



HM Revenue
& Customs

Research report 562

Small Business Customer Avoidable Contact relating to VAT and Corporation Tax

Understanding reasons why small businesses call
HMRC for VAT and Corporation Tax queries

November 2018

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Published by HM Revenue and Customs, September 2019 www.hmrc.gov.uk

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1. Executive Summary

1.1 Background and Objectives

Kantar Public, an independent social research agency, was commissioned by HM Revenue & Customs (HMRC) to conduct qualitative research to understand why Small Business Customers¹ contact the HMRC helpline in relation to Value Added Tax (VAT) and Corporation Tax (CT), instead of accessing this information via their Business Tax Account (BTA), GOV.UK and business letters.

The overall aim of this research was to identify how HMRC could better serve Small Business Customers by understanding what triggered them to make contact via the helpline and the barriers to self-serving via alternative online channels.

1.2 Approach

This research was structured around two distinct phases:

- **Phase 1 with CT Customers:** included 4 x focus groups and 20 x depth interviews
- **Phase 2 with VAT Customers:** included 3 x focus groups and 20 x depth interviews

All participants were customers who had contacted the HMRC helpline for an 'avoidable' reason. Both phases explored the triggers to contact via the helpline, the barriers to contact via other channels and customers' communications preferences. The insight gathered from each phase was analysed to identify specific barriers and opportunities to optimise the customer experience. These opportunities focus on the relationship between HMRC and Small Business Customers, as well as specific improvements to the HMRC digital platform.

1.3 Main Findings

1.3.1 Triggers to contact

- For both CT and VAT customers there were emotional and practical factors underlying the reasons for contacting HMRC. For many, it was a combination of these factors which resulted in contact via the helpline instead of self-serving via other channels.
- Managing tax was described by some Small Business Customers as relatively complex and requiring a level of expertise which they may not have. This could result

¹ Businesses with fewer than 20 employees and an annual turnover below £10 million, this includes self-employed sole traders

in customers believing they were likely to get the process wrong if they self-served.

- Anxiety about making errors was exacerbated by the perception that HMRC are likely to penalise customers. This was described as originating from past experiences or from HMRC communications which could be interpreted as ‘accusatory.’
- Many customers felt that HMRC did not understand the experiences of Small Business Customers. This heightened the perceived need to explain their situation, and financial difficulties, over the phone to evade suspicion of any deliberate wrong-doing.
- Some customers admitted that their internal record keeping systems were not always organised - resulting in the need to contact HMRC for help. This was exacerbated by sharing responsibility for some liabilities, and not others, with agents.

1.3.2 Reasons for customer contact amongst CT and VAT customers

- There were a range of similar reasons for contact amongst customers. This included progress chasing, deciphering language or terms and checking expenses.
- Within this research, CT customers were less likely to be managing this liability themselves - meaning they were even more likely to struggle if an agent was not present or a specific issue arose.

1.3.3 Barriers to self-serving and opportunities for optimisation

In addition to the individual customer issues, there were several practical barriers to self-serving online. These include:

- Difficulty navigating online content
- Confusion in applying written guidance
- Lack of clarity on status of queries or cases
- Uncertainty about receipt of payment or when a payment is due
- Perception there is no integrated platform for managing tax liabilities
- Unable to find answers to specific or ‘quick’ questions

1.3.4 Opportunities to encourage self-serving

Optimisation areas were identified which highlight opportunities for improvements. These could include:

Optimisation area	Finding
Re-framing relationship between HMRC and Customers	Customers are concerned about not understanding obligations and believe they will be penalised by HMRC if they make errors.

Promoting Current Offers	Customers can find it frustrating managing finances on multiple platforms / software but may be unaware of the existence of the BTA.
Simplify User Experience	Customers can find it challenging navigating online content and are often unaware what is relevant to them / their business
Adapt & Develop Touchpoints	Customers are often communicated to via many different channels which can be hard to monitor and can cause difficulties in managing obligations
Improve System Integration	A minority of customers may contact HMRC for technical issues

2. Background and Methodology

2.1 Background

Kantar Public, an independent social research agency, was commissioned by HMRC to conduct qualitative research to provide HMRC with insight into the reasons why Small Business Customers contact the HMRC helpline in relation to Value Added Tax (VAT) and Corporation Tax (CT), instead of accessing this information via their online Business Tax Account, GOV.UK guidance and business letters.

The HMRC Mass Market Customer Survey² demonstrates online customers are more likely to have a positive experience than those who used telephone only or telephone and online. Yet, despite this, customers are still using multiple channels to contact HMRC. Additionally, previous HMRC research with the Personal Tax Account identified a good appetite for digital services from customers and the view that a digital sphere could make tax affairs simpler and more efficient³. Given this context, this report focuses predominately on why customers are not self-serving online and the issues they are experiencing - all with the view to provide HMRC with evidence on how to tailor products and provide timely and cost-effective information. This aligns with HMRC's strategy to make support as simple and low-cost as possible by designing products, processes and services around customer needs.

2.2 Research Aims

The two overarching aims of this research were to understand:

- What will encourage Small Business Customers to use online services in relation to VAT and Corporation Tax?
- What are the barriers that are preventing Small Business Customers from using relevant online services in relation to VAT and Corporation Tax?

In addition to this overarching objective, more specifically this research aimed to:

- Explore what triggered the customer's contact with HMRC
- Explore the customer's communications preferences

2

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721604/488_HMRC_Individuals__Small_Business_and_Agents_Customer_Survey_2017_Report.pdf

3

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/726978/Personal_Tax_Account_Research.pdf

- Explore the customer's perceptions of using online services including specific feedback on awareness and usage of the Business Tax Account
- Identify any barriers preventing the customer using online services
- Identify what would have prevented the customer from calling HMRC with their query
- To understand the appetite for an automated intelligence service

Further objectives for CT and VAT customers included to:

- Gather feedback on provision of bank details during filing process (CT)
- Explore the reasons for customers requesting a certificate of residency (CT)
- Gather feedback on new UTR-I form (CT)
- Explore the reasons for customers requesting a ledger (VAT)
- To gather feedback on guidance and letters issued by HMRC.

2.3 Methodology

2.3.1 Approach

Both phases of the research began with a series of focus groups with customers. These groups provided an opportunity to gain a high-level understanding of how customers engage with the HMRC helpline and online support; their communications preferences; as well as the commonly shared triggers for contact. Specific HMRC and GOV.UK communications and guidance related to the customer type were also tested with these groups to gain an understanding of what customers find engaging or off-putting, and what would encourage them to self-serve online.

The depth interviews, conducted predominately face-to-face⁴, used a journey mapping approach to explore the specific trigger points and context which led that customer to call HMRC. This included their needs, emotional state and the formal and informal information sources they were drawing on, as well as the relative weight placed on these. The depths also explored more general communications preferences and feedback on the HMRC online offer.

The data gathered from each phase of interviews was analysed in two collaborative analysis sessions to identify specific barriers and opportunities to optimise the customer experience – both for individual CT and VAT customers as well as across the tax liabilities. It is also important to note, that given the size of the sample recruited and qualitative nature of the project, the findings presented here may not be representative of the entire population but do provide in-depth customer insight.

2.3.2 Sample and Recruitment

⁴ CT phase incl. 16 face-to-face interviews and 4 via telephone and VAT phase incl. 12 face-to-face and 8 via telephone

All participants within the research were customers who had contacted the HMRC helpline for an 'avoidable' reason.⁵ To provide an opportunity to cover the range of needs, expectations and experiences of customers depending on contact type, additional quotas were also set to include those who had accessed support online, as well as via *both* the helpline and online. Customers were also screened to capture a range of tax and digital confidence.⁶ These criteria were set to explore how tax and digital familiarity operate to mediate how people access support from HMRC. The sample also included a range of company sizes⁷ and whether they could be considered a growth business or not.⁸

Participants were recruited via three different channels. Customers were recruited using sample sourced from the HMRC helpline, the re-contact sample⁹ from the '*Individuals, Small Businesses and Agents (ISBA)*'¹⁰ Survey as well as via free-find methods. To ensure participants were recruited in line with the timescales, in addition to recruiting from the sample, free-find methods were used for the research.

3. Findings

3.1 Challenges with exploring 'avoidable' contact

Within recruitment and during the research itself, it became evident that the question of 'avoidability' fell more on to a spectrum. As shown below:

- **Avoidable:** Although the information is available via other platforms, customer's contact HMRC helpline due to low awareness of online functions including the Business Tax Account; due to difficulty navigating HMRC's online systems and processes or because of a lack of clarity of HMRC communications.
- **Ambiguously Avoidable:** Contact is made due to customer's lack of confidence or knowledge to perform tasks online or they require additional support to manage

⁵ See appendix for avoidable reasons screened for

⁶ During recruitment for CT there were low incidences of customers self-defining as 'digitally low confidence.' Future screening criteria could therefore benefit from task-based statement question rather than self-defining scales to ensure this information is accurately captured.

⁷ Within the Small Businesses customer group who are businesses with fewer than 20 employees and an annual turnover below £10 million, this includes self-employed sole traders

⁸ See appendix for full sample

⁹ This sample includes 1,769 small business who have agreed to be re-contacted, and among these are 1,111 business subject to VAT and 804 businesses subject to corporation tax

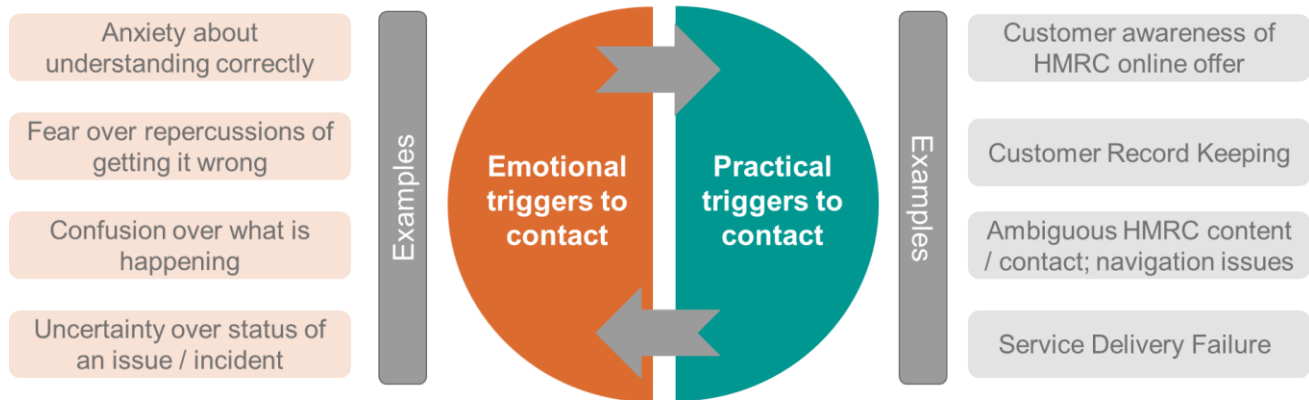
¹⁰

process. Without contact they fear they are likely to make errors.

- **Not Avoidable:** Contact is necessary due to a need to discuss specificities of a case investigation or after experiencing a technical issue which needed rectifying e.g. customers receiving reminders for actions or issues that they had already dealt with.

3.2 Emotional and Practical triggers driving helpline contact

For both CT and VAT customers it was evident that there were several emotional and practical factors underlying the reasons for contacting HMRC - as shown in diagram below. For many, it was a combination of these factors which resulted in a perceived need to contact HMRC via the helpline instead of self-serve via alternative channels.



3.2.1 Emotional Triggers

For some of the customers spoken to as part of this research, managing tax was described as a relatively complex and confusing process. For some, this was driven by the belief, and self-doubt, that taxes are 'too expert' for them to understand and they would be likely to 'get the process wrong.' For these customers, some of whom had limited knowledge of managing finances and were trying to juggle multiple business responsibilities, their interactions with HMRC could reinforce this feeling. For instance, communications were often associated with sector-specific language, complex clauses and in some instances, a tone perceived as threatening or accusatory. This meant that customers believed that HMRC would be more likely to issue penalties for errors, rather than provide them with support or encouragement. In some instances, customers reported that these communications also created a perception that HMRC do not understand the needs or experiences of Small Business Customers – potentially further compounding the need to explain their situation in person to evade suspicion of any deliberate wrong-doing. For these customers, contacting HMRC via the

helpline and speaking to a 'real human'¹¹ was therefore viewed as the most logical way to reassure themselves that their taxes were in order.

'I had a really hard time at the start of the year and we fell behind with everything. I was falling behind on payments and I realised the only way HMRC would believe me and not punish me is if I rang up and explained and asked how I could pay what I owed.'
- Marion, Co-Owner of Food Retailer

3.2.2 Practical Triggers

When emotional triggers interacted with practical issues, customers reported that the likelihood of contact was prone to increase. In the first instance, it was not uncommon for customers to admit that their systems of record keeping or business management were not always well organised. For some, this was exacerbated by sharing responsibilities for finances with agents, while for others this was the result of their own lack of experience in managing business processes. This meant that locating and linking the relevant information needed to complete tax returns, such as from HMRC business letters, could be a struggle - resulting in the need to contact HMRC for guidance. For others, the reason for contact stemmed from a lack of awareness of online channels or due to challenges with digital literacy. In contrast, for a minority, contact was necessary to rectify a specific technical issue.

'I manage VAT without my accountant and even though I know I do it right and save stuff and check stuff, it's just something in my mind telling me I've missed out something. It's in those moments I panic and call HMRC for help.'
- Jenny, Owner of Domestic Services Company

3.3 Barriers to self-serving using online services

3.3.1 Barriers preventing Small Business Customers from using online services

The choice to use the helpline was not necessarily because customers preferred this form of communication. Instead, most recognised that they would prefer to self-serve online. However, customers who had called the helpline for support, did not always feel encouraged by the current digital platform and identified the following barriers preventing them from using the relevant online services:

- Difficulty navigating online content and between sites e.g. BTA account and GOV.UK
- Ineffective search functions providing non-specific or hard to apply content
- High use of text guidance with limited visual or videos to support understanding

¹¹ This was also evident in the 2017 research project '*Qualitative research with small businesses to explore their perceptions of tax admin burden*' Kantar Public conducted on behalf of HMRC and the 2018 '*Building reassurance into HMRC digital channels*' Ipsos MORI conducted on behalf of HMRC

- No triage system to personalise content / liabilities
- Overly technical or sector-specific language
- Lack of confirmation or updates on payments, submission deadlines or investigations
- No integration of content across other business or accountancy software

3.3.2 Awareness and experience of Business Tax Account (BTA)

Within this research, it became evident that several customers were not aware of the BTA. Of those who were accessing it, some didn't refer to it as the BTA or were confused about which Government platforms could be considered part of the 'BTA.' Nevertheless, users recognised the value in this kind of platform, particularly being able to view a simple summary of their VAT. However, there were some practical issues identified, which if addressed, could enable the BTA to better serve customers. These included:

- Difficulty navigating between liabilities in the platform
- Lack of detail or status updates e.g. only status is 'pending'
- No provision of immediate confirmation for when payment had been received
- No provision of chat function for instant support

'I think I've used the BTA but it feels like there are too many ways to access HMRC. It's like they've had three goes at creating a site and left two that don't work properly behind. What I really want is one place to manage all my liabilities and to be sure that it's the only one.'
- Steve, Owner of Bike Repair Shop

4. About CT Customer Contact

4.1 Behaviours around CT

CT customers often reported that they found CT complex and confusing and requiring a greater level of expertise than other forms of tax. Because of this, CT customers reported that they typically employed an agent to help them understand and manage this obligation and processes such as completing the Corporation Tax Return or applying for a Certificate of Residence.

This lack of familiarity with CT, including how to navigate boxes or specific terms within forms, could cause issues for customers. This was especially the case when agents were changed, were unavailable or working relationships broke down, or when a customer was contacted directly by HMRC regarding their return. In these instances, CT customers were often 'in the dark' about what to do, resulting in them contacting the helpline for guidance.

4.2 Reasons for contact

This research identified insights on the reasons why customers contact the helpline, these include:

Reason for contact	Insight
Rectifying missed payment	A small group of customers reported missing a CT payment due to personal circumstances or financial difficulties. In these instances, customers felt it necessary to explain their circumstances to HMRC and were concerned communicating this via letter would take too long and result in penalties.
Checking payment had been received	Customers were often anxious that payments had not been received by HMRC and called the helpline for confirmation. This is perhaps because payments take 48/72 hours to appear on the BTA account and HMRC are unable to provide confirmation before this.
Seeking guidance on submission process	Customers were often anxious about making errors without an agent's support. Because of this, they contacted HMRC for step-by-step guidance on how to decipher terms and guidance within forms.
Clarity on allowable expenses	Some reported contacting the helpline to check what was considered an expense after being unable to find this information via. GOV.UK.
Requesting information about account	Those customers who had not independently managed the CT process or had poor or outdated record-keeping systems were less likely to keep track of credentials and codes. The easiest way to obtain this information was deemed to be via the helpline.

4.2.1 CT case study: Janice

Janice is a Director of a healthcare business. While her accountant was on holiday Janice wanted guidance on how to submit her CT. Unaware she had access to a BTA and unable to find easy to understand guidance on GOV.UK, she decided to call the HMRC helpline. In response to her query she was directed back on to GOV.UK. Unable to find and apply the guidance she decided to give up and wait until her accountant returned from holiday.

'I just couldn't navigate that site. All I wanted to know is how to fill out this form and send it off. I realised there was no point asking HMRC for help, so I waited until my accountant got back and gave him a very stressed call about how I think my CT was going to be late!'

5. About VAT Customer Contact

5.1 Behaviours around VAT

Unlike CT, due to the relative frequency of returns, VAT customers in this research reported that they were more likely to manage their own returns, rather than pay an agent to do this for them. Because of this, these customers recognised that they were also more likely to make errors or submit late returns, and therefore seek HMRC support. This was due to a lack of expert understanding of the tax system, combined with issues related to locating and linking the relevant information needed to complete a return. Some customers also pointed out that without agents providing ‘nudges,’ managing their returns could be deprioritised amongst their other business tasks. This way of working also resulted in lost information or credentials due to customers not always keeping track of what information they should be responsible for. In both these cases, customers felt the easiest way to reconcile these issues was to directly contact the helpline. As they were often close to missing, or had already missed, a deadline by the point of contact, some even rationalised that they should explain their situation to ensure that HMRC did not think they were intentionally making errors.

5.2 Reasons for contact

Several reasons for customers contacting the helpline were identified, these included:

Reason for contact	Insight
Progress chasing	Those customers who were waiting for a rebate or the results of a case investigation often became anxious when they hadn't received an update. Despite being told they would need to wait '28 days' some became concerned there would be additional actions they were unaware of after this point.
Setting up payment plans	For those who had missed a payment, there was a perception that they would need to contact HMRC to explain why. This was even the case amongst those who had access to an online account.
Seeking guidance on submission process	Those who were new to submitting VAT returns or struggled with financial literacy could call HMRC for clarification on calculations, the terms used on the form and how to calculate the figures for each box.
Working out what is VAT tax-deductible	Some reported contacting the helpline to check what was deductible after being unable to find this information via GOV.UK. This included rules around international trade and what constitutes an 'expense.'
Requesting a ledger	Ledger requests were often the result of needing to resolve a specific issue such as an internal record loss or to check figures after being contacted by HMRC regarding underpayment. Further contact was made when customers needed support in deciphering the figures.

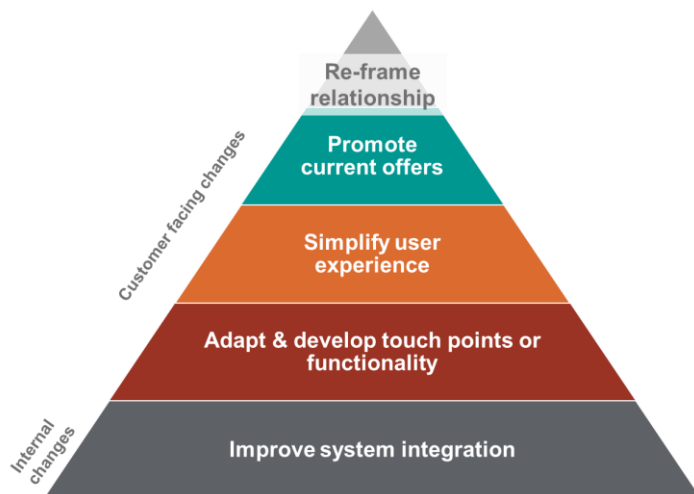
5.2.1 VAT case study: Michael

Michael owns a model design agency. He took the business over in December 2017 and decided to invest £18,000 into new business equipment. In January 2018, he submitted his VAT return and shortly after received a letter from HMRC explaining due to the large sum of money he was claiming to be VAT deductible, this would need to be investigated. After 28 days, he received another letter asking for proof of the source of the money. Anxious about the time this would take and the unexpected delay, he called HMRC for clarification. After sending bank statements as proof he received no contact from HMRC and so called the helpline twice between February and April for an update. On the first of these calls he was told that it would take 28 days to process his statements, and on the second that it would take a further 28 days to issue the rebate. In May 2018, he received a rebate.

'I invested £18,000 worth of equipment in the business, which as you can imagine is a lot. It was all VAT deductible. Anyway, it took four phone calls, two letters and a few emails to get the money back. I kept calling because it's the only way you can get any update on progress. Otherwise it's a blank wall.'

6. Opportunities to encourage self-serving

There are several improvements which could be made to address the emotional and practical barriers underpinning customer contact. Focusing on these wider improvements would both address some of the online barriers identified, as well as increase the perceived ability for customers to self-serve without fear of errors and penalties.



Optimisation area	Finding
Re-framing relationship between HMRC and Customers	Customers are concerned about not understanding obligations and believe they will be penalised by HMRC if they make errors.
Promoting Current Offers	Customers can find it frustrating managing finances on multiple platforms / software but may be unaware of the existence of the BTA.
Simplify User Experience	Customers can find it challenging navigating online content and are often unaware what is relevant to them / their business
Adapt & Develop Touchpoints	Customers are often communicated to via many different channels which can be hard to monitor and can cause difficulties in managing obligations
Improve System Integration	A minority of customers may contact HMRC for technical issues

7. Appendix

7.1.1 Screening criteria for ‘avoidable’

- To query progress with a payment **regarding VAT/CT** (“What’s happening with my repayment?”)
- To query progress with a penalty **regarding VAT/CT** (“What’s happening with my appeal?”)
- To confirm receipt of return **regarding VAT/CT** (“Have you received my return?”)
- To confirm receipt of payment **regarding VAT/CT** (“Have you received my payment?”)
- To confirm UTR **regarding VAT/CT or business taxes** (“What is my UTR?”)
- To confirm payment reference **regarding VAT/CT** (“What is my payment reference?”)
- To enquire how to pay **regarding VAT/CT** (“How can I pay?”)

7.1.2 Final Sample

CT DEPTH SAMPLE = 20 participants		
Summary	Quota	Total
Ability	Digitally Able	
	Less	1 ¹²
	More	19
	Tax Confidence	
	Less	9
	More	11
Support Sourced	Both online and telephone	7
	Telephone Helpline	13
Business size	Micro business	8
	Small business	12
Business Growth	Growth Business	19
	Not Growth Business	1
CT FOCUS GROUP SAMPLE = 22 participants		
Summary	Quota	Total
Ability	Digitally Able	
	Less	2

¹² The original quota was set to 10. However, due to difficulties recruiting to this group, this was not possible.

	More	20
	Tax Confidence	
	Less	13
	More	9
Support Sourced	Online Support	19
	Telephone Helpline	17
Business size	Micro business	14
	Small business	8
Business Growth	Growth Business	16
	Not Growth Business	6
VAT DEPTH SAMPLE = 20 participants		
Summary	Quota	Total
Support sourced	Telephone helpline	13
	Both online & helpline	7
Tax Confidence	More tax confident	11
	Less tax confident	9
Digital Confidence	More digitally able	19
	Less digitally able	1
VAT FOCUS GROUP SAMPLE = 22 participants		
Summary	Quota	Total
Ability	Digitally Able	
	Less	2
	More	20
	Tax Confidence	
	Less	13
	More	9
Support Sourced	Online Support	19
	Telephone Helpline	17
Business size	Micro business	14
	Small business	8
Business Growth	Growth Business	16
	Not Growth Business	6