



HM Revenue
& Customs

Research report 554

Business Customer Attitudes towards Data Privacy and Data Sharing

*In the context of data sharing across government for the
purpose of joining up services for businesses*

November 2016

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1. Research requirement (background to the project)

HMRC is bringing together the reporting and payment of taxes through digital tax accounts and the delivery of Making Tax Digital for Business. The department wanted to explore whether there would be benefits for businesses in building on this through closer collaboration with other parts of government, in particular through bringing together access to a wider range of services and support across central and local government in one place. For the purpose of this research, this concept was tested with businesses under the working title of a Single Business Service (SBS).

The aim of such a service would be to make it easier for businesses to do business with the government by providing a single place for them to register for and manage taxes, services and other requirements across government and access support to meet their obligations and run and grow their business. The potential benefits of such a service that the research aimed to explore include:

- Making it easier for businesses to understand and manage their interactions with government, thereby reducing business burdens.
- Supporting businesses to grow, including through access to relevant opportunities such as tax reliefs, incentives and tailored support
- Enabling government to interact with businesses more efficiently and increasing compliance with their obligations.

Such a service could bring together a wide range of different interactions that businesses have with government, for example paying tax, obtaining licences, complying with regulations, accessing support to run and grow the business and access to government procurement opportunities. It could streamline business interactions with government at different stages in their life cycle, including registration, regular reporting requirements, one-off changes in circumstances such as taking on an employee or changing address, and de-registration where the business ceases to trade.

HMRC commissioned this research to test early reactions to this concept, including the associated issues of data privacy and security, and to understand which aspects of such a service could deliver the greatest benefits for businesses.

The objectives for the research were as follows:

- To understand how businesses interact with Government currently and how they react to the concept of a Single Business Service. What do they see as the benefits and drawbacks of such a service and how do opinions vary by business life stage?
- To understand businesses views on data sharing and data security. How do businesses feel about data sharing now and how would they feel about data being shared across government for the purpose of delivering such a service? What concerns do they have? How does this vary by digital capability?

- To explore views on how such a service could be delivered

2. When the research took place

The fieldwork for this research took place between 5th and 30th September 2016.

3. Who did the work (research agency)

The research was carried out by Jigsaw Research

4. Method, Data and Tools used, Sample

The research was qualitative in nature and consisted of 32 one hour in depth interviews and six focus groups, each lasting 90 minutes.

The 32 depth interviews broke down as follows:

- 12 self-employed (in Self Assessment), 10 micro-businesses (1-9 employees), 10 small businesses (10-19 employees)
- 6 in construction, 6 in wholesale/retail, 6 in transportation and storage, 5 in manufacturing, 5 in accommodation and food services

The 6 focus groups were structured as follows:

- 2 groups with self employed (in Self Assessment), 2 with micro-businesses, 2 with small businesses
- 1 in construction, 1 in wholesale/retail, 1 in transportation and storage, 1 in manufacturing, 1 in arts, entertainment and recreation, 1 in accommodation and food services

Across the sample as a whole, there was:

- A mix of unrepresented (no accountant), partially represented and fully represented businesses.
- Some representation of businesses who already use 3rd party software
- A mix of newly established businesses (under 3 years), recently established (3-10 years) and established (10+ years)

The research was carried out in four locations: London, Glasgow, Bristol and Manchester

5. Summary

A Single Business Service concept has the potential to offer businesses some real benefits in three main areas:

- A single source of reliable guidance on what their obligations as a business are and how they can maximise their potential
- A single channel of communication to and from government
- Having all of their government related business functions in one place

- The potential new service resonated most strongly for those functions and processes currently administered by central government – Corporation Tax, Self Assessment, VAT, PAYE, pensions.
- The majority of services provided by and functions administered by Local Authorities were not felt to be easily transferable to a single digital service across government. They are currently seen as very separate and businesses are comfortable with this. It was harder for them to see any benefits in accessing local services and functions through a centralised service. The main exception was for business rates, where businesses were more positive about the benefits of accessing this via a single service.
- Businesses were largely unconcerned by the data sharing that would be required to deliver a single digital service, on the proviso that more sensitive data was appropriately shared and controlled.
- Service quality was a much bigger concern than data sharing – businesses questioned how queries could be effectively handled and problems solved via SBS than by current methods and channels
- The current preference was for a service to be delivered directly by government, but there was some indication that where businesses are using third party services to run their businesses this preference would change.

6. Main Findings

Current relationships and interactions with Government

Relationships and interactions with different parts of Government are currently quite disparate and transactional.

Most of the small business community's interaction with central government is focused around tax and therefore involves HMRC (for example, Corporation Tax, Self Assessment, VAT, PAYE, and the Construction Industry scheme for those in that industry). There is some interaction with DWP, for example around pensions. Most of these interactions are based on compliance, are functional/transactional, and as a result tend to be impersonal and remote. There is generally a high level of trust in dealing with central government in these areas.

“I have no problem doing as much as I can online when it comes to tax – it works quite well and saves me time. It's easier doing it this way than it used to be in the old days”.
PAYE/SA

Businesses deal frequently with local government and this interaction mixes compliance activity and accessing local services. They may pay business rates, apply for licences (alcohol, private hire etc.), deal with food standards, inspections, building regulations, services (e.g. waste disposal) and parking, amongst other things. These interactions often involve higher levels of face to face and telephone interaction and businesses expressed

lower levels of trust in dealing with local government. The relationships are local and more likely to be personal.

“The thing is that it’s all very local and works in a different way. I know people that work for the council and I can go in there and speak to someone if I need to get something sorted out”. Micro business, Accommodation & Food Services

Businesses also interact with other government bodies, such as the DVLA, Valuation Office Agency (VOA), Chambers of Commerce and previously Business Link. These are often not immediately recognised as coming under the umbrella of ‘Government Services’ (albeit that they are recognised as non-commercial). They are seen as specialist services/centres of expertise.

“I suppose it (DVLA) is government but I don’t really see it as that, it’s more of a separate thing”. Self Employed in SA, Transport

The nature of current interaction and relationships with government bodies has a direct impact on the way businesses react to the concept of a Single Business Service

Overall reactions to Single Business Service concept

Most are comfortable with the idea of transacting with central government via a single digital service. For most it does not feel like a large change from the status quo – they are already transacting online with Government for tax and this covers the majority of their central government interactions already. In addition many are familiar with and using the Government Gateway, so are familiar with the concept of a single access point for several services. They can see immediate advantages in having all their central government needs/services in one place and having one set of log in details. They also quickly recognise that if all of a business’s data is in one place it will be easier for Government to spot and reduce non-compliance. There are no immediate drawbacks in the concept of dealing with central government via a single digital service. For many it feels like a logical next step for Government – it makes obvious sense that services should be integrated.

‘Why wouldn’t they do this? It just seems like an obvious thing they would do’ Micro business, Wholesale & Retail

The prospect of transacting with local government through such a service would be more of a leap and is controversial for some. This is in part because it would be very different to what they do currently and what they are used to. Small businesses currently access different local authority services via different entry points and channels – and many businesses found it hard to see how this could be delivered effectively by a single online service. Some businesses (for example, those whose only transaction with local government is paying business rates or who have to deal with multiple local authorities) could see the benefits of having everything in one place with a single access point and were more positive about the concept. However, most raised concerns about local government services being integrated within a cross-government digital service. Dealing with local government can be problematic, particularly for those accessing local services.

They find they often need to chase, follow up, resolve issues and they do this by telephone or face to face contact and often with named individuals. They therefore see an online, centralised service as being likely to be less effective in delivering what they need. Overall the status quo in this area (businesses dealing directly with local authorities) is preferred over the idea of integration through a single digital service. A typical comment here was:

“At the moment I quite often have problems with local stuff and I need to either ring them up or go down there to sort it out. This could just make things worse”. Micro Business, Accommodation & Food Services

Most found it difficult to see obvious advantages in integrating other government services (DVLA, VOA etc.) into a single service. This is largely because these services are felt to be reasonably specialist and delivering a high level of service currently (as well as not being seen as core elements of ‘Government’ service). Businesses are wary of adding an additional layer between them and the service they need to access.

Key Benefits of a Single Business Service

Overall there were five key benefits to offering a single digital service coming through consistently from the businesses interviewed:

- Good for new businesses or established businesses doing something for the first time

A service could provide guidance on what businesses need to do and the things they need to consider. Many businesses reported that when they first started their company they had very little idea about what they needed to do to get started. They found it hard to access comprehensive and reliable information and often lacked confidence that they were doing things correctly. Many were worried (and continue to worry for a long time after their business was set up) that they are doing things incorrectly. Businesses consistently reported that having comprehensive guidance all in one place would be a real benefit if it could be delivered– in particular a checklist of all the things businesses are required to do to comply with their various obligations. The same thing applies when businesses do something for the first time. For example, taking on an employee, starting to import or export, when Government introduces new rules or obligations (e.g. auto enrolment). Businesses would find it useful to have a central source of guidance.

- **Reduced hassle when business details change.**

Telling a number of different departments and bodies about changes is time consuming and open to error. So the concept of being able to communicate changes once via one digital service was strongly welcomed

- **Easy access to government grants, schemes, funding etc.**

Small businesses currently have low awareness about the availability of grants, schemes and other sources of funding that might be available to them, nor do they know how to find out about these things. If they have some awareness, or have accessed this type of support it tends to be by chance. So they almost universally welcome the idea of being able to access this information more easily via the SBS.

“I never know where to go for this type of thing and I always assume I wouldn’t be eligible, but if there was more information in here about this sort of thing that would be really interesting”. Small Business, Manufacturing

- **Increased transparency.**

Businesses assumed that having all the information about thousands of small businesses in one place would make it easier for the Government to identify businesses that were not complying with their obligations. Most businesses interviewed would welcome this.

- **Increased opportunity for tailored guidance**

Businesses commented that if Government had a more holistic view of a business this would open up the possibility of Government delivering more tailored information and guidance.

Key issues raised about a Single Business Service

There were four main concerns raised by businesses:

- **Sharing sensitive data with Local Authorities**

While most businesses had no problem in principle with basic business information being shared across central and local government bodies, they would not want more sensitive data (such as personal information or financial information about the businesses that central government might hold) being shared with local government or other government bodies. This was because relationships with local authorities tend to be more personal and there were concerns about how local authorities could use such information. It was noted that there would be no reason for such information to be shared for the purposes of the concepts tested.

“I don’t want the people down at the council to know my business. I might know people there and it’s none of their business whether I’m making money or losing money and in some kind of trouble”. Small Business, Accommodation & Food Services

- **Introducing an extra layer between the service user and the service**

Many fear that accessing services through a portal digital service would make it harder to resolve issues and problems that currently arise. They want to go directly to the point of service delivery, if possible using the channels (sometimes telephone and face to face) they are used to and which they believe are the most effective.

- **Replacing specialist services with a single, generalist service**

Many of the services provided by government are specialist (e.g. tax, food standards etc.) and involve either subject matter or local expertise, or both. Businesses were concerned that if these services were replaced with a single, centralised service that expertise will be lost and that the level of service will deteriorate.

- **Is the principle of a single access point going to work both ways?**

Businesses asked whether all communication from Government would come via a single service, or whether the individual parts of government would continue to communicate with them separately and directly.

More detailed reactions to the SBS

Businesses are generally comfortable with the idea of using a single digital service for routine transactions. These include the reporting and payment of the main business taxes as well as administration of the CIS scheme and export/import duties. Those paying business rates were also open to these being paid via the such a service. However, there was less enthusiasm for the idea of applying for and renewing licences through such a service. Some were open to the idea, but others were more resistant – they could not see any obvious rationale for changing the current system of dealing directly with Local Authorities. The same was true in areas which involve visits/inspections by Local Authorities (e.g. food standards and health and safety). Most would prefer the local authority to continue to be the main point of contact for these.

Businesses welcomed the idea of a single source of relevant guidance. At the moment businesses find it hard to find information about how to start a business and what is involved at key moments of change in the business. This is time consuming, stressful and frustrating. They are unsure about which sources to trust, they ‘don’t know what they don’t know’ and so they are never certain that they have all the information that they need. A single source of reliable and comprehensive information would provide peace of mind (that they are know what they need to do from a compliance/good practice perspective) as well as encouraging businesses to take business growth steps (such as taking on new staff) that otherwise they may believe to be more complex and difficult than they really are.

“When I set up my business I really tried to find out how I was supposed to do everything and I found it really hard and really confusing. Ever since then I’ve just kind of hoped for the best that I was doing it right, but I do sometimes worry that I’m not”. Micro business, Wholesale & Retail

A single digital service acting as a central communications hub could also provide real benefits. Businesses were very supportive of the idea that such a service could notify other parts of government about changes to their circumstances. However, in order to have real impact, communication needs to go in the other direction as well. If Government was able to use SBS to push useful and relevant information out to businesses this could help to alter the perceptions of the Government’s role as being predominantly compliance based and move it towards being seen as a supporter/facilitator of business success.

Businesses were concerned about the ability of a single service to handle queries and resolve problems on a centralised basis. Businesses know from experience that successful interaction with some parts of government (especially local government currently) can involve relatively complex and frequent interactions – to ask questions, resolve service delivery issues and so on. They are concerned about how this type of interaction would work under such a service. They doubt that a centralised team of generalists would be able to do as

good a job as localised teams of specialists. Or they assume that queries and problems would still be handled by the local and/or specialised teams (in other words a digital service would refer businesses on to these teams). In which case they questioned whether just introducing an additional layer to the current process would be likely to slow things down and introduce unnecessary complication.

Current Beliefs about Data Sharing

Most businesses have never given serious thought to the subject of data sharing. Data sharing was not raised as an issue spontaneously and the findings here were therefore elicited on a prompted basis.

Most businesses interviewed assume that data is already being shared within and between central government departments. In addition they believe that even if data is not being actively shared already, it is easily accessible within central governments (in other words if one department needs or wants access to data held by another department, it can readily access it). Most are comfortable with this.

*“I’ve honestly never thought about it. I just assumed that they shared information already”
Self Employed in SA, Construction*

Most businesses assume that there is currently no sharing between central and local government and between central government and other government bodies (e.g. DVLA, VOA, HSE), so the idea of data sharing in this context is new. Most have no problem in principle with basic business information (e.g. name and address of business, perhaps the number of employees) being shared with all of these bodies, particularly where there is a clear reason or benefit to doing so. Most businesses expressed that they would be much more resistant to more sensitive data (such as personal information or financial information about the businesses that central government might hold) being shared with local government or other government bodies.

Businesses can see some obvious benefits in data being shared. For example, it could make their lives easier by reducing duplication of effort on their part. If Government know more about their business in a joined up way, then perhaps they could use this information to push out useful information (guidance, advice, information about grants, funding schemes etc.). It may enable Government to spot ways in which they are not complying so that it can prompt them to make corrective actions and in turn give them increased confidence and reassurance that they are doing things correctly.

However, there are also some concerns. Having business data all together in one place would increase the impact of any potential security breach, and gives businesses concerns about data security.

The driving principle emerging from this research is that data sharing should only be on a ‘need to know’ basis. So basic information about the business (e.g. business name, address, contact details and date started trading) is not controversial. Businesses assume this is (or could be) already being shared. They consider it non sensitive and can see a clear benefit in its being shared.

Personal details about themselves and their employees (e.g. personal address and other details, employee start dates, NI numbers, salaries etc.) are more sensitive. Businesses say that these details should only be shared with those that need to know – for example, Companies House may need to know the personal details of Company Directors, HMRC will need to know details of employees).

Financial information (income, profits, payment/bank details, other sources of income etc.) is the most controversial and businesses are strongly resistant to this type of data being shared outside of central government.

Consent for Data Sharing

Businesses have very little understanding of what rules the Government has to abide by when sharing data. It is also not something that they have given any serious thought to. As mentioned before, many assume data sharing is already happening – without their consent (i.e. Government can share data without permission). When asked to consider the issue of consent, many conclude that they don't really expect to give consent for data sharing. A minority are much more concerned about this and would absolutely expect to be asked for consent before data sharing is allowed at any level. But the majority are much more relaxed about this. Most would expect that it would be made clear to them when they sign up/join a digital service what data would be shared and with whom, and so would feel that by signing up they had given consent.

Delivery of a Single Business Service

The majority of businesses questioned expressed a preference for such a service to be delivered directly by government, as this was considered to be the most secure, familiar and appropriate delivery mechanism.

The majority of businesses expressed some concerns about a service being delivered by a third party, including around data security (as they believed their data may be more vulnerable to hacking), whether a third party would deliver a robust and reliable public sector service, and whether third parties might look to exploit their data for profit by trying to sell to them directly or selling on their details.

A minority of the businesses interviewed already use business software such as Sage or Xero for their business. These businesses could see advantages in a service being delivered as an extension to their existing software so that it linked directly with their own systems and data. As more businesses use software to run their businesses there may therefore be a change in attitudes as to how businesses would want to interact with government.

7. Conclusion

In conclusion, businesses are more engaged by the possibility of streamlined guidance and communications than the opportunity to conduct their government related transactions differently. The need is not for access to Government services/functions to be any different or to transact any differently with Government. But rather for an SBS that will support businesses in their engagement with Government through the provision of better, tailored information.