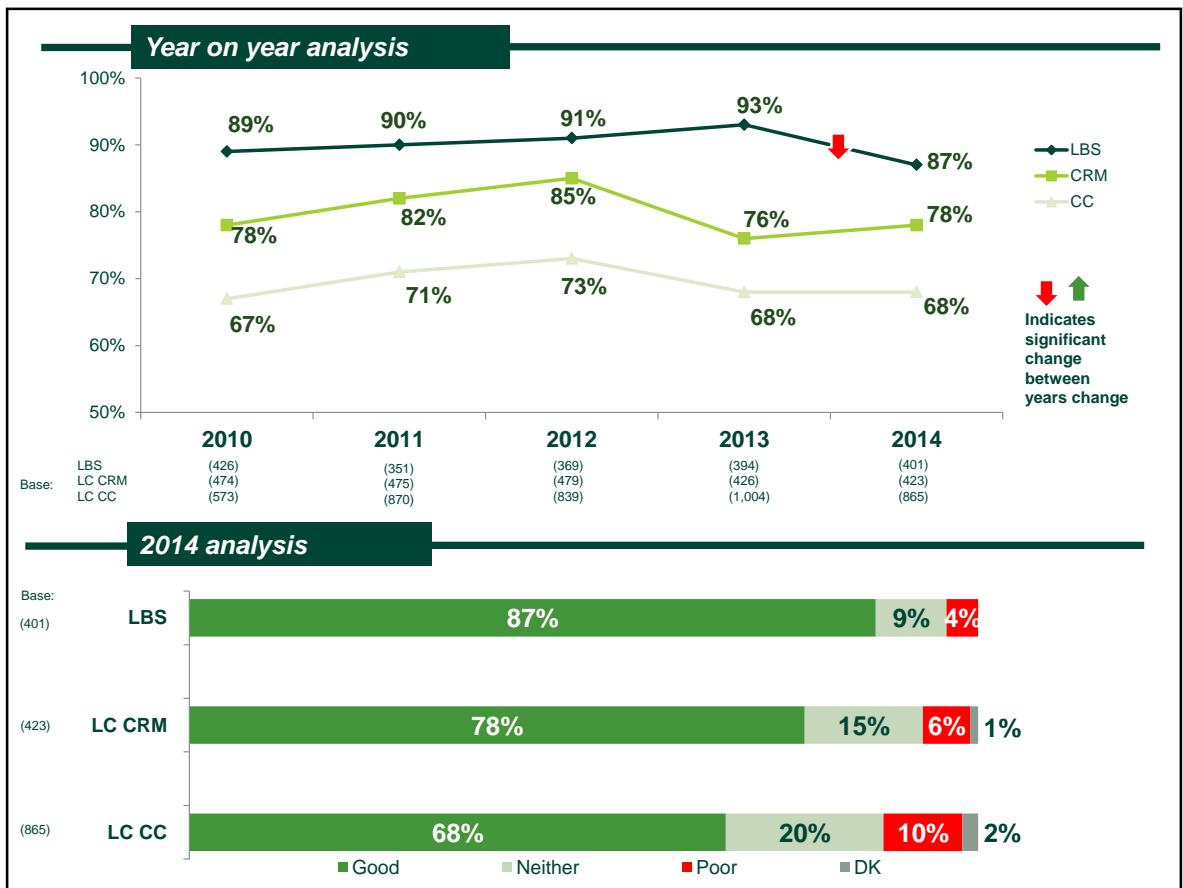
<sup>8</sup> In 2014 9% of LBS customers stated their experience was neither good nor bad compared with 5% in 2013. The proportion of LBS customers that stated their overall experience was poor remained low across the two years (2% in 2013 and 4% in 2014).

<sup>9</sup> In 2014, the way HMRC interacts with large businesses changed with the formation of the Large Business Directorate (LBD). The LBD includes all former LBS and LC CRM customers.

<sup>10</sup> To explore some of the quantitative findings, certain types of large business customers were specifically selected to take part in follow up interviews (e.g. those whose overall experience with HMRC has declined). Therefore, qualitative responses were not representative of the overall large business population.



Figure 4.1: Overall experience of service 2010-14



4.7 LBS customers who had undertaken Real Time Working were significantly more likely than those who did not, to rate their overall experience as good/very good (90% cf. 83%). As is discussed later in this chapter, the proportion of LBS customers who stated they worked in Real Time had fallen between 2013 and 2014 and this may have contributed to a decline in overall experience over the same period. Other possible reasons for the recent decline in LBS ratings are explored below.

4.8 Between 2013 and 2014 the majority of LC CRM customers taking part in both years of the LBPS experienced a change in CRM. Among these customers there was a difference in the experiences of those that experienced a change of CRM and those that did not. While nearly all customers who retained the same CRM between 2013 and 2014 stated their experience was good, only three-quarters<sup>11</sup> of those that experienced a change in CRM felt this was the case. The difference was largely accounted for by LC CRM customers giving neutral scores rather than providing negative feedback. Overall experiences of dealing with HMRC did not differ significantly by characteristics that define the business (e.g. business size, sector and turnover). However, there was a difference in terms of how LC CC customers interacted with HMRC in the 12 months prior to the 2014 survey:

- LC CC customers who were aware of their assigned point of contact were more likely than those who were not aware, to rate their experience as good/very good (71% cf. 59%).

<sup>11</sup> The base size of LC CRM customers that retained their CRM across both years of the study is relatively small (47) and should be treated with a degree of caution. 94% of customers that retained their CRM between 2013/14 stated their experience was good compared with 76% of customers that experienced a change of CRM between 2013/14.



4.9 While most large business customers who participated in the qualitative follow up research initially described their overall experience with HMRC as good, a number felt that their relationship with HMRC had deteriorated in the previous 12 months (which may be expected since businesses whose experience of HMRC had declined were deliberately selected for interview)<sup>1213</sup>.

4.10 Some of these large business customers felt that HMRC had been more 'aggressive' and 'rigid' in the 12 months prior to participating in the study:

*Historically we have had a very good relationship with HMRC. In the last 12 months HMRC has become more aggressive, we've seen a drop in the level of trust that they are prepared to show towards us... where previously we have had quick resolutions, [now] what we are seeing is more and more requests for data and information but less and less action on the back of it.*

**LBS**

4.11 Some large business customers who were interviewed face to face perceived that this change in attitude was a consequence of 'external pressures' and limited resources within HMRC:

*This is probably due to tax issues that have played out in the press which has perhaps led to the perception that HMRC has been more favourable to big businesses and this has had an impact on HMRC. It has therefore meant that they have seemed much more rigid and less responsive to recognising commercial imperatives and agreeing to sensible solutions.*

**LBS**

*It seems that they are under a lot of pressure and haven't got time. They are short-staffed and under-resourced.*

**LC CRM**

4.12 A few large business customers felt that these factors had caused HMRC to become increasingly centralised and that this had reduced the ability of CRMs to make timely decisions:

*Increasingly HMRC are trying to centrally control everything – they have central specialists and checks on everything that the operational delivery team are doing and that central control of specialists is also being increasingly thinly spread. So I understand why they are doing it – they want consistency but then it makes it very hard for the front line operations teams to deliver efficient and timely responses to issues.*

**LBS**

4.13 Some large business customers stated in the qualitative research that they were increasingly reluctant to start discussions with HMRC as a result of these perceived changes which they felt had hindered HMRC's ability to resolve issues quickly.

<sup>12</sup> Only a few businesses that took part in the qualitative research described their overall experience as poor and this was often due to outstanding issues such as disputes or unresolved payments / refunds.

<sup>13</sup> Those whose overall experience with HMRC has declined were specifically asked to take part in the qualitative research to explore why this might have been the case – their views are not necessarily representative of the overall large business population.



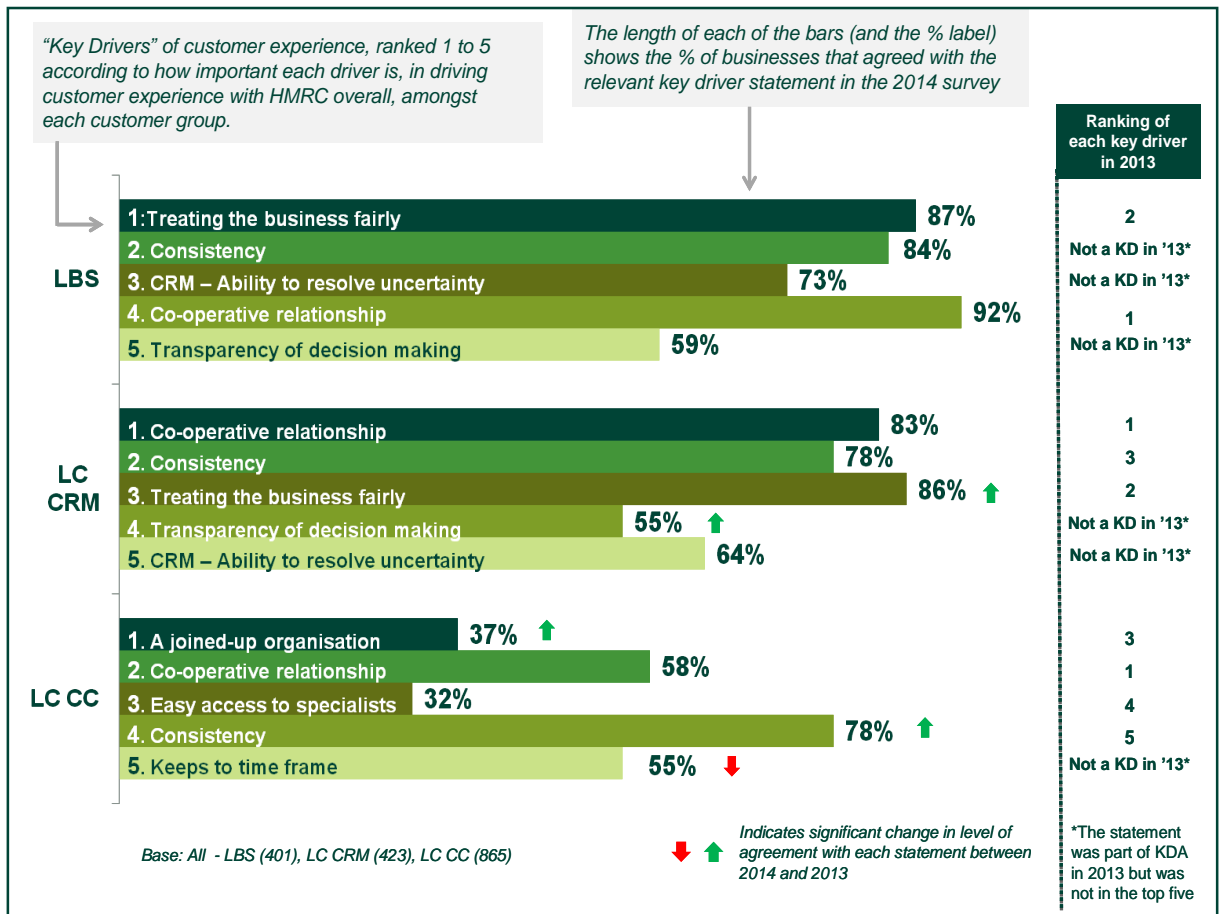
## Key drivers of customer experience

- 4.14 Key Driver Analysis (KDA), a statistical technique, was used to help understand the relative impact of different elements of HMRC service on customers' overall experiences of dealing with HMRC. All customer service measures, both the 'core' customer service measures and the 'wider measures of customer experience' explored below were used in the analysis. More details on the approach taken are included in the technical appendix of this report.
- 4.15 Figure 4.2 shows the top five key drivers of customer experience for each customer group in order of importance – i.e. the five areas that had the greatest influence on customers' overall views of HMRC. It also shows the proportion of customers that agreed that HMRC's performance was fairly good or very good with regards to each of these five measures. This analysis suggests the areas where improvement could have most impact on customers' overall experiences of dealing with HMRC, namely:
- *HMRC's decision making is transparent* - for LBS and LC CRM customers;
    - It should be noted that LC CRM customers' perceptions of how transparent HMRC's decision making is, significantly increased between 2013 and 2014.
  - *HMRC is a joined up organisation* – for LC CC customers;
    - There was a significant increase in the proportion of LC CC customers agreeing with this statement between 2013 and 2014.
  - *HMRC provides easy access to taxation specialists for advice* – for LC CC customers; *and*
  - *HMRC keeps to the agreed timeframes* – also among LC CC customers:
    - There was a significant decline in the proportion of LC CC customers agreeing with this statement between 2013 and 2014<sup>14</sup>.

<sup>14</sup> 65% in 2013 cf. 55% in 2014.



**Figure 4.2: Key drivers of customer experience**



4.16 In terms of the longer term trends in relation to the KDA:

- In 2013 the top two drivers of customer experience were the same across all customer groups<sup>15</sup> – in 2014 this was no longer the case.
- *HMRC actively seeking a co-operative relationship* (which has been a key driver for all customer groups across all 5 waves of the LBPS), *HMRC being consistent in how they deal with the business* and *HMRC treating the business fairly* – continued to be key drivers of overall experience across two of the three<sup>16</sup> customer groups in 2014.
- That said, among LBS customers there had been a change since 2013 in terms of what measures have the biggest influence on overall experience. Most notable was that whether *HMRC's decision making is transparent* was shown to be a key driver for the first time in 2014. This is an area where ratings of HMRC have historically been lower in comparison with other key measures of service across all customer groups (which may help explain why the overall experience score among the LBS customer group had declined between 2013 and 2014).
- By contrast the key drivers of experience among LC CRM and LC CC customers remained relatively consistent over the course of 2014<sup>17</sup>.

<sup>15</sup> *HMRC actively seeking a co-operative relationship and HMRC treating the business fairly.*

<sup>16</sup> *The exception being - treating the business fairly - which was not a key driver in 2014 among LC CC customers.*

<sup>17</sup> *Exceptions to this are HMRC's transparency of decision-making and the CRM's ability to resolve uncertainty which were new key drivers among LC CRM customers in 2014 and HMRC keeping to the agreed timeframes which was a new key driver among LC CC customers in 2014.*





## Wider customer experience

### Core measures of customer experience

- 4.17 There are nine dimensions of customer service which HMRC uses as indicators to assess how it is performing against its strategic objective: to maintain or improve customers' experiences of HMRC and contribute to improving the UK business environment. The measures are designed to reflect a broad range of service delivery issues that are relevant to all customers.
- 4.18 Table 4.1 summarises HMRC's performance against each of these measures between 2010 (the first year of the LBPS) and 2014 (the fifth wave of the LBPS) by customer group. It shows the proportion of customers that agreed with each measure in 2014 and highlights where there were significant differences between:
- Wave 1 (2010) and wave 5 (2014); and
  - Wave 4 (2013) and wave 5 (2014).

**Table 4.1: Performance against the nine customer service measures (2010-14) used as indicators of customer experience**<sup>18 19</sup>

	group	'14 score	W1 '10 and W5 '14	W4 '13 and W5 '14	Key Driver *
HMRC treat your business fairly	LBS	87	-	-	10 '11 '12 '13 '14
	LC CRM	86	81 ↑ 86	81 ↑ 86	10 '11 '12 '13 '14
	LC CC	83	79 ↑ 83	78 ↑ 83	11 '13
HMRC are consistent in the way they deal with your business	LBS	84	-	-	11 '14
	LC CRM	78	-	-	13 '14
	LC CC	78	71 ↑ 78	74 ↑ 78	11 '14
HMRC actively seek a co-operative relationship	LBS	92	-	-	10 '11 '12 '13 '14
	LC CRM	83	-	-	10 '11 '12 '13 '14
	LC CC	58	-	-	10 '11 '12 '13 '14
HMRC make it clear what you need to do to be compliant	LBS	81	-	-	-
	LC CRM	73	66 ↑ 73	-	-
	LC CC	67	-	72 ↓ 67	-
HMRC provide your business with certainty in their tax affairs	LBS	70	-	-	10 '12
	LC CRM	60	52 ↑ 60	-	-
	LC CC	50	45 ↑ 50	-	-
HMRC have become more focussed on the high risk tax issues that affect businesses and are now less concerned about low risk matters	LBS	77	-	85 ↓ 77	-
	LC CRM	68	-	-	-
	LC CC	53	41 ↑ 53	-	-
HMRC makes it clear what you need to do to address any concerns	LBS	71	-	-	-
	LC CRM	66	-	72 ↓ 66	11
	LC CC	58	-	64 ↓ 58	-
HMRC has a good understanding of your business	LBS	55	69 ↓ 55	-	-
	LC CRM	42	55 ↓ 42	-	-
	LC CC	36	-	-	12 '13
HMRC are a joined up organisation	LBS	52	41 ↑ 52	-	-
	LC CRM	37	-	-	13
	LC CC	37	29 ↑ 37	31 ↑ 37	10 '13 '14

\* Indicates which year the measure was a key driver of overall experience. Shaded cells indicate where the measure was a key driver in 2014.

<sup>18</sup>Only Wave 5 scores and significant differences between waves of research are shown – cells have been left blank where there is no significant difference. A more detailed, graphical time series analysis of these measures is included in Appendix D.

<sup>19</sup>Only the nine indicators which relate to HMRC's strategic objective included in this table. Other customer service measures are also key drivers of overall customer experience, as highlighted in figure 4.2.



- 4.19 It should be noted that all statements were positive – therefore where customers were in agreement with each individual statement this represented a positive finding for HMRC.
- 4.20 The key headlines in 2014 were:
- Close to 80% of customers (across all groups) were in agreement that HMRC treats businesses fairly and HMRC is consistent in the way it deals with businesses.
  - The proportion of customers that agreed HMRC has a good understanding of the business and HMRC are a joined up organisation was relatively low (just over half of LBS customers and closer to a third of LC CRM and LC CC customers); and
  - Opinions were varied by customer group across most of the other customer service measures, with LBS customers generally more likely to be in agreement than LC CRM and LC CC customers.
- 4.21 Taking a longer term view (i.e. since 2010 – the inception of the LBPS) it should be noted that:
- Across six of the nine customer service measures there have been significant increases in the proportion agreeing<sup>20</sup> between 2010 and 2014 – these increases were most common among LC CRM and LC CC customers. Among LBS customers the ‘baseline’ was set relatively high in 2010 leaving less scope for improvement;
  - There were also many instances where there were no significant changes between 2010 and 2014 – i.e. performance was being maintained by HMRC at a relatively high level; and
  - On only one measure was there a notable decline in the proportion agreeing between 2010 and 2014. This was in terms of the proportion agreeing that *HMRC has a good understanding of the business* (the decline was evident among LBS and LC CRM customers). As already discussed, for LC CRM customers, this may be linked to changes in CRMs.
- 4.22 The sections below provide more detail on the each of the core service measures, drawing in wider findings from the LBPS where appropriate.

### ***Fairness and consistency***

- 4.23 Perceptions of whether HMRC treats businesses fairly and HMRC is consistent in the way they deal with businesses were relatively high across every wave of LBPS and across all customer groups. This is important, given both measures were shown to be key drivers of experience in 2014 (and in previous waves of the LBPS).
- Among LC CRM and LC CC customers there was a significant increase in the proportion of customers that agreed that *HMRC treats businesses fairly* between 2013 and 2014.
  - Among LC CC customers there was also a significant increase between 2013 and 2014 in the proportion that felt *HMRC is consistent in the way they deal with businesses*.
- 4.24 The qualitative follow up research showed that the large business customers that took part generally consider fair treatment to be synonymous with consistency. Consistent treatment, i.e. being treated in the same way as other businesses of the same size and sector, was most commonly cited by large business customers when they were asked what they understood fair treatment to mean.
- 4.25 Large business customers who took part in the qualitative research also tended to feel that fair treatment comes from HMRC having a good understanding of their business, a common sense approach and responding within agreed timeframes:

<sup>20</sup> As noted – all statements were positive and therefore the higher proportion of businesses that agreed with each statement represented a positive finding for HMRC.





*[Fair treatment is] to be treated in the same way as others businesses that are our size. It's important to recognise that the size of a business has an impact on what it can reasonably be expected to do. One missed transaction; if you are doing 200m transactions a year, has far less impact than if you have ten transactions a year and you miss one.*

LBS

*Focussing on the areas of importance and not being petty. In the past we have had instances where they have been looking at expense claims and highlighting very minor bills... it's about understanding the size of the business and that we have everything in place to ensure we pay the right level of tax... HMRC don't seem to work to any deadlines, they respond whenever it suits them which does not seem fair.*

LBS

- 4.26 Most large business customers who took part in the qualitative research were confident that HMRC administers the tax system fairly, though a few businesses perceived that there had been a reduction in resources at HMRC over the last few years and where this was the case this had started to erode some of their confidence.

### **Co-operative relationship**

- 4.27 While over eight in ten LBS and LC CRM customers were in agreement that HMRC actively seek a co-operative relationship the proportion that agreed with this statement was closer to six in ten among LC CC customers. Since the inception of the LBPS in 2010 the proportion of customers that agreed with the measure remained relatively static and it continued to be a key driver of overall experience for all customers.

### **Compliance**

- 4.13 Eight in ten LBS customers agreed that HMRC makes it clear what businesses need to do to be compliant, compared to closer to seven in ten LC CRM and LC CC customers.
- There was a significant decline in the proportion of LC CC customers that agreed this was the case between 2013 and 2014. In terms of the longer term trend the proportion that agreed in 2014 was on par with first two waves of the study (2010-2011).
- 4.14 More generally in terms of the administrative burden of tax compliance, 48% of LBS customers and 42% of LC CRM customers felt the administrative burden had increased over the year prior to being surveyed. This was broadly comparable to previous waves of the LBPS.
- 4.15 In 2014, a lower proportion of LC CC customers (35%) felt that the administrative burden had increased over the previous year than expressed this view in 2013 (41%). This can partly be explained by fewer LC CC customers reporting RTI to be responsible for an increase in the administrative burden (42% of LC CC customers felt that the burden of compliance in the previous 12 months had increased because of Real Time Information (RTI) in 2014 compared with 59% in 2013).

### **Certainty in tax affairs and addressing concerns**

- 4.16 There were clear differences by customer group in terms of whether customers felt HMRC provides their business with certainty in their tax affairs. While 70% of LBS customers agreed that HMRC did this in 2014, only 60% of LC CRM and 50% of LC CC customers agreed.



- However, among both LC CRM and LC CC customers there was a significant increase in the proportion of customers who agreed that *HMRC provides their business with certainty in their tax affairs* between the first wave of LBPS (2010) and the fifth wave in 2014.
- 4.17 A similar pattern emerged in relation to whether HMRC makes it clear what they need to do to address concerns – LBS customers were the most likely to agree.
- Among LC CC and LC CRM customers there was a significant decline in the proportion of customers that agreed that *HMRC makes it clear what they need to do to address concerns* between 2013 and 2014. That said, it should be noted the longer term trend was relatively static across both customer groups and the 2014 feedback was on par with that from customers in 2010.
- 4.18 Large business customers were also asked how confident they felt that they knew what HMRC would challenge as tax avoidance. Overall, (across all customer groups) around nine in ten continued to report being confident that they did know. Among LBS and LC CRM customers there was actually a significant increase in the proportion of customers who reported being confident that they knew what HMRC would challenge as tax avoidance between 2013 and 2014<sup>21</sup>.

### **Risk**

- 4.19 Close to eight in ten LBS customers agreed that HMRC have become more focussed on the high risk tax issues that affect businesses and are now less concerned with the low risk matters. While a high proportion of LBS customers agreed with the statement, levels of agreement nevertheless declined between 2013 and 2014 (in 2013 85% agreed with the statement).
- 4.20 While compared to LBS customers, lower proportions of LC CRM (around seven in ten) and LC CC (around five in ten) customers agreed that HMRC have become more focussed on the high risk tax issues that affect businesses and are now less concerned with the low risk matters it should be noted that:
- Among LC CC customers, the proportion that agreed with the measure increased significantly over the five years of the LBPS (only four in ten LC CC customers agreed in 2010).

### **Risk reviews**

- 4.21 More specifically, a risk-based approach to working with customers was a measure introduced by HMRC in late 2007. All CRM businesses go through a specific risk assessment process, the results of which are shared with the customer.
- 4.22 In the 12 months preceding the 2014 Panel Survey, 69% of LBS customers and 46% of LC CRM customers said they had undergone a risk review with HMRC<sup>22</sup>; a similar proportion to previous waves.
- 4.23 These customers were asked the extent to which they agreed with three statements<sup>23</sup>:
- *I know what the benefits of being low risk are for my business* – 87% of LBS and 95% of LC CRM customers agreed;
  - *The risk review process is fair* – 84% LBS customers and 81% of LC CRM customers agreed; and

<sup>21</sup> In 2013 86% of LBS and 88% of LC CRM customers reported they knew what HMRC would challenge as tax avoidance. In 2014 this increased to 93% and 92% respectively.

<sup>22</sup> 2013: 71% LBS, 46% LC CRM / 2012: 72% LBS, 49% LC CRM.

<sup>23</sup> Across all three measures relating to risk reviews, the proportion of LBS and LC CRM that agreed with each remained relatively consistent between 2010 and 2014.



- *My business takes into account the HMRC risk status when structuring its tax affairs* – 67% of LBS and 69% of LC CRM customers agreed.
- 4.24 More generally, large business customers were also asked whether they agreed or disagreed that HMRC successfully identified all significant tax risks within large businesses. Across all groups, over half of customers agreed that HMRC did identify all significant tax risks. LBS customers were most likely to agree (67%) while LC CRM (57%) and LC CC (52%) customers were less likely to do so.
- 4.25 There were lower levels of agreement that HMRC identifies smaller tax at risk for large businesses with just over one-third of customers from all three groups agreeing. The lower proportions agreeing that HMRC identifies smaller tax at risk should not necessarily be taken to mean that businesses felt HMRC failed to identify them: relatively large proportions neither agreed nor disagreed that HMRC identified these types of risk, pointing to uncertainty in this area. Indeed, LC CRM and LC CC businesses also gave relatively high proportions of 'don't know' responses to this question.

### ***Understanding the business***

- 4.26 Feedback on the extent to which HMRC have a good understanding of businesses has been less positive than for other measures since the beginning of the LBPS in 2010. In 2014, just over half of LBS customers agreed that HMRC had a good understanding of their business whereas two fifths of LC CRM customers and a third of LC CC customers agreed this was the case.
- The proportion of LBS customers that agreed *HMRC have a good understanding of your business* declined significantly between 2010 and 2014, while the proportion of LC CRM customers that agreed with this measure fluctuated over this time period.

### ***Extent to which HMRC is a joined-up organisation***

- 4.27 Perceptions of how joined-up HMRC is in its decision making have generally improved over time across LBS and LC CC customers, significantly so among:
- LBS customers between 2010 and 2014; and
  - LC CC customers between 2013 and 2014.
- 4.28 However, feedback on this measure still remains more negative than for other measures of HMRC's service - in 2014 just half of LBS customers and a third of LC CRM and LC CC customers agreed HMRC was joined-up.

### **Wider measures of customer experience**

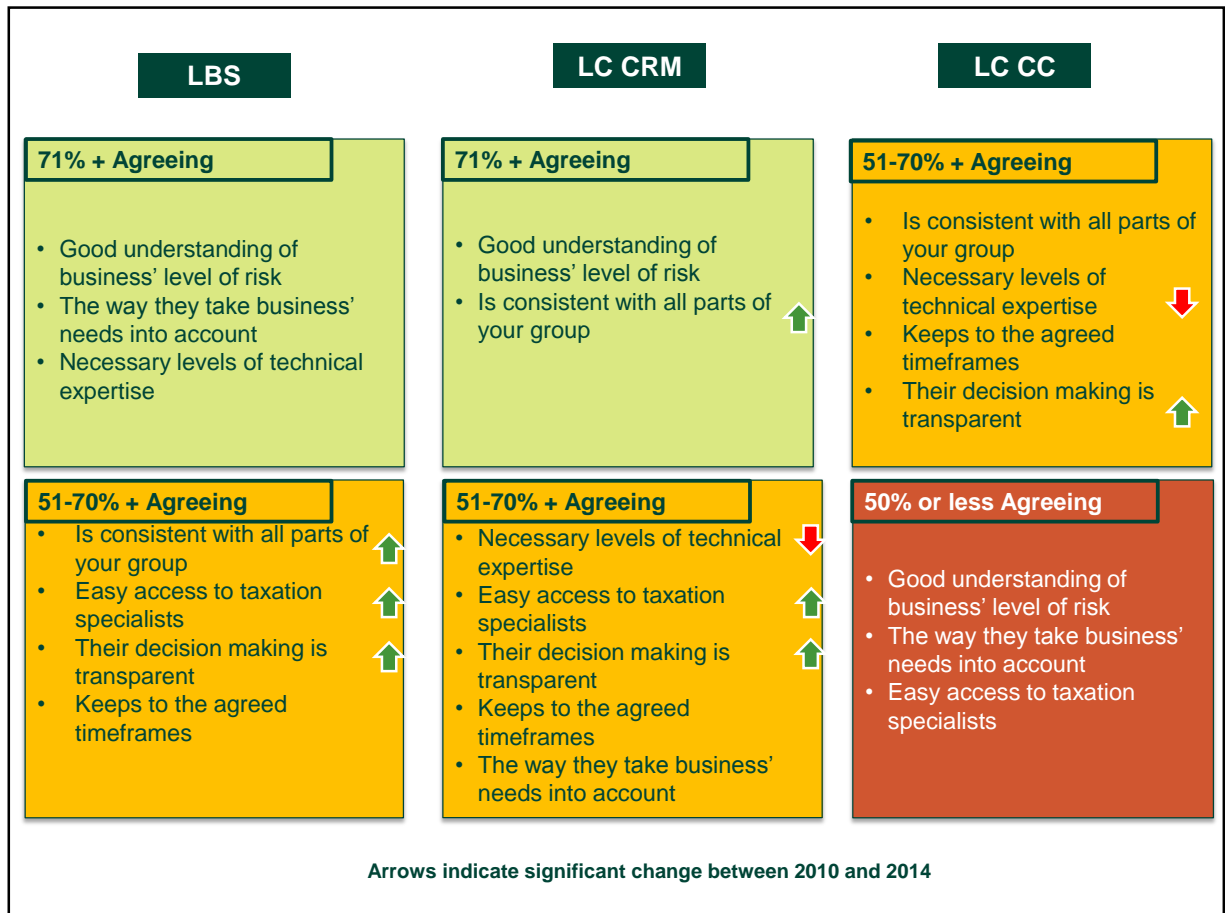
- 4.29 There were several other measures of customer experience explored during the 2014 LBPS. These are summarised in Figure 4.3 which groups together the measures by whether:
- 71% or more agreed with the measure in 2014 (green boxes);
  - Between 51% and 70% agreed with the measure in 2014 (amber boxes); and
  - 50% or less agreed with the measure in 2014 (red boxes).
- 4.30 The arrows indicate where there was a significant increase/decline in the proportion that agreed since the first wave of the LBPS in 2010<sup>24</sup>.

<sup>24</sup> *The statement related to HMRC being consistent with all parts of the business was added to the LBPS in 2011 rather than in 2010.*



4.31 These measures relate experience of dealing HMRC, including HMRC staff but do not relate to Customer Relationship Managers and assigned points of contact.

**Figure 4.3: Performance against other customer service measures (2010-14)**



4.37 Taking each customer group in turn:

### LBS

- At least 60% of LBS customers agreed with the majority of the measures outlined in Figure 4.3 in 2014;
- There were three areas in which LBS customer feedback on HMRC's performance became significantly more positive between 2010 / 2011 and 2014:
  - *HMRC provide easy access to taxation specialists for advice;*
  - *HMRC's decision making is transparent; and*
  - *HMRC is consistent with all parts of your group.*<sup>25</sup>

<sup>25</sup> Only asked of businesses that were part of a larger group – as noted previously this statement was added in 2011.



## LC CRM

- Over half of LC CRM customers agreed with the measures outlined above in 2014 – the highest levels of agreement (71% +) were for the following statements:
  - *HMRC has a good understanding of your business' level of risk with regards to tax compliance;* and
  - *HMRC is consistent with all parts of your group* – this represented a significant increase from 2014.
- There were also significant increases between 2010 and 2014 in the proportion of LC CRM customers that agreed with the following measures :
  - *HMRC's decision making is transparent* (up 17 percentage points); and
  - *HMRC provides easy access to taxation specialists for advice* (up 18 percentage points).
- Across both measures there were also significant differences between 2013 and 2014 which highlighted that HMRC had continued to improve in these areas in the 12 months preceding the 2014 LBPS.
- However, the longer term trend showed that there had been a significant decline in the perceptions that:
  - *HMRC has the necessary levels of technical expertise* – although it should be noted there had been fluctuation agreement with this measure over the different waves of the survey.

## LC CC

- Over half of LC CC customers agreed with four of the customer service measures outlined in Figure 4.3. For *HMRC's decision making being transparent* this represented a significant increase from both the first wave of LBPS in 2010 (38%) and the 2013 wave of the study (45%).
- However, there was a decline in perceptions among LC CC customers that *HMRC has the necessary levels of technical expertise* between 2010 and 2014.
- Over the five waves of the LBPS there were three measures for which LC CC customers perceptions of HMRC were generally lower than was the case among other customer groups and for which scores remained relatively static between 2010 and 2014:
  - *HMRC has a good understanding of your business' level of risk with regards to tax compliance;* and
  - *HMRC takes your business' needs into account in the way they deal with the business;* and
  - *HMRC provides easy access to taxation specialists for advice.*

## Relationship Management

### The relationship with HMRC

4.32 Nearly all LBS customers (96%) and a large proportion of LC CRM customers (85%) had dealt directly with their Customer Relationship Manager (CRM) in the 12 months prior to completing the 2014 survey<sup>26</sup>.

<sup>26</sup> These were similar proportions as in wave 4 of the LBPS (2013).



- 4.33 The remaining large business customers (LC CC) have an assigned point of contact. The assigned point of contact acts as a first port of call for LC CC businesses but does not have the same remit as a CRM.
- 4.34 As Table 4.2 shows, seven in ten LC CC customers were aware they had an assigned point of contact in 2014. This was broadly in line with the levels of awareness reported at the inception of the LBPS (2010) – although it should be noted that over the course of the survey there was an increase in awareness between 2010 and 2011 and then a subsequent decline, first measured in 2013 (which may be expected as HMRC transitions towards its new approach to dealing with mid-sized businesses).

**Table 4.2: Awareness and use of the assigned point of contact (2010-14)**

	2010	2011	2012	2013	2014
	%	%	%	%	%
Aware of the assigned point of contact	68	78	76	71	71
Had any contact with the assigned point of contact	25	31	30	30	39
Been assisted by the assigned point of contact	10	16	18	19	25
<i>Base: All CC customers</i>	<i>(870)</i>	<i>(839)</i>	<i>(897)</i>	<i>(1,004)</i>	<i>(865)</i>

*Note: Each row of this table should be read separately as a summary row. It will not sum to 100%  
Arrows indicate significant differences between years*

- 4.35 However, in 2014 a higher proportion of LC CC customers had had contact with the assigned point of contact (in the 12 months prior to the survey) than was previously the case. Linked to this, 25 % of LC CC customers had been assisted by the assigned point of contact in the 12 months prior to taking part in the 2014 survey, a considerably higher proportion than in 2010 (10%).
- 4.36 In 2014 the main reason cited by LC CC customers for not having been in touch with the assigned point of contact was not having heard of the initiative (29%), although a further 24% also stated they had not had a reason to be in touch in the 12 months prior to completing the 2014 survey.

### Customer experience of dealing with the CRM / assigned point of contact

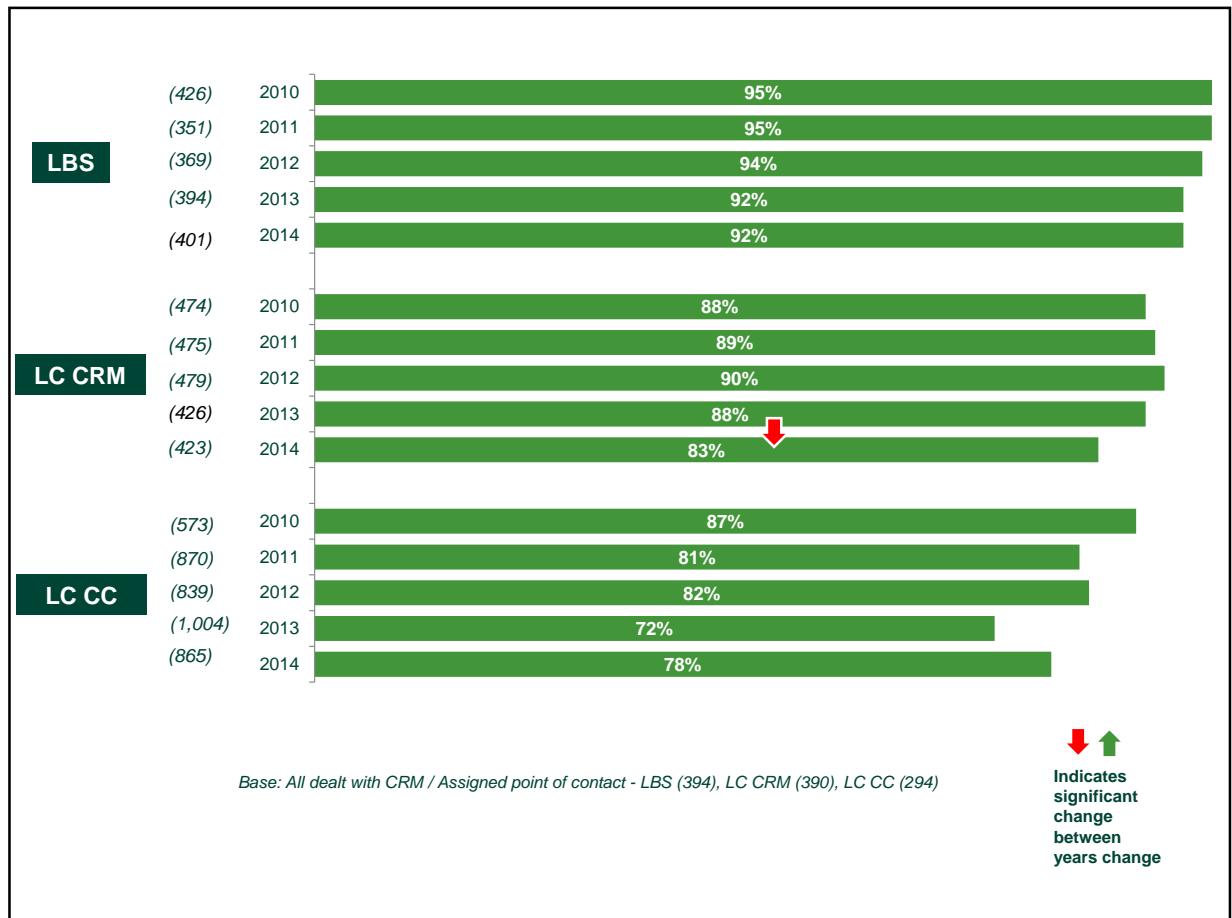
- 4.37 Figure 4.4 shows the proportion of large business customers that rated their experience of dealing with their CRM / assigned point of contact as good or very good in the 12 months prior to taking part in the survey<sup>27</sup>.
- 4.38 Customer experiences of dealing with CRMs among LBS and LC CRM customers continued to be very positive – over nine in ten LBS customers and over eight in ten LC CRM customers rated their relationship with their CRM as good/very good in 2014.
- 4.38 However, among LC CRM customers, the proportion giving positive feedback had declined between 2013 and 2014 (by 5 percentage points). This decline was mainly accounted for by an increase in the proportion of LC CRM customers who gave a neutral or don't know response in 2014 rather than an increase in the proportion that provided negative feedback<sup>28</sup>.

<sup>27</sup> Findings are based on all dealt with their CRM / assigned point of contact directly in the 12 months prior to taking part in the survey.

<sup>28</sup> In 2014 12% of LC CRM customers stated their CRM was neither good nor bad, compared with 9% in 2013. The proportion of LC CRM customers that stated their CRM was poor remained the same across the two years (2%).



**Figure 4.4: Experience of dealing with CRM / assigned point of contact during the 12 months prior to being surveyed (2010-14)**



4.39 Longitudinal analysis among LC CRM customers who experienced a change in CRM between 2013 and 2014 highlighted that these customers were less likely to rate their CRM as good (and more likely to provide a neutral rating)<sup>29</sup>. This was consistent with LC CRM customers' overall feedback on dealing with HMRC; however, it is different to the pattern in the LBS population where changes of CRMs do not seem linked to changes in experience ratings.

4.40 With regards to specific aspects of the service provided by their CRM/assigned point of contact the majority of customers were positive:

- Close to 80% of LBS customers rated their CRM as good or very good across most of the measures, including being easy to contact, ensuring that queries are dealt with effectively, responding within agreed timeframes and their commercial understanding of the business.
  - The exception was with regards to the *CRM's ability to help resolve uncertainty around complex or significant tax issues* where a smaller proportion of LBS customers rated the CRM as good/very good (73%).
- Feedback on the CRM was also generally positive among LC CRM customers (over 80% rated their CRM good/very good on three of the five measures discussed).

<sup>29</sup>The base size of LC CRM customers that retained their CRM across both years of the study and answered this question is relatively small (45) so findings should be treated with a degree of caution. 96% of customers who retained their CRM between 2013/14 stated their experience of the CRM was good compared with 80% of customers who experienced a change of CRM between 2013/14.





- *However* – the proportion of LC CRM customers who agreed their CRM had a good commercial understanding of their business was lower (67%) and represented a significant decline since 2013 (75%). Again this may be explained by having to develop a relationship with a new CRM in 2014.
- Among LC CC customers around seven in ten were positive about the performance of their assigned points of contact against a number of specific measures<sup>30</sup>. Looking at the longer term trend there were two notable changes:
  - *Assigned point of contact being easy to contact* – In 2010 nine in ten LC CC customers agreed with this statement, but by 2014 the proportion of LC CC customers that agreed had declined to 74%. Again, this may be expected as HMRC transitions towards its new approach to dealing with mid-sized businesses.
  - *Extent to which the assigned point of contact keeps to timeframes agreed* – there was a decline in the proportion of LC CC customers who agreed with this statement between 2013 (84%) and 2014 (73%).

4.41 Large business customers' relationships with their CRMs / assigned points of contact were explored in the qualitative research. The qualitative research showed that their relationships with CRMs / assigned points of contact were often linked to their overall experience of dealing with HMRC.

4.42 Many large business customers in the qualitative follow-up were purposively sampled because their overall experience with HMRC had declined. Many of these businesses had been assigned a new CRM in the last 12 months (and some reported having a relatively high turnover in the last few years). These customers felt that the changes often resulted in a loss of understanding of their business.

4.43 This perceived lack of understanding meant that some large business customers were more reluctant to discuss some issues with their CRM / HMRC than they had been previously:

*We have had a very high turnover of CRMs, which makes it very difficult to operate in real time and have that open co-operative compliance. You start again each time, which is a waste of time for everyone if I'm honest and it means that you are reluctant to discuss too many issues because, if you are being cynical you think "what is the point of discussing it with you because you won't be the one to see the tax return when it goes in and you won't be the one to open an enquiry if it is needed" – that will be 5 CRMs down the line.*

**LBS**

4.44 A number of large business customers felt that interaction with their CRM was less frequent in the last 12 months and many stated this was due to a lack of proactivity from their new CRMs:

*After a year working together very well, we were reassigned to a new CRM. This individual's style was very different – much more black & white. Less collaborative and less aligned with our goals to become low risk. There was much less communication. Then after a few months, this CRM left, and we were given another one. The communication deteriorated even more. I would like partnership... dialogue and guidance... these are things I thought we had until about a year ago.*

**LC CRM**

<sup>30</sup> Measures assigned point of contacts were measured against: being easy to contact, their willingness to help, ensuring queries are dealt with effectively, responding within timeframes agreed, agreeing appropriate timeframes for response and their ability to help.





- 4.45 Most large business customers who took part in the qualitative research stated that they wanted more contact with HMRC / their CRM and some wanted HMRC to be more proactive in terms of alerting the business to changes:

*Maybe they should be more proactive in coming to us to make us aware of new legislation or bits of legislation in the consultative process. That could be useful in terms of being able to plan.*

**LC CRM**

- 4.46 A number of large business customers stated they wanted continuity. Some customers stated they wanted HMRC to work on ensuring that good working relationships continue and that there was 'succession planning' to make personnel changes (mainly in regard to CRMs) as smooth as possible:

*Stabilise the CRM structure because we don't want to keep experiencing a change in the CRM because of internal restructures or jobs going or whatever the case may be. So, make sure that that part of HMRC is adequately funded and stabilised. That, then, can give some stability to businesses so they can build a better relationship with HMRC over a longer period of time and build the understanding of the business that goes with that.*

**LBS**

- 4.47 Some large business customers felt that CRMs have become more cautious in terms of their decision-making and a few stated this has impacted negatively on their ability to resolve issues in Real Time:

*The CRM doesn't seem to have the power to get the specialists to deliver to a particular timetable.*

**LBS**

- 4.48 Despite highlighting these changes in the qualitative follow-up, large business customers were keen to stress the value of the current CRM model and would like HMRC to maintain it in the future.

- 4.49 On the whole, LBS and LC CRM customers who took part in the qualitative research were positive about the CRM system and most stated that they wanted HMRC to continue and improve the model in the next 5 years:

*Basically for me, I want more of the same as we have been getting – but they can always continue to try to do things better and quicker.*

**LBS**

### Frequency of contact

- 4.50 While the above analysis provides a good measure of whether businesses had ever had contact with their named representative at HMRC it is also important to explore frequency of contact with HMRC more generally. In terms of how often large business customers had personal contact with any part of HMRC in relation to tax issues – not including routine file returns – it was clear that LBS customers had the most frequent contact with HMRC<sup>31</sup>.

<sup>31</sup> This line of questioning was previously included in the TOPS survey.



- 4.51 Nine in ten LBS customers had contact with HMRC at least once a quarter (for issues excluding routing filing) and six in ten had contact with HMRC at least once a month. Among LC CRM customers, seven in ten had this type of contact with HMRC at least once a quarter and two in five at least once a month.
- 4.52 By contrast 60% of LC CC customers had contact with HMRC less than once a quarter or not at all for tax issues not including routine returns. This picture remained relatively consistent when compared to the previous waves of the TOPS survey.
- 4.53 Where customers had any contact with HMRC for tax issues not including routine returns - 72% of LBS customers, 63% of LC CRM customers and 43% of LC CC customers agreed that it led to at least one of the following 'positive' outcomes<sup>32</sup>:
- *A more transparent relationship with HMRC;*
  - *Uncovering of weaknesses in your accounting systems; and*
  - *A change in your organisation's attitude to tax avoidance.*
- 4.54 In terms of a transparent relationship – the proportion of LC CRM who mentioned this as an outcome any contact with HMRC (outside routine filing) declined between 2013 and 2014 (from 70% in 2013 to 61%).
- 4.55 In 2014, around three in ten large business customers (across all customer groups) stated that regular contact with HMRC led to more time spent reporting. This represented a decline since the 2013 TOPS survey among LC CRM and LC CC customers.

### Real Time Working

- 4.56 Over recent years, HMRC has increasingly looked to address certain issues and transactions by working in Real Time. HMRC broadly defines Real Time Working as “Raising any issue or transaction as they arise in a financial year or accounting period before the return has become due including clearances.”<sup>33</sup>
- 4.57 All businesses were asked about the extent and frequency of contact with HMRC with regards to the following issues (for the purposes of this study, the first two were considered to constitute Real Time Working if customers engaged in either of them at least once a quarter):
- *Discussing specific tax issues with HMRC as they arise during the tax year (RTW);*
  - *Sharing information with HMRC before committing yourself to financial transactions (RTW);*
  - *Getting in touch with HMRC for advice on process issues;*
  - *Chasing HMRC for responses to queries; and*
  - *Talking to HMRC before making changes to your business tax operations.*
- 4.58 Figure 4.5 summarises the proportion of all businesses that had 'regular' contact with HMRC – i.e. at least once a quarter – on each of the issues. For the purposes of this analysis the five issues have been separated into those that specifically relate to Real Time Working as HMRC broadly defines it and wider process-driven issues. Figure 4.5 also highlights significant changes between 2013 and 2014<sup>34</sup>.

<sup>32</sup> A graphical representation of this data is included in appendix D.

<sup>33</sup> This specific definition was not provided to participants of LBPS.

<sup>34</sup> This line of questioning was previously included in the TOPS survey.



Figure 4.5: Summary of contact with HMRC – Real Time Working

	LBS	LC CRM	LC CC
<b>Real Time working issues</b>			
Discuss specific tax issues with HMRC as they arise during the tax year	47%	31%	15%
Share information with HMRC before committing yourself to financial transactions	34%	17%	13%
<b>SUMMARY: Any regular contact for any of the above 'Real Time' working issues</b>	54%	36%	22%
	↓ <sup>'13</sup> 62%		
<b>Wider process issues</b>			
Talk to HMRC before making changes to your business tax operations	31%	16%	8%
Get in touch with HMRC for advice on process issues	41%	33%	20%
Chase HMRC for responses to queries	38%	32%	21%
<b>SUMMARY: Any regular contact for any of the above wider process issues</b>	63%	51%	33%
<b>SUMMARY: Any regular contact for any of the above</b>	74%	59%	41%

Base: All - LBS (401), LC CRM (423), LC CC (865)

- 4.59 Just over half of all LBS businesses (54%) reported that they had contact with HMRC about issues that HMRC would broadly define as Real Time Working – more commonly in relation to discussing tax issues as they arise during the year (47%). By contrast fewer LC CRM and LC CC customers had done so (36% and 22% respectively).
- 4.60 Across the three customer groups, the pattern broadly holds that the larger the business in terms of turnover or number of employees, the more likely it was to have adopted Real Time Working in the last 12 months<sup>35</sup>.
- 4.61 Making a direct comparison with the 2012 and 2013 waves of the TOPS surveys – these findings indicate that the use of Real Time Working declined significantly among LBS customers between 2013 and 2014<sup>36</sup>. This decline can largely be accounted for by fewer LBS customers in 2014 stating that they discuss specific tax issues with HMRC as they arise through the year (47% in 2014 – 62% in 2013).
- 4.62 The qualitative research explored the potential reasons behind the decline of Real Time Working among LBS customers between 2013 and 2014. Most LBS customers who worked in Real Time in 2013 but not

<sup>35</sup> 73% of LBS customers that had worked in Real Time had a turnover of £500m+ (only 61% that had not worked in Real Time had a turnover of £500m+). 50% of LC CRM customers that had worked in Real Time had over 1,000 employees (only 36% that had not worked in Real Time had 1,000+ employees); 13% of LC CC customers that had worked in Real Time had over 1,000 employees (only 7% that had not worked in Real Time had 1,000+ employees).

<sup>36</sup> In 2013 – 65% LBS, 40% LC CRM and 20% LC CC worked in Real Time using the same classification described above. In 2012 the respective figures were 63% LBS, 39% LC CRM and 16% LC CC.



in 2014<sup>37</sup> stated that changes to their CRM and the impact this had on their perceptions of the overall experience of dealing with HMRC had caused them to be more reluctant to work in Real Time:

*I think if I am being honest, because of the way that the relationship with HMRC has moved away from what it used to be we have been more careful about how we have approached Real Time Working, because we don't want to start a discussion where there is a lack of understanding on HMRC's side.*

**LBS**

4.63 A few LBS customers stated they no longer worked in Real Time due to previous negative experiences:

*In the last 12 months I could point to maybe three things where we have proactively gone to HMRC ... of those three issues we were only able to reach an agreement with one relatively rapidly, sensibly and get certainty ahead of the transaction. But with the other two – for various reasons – HMRC has been unable to do that... the business sees benefit only when it works – if it doesn't work why would we bother?*

**LBS**

4.64 Other LBS customers stated that they had ceased working in Real Time because they had no need to do so:

*Possibly in that gap between 2013 there would have been no reason [to engage in Real Time Working]... I would not say our attitude to Real Time Working has changed at all.*

**LBS**

4.65 Among the LBS customers that had taken part in Wave 5 of the LBPS in 2014 and the 2013 TOPS study there were no clear differences in the characteristics of companies (size / turnover) whose use of Real Time Working declined over this time period. Likewise, the decline in LBS customers engaging in Real Time Working cannot be attributed to experiencing a change of CRM between 2013 and 2014.

4.66 One area to note is the potential link between a decrease in Real Time Working and risk reviews. Longitudinal analysis showed that nearly all LBS customers who worked less in Real Time in 2014 than they had done in 2013 had had a risk review<sup>38</sup>; whereas at an overall level only seven in ten LBS customers had a risk review.

4.67 In addition to the difference in overall experience between LBS customers who had worked in Real Time and those who had not<sup>39</sup>, there were two other significant differences across wider LBS service measures. LBS customers who worked in Real Time in 2014 were more likely than those who did not work in Real Time to<sup>40</sup>:

- Agree that HMRC makes it clear what you need to do to address any concerns; and

<sup>37</sup> Six qualitative interviews were conducted with LBS customers who worked in Real Time in 2013 but not in 2014.

<sup>38</sup> 44 of 49 LBS businesses that took part in TOPS 2013 and LBPS 2014 and stated they had a risk review had stopped working in Real Time over this time period.

<sup>39</sup> As noted earlier in this chapter LBS customers that worked in Real Time throughout 2014 were more likely to state their overall experience of dealing with HMRC was good.

<sup>40</sup> Further details of the sub-group differences by whether customers worked in Real Time or not is included in Appendix D.



- *Rate their CRM's ability to help resolve uncertainty around complex or significant tax issues as good/very good.*
- 4.68 There was a similar pattern among LC CRM customers – those LC CRM customers who worked in Real Time in 2014 were more likely to agree than those that did not work in Real Time that HMRC makes it clear what you need to do to address any concerns. In addition the LC CRM customers that worked in Real Time were also more likely than those that did not to rate their experience of dealing with their CRM as good or very good.
- 4.69 Among the LC CC customer group there was also a link between Real Time Working and whether the customer had directly dealt with their assigned point of contact. LC CC customers that had worked in Real Time were more likely to have been in touch with their assigned point of contact in the last 12 months<sup>41</sup>. LC CC customers who worked in Real Time were also more likely to agree than those that did not work in Real Time with the following statements:
- *HMRC provide your business with certainty in its tax affairs; and*
  - *HMRC provide easy access to taxation specialists for advice.*
- 4.70 When customers had not discussed or shared information with HMRC more frequently than once a quarter, they were asked why this was the case. The large majority of businesses reported that their reason for not working in Real Time was simply that they had no need to do so<sup>42</sup>.
- 4.71 Close to two-fifths (38%) of LC CC customers and a quarter (23%) of LC CRM customers also stated that the reason for not discussing/sharing information was that they preferred to use their external advisors as a first point of contact. In contrast only a minority (7%) of LBS businesses who did not discuss/share information at least quarterly cited this reason.
- 4.72 Large business customers that had shared/discussed information with HMRC at least once a quarter were asked whether they agreed or disagreed that working in this way led to a number of particular outcomes<sup>43</sup>. Customers gave the highest levels of agreement that discussing/sharing information at least once a quarter:
- *led to an increased certainty about the business's tax affairs* (around 80% of LBS/ LC CRM customers and 60% of LC CC customers agreed); and
  - *helps avoid disputes* (around 80% of LBS / LC CRM customers and 70% of LC CC customers agreed).
- 4.73 Customers were less likely to agree that discussing/sharing information at least once a quarter reduces business costs – while 56% of LBS customers that had worked in this way agreed that it helped reduce business costs, only 46% of LC CRM customers and 42% of LC CC customers respectively agreed with the statement.
- 4.74 The perceived benefits of working in Real Time were also explored in the qualitative research. Mirroring the quantitative findings, most large business customers that took part in face to face interviews stated that Real Time Working is beneficial as it has the potential to provide certainty, help avoid disputes and reduce costs:

<sup>41</sup> 49% of LC CC customers that had worked in Real Time had dealt with their assigned point of contact in the last 12 months (only 36% of customers that had not worked in Real Time had dealt with their assigned point of contact).

<sup>42</sup> 2014: LBS 87%, LC CRM, 74%, LC CC 59%.

<sup>43</sup> Direct comparisons with previous waves of LBPS have not been made in relation to these statements owing to the fact that Real Time Working had been defined differently in previous iterations of the LBPS.



*It provides a lot of comfort that we are acting responsibly and it gives comfort that we have got our figures right ... If you are closing businesses down and transferring hundreds of millions of pounds, you don't want to get the figures wrong and have a nasty surprise at the end of it.*

LBS

- 4.75 However, a number of customers stated that Real Time Working is only beneficial to business if it works effectively as a 'two-way process'. Some large business customers felt that 'HMRC can't always move as quickly' as business needs them to and this was largely perceived to be a consequence of declining resource at HMRC:

*If it doesn't work all it does is eat up resource. Yes. I think HMRC needs to be careful because they have really pushed the benefits of Real Time Working and I think that's great but if they can't deliver the benefits of it the business is going to say "hang on a minute, why am I bothering?"*

LBS

### Systems, transactions and processes

- 4.76 Large businesses were also asked<sup>44</sup> whether they had made any changes to their transactions, systems and processes in the 12 months prior to being surveyed.

- 4.77 Just under half (48%) of LBS customers, around two-fifths (38%) of LC CRM customers and a quarter (24%) of LC CC customers stated they had made such changes in 2014. A wide range of changes were mentioned, most commonly:

- *Updating software / IT systems* - (12% LBS, 10% LC CRM, 6% LC CC);
- *Changes to payroll systems* - (5% LBS, 5% LC CRM, 5% LC CC);
- *Changes to the way VAT is calculated* - (6% LBS, 5% LC CRM, 3% LC CC);
- *Changed / improved checking processes* - (5% LBS, 3% LC CRM, 1% LC CC);
- *General upgrading of systems* - (4% LBS, 3% LC CRM, 3% LC CC).

### Administration of tax policy

#### Four changes to tax policy between 2010 and 2014

- 4.78 This section explores how four recent changes to tax policy had affected large business customers. It first explores how aware businesses were of these changes and then summarises their views on how effective each policy will be in maintaining both the competitive position of their business and the competitiveness of the UK economy as a whole. The four specific pieces of legislation<sup>45</sup> covered in the survey were:

- The Corporation Tax rate changes since 2010, which have taken the UK's main rate from 28% to 21% in 2014.
- Reforms to the Controlled Foreign Companies (CFC) regime;

<sup>44</sup> This question was only asked of half the sample.

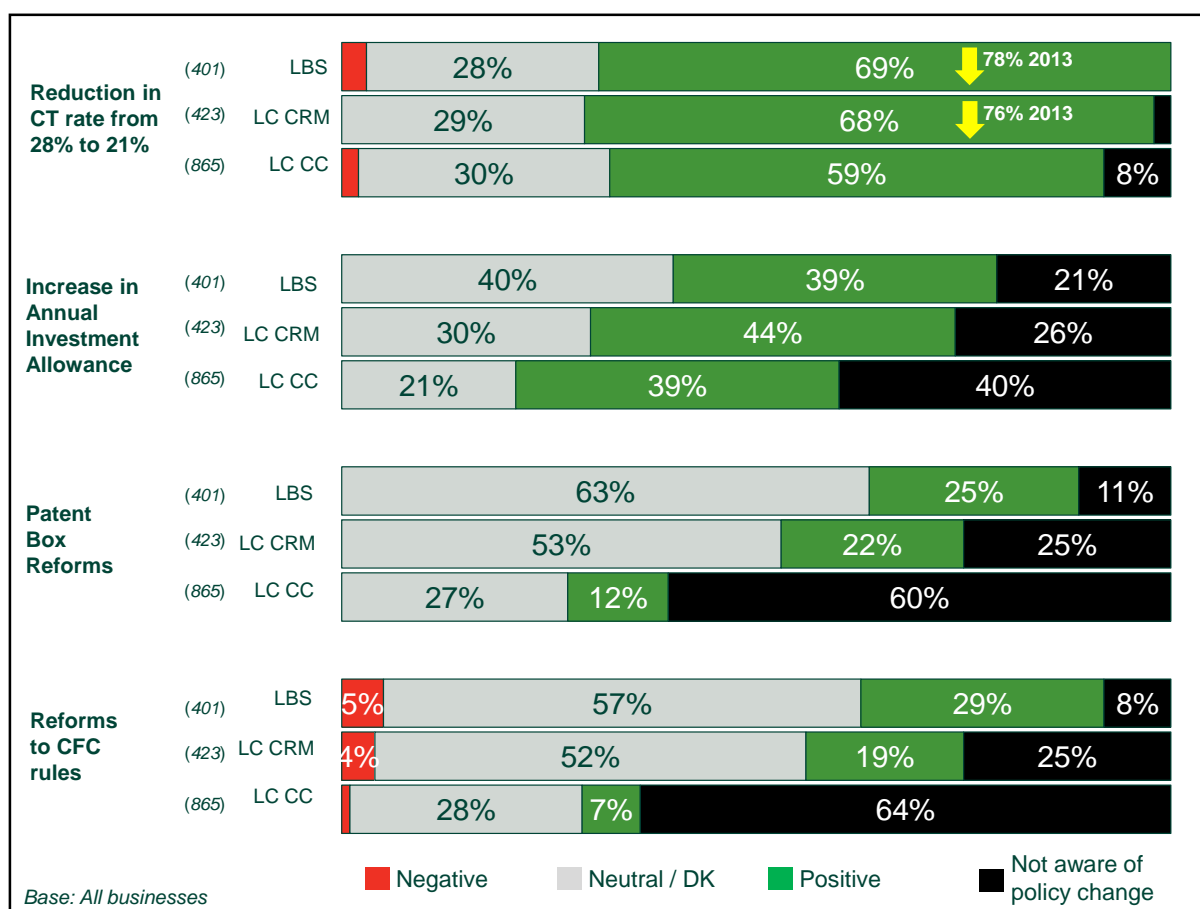
<sup>45</sup> A more detailed explanation of each change is included in the glossary.



- The increase in the maximum Annual Investment Allowance (AIA) for a temporary period of two years from £25,000 to £250k between January 2013 and December 2014, and then to £500k between April 2014 and December 2015; and
  - The Patent Box reforms, introduced 1st April 2013.
- 4.79 In terms of awareness of these changes, the CT reduction was the reform that customers were most familiar with: when surveyed for LBPS 2014, nearly all businesses, across all customer groups, were aware of this change. Awareness of the other reforms was consistently highest amongst LBS customers (80-90% aware) and lowest amongst LC CC customers (40-60% aware).
- 4.80 Large business customers were asked whether they thought each of the reforms had had a positive or negative affect on their business' competitive position. Nearly all customers rated each change as either having had a positive or neutral effect; only very small proportions felt these changes had resulted in a negative effect on their business. These patterns are shown in Figure 4.6.
- 4.81 Businesses across all customer groups were most likely to rate the CT changes as positive for their business' competitive position (around seven in ten LBS and LC CRM customers, and six in ten LC CC customers gave positive ratings). The increase in AIA was considered positive for their business' competitive position by a smaller proportion of customers (around four in ten for all customer groups).
- 4.82 The Patent Box and CFC reforms were the least likely to prompt customers to state they would have a positive effect on their business; greater proportions of businesses reported these had a neutral effect.
- 4.83 Ratings of most of these reforms remained stable compared with 2013, however LBS and LC CRM customers were significantly less likely in 2014 to say the CT changes had a positive effect on their business (the decline in positive ratings resulted from an increase in the proportion saying 'neutral' rather than giving negative ratings).
- 4.84 Businesses were also asked whether, in the 12 months prior to being surveyed, they had actively considered re-locating their business or parts of their business from the UK to another country. In 2014, 8% of LBS, 6% of LC CRM and 3% of LC CC customers said they had done so. This was in line with the 2013 findings but was significantly lower than the proportions saying they had considered relocation in 2010 (when the figures stood at 26%, 19% and 8% respectively).





**Figure 4.6: Perceived impact of tax policy changes on businesses' competitive position**

### Impact of combined policy changes

- 4.85 All large business customers were asked to consider whether the tax policy changes introduced since 2009, taken together, would have a positive or negative effect overall on their business.
- 4.86 The majority of businesses reported that the changes would have a positive effect<sup>46</sup>, although there was some variation by customer group: LBS and LC CRM customers were the most likely to rate the changes as positive for their business (around 70%), with the proportion of LC CC customers rating the changes as positive slightly lower (60%). That said, more LC CC customers rated the changes as positive in 2014 compared to 2013<sup>47</sup>.
- 4.87 Most customers who did not rate the changes as positive rated them neutral, i.e. said that they had no impact on the business. Very few businesses felt the changes had had a negative effect.
- 4.88 Customers were also asked to consider each of the reforms from a wider perspective - in terms of whether each would be effective in maintaining the UK's competitive position in the global economy. It should be noted that 'not effective' does not mean the reform was considered detrimental to the UK's

<sup>46</sup> Proportion of businesses rating the changes as positive for their business: LBS 71%, LC CRM 71%, LC CC 60%.

<sup>47</sup> 60% in 2014 compared to 48% in 2013.





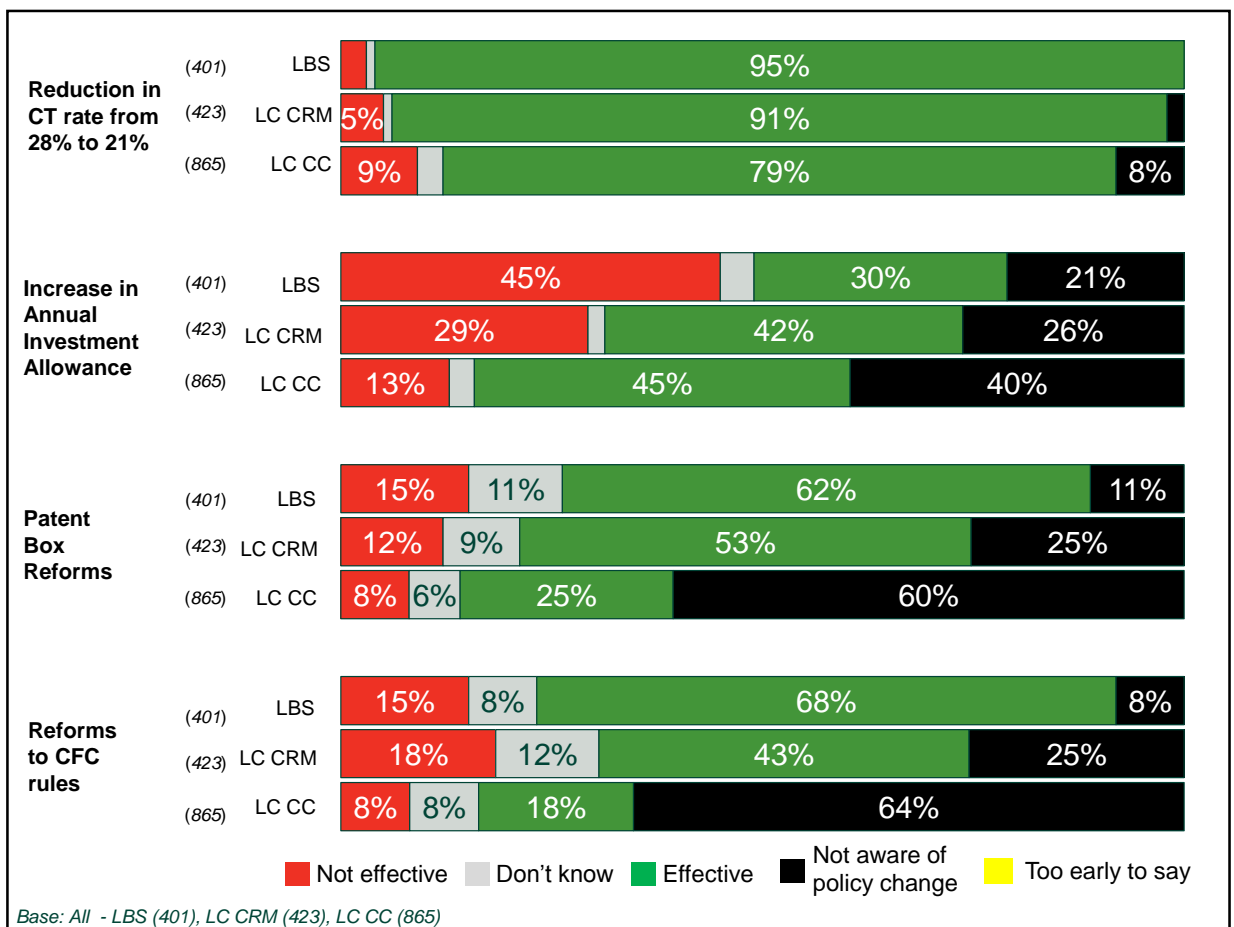
position; for instance, it could be that the reform was not considered likely to impact the UK's competitive position. These findings are shown in Figure 4.7.

4.89 The CT reforms were considered effective for maintaining the UK's position by the majority of all large business customers (95% of LBS, 91% of LC CRM and 79% of LC CC).

4.90 Between 30% and 45% of customers thought the AIA increase would be effective in doing so.

4.91 Feedback on the Patent Box and CFC reforms varied considerably by customer group: higher proportions of LBS customers (around 60%) rated them as effective in maintaining the UK's competitive position than did LC CRM (40-50%) and LC CC customers (around 20%).

**Figure 4.7: Perceived effectiveness of changes in maintaining the UK's competitive position**



## Influences of the tax paid by the business

### Use and influence of agents

- 4.92 As in previous years, results from the 2014 LBPS showed that nearly all large business customers used agents. The study sought to better understand the extent to which customers agreed or disagreed that using agents resulted in particular outcomes or actions from the business.
- 4.93 The outcome with the highest level of agreement (between seven and eight in ten customers agreeing across all customer groups) was that using agents meant the business made fewer errors in their tax calculations. This suggests most large business customers used agents as a 'check' to ensure their returns were correct.
- 4.94 By comparison, lower proportions of customers (around a third to a half across all groups) agreed that using agents meant they were more likely to implement tax planning strategies they would not otherwise consider<sup>48</sup> or pay less tax<sup>49</sup>. Between 2011 and 2014<sup>50</sup> the LBS audience in particular had become less likely to state it used agents to implement previously unconsidered tax strategies<sup>51</sup>.
- 4.95 Customers were also asked whether agents specifically suggested ways to reduce their business's tax liability, and answers differed by customer type: LBS customers were the most likely group to agree their agents suggested ways of reducing the amount of tax paid (54%) and LC CC customers the least (33%), with LC CRM customers falling between the two (40%). The level of LBS and LC CC agreement remained relatively stable between 2013 and 2014, but there was a decline, compared to the 2013 wave of the survey, in the proportion of LC CRM customers who agreed their agent suggested ways for the business to pay less tax.
- 4.96 Very low proportions across all customer groups (between 3% and 8%) agreed that using agents resulted in the business disclosing less information to HMRC. This finding was consistent with previous waves of the study.

<sup>48</sup> *Around a third (36%) of LBS customers and a half of LC CRM (52%) and LC CC (56%) customers agreed that using agents results in my business implementing tax strategies it might not otherwise consider.*

<sup>49</sup> *Around a third of all customers groups (LBS 34%, LC CRM 38%, LC CC 37%) agreed that using agents results in my business paying less tax.*

<sup>50</sup> *These results were reported previously as part of the TOPS survey.*

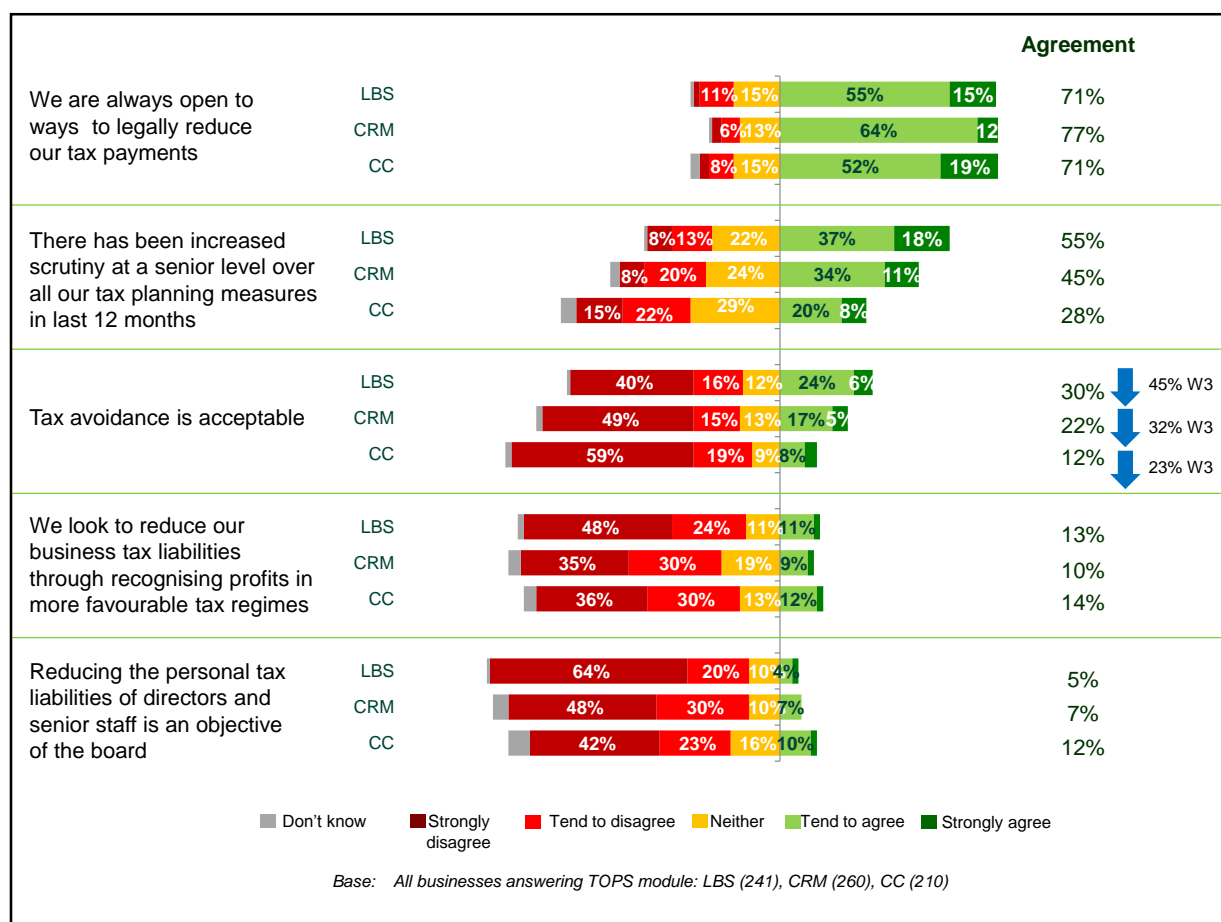
<sup>51</sup> *Proportion of LBS customers agreeing with the statement using agents results in my business implementing tax strategies it would not otherwise consider has fallen year on year: current survey 36%, 41% in 2013, 43% in 2012.*



### Attitudes to tax planning and avoidance

4.97 Businesses were asked to what extent they agreed or disagreed with statements about tax planning and avoidance; the statements and results are shown below in Figure 4.8 - ordered from highest to lowest level of agreement.

**Figure 4.8: Attitudes to tax planning: agreement with statements**



4.98 The majority of all large business customers were in agreement that they were always open to ways to legally reduce tax payments but disagreed they would look to reduce tax liabilities through recognising profits in more favourable tax regimes and reduce the personal tax liabilities of directors and senior staff.

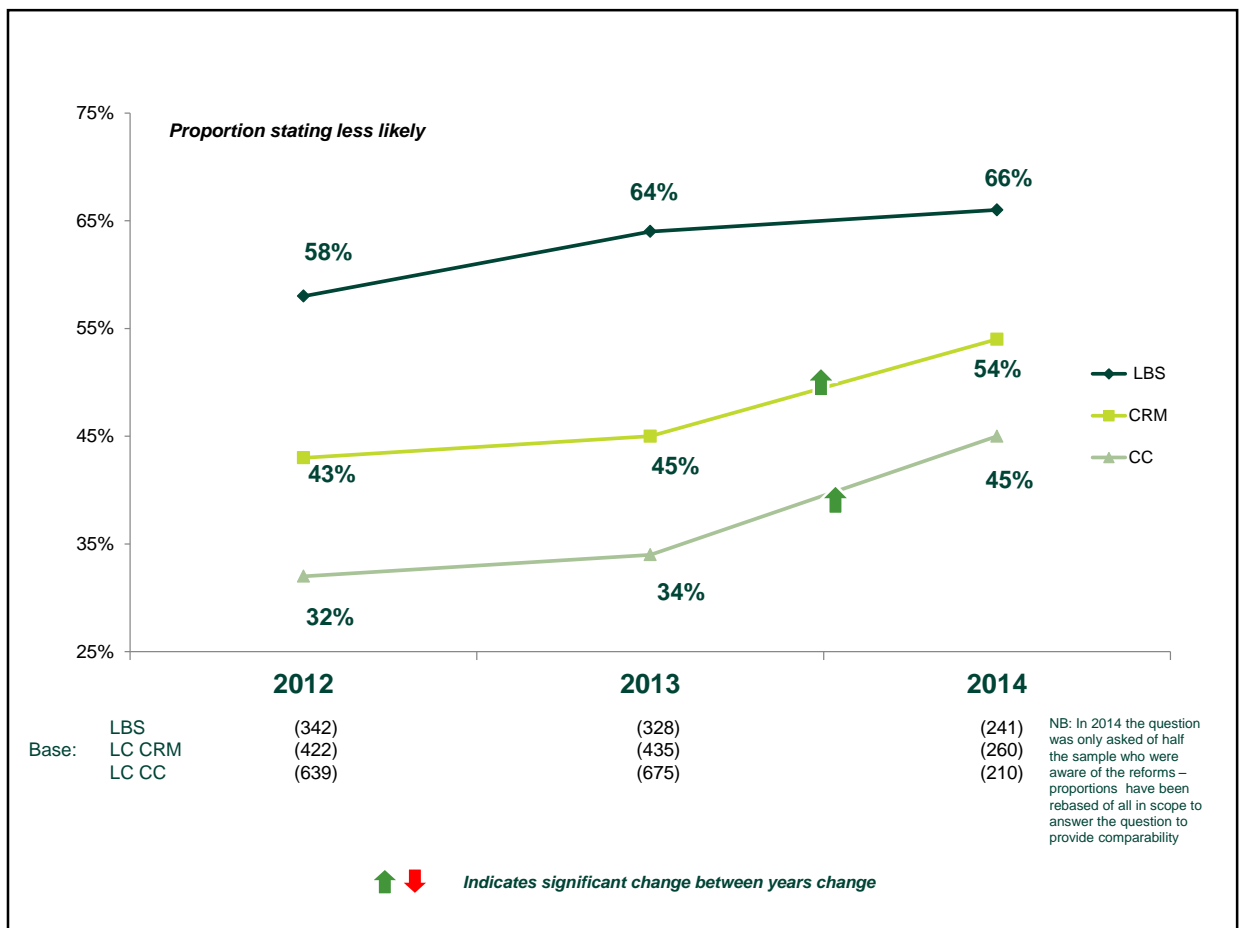
4.99 Agreement with each of the statements remained largely stable between 2014 and the 2013 wave of the TOPS research. The notable exception was in relation to the level of agreement with the statement 'tax avoidance is acceptable'. Agreement with this statement declined across all customer groups compared to 2013. This mirrors findings on the results of using agents mentioned in the previous section (e.g. their declining impact, amongst some customer groups, on businesses implementing tax planning strategies they would not otherwise have considered and reducing their tax liability. Viewed together, these changes suggest a trend amongst large businesses away from holding or voicing the opinion that tax avoidance is acceptable.



### Impact of policy reforms on likelihood of avoidance

- 4.100 Businesses were asked whether the series of tax policy reforms introduced since 2010, taken together, would result in businesses being more likely, or less likely, to engage in tax avoidance.
- 4.101 Opinion differed across customer group: LBS customers were the most likely group to think the reforms would result in a reduction in tax avoidance; two-thirds (66%) said businesses would be 'less likely' to engage in tax avoidance as a result of the reforms. The LC CRM and LC CC customers were slightly less likely to think the reforms would have this effect, with around a half (54% and 45% respectively) thinking the reforms would result in businesses being 'less likely' to engage in tax avoidance.
- 4.102 While the LC CRM and LC CC groups were still less likely than LBS customers to think the reforms will reduce tax avoidance in 2014, there was nevertheless a significant increase between 2013 and 2014 in the proportion of LC CRM and LC CC customers thinking this would be the case (highlighted in Figure 4.9).

**Figure 4.9: Proportion of businesses thinking reforms will make it 'less likely' that business will engage in tax avoidance**



## Wider influences on businesses

- 4.103 The final section of this report explores wider potential influences on businesses, such as the media, company policy and ethos, risk ratings and deterrents and penalties.
- 4.104 Considering the media first, large business customers were asked about recent media coverage they may have seen or heard about which highlighted large businesses reducing their corporation tax liability. Large business customers that took part in LBPS 2014 were asked whether this coverage influenced their own tax strategy at all.
- 4.105 Large business customers largely disagreed that such media coverage had caused them to consider similar opportunities: around seven in ten businesses across all groups disagreed the coverage had this effect, with around a third disagreeing strongly. Amongst the LBS group, disagreement increased between 2013 and 2014 (from 57% to 77%).
- 4.106 A minority of businesses across all customer groups<sup>52</sup> agreed that the media coverage caused them to think they should be looking for similar opportunities to reduce their corporation tax liability.
- 4.107 While the majority of large business customers did not feel they should be ‘following suit’ when they saw coverage of businesses reducing their tax liability, the coverage had nevertheless influenced some businesses. Businesses were asked whether they agreed or disagreed with the statement ‘the media coverage has no influence on my company’s tax strategies’. 50% of LBS customers, 28% of LC CRM customers and 10% of LC CC customers *disagreed*, saying they did feel influenced by the media (at least to some extent). Overall influence of the media on tax strategy did not change between waves; levels of agreement on this question remained the same between 2013 and 2014.
- 4.108 Large business customers were also asked how influential they considered a number of other factors to be in their decision making around tax planning; these factors, and the proportion of businesses deeming each of them ‘influential’, are shown in Figure 4.10.
- 4.109 The factors most likely to be considered influential across all customer groups were the ethos of the company, deterrents and penalties, and loss of reputation. Employee attitudes, and the behaviour of other businesses in the sector, were less likely across all customer groups to be rated influential.
- 4.110 There were also differences between customer groups, with the larger, more complex LBS customers more likely than the other customer groups to say internal factors such as the business’s risk rating<sup>53</sup>, and the business’s own tax department<sup>54</sup>, were influential on their tax planning decision making.
- 4.111 By contrast, LC CRM and LC CC customers were more likely than LBS customers to say agents / advisors were influential<sup>55</sup>.

<sup>52</sup> 10% LBS, 10% LC CRM and 14% LC CC.

<sup>53</sup> Risk rating: 72% LBS rated influential compared to 63% LC CRM and 42% LC CC.

<sup>54</sup> Own finance or tax department: rated influential by 87% LBS, compared to 80% LC CRM and 60% LC CC.

<sup>55</sup> Agents / advisors: rated influential by 74% LC CRM and 69% LC CC customers, compared to 53% LBS customers.



**Figure 4.10: Proportion of businesses saying each factor was ‘influential’ on their tax planning decision making**

Potentially influential factors		LBS %	CRM %	CC %
	The ethos of my company	90	84	76
	Loss of reputation among customers or clients	87	76	69
	Own finance or tax department	87	80	60
	Deterrents and Penalties	79	82	79
	Business’s risk rating	72	63	42
	The General Anti-Abuse rule	62	65	60
	Agents / advisors	53	74	69
	Employee attitudes	53	53	47
	Behaviour of other businesses in your sector	43	38	31

**Key**

- 70% +
- 60 - 69%
- up to 59%

*Base: Businesses who took part in the LBPS in 2014 were asked this question because they had also taken part in the TOPS in 2013: LBS (241), CRM (260), CC (210)*



## 5 Appendix A: Glossary

Term	Definition
<b>Assigned point of contact</b>	The remaining large businesses have an assigned point of contact. This person acts as a first point of contact for businesses but does not have the same remit as a CRM.
<b>Annual Investment Allowance (AIA)</b>	Is effectively a 100% first year allowance for businesses expenditure on almost all plant or machinery (apart from cars) which was previously capped at £25,000. An increase in the amount of AIA was introduced in January 2013 to £250,000, and a further increase was introduced (up to £500,000) in April 2014.
<b>Controlled Foreign Companies (CFC)</b>	The new rules, introduced in the Finance Act 2012, will better reflect the way that businesses operate in a global economy whilst maintaining adequate protection against artificial diversion of UK profits.
<b>Corporation Tax</b>	A tax on the taxable profits of limited companies and some organisations including clubs, societies, associations, co-operatives, charities and other unincorporated bodies. The current Government has prioritised the Corporation Tax rate as a key way to increase UK competitiveness. As a result the Corporation Tax main rate has fallen from 28% to 23% as of April 2013. Further reductions are planned to bring the rate down to 20% by 2015.
<b>Customer Relationship Manager (CRM)</b>	All LBS and LC CRM customers have a Customer Relationship Manager (CRM). Their role ranges from preparing the risk assessment, ensuring issues are resolved, responding to queries and keeping the business updated on how issues are progressing.
<b>Key Driver Analysis</b>	Key Driver Analysis (KDA) is a statistical technique using multiple linear regression – the aim of which is to help understand what impact different elements of HMRC service (i.e. factors) have on overall experience of dealing with HMRC.
<b>Large Business</b>	The definition of large businesses is principally based on the EU definition of large businesses which is either more than 250 employees or more than €50M turnover and €43M assets.
<b>LBS</b>	Large Business Service: The division within HMRC looking after the affairs of the largest businesses in the UK.
<b>LC CRM / LC CC</b>	Local Compliance Large and Complex (LC): The division within HMRC looking after the remaining large businesses. Some businesses have a Customer Relationship Manager (CRM) and others have an assigned point of contact (at the start of the panel survey this was previously referred to as Customer Coordinator - CC).
<b>Longitudinal analysis</b>	The advantage of the panel approach means HMRC can measure how individual businesses that have taken part in previous LBPS and TOPS studies responses have changed over time. This is referred to as 'longitudinal' analysis.
<b>Patent Box</b>	These reforms were introduced in April 2013 and involve a reduction to a Corporation Tax rate of 10% on profits attributed to patents and other similar intellectual property.
<b>Real Time Working (RTW)</b>	Over recent years HMRC has been looking at addressing issues and conducting transactions in Real Time where possible. The definition used in the survey for Real Time is any business that does either of the following at least quarterly: <ul style="list-style-type: none"> <li>• Discussing specific tax issues with HMRC as they arise during the tax year</li> <li>• Sharing information with HMRC before committing yourself to financial transactions</li> </ul>



## 6 Appendix B: Technical Appendix

### Background and aims

- 6.1 HMRC has carried out research with large businesses since 2008, using a telephone survey and qualitative follow-up interviews, to annually assess businesses' views of the services provided by HMRC. The survey has measured changes in customer service and has, since 2008, also provided performance indicators for one of the Departmental customer experience scores that HMRC used for the CSR 07 and CSR 10 period.
- 6.2 In 2010 the methodological approach to the survey changed; from a cross-sectional to a longitudinal panel survey design. This means that instead of drawing a new sample each year, HMRC survey the same businesses each year. This approach enables the department to gain more in-depth knowledge of businesses as it can measure changes in individual businesses over time.
- 6.3 In June 2010, IFF Research Ltd was appointed as the independent research contractor to undertake the Large Business Panel Survey (LBPS).
- 6.4 In addition to the Large Business Panel Survey about customer experience, between 2011 and 2013 HMRC conducted the Tax Opinions Panel Survey (TOPS) with the same large business customers around their views on tax policies. This provided one vehicle for all research with large businesses. The survey about tax policies was co-funded with ESRC.
- 6.5 In 2014 the LBPS and the TOPS studies were consolidated to reduce the research burden on HMRC's large business customers while still ensuring robust, actionable data on:
  - Large businesses' experiences of dealing with HMRC; and
  - Opinions regarding the administration of current tax policy and changes to legislation.
- 6.6 This report summarises the key findings from the 2014 combined LBPS/TOPS study.

### About HMRC's large business customers

- 6.7 Until March 2014, HMRC's relationships with large businesses were managed by either the Large Business Service (LBS) or the Local Compliance Large and Complex (LC) group. The LBS was responsible for working with the UK's largest businesses which all had a Customer Relationship Manager (CRM) assigned to them. Local Compliance (LC) partnered the LBS in dealing with the tax affairs of the remaining large businesses. The larger businesses in LC also had a CRM, while the rest of the customers had an assigned point of contact from 2010 onwards.





6.8 This structure changed in April 2014<sup>56</sup> but for comparability across the five years of LBPS the three business groups have been reported on separately. Throughout the report large businesses are therefore categorised into:

- **Large Business Service customers (LBS);**

*Up until 2014 the LBS was responsible for working with the UK's largest businesses on a range of taxes, duties and regimes. Around 800 businesses were serviced by the LBS, and all had a dedicated Customer Relationship Manager (CRM). The CRM managed the relationship between the business and HMRC across all taxes and duties. These customers are referred to as LBS customers throughout this report.*

- **Local Compliance Large & Complex (LC L&C) customers with a Customer Relationship Manager (LC CRM);**

*Up until 2014, the Local Compliance (LC) partnered the Large Business Service (LBS) in dealing with the tax affairs of the remaining large businesses. Starting in 2007, the largest LC customers were appointed a CRM (with the same responsibilities and remit as the CRMs that worked with LBS customers). In total around 1,300 businesses within LC had a CRM. These customers are referred to as LC CRM customers throughout this report.*

- **Local Compliance Large & Complex customers with an assigned point of contact (LC CC).**

*Between 2010 and 2014 the remaining businesses within LC L&C were offered an assigned point of contact (referred to as a customer co-ordinator or CC prior to 2014). The assigned point of contact acted as a first point of contact for businesses but did not have the same remit as a CRM. In total, around 8,000 businesses within LC had access to an assigned point of contact. These customers are referred to as LC CC customers throughout this report.*

### Achieved sample

6.9 The 2014 LBPS survey encompassed 1,689 quantitative telephone interviews, mainly with Heads of Tax or Finance Directors from HMRC's Large Business customers. This report draws on the findings of interviews with these businesses.

6.10 The following numbers within each customer group were interviewed as part of the quantitative study between 15 September and 19 December 2014:

**Table 6.1: Number of interviews achieved by customer group**

TOTAL	LBS	LC CRM	LC CC
<i>N</i>	<i>n</i>	<i>n</i>	<i>n</i>
1,689	401	423	865

<sup>56</sup> In April 2014 the Large Business Directorate was formed to deal with all businesses who had been allocated at CRM (i.e. the largest and most complex businesses). Other businesses with a UK turnover of £10 million or above and a minimum of 20 employees have been defined as mid-sized businesses and, from April 2014, HMRC began transitioning to a new strategic approach to improve customer service, risk management and compliance amongst this group and to support these customers at strategic 'life' events. The Mid-size business population is made up of LC CC customers and businesses that were previously in the Small and Medium Enterprises population. More information can be found here: <https://www.gov.uk/mid-size-businesses>



**Table 6.2: Approximate population by customer group (prior to April 2014)**

TOTAL	LBS	LC CRM	LC CC
<i>N</i>	<i>n</i>	<i>n</i>	<i>n</i>
<b>10,100</b>	800	1,300	8,000

*Please note that numbers changed slightly each year between 2010 and 2014. The population figures from 2010 are used here for consistency.*

### Approach to sampling

- 6.11 In 2010 when the panel approach was introduced, the strategy used was that of a simple random sample stratified by the three customer groups. Given the relatively small size of the LBS and LC CRM population, a near census of these two customer groups was selected. Among LC CC customers, a simple random sample of 2,000 businesses was selected by HMRC with the aim of interviewing as many as possible of these customers.
- 6.12 Since the first year of the panel survey, the same sample has been used to allow for longitudinal analysis over time. Given the census approach for the LBS and LC CRM populations, a review of the population was undertaken before each subsequent wave to include new businesses and exclude any businesses that were no longer part of these customer groups due to merger, liquidation, change in customer group etc.
- 6.13 In addition, businesses that had declined to be re-contacted following earlier waves of LBPS, or had declined to be re-contacted following earlier waves of its sister survey, the Tax Opinion Panel Survey (TOPS), were also excluded from follow up. Other businesses excluded were a small sample ring fenced for piloting and survey development work.
- 6.14 In the case of LC CC customers, a top-up exercise was undertaken to ensure a similar proportion of businesses could be interviewed in 2014 as had been interviewed in the four years prior. This customer group had a higher proportion of businesses declining to take part or becoming ineligible, hence the need for top-ups. Given the limited background information available for these businesses, a like for like replacement was not attempted. The top-up sample was therefore drawn at random.
- 6.15 Due to the sampling methods used, it should be noted that results are representative of each of the three customer populations but not of the combined large business population.
- 6.16 Where contact details were lacking on the sample provided by HMRC, telephone numbers and addresses were found where possible via online look-up services, and also via manual desk research. All businesses that had viable addresses were sent a letter introducing the research.
- 6.17 The number of records available for the research is shown in table 6.3 along with the associated confidence intervals.



**Table 6.3: Sample selection for main-stage fieldwork**

Wave 5	Population (n)	Sample selected (n) Pilot	No. of interviews achieved (n) Pilot	Sample selected (n) Main stage	No. of interviews achieved (n) Main stage	Confidence intervals (at 50%) Main stage
<b>LBS</b>	800	23	7	731	401	+/- 3.5%
<b>LC CRM</b>	1,300	59	12	890	423	+/- 3.9%
<b>LC CC</b>	8,000	141	20	2,125	865	+/- 3.2%
<b>TOTAL</b>	10,100	223	39	3,746	1,689	+/- 2.2%

### Modular approach to sampling

- 6.18 As LBPS and TOPS were consolidated in 2014, to reduce questionnaire length and respondent burden, it was decided to ask only ask some questions of half the sample. All sample was pre-assigned to a module which determined which of the LBPS / TOPS questions each respondent should be asked.
- 6.19 The LBS and LC CRM sample was divided evenly. However, to ensure the robustness of longitudinal base sizes was not jeopardised, the division was not done on a simple random basis. The following parameters were set:
- If an LBS / LC CRM customer had taken part in both TOPS and LBPS in 2013 they were assigned to a module at random;
  - If a customer had taken part in only LBPS or TOPS in 2013, questions corresponding to the study they had taken part in previously were prioritised;
  - If a customer had not taken part in either LBPS or TOPS in 2013 but had been surveyed previously, they were assigned to the questions corresponding to the study they had taken part in most recently; and
  - If a customer had never taken part in a study they were assigned to a module at random.
- 6.20 For the LC CC population the existing LBPS sample was used (although this was 'topped-up' where required from the existing TOPS sample).



6.21 The table below summarises the base sizes achieved by each module. It should be noted all core customer experience measures were asked of the entire sample.

**Table 6.4: Achieved base sizes question module**

	Total	LBS	LC with CRM	LC with CC
<b>Module 1:</b> LBPS questions	<b>978</b>	160	163	655
<b>Module 2:</b> TOPS questions	<b>711</b>	241	260	210
<b>Total</b>	<b>1,689</b>	401	423	865

### Questionnaire development and screening

- 6.22 The 2014 LBPS questionnaire contained a number of questions from the 2013 survey and it also incorporates a number of questions used in the 2013 TOPS survey. As explained in the section above, to reduce respondent burden it was decided to only ask some questions of half the sample.
- 6.23 The questionnaire construction involved a period of development which included discussions with HMRC and a pilot telephone survey.
- 6.24 All pilot interviewing took place from IFF's CATI (Computer Assisted Telephone Interviewing) centre for three working days between Monday 11 August and Friday 15 August 2014. A warm-up letter was sent before interviewing to introduce respondents to the survey.
- 6.25 Following this development work, the final mainstage questionnaire was agreed and fieldwork began. Interviews lasted an average of 21 minutes and fieldwork was conducted using CATI.
- 6.26 The screening section at the start of the script was used to identify the correct respondent at each business: the person at the business with overall responsibility for dealing with HMRC (usually a Finance Director, Tax Director, Head of Tax or a Senior Accountant).
- 6.27 The eligibility of the business to take part in the research was also checked during the screening stage. Eligibility was based on the business managing its own tax affairs.



## Response rates

6.28 Response rates were calculated for each of the three customer groups as well as for the whole sample. Businesses which chose to opt out of the research were classified as refusals for the purpose of calculating response rates. Each respondent was allocated to one of the following categories:

- I – complete interview.
- P – partial interview (classified as those respondents reaching at least the beginning of section D, deemed a half-way point, before breaking off the interview).
- R – refusal (including those who opted out before the research, those who refused when contacted during the main-stage fieldwork, and those who broke off the interview before reaching the beginning of section D).
- NC – non-contact (those with whom contact was never made during the fieldwork period).
- U – unknown eligibility (including businesses that had moved and could not be traced during fieldwork).
- O – other non-response (including where correct respondent was unavailable throughout fieldwork).
- NE – not eligible.

6.29 The response rate was calculated using the following formula<sup>57</sup>:

$$\text{Response rate} = \frac{I + P}{(I + P) + (R + NC + O) + e(U)}$$

Where 'e' is the estimated proportion of cases of unknown eligibility that are eligible, calculated as below:

$$E = \frac{(I + P) + (R + NC + O)}{(I + P) + (R + NC + O) + NE}$$



6.30 Table 6.5 shows the 2014 LBPS response rate<sup>58</sup> achieved for each customer group, as compared to that achieved for the preceding four waves of the LBPS in 2010, 2011, 2012 and 2013.

**Table 6.5: Response rates achieved (LBPS)**

	TOTAL	LBS	LC CRM	LC CC
2014 Completed Interviews	1,689	401	423	865
<b>2014 Response Rates</b>	<b>45.40%</b>	<b>55.08%</b>	<b>47.53%</b>	<b>41.12%</b>
2013 Completed Interviews	1,824	394	426	1,004
<b>2013 Response Rates</b>	<b>47.07%</b>	<b>56.01%</b>	<b>44.85%</b>	<b>45.13%</b>
2012 Completed Interviews	1,745	369	479	897
<b>2012 Response Rates</b>	<b>46.06%</b>	<b>55.89%</b>	<b>47.63%</b>	<b>42.21%</b>
2011 Completed Interviews	1,665	351	475	839
<b>2011 Response Rates</b>	<b>44.30%</b>	<b>58.90%</b>	<b>44.60%</b>	<b>39.90%</b>
2010 Completed Interviews	1,770	426	474	870
<b>2010 Response Rates</b>	<b>48.00%</b>	<b>60.30%</b>	<b>46.70%</b>	<b>44.30%</b>

### Non-response analysis

- 6.31 Checks were run on the profile of complete interviews to detect non-response bias. Non-response bias can occur in surveys if the answers of respondents differ from the potential answers of those who did not participate. The danger of this is that overall results may not be fully representative of the overall customer group.
- 6.32 The scope for non-response analysis was limited to variables on the original sample database, which were sector, region and HMRC administrative data. Generally, this analysis showed only very minimal differences between the original sample and the profile of achieved interviews within each customer group, typically between 0 - 3% within each customer group. In a small handful of instances the difference was 4 - 7%.
- 6.33 This gives us confidence that the results are representative of the three customer populations.

<sup>60</sup> Thomas, M., 2002 *Standard Outcome Codes and Methods of Calculating Response Rates in Business Surveys at the Office for National Statistics, GSR Conference 2002, UK*; and Beerten, R., Lynn, P., Laiho, J. & Martin, J. 2001 *'Recommended Standard Final Outcome Categories and Standard Definitions of Response Rates for Social Surveys', ISER Working Papers no 2001-23*

<sup>58</sup> The response rate gives the number of interviews achieved as a proportion of the number of records available for use at the beginning of the relevant wave of the project, also taking into account the number of refusals, unobtainable numbers, and various other non-response categories that were recorded throughout fieldwork.



## Data linking

- 6.34 At the end of the survey, respondents were asked whether they would be willing to have their survey answers linked to administrative data held on their business by HMRC, on the condition that HMRC would still not be able to identify any business that has taken part in the survey, regardless of whether data linking occurred or not. In total 82% of all business customers taking part in 2014 agreed for their answers to be data linked.

## Data analysis

- 6.35 As with preceding waves of the LBPS, the data were analysed separately for the three customer groups - due to the different structure and size of the businesses in the three groups as well as the different service provided to each, there would be limited value in analysing the data from all businesses as a whole.
- 6.36 In the absence of any notable non-response bias, no weighting to adjust for non-response was deemed necessary. Furthermore, as approximately 80 percent of large businesses belonged to what was formerly the LC CC customer group, any attempt to apply weights to bring any overall results back in line with the overall population proportions would simply have become a reflection of the responses of LC CC customers rather than a true reflection of the opinions of all three customer groups. Hence no weighting to adjust for differential selection probabilities was applied to the final database.
- 6.37 When comparing results across years or between sub-groups it is essential to establish whether these differences are significant or not, that is, whether we can be certain that a change in a particular score or percentage from one year to the next is sufficiently large to be considered a genuine movement and not due to chance. In order to do this, significance testing was carried out on survey findings using a chi squared calculation.
- 6.38 The calculation investigated whether distributions of categorical variables genuinely differ from one another, by comparing the frequencies of categorical responses between two (or more) independent groups. For the purposes of this report, if a difference in distribution between findings is referred to as 'significant' then this indicates a confidence level of 95% or above (i.e. a 95% certainty that the difference in distribution is not due to chance but indicates a genuine change). In some parts of the differences which are not statistically significant using this test (but add to the overall 'story') have been included. In these instances it has been made clear in the footnotes that the difference was not statistically significant.
- 6.39 The core survey content has remained broadly the same across both LBPS and TOPS modules to enable comparisons, particularly in the case of the questions that form the LBPS customer experience score. Where possible, comparisons with previous surveys (2010, 2011, 2012, 2013 and 2014) have been made in this report. However, a degree of caution is needed when looking at direct comparisons for the following reasons:
- Context effects – although most questions remained the same, in some cases the position of the questions within the questionnaire changed. This could lead to a context effect where the respondent's answer to a question is influenced by the context set by previous questions.
  - Response order effects – the order in which the questions are asked can affect the responses given. Where possible, this effect has been mitigated in the questionnaire by randomly rotating sets of opinion questions.
  - Category effects – a change in the number of categories used to rate a statement can affect the ratings respondents give, as a respondents' rating may vary depending on the number of categories they can choose from.





6.40 In some instances, the base sizes of certain subgroups are small (particularly if the question formed part of the LBPS or TOPS module and was therefore only asked of around half the sample). In these instances, findings should be treated as indicative only. Instances of low base sizes are highlighted in the report.

### Key Driver Analysis

6.41 Key Driver Analysis (KDA) is a statistical technique using multiple linear regression, the aim of which is to help understand what elements of HMRC service (i.e. factors) have the most impact on overall experience of dealing with HMRC.

6.42 Key Driver Analysis is important as it provides HMRC with insight into which factors are most associated with the overall experience of their large business customers. This in turn may help HMRC prioritise areas for improvement if it wishes to further improve the relationship it has with large businesses.

6.43 The Key Driver Analysis was achieved using correlation and regression techniques to understand key influences on responses to the following question:

**Overall, thinking about all your dealings with HMRC over the last 12 months, how would you rate your experience of dealing with them?**

- Very good
- Fairly good
- Neither good nor poor
- Fairly poor
- Very poor
- Don't know

6.44 An extensive number of measures (i.e. questions) were fed into the Multiple Regression Analysis, which then produced an output detailing the extent to which each measure had a bearing on overall experience. The questions that were fed into the model covered the following areas:

- Experience of dealing with HMRC on a day to day basis;
- Experience of the CRM/ assigned point of contact;
- Experience of dealing with HMRC staff in general;
- Experience of dispute resolution; and
- HMRC's approach to compliance.

6.45 The relative strength of each aspect in predicting overall experience gave an indication of the relative importance of each aspect to respondents. Three different analysis models were created, one for each customer group and the results of this key driver analysis can be seen in Chapter 3 of the report. Each model summarised the top 5 key drivers of overall experience of dealing with HMRC.

6.46 The variance in the data explained by each of the three models was as follows:

- 57% LBS – i.e. the drivers in the model represent over half the variance in the score;



- 42% LC CRM – i.e. the drivers in the model represent around two-fifths of the variance in the score;
- 46% LC CC – i.e. the drivers in the model represent close to half the variance in the score.

6.47 The 2014 KDA analysis mirrored the approach taken in previous four surveys<sup>59</sup>. However, as changes were made to the questionnaire in 2011 and the measures feeding into the Multiple Regression Analysis changed at that point, the key drivers in 2010 are likely to be different to subsequent years.

### Longitudinal analysis

6.48 Where customers took part in this survey and also in previous survey waves<sup>60</sup>, responses were analysed to help HMRC understand changes in the views of particular customers over time. Longitudinal analysis variables were derived to take into account three waves of data.

6.49 Table 6.6, below also show the numbers that took part in both LBPS and TOPS between 2012 and 2014 across each customer group<sup>61</sup>.

**Table 6.6: Longitudinal analysis base sizes**

	TOTAL	LBS	LC CRM	LC CC
Took part in LBPS waves 3,4 and 5	590	163	120	307
Took part in TOPS wave 3 and LBPS wave 5	398	195	168	35*

\*The figure for LC CC businesses taking part in both TOPS wave 3 and LBPS wave 5 is low because the LC CC businesses that took part in LBPS wave 5 were predominantly from previous LBPS waves, with only a small number being drawn from previous TOPS surveys.

### Measuring the customer experience of large businesses

#### Background

6.50 As part of the Spending Review period (SR 10), HMRC set out its six strategic objectives along with a series of indicators to measure performance attached to each objective. These indicators were used to assess and measure the department's progress in meeting its key objectives.

6.51 Since the previous spending review, HMRC has used a specific strategy to measure customer experience to be able to assess progress against the second strategic objective - to improve customers' experiences of HMRC and contribute to improving the UK business environment.

6.52 This section explains how the customer experience score for large businesses<sup>62</sup> has been obtained since the CSR 07 period and what changes have been introduced since the start of the SR10 period. The experience score is obtained from HMRC's annual large business surveys<sup>63</sup>.

<sup>59</sup> No key driver analysis was undertaken in 2008.

<sup>60</sup> LBPS wave 1 (2010), TOPS wave 1 (2011), LBPS wave 2 (2011), TOPS wave 2 (2012), LBPS wave 3 (2012), TOPS wave 3 (2013) and LBPS wave 4 (2013).

<sup>61</sup> As the base sizes of customers taking part in all four waves was too low for robust analysis, it was decided to keep with the three-wave analysis format and study changes between 2012, 2013 and 2014.

<sup>62</sup> For information on how the customer experience for individuals, SMEs and tax agents is measured, please see 2012, *Measuring customer experience: Customers find HMRC straightforward to deal with* [online], HMRC Working Paper No. 14. Available at: <http://www.hmrc.gov.uk/research/cust-exp-2010.pdf>

<sup>63</sup> Reports from the other surveys used to measure SO2 are: BMRB Social, 2009, *Evaluation of the Review of Links with Large Business: Report of survey findings*, [online], HMRC Research Report no. 87. Available at: <http://www.hmrc.gov.uk/research/lb-quant-report.pdf>, Sally Malam TNS-BMRB, 2010, *Large Business Customer Survey*, [online], HMRC Research Report no. 102. Available at: <http://www.hmrc.gov.uk/research/lbcs-full-report.pdf>, 2011, *Large Business Panel Survey: business' experiences of HMRC*, [online],



#### Nine dimensions of customer service

6.53 Large businesses are surveyed by telephone each year to capture their experiences of, and attitudes to HMRC. The customer experience score is drawn from nine measures of customer experience included in the survey. These measures are designed to reflect a broad range of service delivery issues that are relevant to all customers. Business customers are asked to rate each statement on a five-point scale (i.e. strongly agree, agree, neither agree nor disagree, disagree and strongly disagree). The statements included in the customer experience score for large businesses are:

- HMRC has a good understanding of your business;
- HMRC make it clear what business needs to be compliant;
- HMRC have become more focused on the high risk tax issues that affect businesses and are now less concerned about the low risk matters;
- HMRC makes it clear what you need to do to address any concerns
- HMRC actively seek a co-operative relationship;
- HMRC are a joined-up organisation;
- HMRC provide business with certainty;
- HMRC are consistent in the way they deal with business; and
- HMRC treat your business fairly.

6.54 The customer experience score is derived from the proportion of positive answers (strongly agree/tend to agree) to these nine statements.

#### Customer groups within large businesses

6.55 As previously mentioned, large business customers have historically been divided into three groups based upon the size of business – LBS, LC CRM and LC CC. The customer experience score for large businesses was designed to reflect this organisation. This means that the positive scores for the nine statements given by LBS customers were assigned a different weight to businesses in Local Compliance.



6.56 In the first year of SR10, a change in the weighting was introduced; instead of using weights based on the proportion of Corporation Tax (CT) paid by each customer group, global turnover was used. Global turnover is more representative of all businesses while CT is only a partial measure of business' tax contributions and a large proportion of CT comes from a relatively small proportion of businesses. Using global turnover also gives a clearer separation between the three customer groups and is more evenly spread across all businesses. The global turnover used in weighting was derived from self-reported data from the Tax Opinion Panel Survey, the sister survey of LBPS which also covered all large businesses. The weighting for each customer group using global turnover is: LBS - 55%, LC CRM - 30% and LC CC 15%<sup>64</sup>.

#### Estimating the relevance of each statement

6.57 In early calculations of the score a Principal Component Analysis was performed to be able to allocate a weight to each statement based on how much that particular statement explained each customer's overall ratings. To enable consistency, the same weights had been used for each statement from 2008. This led to changes over time not being properly reflected. In recognition of the fact that the relative importance of statements may change over time and in view of the necessity to ensure scores are comparable over time, this component to the calculation of the score has now been removed.

#### Comparing the results with previous years

6.58 To be able to compare the 2011, 2012, 2013 and 2014 scores with those from previous years, all previous years' scores have been re-calculated using the new weighting strategy.

#### The customer experience score for large businesses

6.59 Using the methods described above, the following customer experience scores were achieved over the last seven years<sup>65</sup>. The customer experience score for large business in 2014 was 70.7%. This is a 1.1 percentage point decrease on the 2013 score, however this decrease is not statistically significant.

**Table 6.7: Customer experience score for large businesses in SR10 and SR07**

2008	2009	2010	2011	2012	2013	2014
64.9%	65.1%	70.7%	71.8%	74.8%	71.9%	70.7%

#### Qualitative research – method

6.60 Qualitative follow-up interviews have been undertaken since 2009 with large business customers following every quantitative stage of the Large Business Panel Survey. This provides insight into what might be driving the quantitative results.

6.61 In the fifth (2014) wave of research, the main topics covered in the qualitative interviews were:

- Overall experience of working with HMRC and how this may have changed;
- Views on and use of Real Time Working;
- Working relationships with CRMs / assigned points of contact;

<sup>64</sup> Using CT as a weight gave 75:25 ratio in favour of LBS over businesses in Local Compliance.

<sup>65</sup> For scores using the previous approach, see: <http://www.hmrc.gov.uk/research/lbps-report142.pdf>, page 53



- Whether HMRC is perceived to identify all significant and smaller tax at risk within large businesses;
- Use of digital services and social media and how HMRC could use them;
- How businesses would like to see their relationship with HMRC develop in the future;
- Views on what constitutes 'fairness' and whether HMRC are perceived to administer the tax system fairly and proportionately;
- How R&D expenditure credit has impacted upon businesses; and
- Thoughts on how the annual survey is conducted.

6.62 Thirty face-to-face qualitative interviews lasting approximately 60 minutes were conducted with Heads of Tax and Financial Directors across the three customer groups.

6.63 A semi-structured topic guide was used to carry out the interviews, to ensure key topics were explored in sufficient detail while also allowing the flexibility to explore issues raised spontaneously by the respondent. All interviews were recorded using a digital voice recorder, and subsequently transcribed.

### Qualitative research – sampling and recruitment

6.64 The sample for the qualitative stage was recruited from those who participated in the 2014 survey and gave their consent to being re-contacted for a more in-depth piece of research. From this pool of willing respondents, potential participants were targeted for the qualitative stage based on answers given in the quantitative stage, in order to reflect a range of opinions on key issues.

6.65 The following table shows how the achieved spread of interviews broke down by customer group.

**Table 6.8: Qualitative stage – achieved sample structure**

SAMPLE TYPE	DESCRIPTION	TOTAL	LBS	LC CRM	LC CC
A	Those whose overall experience with HMRC has declined	8	4	3	1
B	Those whose experience of their CRM has declined	7	3	4	-
C	Those who worked in Real Time at wave 4, but not at wave 5	8	6	2	-
D	Those who have benefitted from R&D reliefs	22	11	9	2
(NEW)	Businesses who answered questions relating to HMRC identifying risk in the quantitative survey <sup>66</sup>	3	2	1	-
F	LC CC customers who were assisted by their assigned point of contact this year, but not last year	5	-	-	5

6.66 The respondents were recruited by telephone by experienced recruiters who were fully briefed to assess eligibility of the participants. The interviews were carried out face to face by senior qualitative

<sup>66</sup> This quota was introduced part-way through fieldwork, hence the smaller number of businesses being asked this question during the qualitative stage.



interviewers with extensive experience of finance-related interviewing at this level. Fieldwork was undertaken from 2 February to 19 March 2015.

### Qualitative research analysis

- 6.67 Whereas quantitative research allows us to report percentages of customers that do x and y, qualitative research allows us to explore in more detail the reasons why customers may act and feel the way they do. It should be noted that it is not appropriate to attribute numbers to those who give answers in qualitative work; rather their responses are looked at in the context of wider themes.
- 6.68 The quotes in this report are all directly from the qualitative interviews and have been transcribed verbatim (although all have been anonymised).



# 7 Appendix C: Supporting evidence

## Customer experience time series analysis

Figure 7.1: Time series analysis – core measures of customer experience

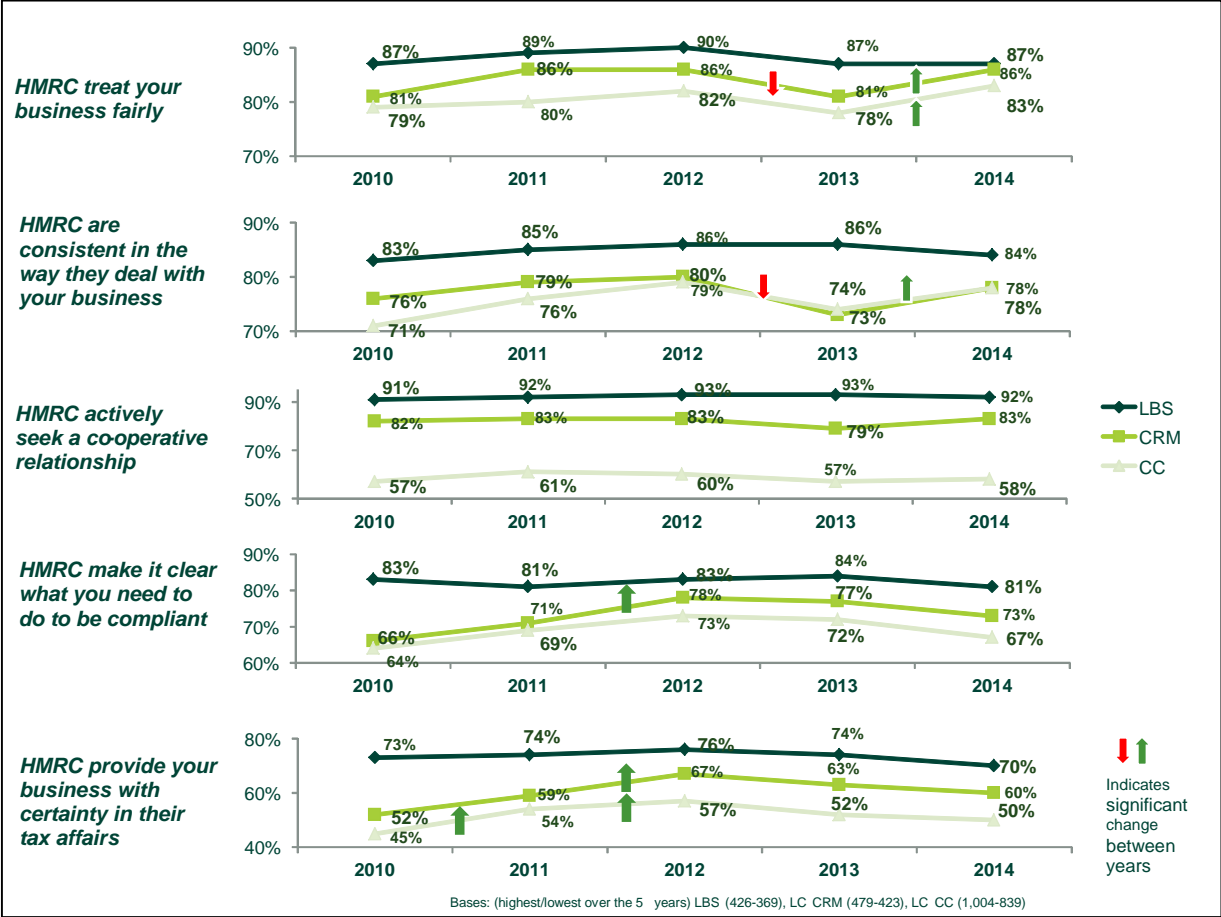
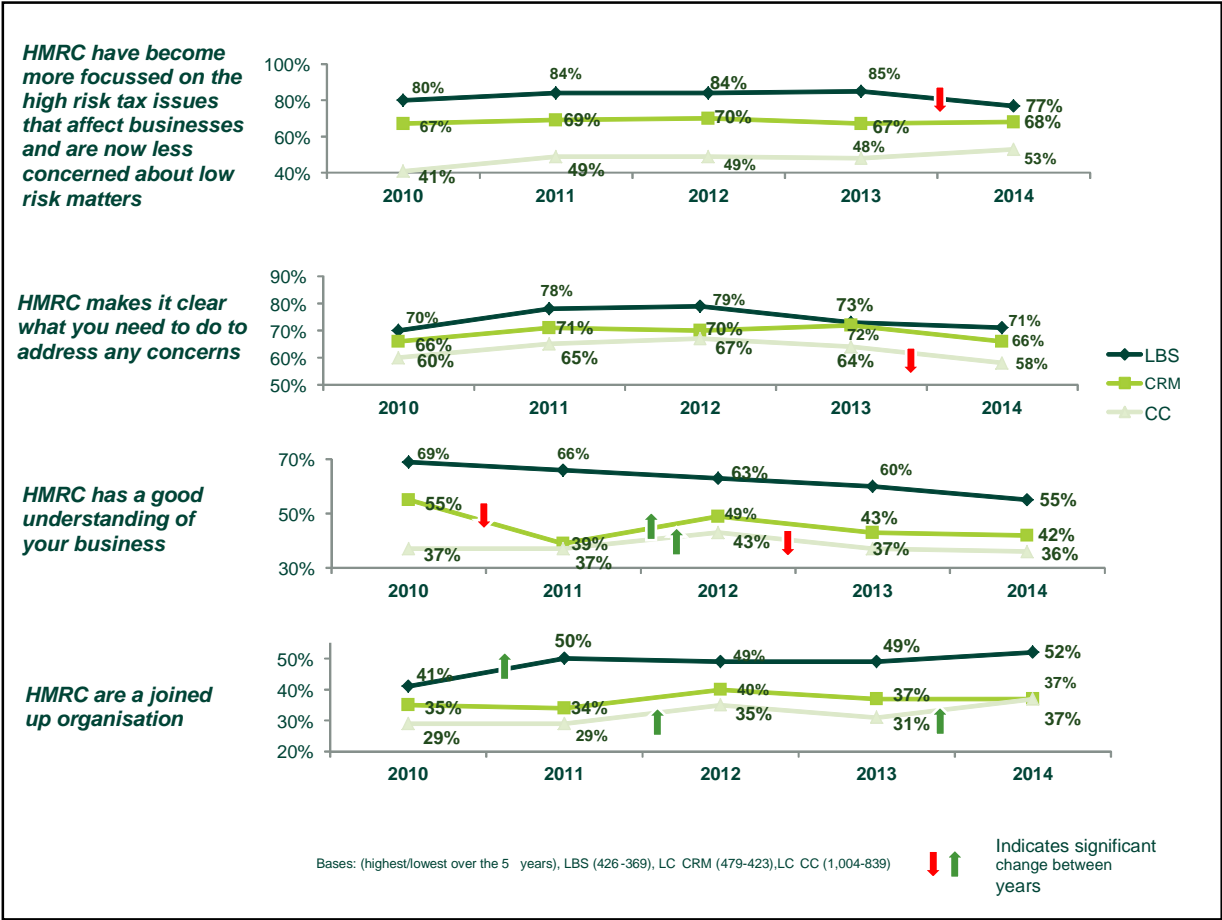


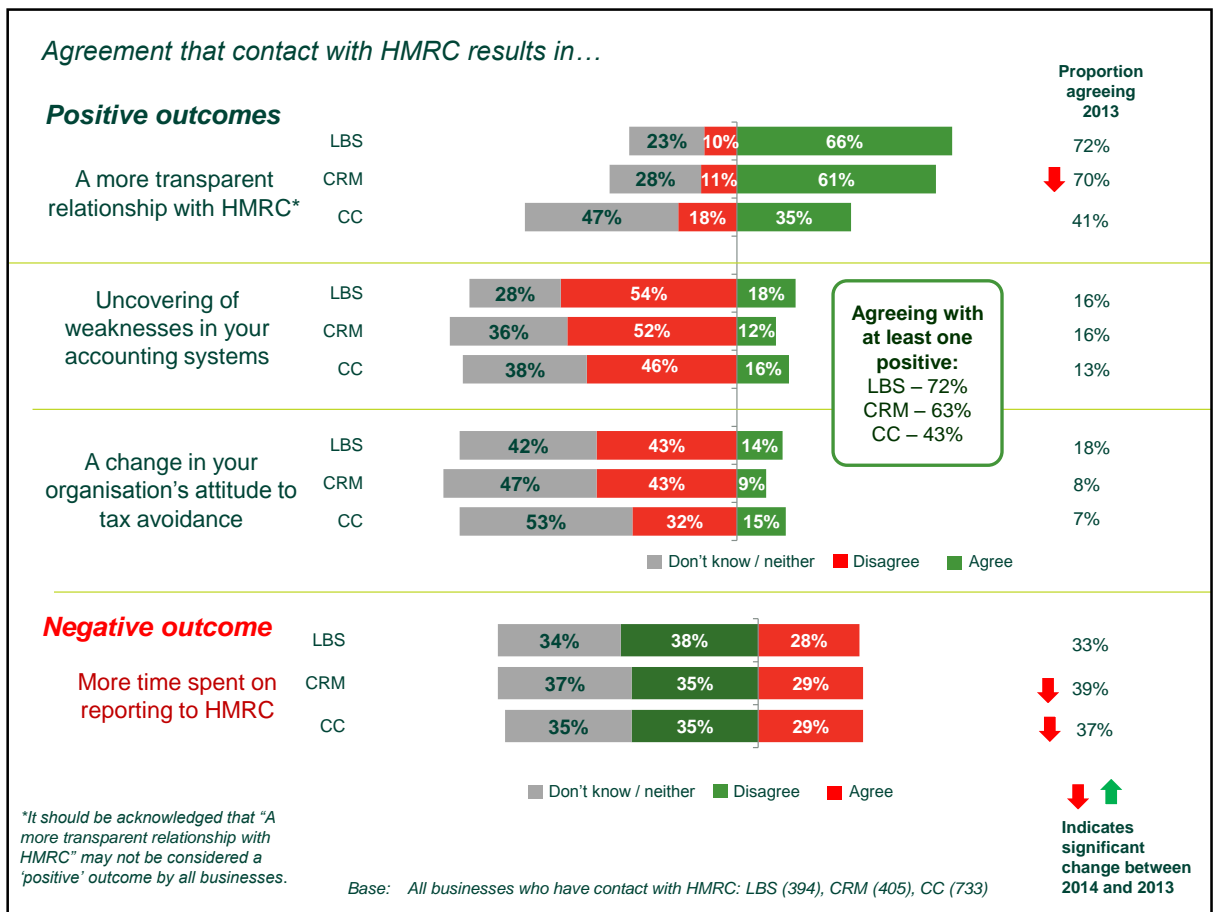


Figure 7.2: Time series analysis – core measures of customer experience



Working with HMRC and Real Time Working

Figure 7.3: Perceived outcomes of regular working with HMRC<sup>67</sup>



<sup>67</sup> Defined as at least quarterly contact



**Figure 7.4: Agreement with measures of customer service by whether business' work in Real Time or not**

\* Arrows represent significant differences

Measures		LBS		LC CRM		LC CC	
		Works in real Time	Does not work in Real Time	Works in real Time	Does not work in Real Time	Works in real Time	Does not work in Real Time
A1	Overall, thinking about ALL of your dealings with HMRC, how would you rate your experience of dealing with them?	90	83	81	77	69	67
<b>Core measures</b>							
A3_1	They treat your business fairly	89	84	84	87	84	82
A3_2	They are consistent in the way they deal with your business	87	81	75	79	81	77
A3_3	They are a joined up organisation	51	54	36	37	42	36
A3_5	They actively seek a cooperative relationship with you	94	90	85	81	63	57
B6_2	They have a good understanding of your business	57	53	47	39	44	33
E2_4	They make it clear what you need to do to be compliant	80	57	75	71	72	66
E2_3	They provide your business with certainty in its tax affairs	85	77	66	57	61 ↑	47 ↓
E3	HMRC have become more focused on the high risk tax issues that affect businesses and are now less concerned about the low risk matters	77	77	73	65	58	51
E4_1	HMRC makes it clear what you need to do to address any concerns	77 ↑	65 ↓	74 ↑	61 ↓	65 ↑	57 ↓
<b>Wider measures</b>							
A3_4	Their decision making process is transparent	62	55	56	54	49	52
A3_6	They provide easy access to taxation specialists for advice	73	64	63	56	40	30
A3b	HMRC is consistent in its interactions with all parts of your group	67	74	76	73	66	60
B6_1	They have the necessary levels of technical expertise	73	73	64	59	59	54
E4_2	HMRC keeps to the agreed timeframes	57	50	59	54	60	54
E2_1	They take your business's needs into account in the way they deal with your business	77	65	61	50	52	37
E2_2	They have a good understanding of your business's level of risk with regard to tax compliance	87	80	77	71	54	40
<b>Relationship Management</b>							
B5	Still thinking specifically about the XX responsible for your business, how would you rate your overall relationship with them?	96	87	88 ↑	80 ↓	87	74
B4_1	Being easy to contact	96	87	91	89	81	71
B4_2	Ensuring that your queries are dealt with effectively	93	80	83	84	85	72
B4_3	The extent to which they respond within the timeframes agreed	85	77	85	82	75	72
B4_4	Their ability to help resolve uncertainty around complex or significant tax issues	80	65	71	60	66	53
B4_5	Their commercial understanding, in relation to your business	83 ↑	74 ↓	69	66	n/a	n/a



## Further detail on the impact of policy changes on large business customers

- Large business customers were asked whether any of four policy changes had resulted in their business spend in the relevant area increasing, or whether the reform had altered the timing of any decisions.

### Annual Investment Allowance

- Most (64%) LC CC customers aware of the AIA reform did not yet know whether this would result in their business spend on plant and machinery increasing, or whether strategic decisions would be brought forward;
- Around a quarter (26%) of LC CC customers said their business spend in the area had either increased already, or would do in the future.

### R&D expenditure credit

- Of businesses aware of the Patent Box reforms, around half<sup>68</sup> said their business had benefitted from the R&D expenditure credit, with LBS customers more likely to have benefitted than the other customer groups.
- However, of business that had benefitted, around four in ten<sup>69</sup> businesses said this had resulted in changes to their business' investment decisions and behaviour.

### Patent Box Tax Relief

- Of businesses that hold intellectual forms of property, around a fifth<sup>70</sup> across all customer groups were planning to make use of the Patent Box tax relief;
- Of businesses that were planning to make use of the relief, around four in ten<sup>71</sup> across all groups said this reform had changed their businesses' investment decisions or behaviour, at least to some extent.
- Most businesses holding intellectual property said the reforms would **not** result in the business doing any of the following:
  - Investing more in developing patentable technology within the UK<sup>72</sup>
  - Locating more patents within UK subsidiaries from abroad<sup>73</sup>
  - Locating or create jobs within the UK<sup>74</sup>
  - Making a claim using the relief in the next year<sup>75</sup>

<sup>68</sup> LBS 55%, LC CRM 48%, LC CC 40%

<sup>69</sup> LBS 35%, LC CRM 39%, LC CC 42%

<sup>70</sup> LBS 20%, LC CRM 24%, LC CC 20%

<sup>71</sup> LBS 44%, LC CRM 43%, LC CC 45%

<sup>72</sup> LBS 84%, LC CRM 77%, LC CC 81%

<sup>73</sup> LBS 88%, LC CRM 83%, LC CC 86%

<sup>74</sup> LBS 83%, LC CRM 82%, LC CC 81%

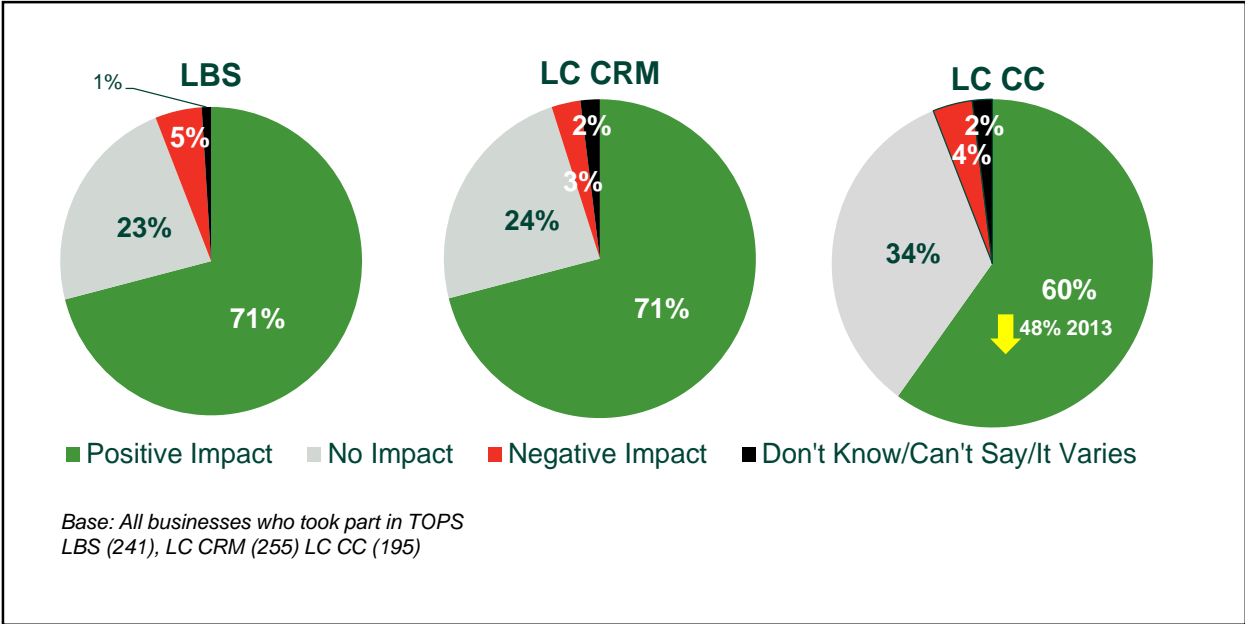
<sup>75</sup> LBS 79%, LC CRM 73%, LC CC 73%



Stamp Duty

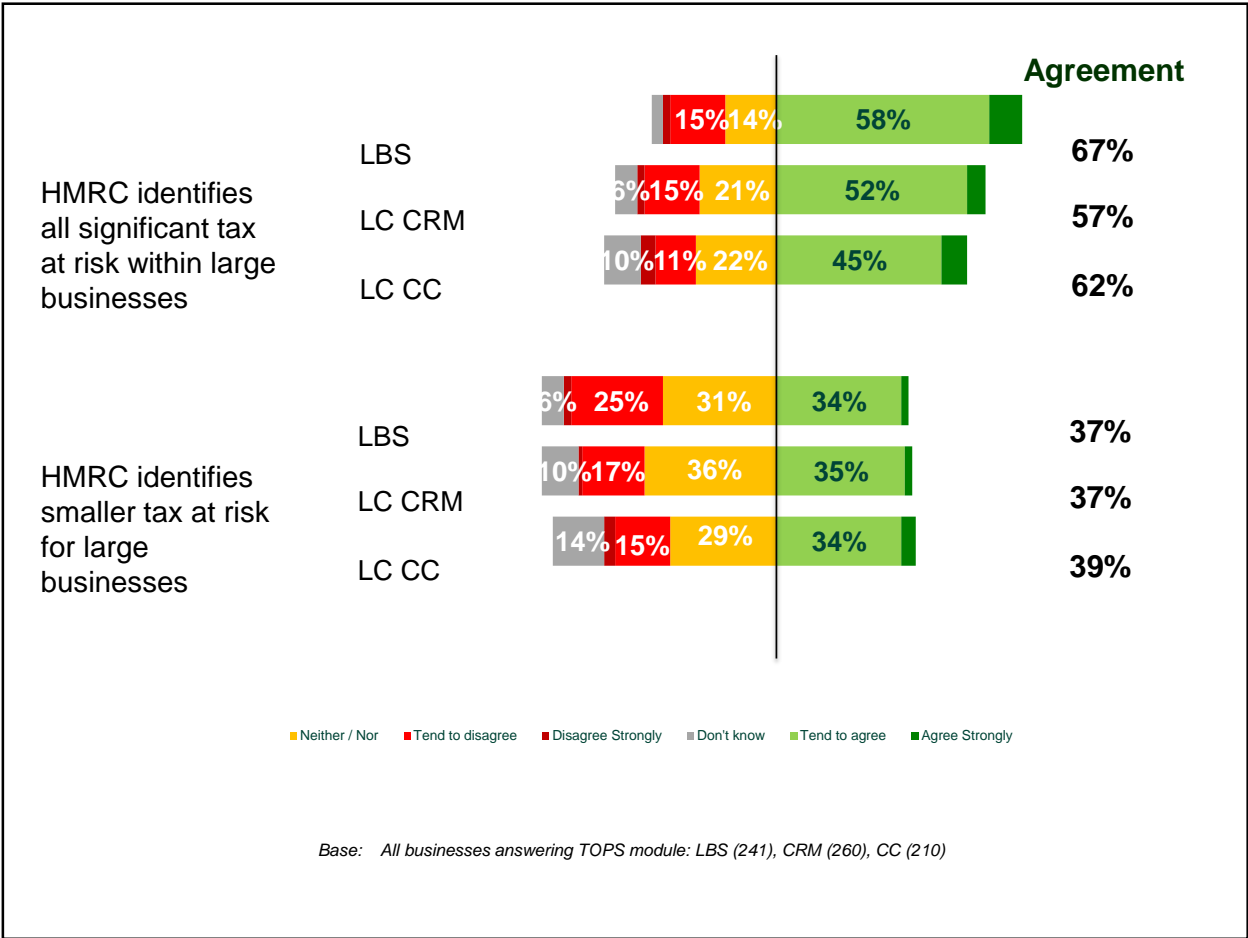
- All businesses were asked whether HMRC had done enough to help their business identify and discharge their Stamp Duty responsibilities. The majority of businesses did not require any further help from HMRC on this: when customers were probed as to what HMRC could do better, many said that this was not relevant to their business or this was handled in-house or by agents. A very small proportion of customers (18 respondents) cited that HMRC guidance is poor.

**Figure 7.5: Perceived impact of all tax policy changes since 2009 on the competitive position of the business**



Influences on the tax paid by businesses

**Figure 7.6: Proportion of businesses agreeing that HMRC identifies significant, and smaller, tax risks within large businesses**



## 8 Appendix D: Additional qualitative findings

As well as exploring potential reasons behind some of the quantitative findings, the qualitative research also explored the following new topics that were not discussed in the quantitative survey.

### How businesses want their current relationship with HMRC to improve and develop in the next 5 years

- Large business customers that took part in the qualitative research were asked what would improve their current experience with HMRC. The most common responses were:
  - Improved speed of response;
  - Increased engagement with business; and
  - Increased understanding of business (both in terms of their attitude to tax and commercial understanding).

### Digital services and social media

Large business customers that took part in the qualitative research were asked about how they currently interact with HMRC digitally and how they might want to do so in the future.

- Large business customers most commonly interacted with HMRC via email. While most customers thought that this method of communication works well, a few thought that HMRC's email protocol hindered efficiency and that HMRC were sometimes unresponsive.
- Most customers also used the HMRC website, it was largely considered to be a good source of information but a number of businesses disliked the new website as they find it too difficult to navigate.
- A few large business customers stated that they would like to see HMRC improve the search function and navigation of the website.
- Customers who used iXBRL generally considered it to work sufficiently but a few said it was time-consuming and saw no benefit of using it.
- Business use of shared workspaces and FaceTime was less common.
- Most large business customers advocated increased digital interaction with HMRC by wanting HMRC to reduce the amount of letters they send and the amount of paperwork required in general (such as notifications to file a tax return).
- Some large business customers suggested that shared sites between HMRC and each company group would help increase efficiency in the future.
- Almost all large business customers used social media, however, it was mostly used in marketing and relatively rarely in the tax departments.
- Most large business customers felt that HMRC do not need to make use of social media due to potential issues around security and confidentiality.
- Despite this, a few large business customers thought that HMRC could use Twitter as a way of making announcements.





## R&D expenditure credit

- Large business customers who stated that they had benefitted from R&D expenditure credit during the quantitative survey were asked about how this had impacted upon their business in the qualitative interviews<sup>76</sup>.
- Generally large business customers stated that they benefitted '*a small amount*' from claiming R&D expenditure credit. Most who benefitted acknowledged that their annual R&D spend is relatively low and most considered the relief as '*nice to have*' rather than being integral to their operations.
- R&D expenditure credit was often a factor that was considered when large business customers were making invest decisions; however, it was rarely a factor that drives these decisions.
- A number of large business customers thought that the above the line change could make R&D an increasingly important factor in the future as it '*makes a difference*' in their ability '*as a tax department to get the business more interested in the availability of credit*':

*Now it's above the line and you get a 'refund', that will go straight into the budgets as a credit against their expenses, so you've certainly seen the budget holders engaging more with the R&D*

**LBS**

- Most large business customers who benefitted from R&D expenditure credit said they had not had any interaction with HMRC about R&D. However, customers that did generally found it useful:

*We have had brief discussions about them. It was useful. I think actually the guidance that came out from HMRC was quite clear so we haven't had to have a detailed meeting*

**LBS**

- Most large business customers that benefitted from R&D did not have any strong views on how to improve the new scheme or the way in which it is administered. A few were reluctant to do this as they thought it was still too early to see how the recent changes would work in practice.
- Improvements that were recommended by large business customers were considered to be 'technicalities' rather than major issues. One issue mentioned by a couple of customers was their inability to claim if they were to sub-contract to a third party.

<sup>76</sup> 22 large business customers that took part in the qualitative research had benefitted from R&D expenditure credit.

