



HM Revenue
& Customs

Research report 484

Generic Notification Service - RTI Late Filing Penalties

To understand customers' awareness and response to GNS messages

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GNS Messaging Qualitative Research***About Customer Services (Operational Excellence Directorate)***

Customer Services (Operational Excellence Directorate) is responsible for supporting work across Pay As You Earn, Self Assessment, National Insurance Contributions and Construction Industry Scheme covering a wide range of activities. These activities include day to day management of our end to end processes, designing and improving customer products such as forms and returns, reviewing and improving our processes and managing our Key Business Events to ensure accurate outputs for customers

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Research requirement (background to the project)

GNS (Generic Notification Service) messages are an essential digital tool used by HMRC to communicate with customers and to help improve compliance. GNS messages are sent in relation to many subjects and are triggered at certain points in a tax month when a customer (or an employer or a third party managing the employer's payroll on their behalf) has not met their obligations in relation to RTI (Real Time Information), that is has not provided monthly required payroll information to HMRC.

This research study aimed to explore customer responses to GNS messages sent by HMRC in relation to RTI – considering awareness, access and response to the messages, as well as how messages might be improved in the future. Specifically, the research aimed to understand:

- Customer awareness and understanding of GNS messages and sources of information – whether customers know GNS messages exist, what their purpose is and how to access them.
- How customers respond to the GNS messages – whether they read them, how easy they are to understand and how they behave as a result.
- How useful customers find the GNS messages and know what they need to do/act on them.
- Why customers continue to late report RTI information (Late-filers) or file nothing (Non-filers) when HMRC have an expectation for them to file.

When the research took place

The research was designed and carried out between October and December 2016. Fieldwork was undertaken between the 14th of November and the 14th of December 2016.

Who did the work (research agency)

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

Method, Data and Tools used, Sample

A qualitative approach was undertaken to this study. A total of 48 in-depth telephone interviews were conducted with HMRC customers, including 38 interviews with employers and 10 interviews with third parties (that managed payroll on employers' behalf). The employer sample consisted of customers who had received between five to nine GNS messages for RTI, to exclude regularly non-compliant customers. Third parties drew their experience from across their customer list. Interviews lasted for between 45 to 60 minutes.

Participants were recruited according to the quota table shown overleaf. The recruited sample also included a geographical spread:

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Table 1: Sample Profile

Employers		Third party
38 interviews completed in total (as per target)		10 interviews completed in total (as per target) ¹
<i>Breakdown of interviews:</i>		
Size (based on number of employers)	Micro (0-9 employees): 9 interviews	Micro: 8 interviews
	Small (10-49 employees): 10 interviews	Small: 7 interviews
	Medium (50-249 employees): 11 interviews	Medium: 8 interviews
	Large (250+ employees): 8 interviews	Large: 8 interviews
Not aware of GNS messages	7 interviews ²	N/A

HMRC provided a sample of employers who had received between five and nine GNS messages. HMRC also identified possible third party participants and contacted them to ask if they were willing to take part in the research; those who replied to HMRC expressing an interest in taking part had their contact email address forwarded to Ipsos MORI for recruitment. A purposive sampling approach was adopted, whereby key quotas were set and participants recruited according to these using a screening document by specialist recruiters. The interview data was fully analysed using a robust inductive approach, as part of which the data was synthesised thematically and interrogated for patterns and relationships.

¹ Among third parties the size allocation was based on the size of organisations that they have among their clients. It was possible therefore for them to give a range of responses here, which is why these add up to more than the total ten interviews.

² Note that these seven interviews overlap with the numbers in the size breakdown above.

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Main Findings

The main findings from this research are outlined below.

1. Awareness and access to GNS RTI messages

Employers fell into three main categories in terms of awareness:

- **Aware of GNS messages.** The research included employers who were familiar with GNS messages for RTI, who retrieved them, read them and understood their purpose. For the most part, these employers aimed to deal with the messages regularly or ‘as part of their payroll’. These employers tended to understand the purpose of RTI more widely, describing this as the need to keep and submit ‘up-to-date’ records on employees. Customers in this group were more likely to be medium or larger in size, where a specialist deals with payroll and therefore GNS messages.
- **Aware but lacked clarity of understanding.** There were examples of employers who were aware of GNS messages, but lacked understanding of what they were, how they were used and who or how these were generated – for example believing these were generated by the software company. *“I considered them just generic prompts from SAGE...I thought they were built into the actual software”*. These employers tended to be more familiar with other types of GNS messages such as those on tax codes or student loans – particularly employers working in the public sector. Overall, they understood RTI and felt obliged to comply, though they found the submission process ‘time consuming’. Generally, these employers were part of mid-sized organisations, where payroll responsibilities were combined with other role functions. They aimed to check and action the messages regularly, but cited being busy as reasons for not doing so immediately or at all. *“In most small businesses you actually work in the daytime earning your money, and you have to do your other functions at other times day or night”*.
- **Unaware.** There was a substantial group of employers who were completely unaware of GNS messages for RTI, their purpose and where to access them. This was generally the case for those responsible for submitting payroll information for a handful of staff in smaller organisations, though there were examples of those in medium and larger organisations also being unaware. Also some of those who were unaware of GNS messages also lacked awareness of RTI – and used more automated processes, such as automated software.

Generally, **third parties** demonstrated better awareness of the purpose and location of GNS messages than employers, with very rare exceptions.

Customers varied in how they retrieved messages – many used a payroll software package, which split into three broad groups: HMRC basic tools, ‘off the shelf’ products and bespoke or tailored packages (used most commonly by larger organisations). There were examples of

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messages being accessed via the Business Tax Account (this tended to be referred to as 'Government Gateway'), usually in conjunction with using a software package.

The software packages used varied markedly in how user-friendly they were in displaying and accessing the messages (according to descriptions provided by participants). Customers agreed that specific payroll software packages, which reminded them to check GNS messages through constant 'pop-ups' or 'flashing' messages, were helpful in retrieving and actioning these messages. However other customers had packages that required several clicks or knowing where to look for the messages, and this was associated with lower awareness overall. This was also the case for those accessing the messages via 'Government Gateway' or some other third party packages – with messages said to be hard to locate.

Email prompts notifying customers of the messages were considered useful by those who recalled receiving them, however it was clear they were not acting as an effective prompt in all cases – with a number of participants being unaware of these. A number of reasons were given for this, including emails not reaching the most suitable person in the organisation as a result of the contact details HMRC holds; being 'easily ignored' or 'deleted' by customers (alongside other HMRC emails) due to subject headings being 'too generic'; receiving high volumes of emails on topics considered to be of low importance (on training and auto-enrolment) or due to concerns about 'phishing scams'. The lack of importance of email correspondence was further supported by a belief that important correspondence would come by letter, given it was from HMRC.

"Whenever anything comes through email from HMRC I immediately trash it" Employer

The regularity with which GNS messages for RTI were checked also varied for both employers and third parties and included those who **checked regularly** 'as part of their payroll' or on a daily, weekly, fortnightly or monthly basis (or at least attempted to) and those who **checked on a more ad hoc basis** when they remembered or when they were prompted by a message or email. The former tended to be the behaviour of larger organisations and the latter of smaller employers - though there still were examples of medium and larger employers and agents relying on email prompts. Importantly, the regularity with which customers checked messages linked to how they were accessing these, with those receiving software generated prompts more likely to access the messages as well as to respond promptly – indeed some had packages that did not let you proceed until the RTI message was acknowledged or even until the RTI was submitted.

"I may pick up a GNS two weeks after it's been sent. I check about once a week; or once a fortnight" Employer

GNS Messaging Qualitative Research**2. Understanding of the messages**

The language/wording of the messages was thought to be clear, in so far as participants were able to understand the content and some also commended the messages for being succinct.

“The basic messages I’ve had from them have been fine and understandable” Employer

However, messages did cause confusion among some customers as they did not always understand *why* they had received them – mainly as they believed they were compliant and felt a sense of shock upon receiving the message, leading them to a process of trying to work out why they had received them. Reasons for this confusion include:

- **Complexity of their business:** those responsible for multiple payrolls – either third parties or employers dealing with several payrolls under an ‘umbrella’ – had particular difficulty identifying why a problem had occurred and what this related to.
- **Complexity of RTI rules:** knowledge of these, particularly required RTI timings, varied. There was for example, little spontaneous mention of the three day easement, though some did mention late reporting reasons and the rules around submitting at a different time due to holidays.
- **The nature of the messages:** messages were thought to lack specific details on what the problem was, providing a general sense of the issue, but not full details.

“There’s not any instruction, it’s just a case of ‘go and read the message and see if you can work out what it means’” Third party

Employers and third parties were clear that financial **penalties** could result from non-compliance of RTI. Some noted that the GNS messages refer to the possibility of penalties. There was no resistance to the concept of penalties and indeed they were seen as an effective deterrent as well as effective in ensuring future compliance behaviour. Indeed, those who had received a penalty said it made RTI compliance a higher priority for them, while others said that the prospect of a penalty made them keen to comply. However, participants did not always make the link between penalties and not following up the GNS message for RTI and in some cases noted that experience suggested nothing would happen as a result of not acting on these (as outlined later in the report - section 3).

“If a £400 fine does not [ensure compliance] I don’t know what will” Employer

“Now because we’ve received that fine for late report it becomes a bit more of a priority to make sure the FPS is submitted on the payment date” Employer

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3. Response to the messages

How employers responded to the GNS messages sent in relation to RTI in terms of behaviour varied, ranging from those who actioned immediately or moved towards an action by checking and trying to resolve the issue and those who did not undertake any activity as a result. Details of these actions are outlined below:

- **Action.** There were examples of participants who on receiving the GNS message resolved to get to the bottom of the issue, usually immediately, and to do things correctly in future. The messages were viewed generally as being a helpful prompt.
- **Check and attempt to action.** In a number of cases, participants entered a process of ‘checking’ following receipt of the GNS message, with a view to understand why they had received this, why/how they might be non-compliant and how this could be resolved. This process was not always immediate and could take time – with customers often contacting HMRC to explore the issue by phone/writing, speaking to a colleague or even contacting the software provider³. The process of checking could be further delayed by the work commitments of customers, who in many cases described having multiple roles and competing priorities (something more common among small to middle-sized employers). As a result, this process could take several months during which time they could receive several more GNS messages for RTI. Importantly, the process of checking got the customer thinking about the RTI process, what they might have done wrong and what they might need to change in the future.
- **No action.** There were customers who upon receiving the GNS message for RTI did not undertake any action. This was usually a result of a lack of awareness or understanding, but could also be a conscious decision based on business circumstances. Reasons included:
 - **Not receiving/retrieving the message** – customers were either unaware of the message (suggesting they did not receive it) or they lacked awareness of what the message was for. For many small and medium employers, no action resulted simply from a lack of awareness.
 - **Not retrieved in good time** – customers retrieved the message but after the deadline for actioning it had passed, as they were not receiving prompts or checking regularly.
 - **A belief it was sent in error** – customers assumed the message had been sent in error as they had complied with their RTI obligations. *“If it’s [the message] to tell me I’ve not submitted, when I know I have submitted, I’ll basically just ignore it”.*

³ There were no examples of customers looking on GOV.UK as a first port of call; GOV.UK was associated more with general information rather than information specific to their discrepancy.

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- **Assumption the third party was dealing with it** – there was a degree of confusion expressed regarding who was responding to the message – the employer or third party.
- **Difficulties submitted/signing off RTI** – there were examples of businesses finding it difficult to meet their RTI obligations on time, as a result of the structures and practices within their business (which could be out of the control of the individual responsible for RTI) and as such on occasion businesses made a conscious decision not to follow up on the GNS reminder. Examples included, not receiving an internal senior sign off in time (or in the case of third parties, sign off by their client) or the pay day being mis-aligned with the RTI submission date.
- **In dispute with HMRC** – there were exceptional examples of business being in dispute with HMRC about non-compliance and as such there was no change in behaviour as a result of the message.

Knowledge of **RTI's uses more generally**, such as pensions and student loans, did not appear a strong incitement to respond to the messages. Employers and third parties alike admitted to not thinking much about what is done with RTI, and instead tended to view RTI simply as a compliance matter. The most common assumption expressed was that RTI is for HMRC's benefit (i.e. to keep its information up-to-date) rather than for customers.

Employers said their perception of RTI's importance increased when finding out about RTI's range of uses in the interview – though it tended to depend on whether they thought it impacted on their own employees

Third parties tended to respond to messages immediately, though the nature of their response depended on the responsibility they took for RTI for each client. If filing was the third party's responsibility, they would investigate the late filing right away. If not, they would forward the message onto their client, usually by cutting and pasting the message into an email. Many third parties doubted how promptly their client dealt with the reminder, though there were no examples of third parties 'chasing' persistent non-complying clients, mainly as they considered this billable extra work and not their responsibility.

4. Alternative channels for receiving messages

Overall, both employers and third parties made use of Business Tax Accounts (BTAs) online, though they were not always aware of the term BTA and often referred to it as Government Gateway.

When prompted, customers felt that accessing GNS messages through the BTA could be useful in having all tax affairs in one place; this was however also deemed low priority. Security and confidentiality were key factors in considering BTA as a channel, as was the compatibility of this platform with an organisation's existing IT infrastructure. In any case, customers felt that there should still be prompts, which encourage them to go onto the BTA to check messages.

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Conclusion

Customer awareness of GNS messages for RTI was mixed – differing between third parties and employers and by size of employer – with larger organisation being more aware. How messages were retrieved was critical to awareness – with ‘pop-ups’ provided on certain software packages supporting awareness. Where messages were accessed ad hoc via ‘Government Gateway’/BTA more difficulties were noted, as some employers were not looking out for these messages, did not recall receiving email prompts and could not find messages easily. Where messages were retrieved, customers were able to understand the narrative, but were sometimes unclear why they received it and what it related to (often believing this had been sent in error) – meaning it was less likely to result in swift behaviour change.

Behavioural responses to GNS messages for RTI were mixed, including customers who retrieved and actioned immediately, those who checked the reason for non-compliance and moved to resolution over time and those who undertook no action. No action was mainly a result of lack of awareness and/or understanding, although there were examples of customers making an active decision to ignore the reminder and not comply. GNS messages relating to RTI were viewed as a helpful reminder and supported in principle – although raising awareness and making these easier to retrieve was highlighted as a step to encourage greater response to these messages.

Implications for HMRC communications

Customers made the following suggestions:

- To **further promote GNS messages** especially among smaller business – letter was thought to have the most impact.
- To have **more effective reminders or prompts** – such as redesigning the Government Gateway to have message prompts displayed prominently similar to some existing software packages or improving the email prompts, for example in ensuring they go to the right person and in better subject headings.
- To **make the next steps following receipt of a message clearer**, helping customers understand *why* they got the message and *what* they need to do in response.
- To **emphasise the consequences of not responding** to the message; penalties are thought to be effective in prioritising compliance.