



HM Revenue
& Customs

Upfront Honesty Declaration

Qualitative research to understand behavioural impact of Upfront Honesty Declaration on VAT submission form.

HMRC report 603

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1. Executive Summary

Background and Context

To support the maximisation of tax revenues due, HMRC is interested in how customers can be supported to make honest and accurate declarations for all tax streams which rely on self-reporting. HMRC piloted a digital compliance intervention in which VAT customers were shown a statement asking them to confirm their honesty before inputting figures for submission (known as an Upfront Honesty Declaration). Ipsos MORI then conducted qualitative research with customers making VAT submissions online to explore how customers behave during the VAT submission process, how the Upfront Honesty Declaration (UHD) affected this, perceptions of the UHD, its impact on their wider experience and how it could be improved.

Twenty in-depth face-to-face interviews were carried out with business customers who complete their VAT submissions online, each lasting approximately 45 minutes. Eye tracking software was used to observe how customers interacted with the UHD and the form.

The VAT Submission Process

During the VAT submission process, customers spent more time preparing their figures than entering them into the form. Calculations and figures tended to be checked at the preparation stage and customers who used accounting software relied on this to produce accurate figures. Accuracy was seen as a key priority during the VAT submission process, however timeliness was also key. This presented a potential conflict whereby a desire to submit quickly could risk the overall accuracy of the figures.

The VAT form was seen as being simple and customers quickly felt familiar with it. This led to low engagement whilst inputting figures, possibly increasing the risk of an inaccurate submission. When participants skim read the instruction text, they were likely to miss the UHD, until they realised it needed to be ticked to proceed. This disruption encouraged them to actively engage with the rest of the form.

Interaction with the UHD

The change to the form created by the introduction of the UHD seemed to affect behaviour change by disrupting completion of the VAT submission, encouraging customers to actively engage with it. The wording of the UHD seemed less influential than its ability to disrupt the submission process. The influence the UHD seemed to have depended on the type of business customer, with behaviour differing between nano and micro, small and mid-sized and larger businesses.

Finance professionals in larger businesses felt least influenced. Their personality, professional reputation and working environment meant behaviours encouraged by the UHD were already present.

Nano and micro business owners with heavy involvement in their own tax affairs were more influenced by the UHD. The disruption to their VAT submission encouraged them to take more care when inputting figures and do a further sense check. Owners of small and mid-sized businesses felt most strongly influenced by the UHD. They felt less familiar with the figures being entered and so the disruption to their usual process led them to check their figures and calculations thoroughly.

Customers agreed with the principle of the UHD and found it straightforward and easy to understand. Those more accustomed to making submissions who felt confident took the disruption in their stride. Those who were less confident felt it implied guilt or suggested that they had done something wrong.

Developing the UHD

Areas for development to make the UHD more effective were suggested. Making the box stand out more clearly from the rest of the form, and making it clear it did not relate to the instruction text above would increase engagement. In addition, explaining that the box needed to be ticked would make the process clearer and reduce confusion.

2. Introduction

2.1 Background & Context

To support the maximisation of tax revenues due, HMRC is interested in how customers can be supported to make honest and accurate declarations throughout the filing process for all tax streams which rely on self-reporting. Current common practice on self-reporting forms requires filers to make an honesty declaration at the end, after completing all of the information. Behavioural theory suggests that asking customers to state they will submit honestly before inputting the required information could be more likely to encourage honesty as people are motivated to keep a commitment they have made.

The UHD was placed above the boxes into which customers input their figures to make the submission. Customers were required to agree to the following statement before being able to proceed:

"I can confirm that I have checked that the calculation used to produce these figures are honest and accurate."

Qualitative research was commissioned to help understand the observed behavioural impact.

2.2 Research Objectives

Research was needed to understand customer perceptions of the Upfront Honesty Declaration; the impact it has on the customer experience of completing their VAT filing and how they completed their VAT filing:

- Customer perceptions of the Upfront Honesty Declaration.
- Whether, how and why the Upfront Honesty Declaration did or did not affect how customers completed their VAT filing.
- Whether, how and why the Upfront Honesty Declaration did or did not affect the customer experience of completing their VAT filing.
- How the Upfront Honesty Declaration could be made more effective.

2.3 Methodology

Twenty in-depth ethnographic face-to-face interviews were carried out with customers who complete their VAT submissions online by members of the Ipsos MORI research team between 18th March and 25th April 2019. The interviews lasted approximately 45 minutes.

The research employed a qualitative approach which emphasises exploring underlying views and themes rather than numerical outcomes. This approach relies on detailed discussion with relatively small sample sizes and as such it is not statistically representative.

Eye tracking software was used to observe how customers interacted with the UHD and the form. This is a standard research approach for digital interventions in order to assess subconscious outcomes beyond which the participant might be able to express in an interview. The eye tracker used a near infrared sensor to capture high-frame-rate images of the participant's eyes. Image processing algorithms then calculated the participant's eyes and gaze point which allowed researchers to monitor how they visually engaged with the form.

Participants were recruited from two sources. Nine participants were recruited from a sample of UHD pilot customers provided by HMRC and eleven through free-find recruitment. Participants were recruited via a purposive sampling method, whereby key criteria were set and participants were recruited according to these using a screener, with all participants being recruited by specialist recruiters.

The quotas achieved were as follows:

Quota	Group	Depth interviews
Business size	Small	14
	Mid-sized/Large	6
Region	London/South East	10
	Midlands	5
	North	5
Type	Pilot	9
	Non-pilot	11

Secondary quotas were also set on: number of years trading and sector.

3. Findings

This report presents qualitative findings of VAT customer views of the Upfront Honesty Declaration (UHD) on the VAT submission form and their behaviour in response to it. It firstly explores their attitudes towards and behaviour during the VAT submission process, how the form influences this and their interaction with the form. The UHD is then looked at more closely, with analysis on how it impacts on the wider process, how it is perceived and how it impacts on customer experience. Finally, areas for development which could improve the UHD are considered.

3.1 The VAT submission process

This section explores how customers prepare information for their submission, the role the form plays in this, views on the form and how this affected attitudes towards the UHD.

3.1.1 Preparation for submission

The first step of the submission process was to prepare the figures. Customers felt doing this thoroughly was key, because of their desire to submit the form accurately. Most of the time customers spent on their VAT submission was in preparing and collecting the figures. The form itself was seen as a transaction at the end and took much less time to fill in.

Preparation methods

Experienced customers had well established processes to help them manage their VAT. Their familiarity with the form meant they knew in advance which figures were required and how they should be calculated. Those less familiar and experienced did not have the same level of established processes, but found gathering the required data straightforward. Customers took the figures from software, spreadsheets, and/or pen and paper calculations, and would use them to complete the form.

“The preparation piece comes in four stages. One is general housekeeping and book-keeping, so we know that the account balance and figures are correct. Step two is collecting information from the freight forwarders. Step three is preparing the spreadsheet and step four is inputting the final figures.”

Mid-sized business, North

Customers using pen and paper to calculate the figures for their VAT submission were likely to do a thorough set of checks. Because they were manually calculating their figures they wanted to check they were accurate. Once they were satisfied that their figures were correct they would fill in the form.

Those using accounting software were less likely to thoroughly check their figures. The figures were pre-calculated by the software and customers would copy and paste them into the form.

Their confidence in the software lowered their likelihood to check the figures again. Those using a spreadsheet would check the information had been calculated and pulled through correctly.

The time that went in to preparation meant that encouraging customers to be honest and accurate on the form was seen as being too late in the process, as decisions about which figures to enter had already been taken. Customers felt that a prompt during the preparation stage would be more likely to encourage honesty. For those using accounting software, this would be an appropriate channel to reach them during the submission preparation.

Important factors when making the submission

Accuracy was seen as the most important aspect of the return. Customers cited business ethics, fear of the consequences of a mistake, and wanting to pay or reclaim the right amount of VAT as reasons for this.

"To make sure I get all the figures right on the computer, that's my priority just to make sure I'm giving them the correct figures."

Small business, South East

Timeliness was also seen as important, particularly when completing the VAT submission, which was the final step in a wider process. Customers saw this as an administrative task which had to be completed for their business to run, in amongst other priorities.

The desire for accuracy and speed presented customers with a potential conflict, with the prioritisation of a timely return potentially risking the overall accuracy of figures. This meant there was a risk of a hasty submission, particularly for small business owners who were particularly time poor.

"There's no point in taking time off, as it's such a short task anyway. It's such an easy task."

Mid-sized business, North

Though honesty was not explicitly referred to, the wider attitudes and behaviours when completing the submission implied honesty strongly influenced how customers interacted with the submission form. This was evidenced by a strong desire to have every detail relating to the submission accounted for, and an awareness of the importance of making honest and accurate submissions to HMRC.

3.1.2 Views on the form

The form was seen as simple and straightforward. This led to customers quickly becoming familiar with it. Even those who had only completed two or three submissions already knew the information which needed to be inputted into each box.

Though customers were keen to submit their form accurately, this familiarity with the form, perceived ease of completion and desire to complete the task quickly meant there was low engagement. This led to customers being on autopilot when completing the VAT submission.

"For me to fill in the actual VAT return it takes three minutes. Go to GOV.UK, type in submit VAT return put in IDs, fill in the boxes which are already printed out on my piece of paper. Job done. It's a two-minute job, I don't worry about it."

Small business, Midlands

The eye tracking clearly demonstrated how customers engaged with the form: they skipped over any instruction text and only thoroughly engaged with the boxes where they had to enter the figures. This meant the UHD itself tended to be skimmed over along with the instruction text until participants realised it needed to be ticked to proceed. Despite this low level of engagement, there was evidence that this mild disruption did impact on the submission process.

3.2 Interaction with the UHD

This section explores the impact the UHD had on how customers approached their VAT submission, perceptions customers had of the UHD and the impact it had on customer experience.

3.2.1 Impact on submission

The impact the UHD had on the submission was influenced by customer characteristics, which can be broadly placed into three groups:

- **Finance professionals:** directors or accountants within mid-sized and large businesses. They were likely to manage a team, who helped collate the data for the VAT submission. These individuals were naturally thorough and diligent, had high attention to detail and tended to stick to the rules. Their job role revolved around accounting and taxation, and their career and reputation are important to them.
- **Nano and micro business owners:** these customers were hands on and had oversight of all aspects of their business, knew the sales figures and had detailed knowledge of their financials. They were responsible for all work relating to taxes and had little outside help from other employees or external accountants.
- **Managing directors or owners of small and mid-sized businesses** who were more hands-off were more removed from detailed sales figures and more likely to delegate some tasks relating to tax. They had oversight of issues related to accounting and taxes, but relied on external accountants for the finer details.

Finance professionals were least likely to feel they were affected by the UHD. Their personality type, professional reputation and working environment meant the behaviours

encouraged by the UHD occurred naturally to them. Several rounds of thorough checking had been done before filling in the form and they also checked the data as it was being inputted into the VAT form. This group felt there was a high risk of career and reputational damage if they submitted a dishonest filing, with nothing for them to gain personally. They felt that making a dishonest or inaccurate submission would result in them losing their job or status within their industry.

“Not only would you be in trouble with HMRC on a personal level, but also with your professional body, so I don’t think any sensible accountant would be dishonest.”

Large business, South East

The working environment also affected accuracy and this group had extensive resources at their disposal. When the figures were drawn from different departments different people would collate and enter the figures. This meant several employees checked the figures at different stages of the process. Therefore, the prompt from the UHD came too late in the process to encourage meaningful or in-depth checking, as these processes had already been completed.

The eye-tracking did show a minor disruption to the process, potentially taking the participant off autopilot. This group tended to quickly realise the need to tick the box, and read the statement before proceeding to fill in the boxes. There was little evidence to suggest any influence on behaviour, with this group being confident in their data and likely to double check the figures have been inputted into the correct box irrespective of the presence of the UHD.

Nano and micro business owners were influenced by the UHD, with the eye tracking showing the disruption abruptly ended their autopilot approach. This may have encouraged more care in their submission and a final sense check, potentially increasing accuracy.

This more careful approach was demonstrated by them taking more time to read the information and inputting figures once they had ticked the UHD box. They were also more likely to take time to check the data they had entered.

“My thought was that I’ve filled in a hundred of these forms, but I suppose I read the statements before each of the boxes a bit more thoroughly [when the UHD was in place].”

Small business, South East

The UHD was unlikely to encourage this group to do a thorough check of their VAT data due to the knowledge of and confidence they had in their figures. The method of calculation also had an effect. Those using accounting software had total confidence in the figures taken from it, which discouraged checking. Those using pen and paper or a spreadsheet had checked

the figures during preparations made before filling in the form. However, they felt the UHD may play a role in encouraging them to undertake a final sense check of the figures.

“The VAT returns are prepared using software, and I’ve already checked them before I’ve transferred them over.”

Small business, South East

“There needs to be a box like that to make you think ‘have I done that right?’, it’s almost like a double check.”

Small business, South East

Small and mid-sized business owners were heavily influenced by the UHD and the disruption would lead them to pause the process, seek clarification and undertake a thorough figure check, possibly encouraging a more accurate submission.

Like other groups, this group approached the VAT submission on autopilot. They were disrupted when the inclusion of the UHD meant the form was different to how they remembered it. This confused them, and their lack of confidence made them believe they made a mistake. This led them to do a final thorough check of their figures, or possibly call their accountant, which would possibly increase the accuracy of their submission.

“I wasn’t sure [the UHD] was there before... I would not have ticked the box until I started to put the numbers in. I would have gone back and thought why isn’t this working? I guess I’d have realised I would have needed to tick the box, but it would have been a trial and error thing. It would lower my chances of completing the form in one go. I’d park it, go back at the end of the day, or when my accountant is in with us. I wouldn’t check in between, but I would make sure somebody else did.”

Small business, North

The UHD also presented customers with a usability issue, with some customers failing to understand that they needed to tick the UHD acceptance box to move forward. The desire to get things done coupled with the disruption to their flow meant they lacked the patience to work this out. This confusion led them to pause and they would complete the process later. During the intervening period they may ask a colleague or accountant to check the figures. This final check would resolve any errors, which could lead to a more accurate submission.

“They keep changing the way it works and it actually confuses you. If it’s correct and people understand it, there’s nothing more frustrating than when they keep changing it... It’s making me double, quadruple check even more, maybe even give my accountant a call if there’s something I’m unsure about.”

Mid-sized business, North

3.2.2 Perceptions and impact on customer experience

Customers agreed with the principle of the UHD and the importance of honesty and accuracy. However, there was a mixed response to how the disruption impacted on their overall experience.

There was positivity towards the message delivered in the UHD, with customers believing it to be appropriate. It was regarded as simple and straightforward, easily understood and customers felt that the level of detail was correct. It also conveyed the importance of the submission by clearly demonstrating that negligence, as well as dishonesty, were unacceptable when filing a VAT return.

“It’s completely appropriate. People can’t do this stuff blindly, they have to take it seriously. And it’s straightforward.”

Mid-sized business, North

However, customers tended to feel uncomfortable at having to make an agreement before typing in the figures. This felt counterintuitive and was not what they were used to when completing other forms, online or offline.

The impact the disruption had on the customer experience depended on the individual’s confidence and experience with VAT submissions and dealing with HMRC. Those more confident and experienced did not feel the UHD negatively impacted their experience. They were able to take the disruption in their stride, swiftly moving on with the rest of their submission.

Those less confident in the process had a stronger reaction and felt the disruption negatively impacted their experience. They were unhappy with the phrasing, believing it implied guilt, and making them feel negatively towards HMRC.

“It’s like going to the witness box and swearing you’re going to tell the truth. I would never dream of entering false information in there, so you’ve just made my life more difficult. It feels wrong.”

Small business, South East

3.2.3 Wider impact of the UHD

The UHD disrupted customers, encouraging them to pay greater attention to the form and to inputting the required figures.

Customers had a low tolerance for disruption to their experience and felt that overcomplicating the process may lead them to prioritise submitting in a timely manner, decreasing the chance of additional figure checking and discouraging them from taking a careful approach. It may also lead to confusion and fatigue detracting from their overall experience and causing frustration with HMRC.

“It goes from being a helpful prompt to something that creates an added layer of tension.”

Small business, North

The UHD currently seems to strike the right level of disruption, disrupting the process to encourage greater attention and therefore accuracy but not detracting from the overall customer experience, particularly among nano and micro business customers.

“As it's something I've done so many times and I thought I was familiar with it I suppose I thought well there's no need to do that.”

Small business, South East

3.3 Developing the UHD

This section explores how minor improvements can help make the UHD more effective in the future.

3.3.1 Design of the UHD

The UHD worked well to disrupt customers during the submission process and the message was well received. However, some minor changes could help make it more effective.

The eye tracking showed that there was low initial engagement with the UHD and customers were likely to skip over it. When asked, they stated that this was because they felt the design did not stand out, meaning it was not clear it was a standalone piece of information. They thought it was related to the instruction text above which they did not feel they needed to read as they were familiar with the process.

Therefore, a visual signifier that the UHD is separate may help it stand out and encourage customers to notice it:

- Changing the colour of the box could help it stand out, and capture customers' attention.
- The text, or some of the text, within the statement could be boldened, particularly the words “honest and accurate”.

A visual signifier may also help address the concerns customers had of having to agree to the UHD before inputting the figures, as customers who didn't read it in detail were less likely to understand why it was placed above the boxes for data entry.

"I'd probably highlight it if I'm honest. Looking at the little box you'd tick, it doesn't stand out enough. The box above it is more prominent. Even if they put it in red. Even if they kept the text as it is."

Small business, Midlands

To improve the experience, explicitly stating that the UHD had to be ticked before moving on would make the process smoother. Without this there was the risk of customers not realising this, leading to frustration or the belief that the site was down. Instructions to tick the box before moving on would make it clear this was not the case.

Customers less affected by the disruption and further from the collation process felt adding a further layer of accountability would help improve the experience. They felt asking a senior member of the organisation to upload a digital signature would add a personal element to the submission. This would encourage an additional round of checking and discourage dishonesty with personal, as well as organisational, reputation accounted for.

3.3.2 Wording of the UHD

Customers were asked their thoughts on the wording of the UHD.

More confident customers would prefer the wording to be stronger. They felt that highlighting the consequences of incorrect submissions, such as penalties, or the possibility of audits or spot checks would encourage customers to be more diligent with their checking and discourage any temptation to submit dishonestly.

"If they're trying to get people who are weighing up the idea of fraud, they need to say something that says there are consequences of defrauding HMRC."

Small business, Midlands

Less confident or experienced customers would prefer softer wording. They felt that the current wording made them feel anxious and therefore more likely to make a mistake. A message focusing on co-operation and helpfulness may mitigate this. There was a risk that stronger wording could have a negative impact on perceptions of HMRC amongst these customers, as this group felt the current wording exemplified the negative aspects of HMRC.

"It's almost like they're prodding you with a stick. Lining up that everyone isn't honest and accurate."

Small business, North

The difference between groups suggests that the current wording may strike the right balance between encouraging more nervous customers and challenging more confident ones. It may also suggest that the wording of the UHD is not as important in encouraging honest and accurate submissions as its presence disrupting the autopilot approach to the form.

4. Conclusions

The VAT submission process

- Customers felt that thorough preparation ahead of the VAT submission was key. This part of the process took the most time and was when most detailed checking occurred.
- Accuracy was seen as critical when making the submission, with timeliness also being important. This presented a potential conflict, when the desire to submit quickly could risk the overall accuracy of the figures.
- The VAT form was simple and customers felt familiar with it. This led them to have low engagement with it and be on autopilot whilst inputting their figures.

Interaction with the UHD

- The UHD seemed to affect behaviour change by disrupting the automatic process of completing the VAT submission and abruptly ended the customer's autopilot approach.
- This encouraged nano and micro business owners to take more care when inputting figures and do a final sense check of figures.
- Small and mid-sized business owners were most influenced by the UHD. They were distant from the detail of the figures needed so lacked confidence. The disruption confused them and they feared a mistake, so sought clarification from an external accountant or a colleague and thoroughly checked the figures.
- Finance professionals in mid-sized and large businesses were least influenced, as they were already enacting behaviours encouraged by the UHD. They were naturally attentive and diligent people, cared about their professional reputation and had levels of internal checks in place with their organisation.
- Customers agreed with the principle of the UHD. The language was straightforward, easy to understand and had the right level of detail. However, there was confusion about why it was placed before they had inputted the figures.
- The disruption impacted the customer experience to differing extents. Those with more confidence and experience took it in their stride and proceeded to fill in the form. Those who were less confident felt it implied guilt and detracted from their experience.
- The UHD struck the right balance in terms of disruption, but overcomplicating it risked customers prioritising a timely submission over accuracy as well as potentially detracting from the overall experience.
- Customer experiences during the research suggest that the presence of the UHD disrupts the experience of completing the VAT submission automatically, leading customers to check their actions, rather than the specific wording used having a particular effect.

Developing the UHD

- Overall the UHD successfully struck the right balance in terms of level of disruption and the language used, but could be developed to make it more effective.
- Making the box stand out more from the rest of the form could help increase engagement with the UHD. This could be achieved by changing the colour of the box, or putting some of the text in bold.
- Explaining the box needs to be ticked could ensure the experience of less confident customers is unaffected whilst still maintaining the disruption. For larger organisations, an option to digitally sign the VAT submission could help increase the sense of personal ownership.
- The differences in customer opinion suggests that the current wording may strike the right balance between encouraging less confident customers and challenging more confident ones.