HM Revenue & Customs

Research Report Number 621

Qualitative research with small businesses to explore their perceptions of tax administration burden

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Contents

Executive Summary

This research sought to understand small business perceptions of tax administration burden, identifying opportunity areas for HMRC to reduce burden and improve the customer experience.

This research took an iterative two-stage approach and was conducted between August and September 2017. The main stage of the research involved 47 qualitative telephone depth interviews with small business owners (with fewer than 20 employees and an annual turnover below £10 million), ranging from sole traders with small budgets to multiple employee, multi-million pound businesses trading internationally.

Key findings

Participants did not have a prominent cohesive identity. However, they did view themselves as distinct from 'big businesses' who were considered to have the in-house expertise and specialism to be tax-efficient, while participants felt they had to do the best they could with minimal training or expertise.

Businesses generally reported an ambivalent relationship with tax administration, seeing it as 'just something you have to do' to run a successful business.

Habit acted as a 'protective factor' against perceptions of burden, with cyclical behaviour resulting in participants viewing their tax administration as fairly straightforward and everyday.

The extent to which participants experienced burden was also influenced by four underlying contextual factors which impacted upon their relationship to tax administration and helped to protect them from feeling burdened by it:

1. confidence in using digital platforms

2. knowledge of the tax system and HMRC processes

3. confidence in handling general business finances

4. complexity of the business's tax requirements

Different tax obligations were associated with different levels of administrative burden. VAT, PAYE and Self Assessment were generally considered straightforward, although the latter was often outsourced to an agent. Corporation Tax was most frequently outsourced, being considered too expert and time consuming to handle in-house.

Few respondents questioned their use of agents or considered it an unwelcome burden. Instead, businesses generally viewed agents as a cost-effective way to ensure maximum tax-efficiencies, handle complex tasks, ensure peace of mind, and free up time for revenue-producing activities.

Participants did report some frustrations with their tax administration, including difficulty navigating HMRC's digital guidance and accessing relevant information. Issue resolution was also a source of frustration due to lack of clarity over the process and lengthy waiting times for issues to be rectified.

Perceptions of what constitutes burden appeared to be driven primarily by emotional rather than practical considerations, with tasks that caused emotional distress considered more burdensome than habitual tasks that took time or money to complete. Susceptibility to emotional distress was closely linked to the protective

factors outlined above; for example, whether the task was familiar, or whether businesses felt confident about their finance and IT skills. Three key emotional factors were identified which made businesses vulnerable to perceiving tax administration tasks as burdensome:

1. Fear of change: Participants were hostile to change, even when changes were introduced to improve efficiency. Many felt they were constantly 'pushed out of their comfort zone', having to adapt to and navigate frequently changing obligations. This caused anxiety and reduced confidence, particularly when the need arose to engage with tasks early in the tax administration process, such as understanding new requirements. However, participants did seem to adapt to changes over time and were able to reflect more positively on recent changes made by HMRC.

2. Fear of getting things wrong: Participants generally viewed HMRC as a punitive organisation more likely to issue penalties than provide support, with correspondence often felt to adopt a threatening tone. This perception has a considerable impact on the emotional burden felt by law-abiding businesses, causing high levels of anxiety.

3. Fear of complexity: This was driven by the belief (and self-doubt) that taxes are 'too expert' to understand. Tax was often associated with legal jargon and complex clauses, with some participants finding it difficult to access appropriate information and translate it into a practical context, and to have to use and adapt to specific software. Perceptions of complexity varied considerably in relation to individual needs and skill levels.

These fears impaired businesses' abilities to correctly meet their tax obligations, by pushing people into 'cognitive overload' and reducing their capacity to feel able to resolve an issue or complete a task. This was particularly the case at times when they felt scrutinised, around submission dates, or on receiving 'threatening' communications from HMRC.

At times fear caused participants to develop highly inefficient processes which took up unnecessary amounts of time but offered them reassurance against mistakes and the likelihood of being penalised.

Considerations for HMRC

Three main opportunity areas for HMRC to build on were identified, each addressing the underlying emotional concerns driving perceptions of burden:

1. Act more supportively: Design systems which actively support businesses to meet their tax obligations, help them to feel that HMRC is on their side and want to help them get things right, and upskill businesses so that increased competence in tax, technology or finances can act as protective factors against emotional burden.

2. Hand hold through changes: Recognise that adapting to new systems can be stressful for small businesses and provide more guidance and support through the adaptation phase to help the adjustment period feel less uncertain and frightening.

3. Speak the customer's language: Ensure that information is easy to access, user-friendly and tailored to different levels of competency and needs, encouraging customers to feel more confident in their abilities to get things right.

By focussing on changing the underlying perception of HMRC from punitive to supportive, this could help HMRC to improve the experience of their customers. Designing and implementing a system which actively supports businesses would reduce perception of burden and help businesses feel as though they are being supported to complete their tax administration correctly, while also reducing anxiety, therefore improving cognitive function and the capability to get things right.

1. Research background and context at time of research being delivered

1.1 Research context

Small businesses (defined as those employing fewer than 20 employees and with turnover below £10million[1]) represent 98% of all UK businesses and employ 10 million people. They are recognised by the UK government as playing a crucial role in the UK economy and are a key customer group for HMRC. [2]

One of HMRC's key strategic objectives is to transform tax and payments for their customers, making it easier for their customers to pay the correct tax and to reduce error. As part of this objective, HMRC intend to reduce the cost of tax administration to businesses by £400million. HMRC also have a Customer Charter[3] which explains what their customers can expect from them and includes a commitment to providing a helpful, efficient and effective service to all customers and removing grit and error from the system.

In order to uphold their Charter obligations and work towards the cost reduction target, HMRC have an ongoing priority to generate new ideas and innovations to improve the experience for their business customers, while at the same time looking to keep their tax administration costs to a minimum.

HMRC want to build a better understanding of small businesses' perceptions of the burden of tax administration. Specifically, they want to explore which aspects of tax administration are considered burdensome; whether this matches HMRC's expectations; which aspects have the biggest impact on customer experience; and what more could be done to reduce burden, reduce costs to the customer, and improve overall experience.

1.2 Aims and objectives

The aim of this research was to develop a better understanding of which elements of tax administration are perceived to be the most burdensome for small businesses, in order to generate insight and ideas to help HMRC develop innovative strategies to improve small businesses' experiences of meeting their tax obligations.

Specifically, this research aimed to:

- understand small businesses' perceptions of what constitutes burden in relation to tax administration, considering emotional as well as practical concerns

- explore the impact of perceived burden on the customer experience and what aspects of tax administration are the strongest drivers of this

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[1] The sample excluded businesses with a turnover below £8000 to ensure that the sample was not overly dominated by micro-businesses

[2] Transforming the experience for small business, HMRC, 2017

[3] HMRC's Your Charter, 2013

- identify strategies for reducing perceptions of burden associated with tax administration, reduce costs to the customer of meeting their tax administration obligations, and improve the overall customer experience

1.3 Methodology

Overview

This research took an iterative two-stage approach and was conducted between August and September 2017. The first stage involved a small quantitative exercise amongst small businesses drawn from HMRC's 2016 Individuals, Small Business and Agents Customer Survey who had agreed to re-contact.[4] Findings from this stage were used to develop a top-level understanding of the key factors driving perceptions of burden and help develop the qualitative topic guide and contextualise the later qualitative findings. As the quantitative ranking survey was designed to enhance the topic guide development rather than produce standalone outputs, findings from this phase are included in Appendix 2 rather than in the main body of the report. The second stage formed the core of this research and involved 47 qualitative telephone depth interviews with small business owners, with a focus on drawing out the emotional and practical factors driving perceptions of burden.

Stage 1: Quantitative ranking survey

A short online survey was undertaken with small business respondents to the 2016 Individuals, Small Business and Agents Customer Survey who had agreed to be re-contacted. In total, 1,817 respondents had agreed to be re-contacted by Kantar Public and 421 respondents took part in the online survey, giving a response rate of 23%.

Respondents were asked whether they felt that dealing with tax-related administration tasks on behalf of their business was generally easy or difficult, then asked to select which administrative processes they considered to be the most and least demanding and why. The summary of results can be found in Appendix 2 but should be treated with caution. The quantitative survey was designed to inform the development of the qualitative research and help contextualise the qualitative findings, not as a representative, standalone piece of research.

Stage 2: Qualitative depth interviews with small businesses

A series of 47 one-hour telephone depth interviews were carried out with small business owners between August and September 2017. In order to develop the topic guide for the interviews, HMRC and Kantar Public participated in an exercise using Kantar Public's Behavioural Model to identify conscious and unconscious factors which might influence perceptions of burden.

All participants were drawn from the same sample of 1,817 businesses contacted for Stage 1, with purposive sampling used to ensure a spread of different business types in relation to a range of factors (e.g. number of employees, the use of tax agents, business age, number and type of tax obligations, and business sector). We made the decision to oversample larger businesses in order to ensure a good spread of different tax obligations. See Appendix 1 for full details of intended and achieved quota.

Prior to the fieldwork, all respondents were asked to complete a short pre-task activity where they responded to a number of short questions regarding a recent tax administration activity. The purpose of this was to get participants to reflect in real-time (over the course of four weeks) on the range of tax administration activities

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[4] HMRC Report 457: 'Individuals, Small Business and Agents Customer Survey' 2016

they perform, and to prompt them to start thinking about issues that may not naturally occur to them, thus enabling us to access more considered responses during interviews.

2. The audience: who we spoke to and contextual factors determining their relationship to tax administration

Key Findings

The extent to which participants experienced burden when conducting their tax administration was influenced by four underlying contextual factors: the degree to which the person handling tax administration was tech savvy, tax savvy, their level of financial competency and the complexity of their tax requirements. HMRC should consider these factors when engaging small businesses and looking for opportunities to reduce burden: grouping small businesses into a single category may not address the distinct characteristics, needs and skill levels of each business.

2.1 Contextual observations on the audience

Participants generally considered tax administration an integral part of maintaining a properly functioning business. It was often undifferentiated from other financial duties and integrated into daily working practices. Participants felt it important to be organised in the upkeep of financial records, and valuable to their business, and had often developed diligent, habitual processes to manage these responsibilities effectively. The habitual nature of their tax administration tasks potentially acted as a protective factor against the association with 'burden' – cyclical patterns of behaviour ensured they felt comfortable that their business affairs were 'in good order' (i.e. operating below conscious consideration). This was particularly prominent in the case of well-established businesses, who over many years appeared to have developed internal processes with which they felt 'comfortable'. Very few participants associated tax administration with 'burden', instead seeing it as a necessary and everyday part of their role.

As the research was qualitative and the sample was to some degree self-selecting, results should be taken as indicative rather than representative of the small business population. It is possible for example that businesses with a more disorganised approach, who may therefore see tax administration as more burdensome, may be less likely to participate in research, but it is difficult to say this with any certainty. In addition, much of the sample was comprised of well-established businesses, and findings suggest they may generally have a lesser sense of burden than start-ups. The few respondents we spoke to who were relatively 'new' to tax administration, tended to display more discomfort with their own tax administration processes. That said, the research captured a diverse mix of business types and organisational structures, encountering a range of different approaches and attitudes towards tax administration.

2.2 Small business relationships with tax administration

The small business category incorporates businesses ranging from single owners, operating on small budgets, to multiple employee, multi-million pound global businesses. While participants did, to some extent, categorise themselves as a distinct group, in opposition to 'big businesses', this distinction was most
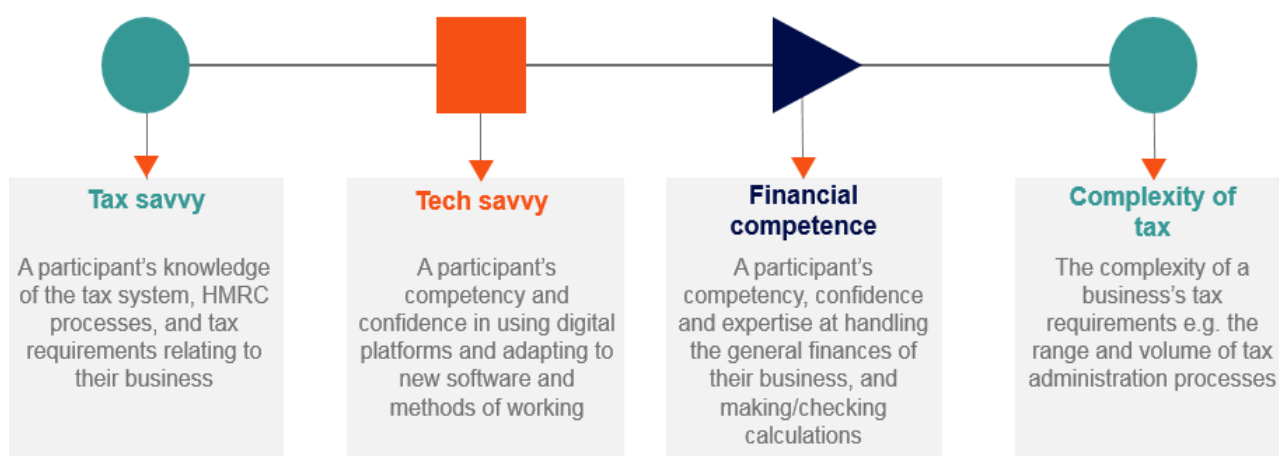
prominent in terms of the tax capacity of their businesses. 'Big businesses' were seen to have the in-house expertise and specialism to be tax-efficient, while participants felt that they largely needed to navigate the tax system as best as they could with minimal training or expertise. Overall, participants did not have a cohesive identity as a group of small businesses, but instead represented a diverse range of business types and needs.

Consequently, the level of tax expertise within each company that participated varied greatly. Some businesses were large enough to have their own in-house accountants who felt equipped to efficiently and competently manage tax administration. Other, smaller businesses reported having low degrees of skill or experience in handling financial and tax affairs.

Businesses' relationships to, and perceptions of, tax administration were shaped by four underlying practical factors: the degree to which the person handling tax administration was competent with technology, tax and finance more generally, and the complexity of their tax requirements. The first three of these factors relate to a business's understanding of and confidence in areas of expertise directly related to their tax administration. The final factor relates to the underlying complexity of the tax administration processes that a company needs to carry out. The degree of competency within the first three factors in particular increases a business's ability to deal with complex or shifting tax requirements and therefore act as protective factors against negative emotions arising that can drive perceptions of burden (see Section 5)

These factors should be considered by HMRC when engaging small businesses and looking for opportunities to reduce tax administration burden: grouping small businesses into a single category may not address the distinct characteristics, needs and skill levels of each business.

Figure 2.1 – Overview of factors determining relationship to tax administration

Tax savvy

A participant's knowledge of the tax system, HMRC processes, and tax requirements relating to their business

Tech savvy

A participant's competency and confidence in using digital platforms and adapting to new software and methods of working

Financial competence

A participant's competency, confidence and expertise at handling the general finances of their business, and making/checking calculations

Complexity of tax

The complexity of a business's tax requirements e.g. the range and volume of tax administration processes

Tax savvy

The degree of comfort participants felt when navigating their tax obligations was influenced by their understanding and knowledge of the tax system and their own businesses' tax requirements. Those who were the least 'tax savvy' struggled to understand the intricacies of their tax requirements and which procedures were appropriate for their business. One respondent, who had recently switched from operating as a sole trader to an incorporated company, was very uncertain about what he was required to do and only found out he did not need to pay PAYE after incorrectly submitting this to HMRC.

Other businesses with a relatively detailed working knowledge of the tax system and their own requirements were better at navigating HMRC processes and systems. They understood what they needed to do and where to find solutions to issues as they arose, so were more comfortable dealing with tax administration.

Tech savvy

Participants who were 'tech savvy' were competent and confident in the use of digital platforms and online services. They were able to source and adapt to new software and methods of working, and reported either developing their own intelligent Excel spreadsheets or software which aligned to HMRC processes. They were most likely to report satisfaction with the move to digital.

This factor was somewhat linked to age, with older participants generally less likely to be highly 'tech savvy'. For those who were not 'tech savvy', navigating software they struggled to understand, or relying on online platforms they were suspicious of, increased levels of frustration and emotional discomfort. The owner of a dental surgery felt so overwhelmed at choosing the 'correct' software package that he decided to outsource his PAYE to an agent.

Financial competency

A participant's competency, confidence and expertise at handling the general finances of their business shaped their perception of burden associated with tax administration. Where financial competency was most pronounced (e.g. trained accountants), the financial expertise required to handle tax administration was generally viewed as relatively low in comparison to other tasks they handled. Some participants who were not financially trained also felt themselves to be 'naturally competent' with numbers. Both of these groups tended to see making and checking calculations as fairly straightforward.

However, for participants who lacked this skill and confidence, having to 'cope' with numbers pushed them outside of their comfort zone. They were more likely to rely on software to do calculations and reported higher anxiety about the correctness of their figures. One participant reported being 'rubbish with numbers' and felt highly stressed when checking for miscalculations – she did not trust herself to 'do the maths properly'. Lack of financial competence directly fed into a fear of making errors.

Complexity of tax requirements

Businesses with a wider range and complexity of tax requirements (and therefore higher volume of tax administration), were perhaps unsurprisingly more likely to view tax administration as demanding both in terms of the 'expertise' required and time taken to complete tax duties. The level of complexity relates to various factors such as legal structure, eligibility for tax breaks and the understanding required to apply for them, and number and location of suppliers (impacting on VAT requirements).

However, the effect of this factor was somewhat lessened by competency elsewhere. Businesses with high levels of tax savvy, tech savvy or financial literacy, could have relatively low perceptions of burden, even when they had fairly complex tax requirements. Conversely, a business with low competency in these areas could perceive tax administration to be relatively burdensome, even when faced with low levels of tax complexity.

2.3 Business personas

By drawing on these four underlying factors, we grouped research participants into four distinct business personas who sit on a spectrum relating to their perceptions of tax burden. These four groups are:

- Finance specialist
- Digitally competent
- Business generalist
- Slightly overwhelmed

Figure 2.2 shows that Finance specialist has the lowest perception of burden, followed by digitally competent, business generalist and then slightly overwhelmed. the latter having the highest perception of burden.

Figure 2.2 – Overview of business personas from lower to higher perception of burden
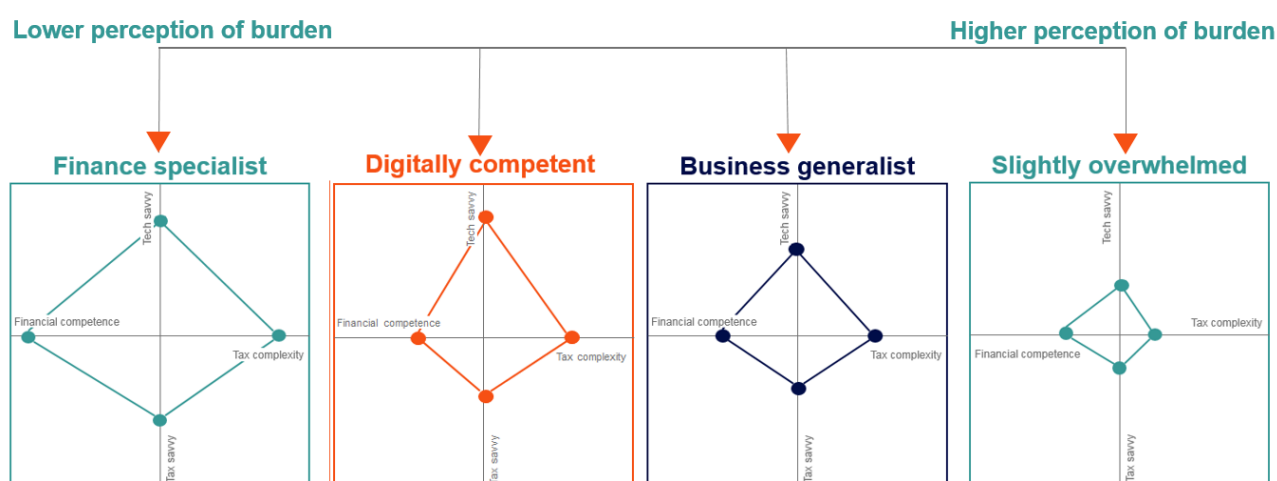
Finance specialist

'Well, it is my job. I wouldn't be very good at it if I didn't keep up to date and thought it was something I couldn't do well.' (Financial specialist)

Who: Trained accountants in larger small businesses who have specialist skills and a professional interest in staying up to date and abreast of changes (both tax and tech) within their field.

What: May have complex tax requirements, but have the knowledge, experience and motivation to deal with financial systems and know how to easily navigate the system.

Perception of burden: This group generally had low perception of burden, believing themselves to be both confident and competent at handling tax administration as part of the wider procedures associated with their role.

Digitally competent

'It's just another weekly task, like cleaning the beer lines … I have my spreadsheet with the formulas imbedded.' (Digitally competent)

Who: Owners of smaller or medium-sized small businesses who are tech savvy and have the software or systems in place to help them effectively manage their financial and tax administration needs.

What: May have fairly minimal tax or financial knowledge, and have higher levels of tax complexity, but their digital savviness enables them to source or develop tools to make tax processes manageable.

Perception of burden: This group tended to have a low perception of burden in relation to their day-to-day tax administration duties as they were comfortable with their systems and processes. However, where digital solutions failed them, or when faced with new problems, they were vulnerable to emotional discomfort.

Business generalist

'I find everything more or less simple and straightforward. It can take a bit of adjustment when there are changes to the system though.' (Business generalist)

Who: Owners of smaller or medium-sized small businesses with little specific financial, tax or tech expertise, but with enough general skills to complete the necessary tasks without much hassle.

What: May have low tax, tech or financial competence but fairly straightforward tax requirements. Can generally manage their tax requirements but find adapting to new processes or software difficult.

Perception of burden: Though this group reported low levels of burden, they tended to find adapting to changes or new systems 'difficult', as their confidence in their own competency stemmed from habitual knowledge of how to do specific tasks.

Slightly overwhelmed

'I'm just nervous because I haven't been brought up with 'technology' and get into trouble if it goes wrong.' (Slightly overwhelmed)

Who: Smaller or micro-business owner with low tax, tech and financial literacy. Participants in this category tended to be older and more negative about the move to digital.

What: Tax requirements may be fairly straightforward, but owner perceives them to be complex and outside of the realm of their expertise. This group often struggle with basic processes and procedures but have developed 'coping' mechanisms (either using agents or hiring in staff) to meet tax requirements.

Perception of burden: This group generally find tax administration straightforward but tend to be very anxious about 'getting things right' and are very resistant to changes in tax administration processes because they destabilise habits that they are comfortable with.

3. General experiences of tax administration

Key Findings

Participants generally reported finding their tax administration straightforward and integrated into their daily working practices. This was linked to habit, with cyclical patterns of behaviour ensuring that participants saw repetitive tasks as straightforward. Having administrative process in place that require minimal but frequent interaction could help HMRC reduce the overall sense of burden for businesses. Known processes provided comfort, whereas change was felt by participants to push them out of their comfort zone and cause anxiety.

Participants did report some frustrations, primarily related to accessing relevant information and rectifying issues when things went wrong. HMRC could help reduce burden by providing clear, easy to access and tailored guidance for businesses about how to conduct administrative tasks and what to do to rectify errors.

3.1 The role of habit in reducing perceptions of burden

Respondents in the qualitative interviews spontaneously reported few issues with tax-related administration, describing processes as 'straightforward' and ingrained into their daily routine. One explanation for this is the role of habit. Integration of tax administration processes into wider administrative tasks ensured that participants generally viewed them as fairly innocuous. These processes generally operated on a routine basis, below the level of conscious thought, and were not considered stressful or burdensome. Tax administration was categorised by participants as 'something you just have to do' to run a properly functioning business. While tax could be seen as an 'irritant' in some cases, it was generally felt not to be 'bad enough' to warrant any particular dissatisfaction with the processes overall. As such, participants generally reported that they were content with the systems provided by HMRC, as well as their own internal processes developed to meet their requirements.

> "You have to pay tax, and the system they provide for you to do it is pretty easy. It's easy to understand and pretty basic. I don't have a problem with it apart from finding out some of the help."
>
> (Digitally competent)

The habits participants had formed around tax-related administration were highly personalised and varied from participant to participant according to their character, needs and priorities. Habits felt to be 'comfortable' or 'diligent' to one were not necessarily translatable to others. One participant within the Slightly Overwhelmed group, reported often staying up until 2am on peak business days to ensure that she had written up all of her takings for the day, as this enabled her to feel 'on top of' her administrative tasks. Similarly, a Digitally Competent pub owner associated his tax administration with other necessary tasks (such as cleaning out the beer lines) and ensured that VAT was entered onto SAGE every Wednesday morning. Other participants could follow very different routines, such as a Financial Specialist, whose role was primarily related to finance, and who might feel comfortable waiting until the end of the month before completing VAT returns.

> "My husband is dead you see, so I may as well do it as I've nothing else to do. I don't mind doing [tax administration] at 2am."
>
> (Slightly overwhelmed)

Though habits varied, it was clear from the interviews that participants saw keeping up to date with tax administration as key to 'running a business properly'. While not felt to be the most 'exciting' part of their role, keeping proper records was seen as fundamental to good business practice.

> "How can you run a business properly if you don't know what's going in and coming out. It's dull but it's quite fundamental."
>
> (Business generalist)

The importance of habit in establishing comfortable routines meant that participants rarely questioned the efficacy of their own administrative procedures, or whether there could be improvements that could make their work lives easier. Even in cases when participants' habits may have been generating more work for them, they simultaneously reduced the sense of demand connected with this work. Overall, this meant that participants rarely consciously engaged with whether or not processes were demanding.

> "If you're doing something every week, you don't notice you're doing it, do you?"
>
> (Business generalist)

Habit can therefore be seen as a protective factor against perceptions of burden – it kept administrative processes operating below a noticeable level. However, this attachment to routine also meant that participants did not generally welcome changes to the tax system due to the disruption it could cause routines, despite previous changes having been generally seen as positive once they had been adapted to (see Section 5).

3.2   The impact of changes to the tax system on perception of burden

For the majority of participants, the increased digitisation of tax administration by HMRC and related software companies, was perceived to have made it easier to submit reports and make payments to HMRC. It was also felt to have helped raise participants' confidence in the correctness of their calculations and sense of their own efficacy, with real-time information updates and inbuilt notification features ensuring that submissions are up-to-date. For some, email notifications and business alerts were also felt to represent positive changes to the system, particularly when they acted as useful reminders or prompts. One accountant felt that email notifications from HMRC allowed her to stay abreast of changes within the industry, rather than having to sift through information herself. While all four business personas were positive about increased digitisation, this positivity was most prominent in those who felt comfortable using and adapting to online methods of working.

Greater alignment between HMRC requirements and third-party software (such as Payroll Manager or SAGE) had reduced anxieties around errors and with regards to keeping up to date with legislative changes, although some within the Slightly Overwhelmed and Business Generalist categories felt disempowered, due to being increasingly reliant on 'alien' technology. The 'intelligent' features within software packages had reduced the 'pressure' that participants felt around having to identify multiple entries and lessened the burden associated with checking for errors. Many participants reported they had increasingly come to rely upon software to be able to confidently submit and felt that this 'took away the stress' associated with working out calculations for themselves. Some participants – particularly those who were more tech savvy – had developed systems around software packages which were virtually totally automatic and felt confident in the efficacy of the technology. A Digitally Competent director of a sales company had developed a system where information from the till was automatically entered into SAGE, removing the need for this to be done manually and reducing time and labour demands.

However, while these intelligent functions were felt to provide 'checks', they were not universally felt to be fail-safe. Due to the importance (and fear) accorded to providing correct figures to HMRC, participants often still felt the need to meticulously check figures themselves. As such – the fear associated with submitting

correctly, and a lack of trust in technology – participants from all four business personas had often developed behaviours around submission dates which could be seen as counter-intuitive and unnecessarily time-consuming (see Section 5.3).

Most participants were happy for processes to be increasingly digitised and wanted HMRC to move lingering 'arcane' paper-based processes online. A number of respondents felt that the need to physically print out electronic receipts and keep them for seven years 'made no sense' given that submissions were all online and stored electronically. Furthermore, while the majority of tax submissions had been moved online, there were still some taxes (such as partnership tax) which respondents appeared to be completing via a paper form. Businesses had largely got used to the digitisation of all aspects of business and even those who were 'resisting' this shift (largely due to age of the participant) had at least to some degree accepted and begun to use digital systems within their businesses. Therefore, the shift online was for the most part considered beneficial.

Although previous changes were generally seen positively, there were broad concerns about the potential for further changes to cause disruption. Many respondents reported frustration with what they saw as perpetual changes and felt they were constantly being 'pushed out of their comfort zone' and having to adapt to and navigate changing systems. These periods of 'adaptation' were associated with increased anxiety and reduced confidence in their ability to meet their requirements. Participants therefore tended to be fairly resistant to change, even when previous changes were seen to have led to improvements to the system.

> "HMRC keep making tiny changes because they think this will be easier for us to cope with, but it just means that every time you go on something is slightly different. I don't understand why it keeps changing … Why can't they just make all the changes at once?"
>
> (Business generalist)

This anxiety was most pronounced in a small subgroup of respondents in the Slightly Overwhelmed category, who felt that tax administration had become increasingly complex and beyond their capabilities over the years. These participants tended to be older and more likely to report being overwhelmed by technology in general. For many within this group, the shift online had moved them away from paper-based approaches that they were more comfortable with and forced them to engage with unfamiliar digital systems.

Those that did attempt to complete online submissions themselves reported high levels of frustration and discomfort with 'the system'. One 76-year-old businesswoman was incredibly frustrated with the Government Gateway sign-in processes as she did not own a mobile phone to receive the access number via text message and could not understand how this made the sign-in process more streamlined.

> "They keep trying to force me into the 21st century. But I'm quite happy where I am."
>
> (Slightly overwhelmed)

The emotional discomfort experienced by the Slightly Overwhelmed group often led participants to adopt parallel systems, where they would complete all administrative duties by hand, before repeating these processes digitally. While this was more time-consuming, it allowed them to maintain feelings of control and efficacy and reduced their sense of burden around digital submissions. However, at the extreme end of this category, the increasing digitisation of the tax system had totally prevented some respondents from handling tax administration themselves and those within this outlying group felt that they were effectively being forced to rely on others within their businesses or agents to meet their tax requirements. One respondent sent all of her hand-written ledgers to an accountant who then submitted the figures on her behalf, whilst another had hired part-time staff to enter her figures into SAGE. That said, it is important to highlight that those 'forced' to hand over tax administration did not necessarily do so begrudgingly. These respondents were often nearing the end of their careers and in the process of relinquishing some or all of their roles to others within their company, and the use of agents was not necessarily seen negatively (see section 3.4).

3.3 Use of agents and relationship to tax administration burden

The extent to which participants relied on agents to complete their tax administration varied widely and related to the tax needs and preferences of the four business personas. Those who totally outsourced all tax administration to agents were screened out of the research process, however, there were some in the Slightly Overwhelmed and Business Generalist categories who relied heavily upon their agents to meet their tax obligations. Most respondents across all four groups conducted the majority of their tax administration and submissions in-house, relying upon agents to help them collate end-of-year accounts, Self Assessment returns and Corporation Tax. In some instances, businesses had also chosen to outsource PAYE to reduce the labour costs associated with doing it themselves.

Very few participants outsourced tax administration to agents because they felt that they couldn't cope with their administrative duties themselves. Instead, outsourcing to agents was largely driven by long-term habit, 'peace of mind', financial benefit, or the perception that some aspects of tax administration were 'for experts'. Generally, participants put little thought into 'why' they used an agent. They had either adopted practices from a predecessor, had always followed this pattern of behaviour, or just generally felt that use of an agent was a necessary part of running their business.

> "My father always used an accountant … we've just always done it this way. I just don't really see what the benefit of changing that would be – I trust my accountant."
>
> (Business generalist)

Accountants held a highly valued role in participants' minds. Agents were seen as an extra layer of security and safeguard against errors. They were valued as a source of on-the-spot expert advice and of 'peace of mind' that calculations were 'correct' and accounts in 'good order'. The reassurance provided by agents therefore has a direct impact on perceptions of burden. Whilst outsourcing was seen to have financial implications for the business, participants were more likely to view their relationship through an emotional rather than practical lens – many respondents struggled to envisage a situation where they would use an agent less as they did not want to lose their 'safeguard'.

> "It's a safeguard. I've got someone professional looking at things making sure that everything's okay. It's a comfort factor."
>
> (Digitally competent)

Though participants generally felt comfortable handling their own tax administration, there were certain queries or processes that they felt required a level of specialism that they did not possess. Participants talked about the complexity of particular taxes (such as Corporation Tax), or the time that it would take them to find out relevant information. Agents were seen to represent both a shortcut to information and better value for money than handling it in-house. As such, participants used an agent where they assumed tax administration to be 'too complex' or 'time-consuming'. This was generally not based on a rational assessment of the time or abilities needed to complete the task, but more a decision based on habit or assumptions about what others do.

> "Only accountants with their knowledge of tax and revenue systems in this country can do it really."
>
> (Digitally competent)

Despite the costs involved, for many, the use of an agent was felt to be a sound financial decision, ensuring that their affairs were as 'tax-efficient' as possible. Tax agents were seen to have the time or expertise needed to ensure that businesses made use of all the benefits and reclaims they were entitled to and allowed participants to spend more time on revenue producing activities.

"Let's put it this way. Big business spends money on finding loopholes. I use an accountant
because I know he'll do a better job than me at reducing my tax bill."

(Business Generalist)

3.4 Frustrations with the tax system

Although businesses generally had a neutral relationship with tax administration and had low perceptions of
burden, there were still some common frustrations reported with the tax system overall. These were largely
unconnected to everyday experiences of dealing with tax administration, but instead linked more occasional
occurrences, such as being able to access information when needed, rectifying issues as they arose and a
general lack of trust in HMRC to provide relevant and timely advice and guidance. In this section, we will
outline some of these frustrations in more detail.

Accessing information

Although participants were typically positive about the increased use of digital services, there was some
cynicism about HMRC's ability to create user-friendly digital experiences. Participants were sceptical about
HMRC's ability to provide easy-to-navigate, relevant information that addressed their skills level and
business needs. The digital face of HMRC was felt to be difficult to navigate and participants reported
struggling to access information that was specific enough for them. The Financial Specialist and Digitally
Competent categories were most frustrated with the system, either because they were attempting to extract
more specialised or complex information, or because they had significant experience with 'good', user-
friendly online services from other providers. The search function on the website was seen as unfit for
purpose, with many respondents reporting issues when trying to find out relatively basic information, such as
VAT rates and commodity codes. Furthermore, the way information was structured was felt to be too dense
and difficult to scan. In all, participants felt that locating information on HMRC systems was frustrating and
time-consuming.

Information requirements varied – there was a general desire for practical information that offered clear
instructions, but concern it was often pitched at the wrong level. For those with complex needs, information
was often felt to be too simplistic and general, whereas for those with less complex needs, it was at times
considered too complicated and technical.

"HMRC doesn't explain how to do the nitty gritty … It's about how it's presented isn't it, how much
information, and whether you can pick out what you want to look at. If it's specific enough."

(Digitally Competent)

"They are occasionally unclear. But it seems on occasion that the help text has been written to a
peer rather than written to a layman. I ended up being fined £200 because I couldn't understand
the information … so annoying."

(Slightly overwhelmed)

Participants wanted definitive answers to their queries. Even when able to access information, they were
often concerned about misinterpreting it, leading to a desire to 'speak to a real human' to ensure that they
had 'got it right'. Even those who were more 'expert' and had a long experience of dealing with HMRC as
part of their role as Financial Specialists often struggled to interpret tax legislation and relate it to their
business.

> "When you digest the information for the first time it often helps to ask someone "what did you think was meant by that?"
>
> (Finance specialist)

The need for validation and reassurance when interpreting information was indicative of the fear that participants felt around making errors. Where they perceived there to be no flexibility or room for error, it was perhaps unsurprising that participants sought reassurance directly from HMRC, or in some cases through their agent as an alternative conduit for tax advice.

> "I didn't realise I'd made a mistake and was then penalised for it. The most frustrating thing was that if I'd just been able to speak to someone earlier who could tell me whether what I was doing was right or wrong, I could have saved myself the hassle and the money of the fine."
>
> (Business generalist)

There are lessons here for HMRC about providing businesses with clear and easy to access guidance and reassurance and enabling them to feel that they are able to obtain appropriate personalised advice (this is discussed further in section 7).

Rectifying issues

A significant number of participants reported frustration when trying to rectify something that had gone wrong. Time and labour costs involved were often cited as making this the most demanding form of interaction with HMRC. Frustrations appeared to stem from a lack of clarity about how to solve problems. Many voiced concerns that the shift to digital channels would remove their ability to resolve issues, given that face-to-face communication was the preferred way to resolve queries. However, even the telephone helpline was considered frustrating – participants felt they could never speak to the same person, having to re-explain their issue each time. There was also a sense that helpline staff were increasingly unable to answer queries due to lack of technical understanding.

> "You never get to speak to the same person on the phone and are constantly having to re-explain the issue. It can be very frustrating. Even when you end up speaking to someone it's very rare that's the person that's actually going to be able to help you out. It's like ringing up a call centre."
>
> (Digitally competent)

Another source of frustration was the perceived length of time taken for HMRC to rectify issues and the amount of time participants felt they need to spend following up with HMRC to find a resolution. One participant reported that it had taken eight months to rectify an issue with PAYE, while another felt so frustrated that he reported wanting to drive the 300 miles down to the HMRC offices to just speak to someone.

These frustrations suggest a further lesson for HMRC about providing appropriate guidance on how to resolve issues and develop systems which allow errors to be resolved quickly and efficiently (discussed further in section 7).

Perception of HMRC as punitive

Participants tended to view HMRC as a punitive organisation more likely to issue penalties than provide support, with correspondence generally felt to adopt a threatening tone. This view of HMRC as slightly 'threatening' fed into participants' sense of a highly asymmetrical relationship between businesses and HMRC, causing tensions due to fear of penalisation.

> "They send you such threatening letters. They almost look as if you're in the wrong before you even do anything. They send you threatening letters – if you don't do this you're going to get a fine or something. It makes you feel on edge."

(Slightly overwhelmed)

In general, participants reported high levels of anxiety and emotional discomfort prior to issues being resolved. A participant in the Business Generalist group had underpaid her VAT by £1000 and was extremely concerned about the implication of this on her business. While she eventually managed to find out that she could simply correct this figure in the next VAT-cycle, her overriding feeling prior to this was that there would be 'consequences' to her mistake. She would be made to 'pay for it'. At the same time, participants felt that HMRC was less concerned about correcting errors when it meant that their business (rather than HMRC) was out of pocket, again feeding into perceptions of an unequal relationship and frustrations with HMRC. In almost all cases, participants felt as though they were being penalised for a genuine mistake, as opposed to deliberate evasion. In recognition of this, they wanted HMRC to adopt a more collaborative and flexible tone.

> "I've had two fines because of my misunderstanding about this one month where I didn't have to pay tax. I found it incredibly frustrating. I got a thing through saying it was required, got straight on and did my return, then the day later got another one that said I had a fine, even though I went online and it looked like I'd done it. I thought it was a glitch – but I paid it anyway."

(Slightly Overwhelmed)

4. Experiences of specific tax administration processes

Key Findings

VAT, PAYE and Self Assessment were generally considered largely straightforward, although the latter was often outsourced to an agent. Corporation Tax was most frequently outsourced, being considered too expert and time consuming to handle in-house, and the use of an agent considered a cost-effective way to ensure it is handled correctly with maximum tax-efficiencies and freeing up time for revenue-producing activities.

4.1 VAT

Typically considered the most straightforward in terms of process, with demand driven mainly by the complexity and variation in rates

Participants described the administrative procedures associated with VAT as 'simple', and felt that VAT was one of the more straightforward taxes to complete. The majority used software (such as SAGE) or had created their own spreadsheets to meet their VAT requirements in-house. VAT was least likely to be outsourced to an agent, although there were a few participants in the Business Generalist and Slightly Overwhelmed groups that did their calculations via hand-written ledger or on Excel and outsourced the rest to other members of staff/agents. Generally, most participants found working out VAT rates easy, or had software which did this automatically. Completing VAT returns was felt to be a very streamlined process and to represent low burden to the business.

The fact that returns were submitted monthly increased participants' familiarity with the system – they generally felt confident and competent about meeting their obligations, even those who were less competent with digital systems. Participants were most likely to have adopted habitual practices, which again minimised their perception of burden, and the time taken to complete VAT returns was felt to be negligible.

> "It's really simple – it's your total annual sales, there's the VAT on what we sell, that makes it simple for us … It's not difficult for me."
>
> (Business Generalist)

> "VAT is lovely and as easy as it can possibly be. Do you want to set up a direct debit, yes or no? This is your balance. Make sure that's right and you're done."
>
> (Finance specialist)

Figure 4.1 shows that some respondents across each of the customer groups did, however, experience a degree of anxiety over submitting 'correct' VAT returns, and reported checking the accuracy of their figures multiple times. One accountant said he checked his VAT returns daily in the lead up to submission to ensure that he had got everything right, and wanted an option for an HMRC review before final submission. Furthermore, some participants had struggled to adjust to new software packages, and reported having had to relearn how to submit VAT. The demand, in this sense, was not linked to the difficulty of the tax itself, but to whether software aligned with internal reporting processes and HMRC reporting processes. This was

especially pronounced for those in the Slightly Overwhelmed category who generally struggled with technology.

Figure 4.1: Overview of 'pain points' associated with VAT
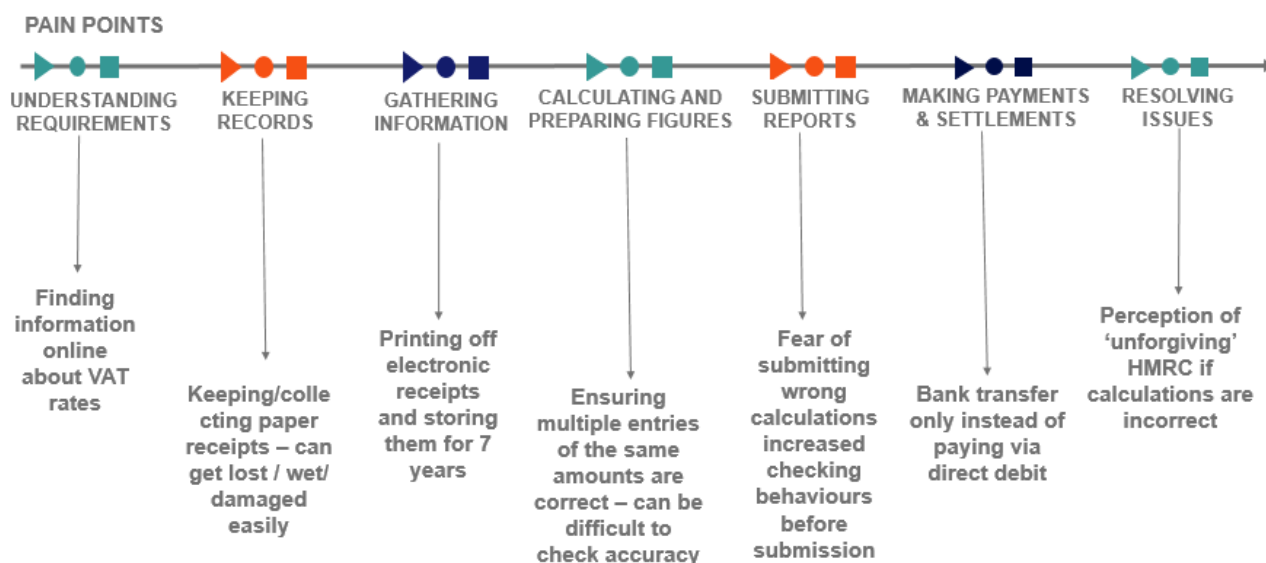
> "It's easier now but it's really just more about the change of accounting software, which is a real problem. If you don't do it the way SAGE want it done then you will struggle with it."

> (Slightly overwhelmed)

Businesses dealing with a range of VAT rates could report difficulties understanding which products were exempt, which were charged at 5% and which were charged at 20%. The sense of demand associated with VAT was linked not only to the variability of VAT rates, but also to finding out VAT rates when needed. They viewed VAT as being comparatively more 'complex' for their business than for those who only needed to report on stable VAT rates. Respondents working in hospitality in particular found the process of looking up rates complicated and unnecessarily time-consuming, especially given what was perceived to be the low quality of HMRC information systems.

> "It's really time consuming and if you don't know where to find that information it can cause havoc, you can make a real mess of it."

> (Business generalist)

4.2 PAYE

Seen as largely straightforward but some struggled with 'out of the ordinary' procedures that were not repeated on a regular basis and there were underlying concerns about ensuring employees were paid on time

Figure 4.2 shows that PAYE was generally characterised as a straightforward set of processes and not felt to be particularly demanding on businesses. However, participants held more variable views about PAYE administration than they did about VAT, partly because paying employees correctly and on time was seen as more important than submitting a VAT report, and partly because more potential 'unknowns' were associated with the PAYE process. Compared to VAT, the requirements and reasoning behind PAYE codes were seen to be less transparent or understandable to participants.

Figure 4.2: Overview of 'pain points' associated with PAYE

PAIN POINTS

UNDERSTANDING REQUIREMENTS • KEEPING RECORDS • GATHERING INFORMATION • CALCULATING AND PREPARING FIGURES • SUBMITTING REPORTS • MAKING PAYMENTS & SETTLEMENTS • RESOLVING ISSUES

Lack of information about trusted pensions providers

Too many emails from HMRC means important information (like changes to employee tax codes) are missed

Bigger businesses have more admin demand when employee details change frequently

Confusion over SME business contribution allowance and how this is calculated

Lack of guidance about what software is most aligned to HMRC systems

Adapting processes when employees change circumstances (sick pay, benefits, maternity leave)

No central account for multiple companies on government gateway

Bank transfer only instead of paying via direct debit

Time taken and anxiety produced when attempting to rectify errors

The size of a business and number of employees had a direct impact on the time demands associated with PAYE returns, playing a significant role in shaping participants' perceptions of burden. However, these perceptions were also affected by a participant's ability to use PAYE software, find information and adapt to changes. Confusion around PAYE was greatest in the Business Generalist and Slightly Overwhelmed categories. Here, respondents felt largely at the mercy of HMRC informing them of tax code and legislative requirements, and did not feel confident enough to work out calculations for themselves. They felt a reduced sense of control and understanding of the PAYE system, even where software developments had made these processes significantly easier for them. These groups were therefore more likely to report struggling with PAYE when faced with an out of the ordinary process or change to legislation, and in particular when they had larger employee numbers and regular changes to employee circumstances. Those with higher degrees of financial and tax savviness and a greater ability to use and adapt to technology found PAYE less demanding, were more adaptable to changes, and were better able to cope with larger employee numbers and changing tax codes.

The majority of participants felt improvements to PAYE software, particularly greater alignment between HMRC and third-party software and real-time information, had improved the experience of completing PAYE returns. The software was generally thought to be straightforward and easy to use, and respondents reported high degrees of trust in it to correctly calculate figures. This had considerably reduced the 'burden' associated with PAYE administration as it was seen to be a case of 'just filling in the numbers and sending it off'. The ability to trust the software to correctly calculate figures and update when there were changes to legislation reduced participants sense of worry about the lack of transparency/understanding around PAYE tax requirements. One reported impact of the increasing automation of calculations via software packages was that participants felt less connected to the rates underlying their tax calculations.

> "I just click on the buttons! It's so easy. I've used SAGE payroll for 20 years, it never used to have any of these features. I've noticed the difference, though of course you still need to do your checks"
>
> (Financial Specialist)

A number of specific processes and out of the ordinary procedures related to PAYE were felt to be more challenging to participants: finding the right tax codes for part-time staff on benefits or paying sick-pay or maternity leave, for example – particularly when businesses were not used to a process. Even when familiar,

collecting information relating to codes could be seen as burdensome, due to irritation at the amount of time needed to collect and input information rather than any sense that the task is difficult to understand.

> "Someone will take maternity leave and we've never done maternity before. OR we have the pensions. And you then get allowances against maternity leave"

> (Business generalist)

> "We do deal with things like housing benefit and tax credits and that's horrendous ... asking for the same information ten times, and so on … It's not straightforward, it's not efficient. It's hard work."

> (Slightly overwhelmed)

For a minority of Business Generalists and the Slightly Overwhelmed, there was a general sense that PAYE was growing in complexity over the years as they struggled to keep up with new software, and in some cases participants felt that they had been left with no option but to outsource to an agent.

> "I don't want to pay an accountant to do my PAYE, but the software was a nightmare. I just couldn't work out how to properly use it and kept making errors. In the end I just decided that it wasn't worth the hassle."

> (Slightly Overwhelmed)

Much of the burden associated with administering PAYE came from two factors: a fear of making errors, and the high degree of importance placed on paying employees correctly and on time. There were instances of participants developing highly inefficient processes in response. One company director paid PAYE at three different times during the month, to fit with the monthly bill arrangements of his staff.

This high value placed on paying employees 'properly' is potentially why respondents were incredibly positive about PAYE refresh[5], despite feeling that it represented an improvement for employees rather than business itself. Many respondents felt that PAYE refresh was a good idea in principle as it was aimed at ensuring a more timely and accurate system. It was also seen to address issues that many had faced in the past when needing to switch employee tax codes, from basic rates for example, during the year.

> "It keeps the employees happy … we used to have a lot of issues with people being put on basic rate … and means they don't have to pester us to make changes."

> (Financial Specialist)

The smaller businesses interviewed for this research were generally more positive about PAYE. They felt they would be less affected due to their low number of employees. Businesses with higher numbers of staff reported some concerns that PAYE refresh will create an additional administrative burden if the need arises to change tax codes too frequently.

> "If I get too many email notifications, I'm bound to miss something. It's fine as long as I'm not having to do it all the time."

> (Digitally Competent)

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[5] In July 2018, HMRC introduced changes to the PAYE system which make better use of information updates from individuals, employers and pension providers throughout the year. This enables individual's tax codes to be adjusted in real time when there is a change to their circumstances, allowing for a more accurate calculation of whether they are paying the right amount of tax. Whenever there is a change to their tax code, their employer is informed via a P6.

4.3 Corporation Tax

Generally seen to be 'too expert' to handle in-house, with the routine use of 'properly trained auditors' used to ensure tax efficiencies

Figure 4.3 shows that unlike other 'more straightforward' taxes, Corporation Tax was uniformly felt to be too complex to handle in-house – even by those within the Financial Specialist group. This finding was fairly surprising given that many of the Financial Specialists interviewed for this project generally felt that they were competent and well-experienced at handling financial and tax obligations. The uniquely complex status attached to this tax obligation by all participants was heavily influenced by the perceived importance of getting submissions correct, a pronounced sense of the consequences of making errors – including the potential for criminal charges – and a desire to achieve tax efficiency.

Figure 4.3: Overview of 'pain points' associated with Corporation Tax
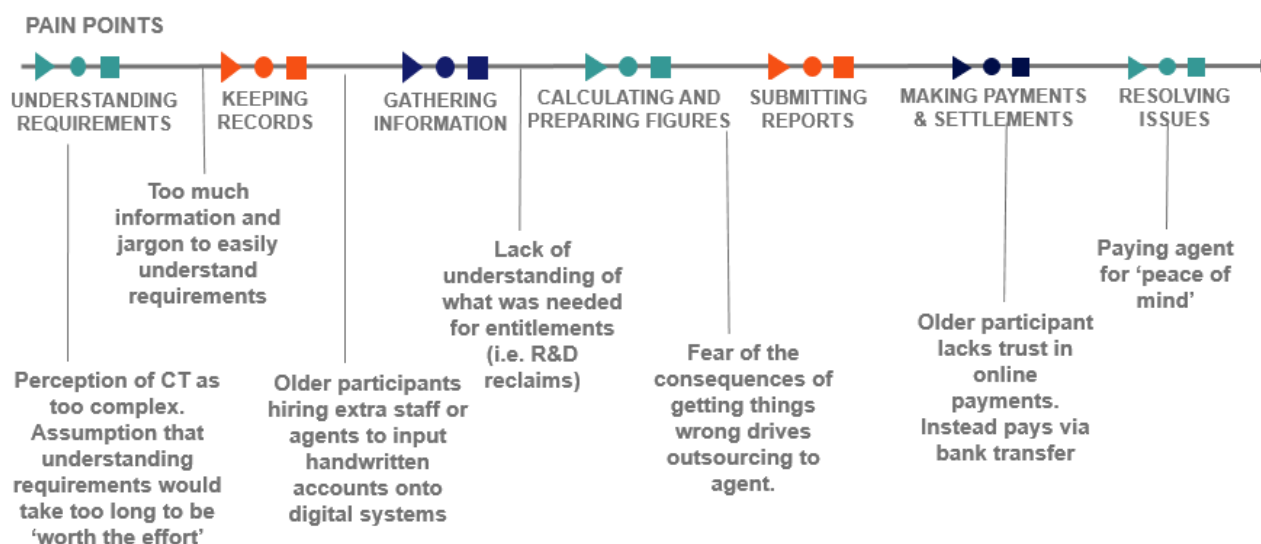
Seen as the most 'complex' of all the taxes, respondents from all four business groups almost universally assumed that they would not be able to meet their Corporation Tax requirements in-house. Even those who were trained accountants felt that the degree of complexity and specialist tax knowledge required to complete returns was beyond them, despite understanding the underlying principles.

The majority of participants tended to have very little understanding of what was actually involved in administering Corporation Tax. In fact, perceptions of Corporation Tax as particularly complex seem to have been based more on a shared understanding across businesses that it required specialist skills and software only available to tax agents. When probed further, participants felt that they wouldn't be able to find the relevant information to meet the specific needs of their company. They assumed that the level of specificity needed would require combing through lots of material online, or that it would require becoming accustomed to complex legal and financial jargon.

> "It's complicated what things you have to pay for and what is deductible ... an accountant will know that ... I'm not interested in learning that as it will take me too much time. I want to concentrate on running the business. It would be too much research. It will take me ages."
>
> (Tech savvy)

Underlying this notion of Corporation Tax being 'too expert' was the sense of a highly punitive tax system. Unlike VAT or PAYE, for which errors were seen to be problematic but ultimately rectifiable, making errors on

Corporation Tax was seen to have potentially grave consequences – jail time or lengthy court proceedings. This, coupled with the requirement to have accounts independently audited, increased the perception that their businesses and accounts were being scrutinised (and judged potentially as fraudulent). One participant likened this feeling to going through airport security, where you feel an ever-present sense that you are 'guilty' despite knowing that you have done nothing illegal and have nothing to hide. Participants were, therefore, paying an accountant for peace of mind and to add an additional layer of security between themselves and reprisals in the case of errors.

> "The accountancy package is actually very good, it produces all the relevant bits. The accountant
> really just has to go through that and check that it's a sensible appraisal in terms of Company Tax.
> We can submit that knowing it's correct and accurate."
>
> (Digitally Competent)

However, 'peace of mind' was not the only reason participants used accountants. Outsourcing Corporation Tax to agents was also seen as providing a cost-benefit to the company. Given perceptions of the complexity of the tax, the use of an agent was seen to free up businesses to focus on revenue-producing activities. Agents were also seen to have the expertise to ensure that a company is 'tax efficient'. One Tech Savvy respondent felt that using an accountant enabled him to make reclaims on expenditures that he wouldn't otherwise know about. As a pub owner, he lived in his place of work, and found distinguishing between personal and professional expenditure 'over his head'. He, therefore, associated using an accountant with financial benefit both personally and to the business.

> "This is a pub that we own the freehold of, but we also live here – we have separate
> accommodation upstairs. And everything we use here we buy separately, but there's certain things
> that cross over, like I use a room up here for my office. Certain expenses like gas and electric are
> for the whole building. There's bits when you are doing your taxes that you can claim for – that's too
> complicated for me. So, for example if you get a private room decorated, the whole building is a
> business, can you or can't you claim it? I wouldn't have a clue."
>
> (Tech savvy)

The attachment to an agent in relation to Corporation Tax, was driven, therefore, not only by perception of burden, but also by a belief that it ensured paying as little tax as legally possible. This ability to produce 'tax-efficient' systems was an area in which participants most clearly differentiated themselves from 'big businesses', and hiring an accountant for Corporation Tax submissions was felt in some ways to represent an attempt to make up for their lack of in-house ability to make use of tax loop holes.

> "Look this is all legal. But I wouldn't want to use my accountant less. He can work his magic, cook
> the books and I have to pay less money. Why would I be motivated not to do that? Amazon and
> Google barely pay any taxes at all."
>
> (Business Generalist)

4.4 Self Assessment

Largely seen to be straightforward because businesses outsource reporting and submission to agents

Figure 4.4 shows that, as with Corporation Tax, those businesses or sole traders who filed Self Assessment returns tended to outsource everything to an external agent, except for keeping accounts. Again, this was linked to a desire to reduce errors and have 'peace of mind' about their submissions, though not quite so driven by a perception of a punitive tax system. Due to this reliance on agents, the 'burden' associated with Self Assessment came from the process of collecting receipts and readying accounts to give to accountants before year's end – generally seen to be time-consuming but not complex.

Figure 4.4: Overview of 'pain points' associated with Self Assessment
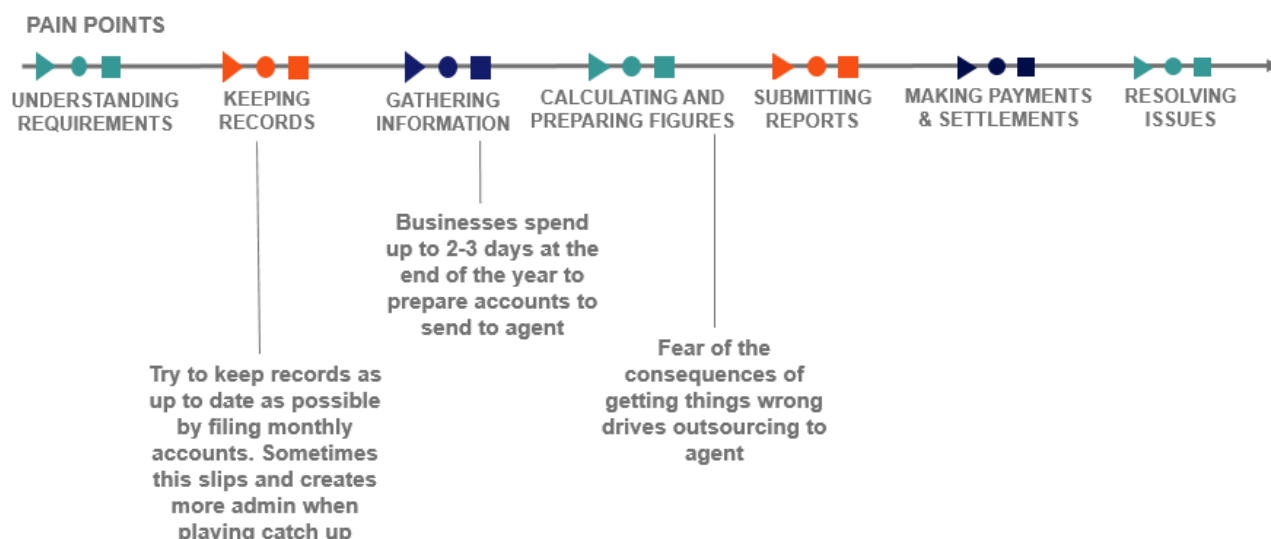
Of those who did complete Self Assessment returns themselves, the degree to which they were tech and financially savvy appeared to play a significant role in the likelihood of them finding the task easy or difficult - and therefore whether it prompted an emotional reaction and came to be perceived as burdensome (see Section 5). A Slightly Overwhelmed jewellery maker had struggled to understand what software might make Self Assessment returns easier. For her, an inability to find supportive software and feeling out of her comfort zone increased her anxiety. In contrast, Self Assessment administration was described by some as being so simple that one would wonder why anyone felt the need to outsource it at all.

> "I considered using tax software but I just found it hard to use. It always makes me quite stressed when I know the end of the financial year is looming."
>
> (Slightly overwhelmed)

> "I do that online, my personal one, and you just put the figures in and send it off. The HMRC bit is again extremely straightforward. It's easy to check … Get to the end, check it, submit it, and it goes off and then you pay your tax. Simple."
>
> (Tech savvy)

4.5 Other taxes

Taxes related to international trading were only relevant for a minority of the sample. Figure 4.5 outlines participants' overall views and identifies any pain points associated with these taxes.

Figure 4.5: Overview of experience of other taxes

Import/Export	Overseas withholding tax
• Participants reported that import/export duties were straightforward overall • Seen as 'just paying the duties required'	• Processes described as 'cumbersome' and problematic for small businesses • Lack of flexibility in HMRC systems about payment causes cash flow

• Felt that the search function for commodity codes was not good enough • Takes too long to find the correct code and needs classification to optimise the search function	issues doe businesses because of delays in payments from abroad • The process of applying for exemptions can take 'too long' (i.e. up to 6 weeks to get form signed)

5. Emotional drivers of burden

Key Findings:

Perceptions of burden appear to be predominantly driven by emotional rather than practical considerations. There are three emotional concerns which appear to make people vulnerable to perceiving tax administration tasks as burdensome: fear of change, fear of getting things wrong and fear of complexity. The emotional response to these fears pushes people into a reduced state of functionality, or 'cognitive overload'. These three fears are driven by the underlying perception of HMRC as a punitive rather than supportive organisation.

5.1 Emotional drivers of burden

Businesses generally reported low levels of burden relating to their habitual tax administration activities and seldom talked about burden in relation to practical time/cost factors. In fact, in cases in which businesses did feel that tax administration had become a burden, this was driven predominately by emotional factors. In short, burden was generally experienced as a perceived inability to cope with the activities required and an accompanying sense of anxiety or emotional distress.

Figure 5.1 shows that the emotional perceptions of burden were driven primarily by three inter-related fears or concerns: fear of change, fear of getting things wrong, and fear of complexity (see Figure 5.1). Fear of getting things wrong was generally the most salient concern for participants. Both the fear of change and the fear of complexity were generally underwritten by a fear of 'getting things wrong' but are worth exploring in their own right as they offer different perspectives on how HMRC may address concerns.

Figure 5.1: Overview of emotional concerns underpinning perception of burden

Fear of change / adopting new processes: Emotional response to the need to change habits / learn new practices, which undermines an individual's sense of control / efficacy

Fear of getting things wrong: Emotional response to concerns about the consequences of making mistakes, leading to worry and inefficient checking behaviours

Fear of complexity: Emotional response to a belief in a lack of expertise necessary to properly understand a task, undermining an individual's sense of efficacy

Figure 5.2 shows that the emotional nature of people's reactions to certain aspects of their tax administration meant that burden was not experienced in a linear manner. Instead, certain events, when prompting an emotional response, could push an individual beyond their 'cognitive bandwidth' and into a reduced state of functionality or 'cognitive overload'. This led to the perception that a task it was too difficult to handle, often regardless of an individual's actual capacity to complete it.

However, the level at which an individual would experience cognitive overload was shaped by their level of confidence with regards to tax administration. Those with a greater understanding of the tax system, that were more comfortable with the technological platforms used to administer their tax, or that had greater general financial competency were less likely to be subject to these fears and to be able to adapt to changing situations. The practical factors identified in Section 2 could therefore act as protective factors against a business experiencing an emotional sense of burden. Conversely, those with low levels of competency were more prone to stress. This suggests that, even though burden is experienced emotionally, HMRC could help to reduce perceptions of burden by improving their customers' practical competencies with relation to tax administration.

Figure 5.2: Overview of cognitive overload
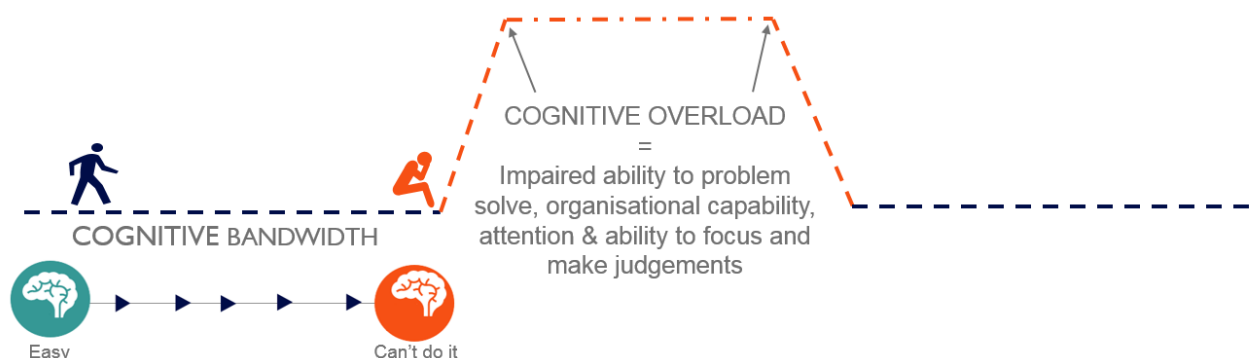
5.2 Fear of change

A fear of change, or of having to adapt to new systems and procedures, undermines an individual's sense of efficacy, pushing them outside of their comfort zone. Participants' habits were very important to their sense of control and comfort in their ability to manage their tax administration. They were, therefore, resistant to changing their processes, even if new processes were more 'efficient' in the long term. Changing habits also distracted attention from 'doing the task well'. Some participants appeared to resent all changes regardless of whether they were comparatively and practically less burdensome.

> "A change gets your back right up because you worry they're going to fine you ... it's just that initial fear of change in something to do with your revenue."
>
> (Financial specialist)

The fear of change, however, is not permanent. It is emotional rather than practical, and as participants 'get used to' certain systems or processes, they become comfortable in their new habits and find tasks to be straightforward once again. This meant that tasks early in the administrative process – particularly the need to understand new requirements – could be considered particularly burdensome by businesses, as it required them to step outside of their habits and consciously focus on their tax administration.

Figure 5.3 shows the case of a Business Generalist running a dental surgery. He could generally cope with PAYE administration, feeling it was straightforward, but at the introduction of new requirements had to adapt to new software. He could use a computer but was no expert and found the process of finding appropriate software challenging and frustrating. He reported spending time reading advice on HMRC's website on which software to use but felt unguided as to exactly what he should do. After some time, he got used to his new software and felt his stress was reduced. Another time he reported 'burden' with PAYE was the first time he paid sick pay. Again, he was pushed out of his comfort zone and into cognitive overload. In this instance, however, his impaired functionality was less than when he had to adapt to a totally new system.

All personas were affected by fear of change, but it was particularly pronounced for Business Generalists and the Slightly Overwhelmed. These were more vulnerable to cognitive overload – their sense of efficacy and confidence being tied to maintaining the status quo and following procedures they had 'got used to'.

> "It's when they change things, like when you get the annual change of tax. You can be a bit out on a limb, and be a bit in the dark, because the client you are going to work for is not up to speed about what should be going on. It's not the big things. It's all the picky things. It's the things that crop up on occasion. That's really the biggest problem."
>
> (Slightly Overwhelmed)

Figure 5.3: Depiction of how fear of change can impact on perception of burden for a Business Generalist
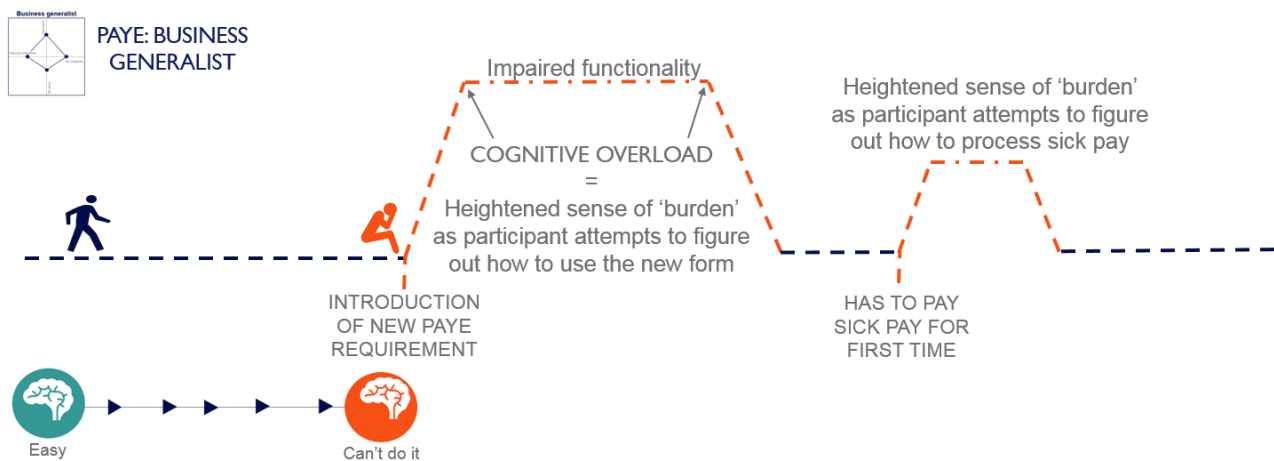
Even those able to adapt to change described feeling irritated by the need to learn new ways of doing things. However, these people felt more able to rationally appraise the changes.

> 'Every time you go on the website it's a different approach all the time to get to where you want to do the return. So you have to search to find it to get the return to be made. It can get a bit annoying.'
>
> (Financial Specialist)

5.3 Fear of getting things wrong

Participants placed high value on 'getting things right', not only with regards to expectations set by themselves about what they are, and should be, capable of, but also around expectations set by HMRC. A perception of the relative inflexibility of the system for handling errors, and the length of time taken to rectify errors when they were made, exacerbated anxiety around producing correct figures. This anxiety undermined participants' sense of their own efficacy and capabilities, making them more vulnerable to cognitive overload. A fear of errors was most pronounced when dealing with new circumstances (e.g. adapting to new systems and processes, or unusual procedures), and around submission dates.

> "I'm worried about making mistakes – they send you such threatening letters. They almost look as if you're in the wrong before you even do anything. They send you threatening letters – if you don't do this you're going to get a fine or something. It makes you feel on edge."
>
> (Digitally competent)

Even trained accountants, with decades of experience of working with tax and accounting systems, alluded to the various ways in which this fear drove both perception of and relationship to their tax administration. Peace of mind was given priority over efficiency, as participants described processes that went beyond what was strictly necessary (i.e. checking multiple times, despite knowing that their software also checked for errors).

Fear could also impair participants' capacity to complete tax administration, particularly when there were other emotional factors or trigger points – when participants felt most scrutinised (e.g. end-of-year tax returns), around submission dates, or when they received 'threatening' communications from HMRC.

Figure 5.4 shows a Digitally Competent telesales director who received what she considered to be a 'threatening letter' from HMRC. She felt that VAT was relatively simple but had mistakenly underpaid her VAT bill. The letter told her where to find information about correcting her mistake, but she felt unable to cope and called HMRC to talk to a 'real person' and 'sort it out quickly'. Once she had spoken to HMRC, and realised the problem was fairly easy to solve, her sense of burden reduced. To avoid making the same mistake again, she developed an extra spreadsheet and built in extra checking time. Her sense of emotional burden, therefore, has not returned to its previous level and remains elevated – 'normal' perception of burden has increased.

For many participants, a similar emotional response was felt around submission dates.

> "You don't submit it until you're 99.99% certain it's right. I check and go through almost every entry … Week before the online submission … again I start to check ALL the entries. I do it four to five days before, then the day before, and then I check it on the day... it gets quicker, and I do it purely for my own benefit."
>
> (Financial specialist)

Figure 5.4: Depiction of how fear of getting things wrong can impact on perception of burden for a Digitally Competent business owner
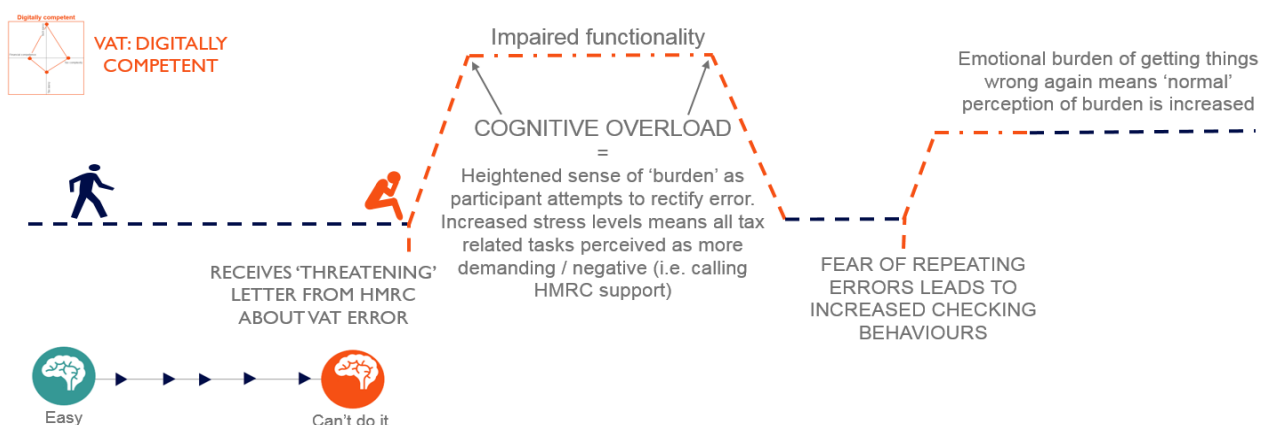
5.4 Fear of complexity

The fear of complexity was driven by the belief (and self-doubt) that taxes and tax laws are inherently complex and 'too expert' for participants to understand. Like the fear of errors, it was driven by the view of HMRC as 'the authority'. Tax was associated with legal jargon and complex clauses that had to be translated into a language that could be understood. Lack of transparency, and difficulty understanding taxes in the context of a specific business, increased the emotional perception of burden. It was perceived as complex to

access appropriate information and translate it into a practical context, as well as having to use and adapt to specific software. Understandings of complexity were not uniform, but related to individual needs and skill levels, which varied considerably across respondents.

While fear of errors was prominent across all four business groups, fear of complexity was significantly less present for Financial Specialists, who tended to have greater oversight not only of numerical and financial calculations, but of where and how to access information when needed. Tax and financial acumen, to some extent, protected participants from vulnerability to cognitive overload. A good understanding of the tax system, and of the HMRC website, gave greater confidence and competence when dealing with new tasks or when issues arose. That said, fear of complexity was occasionally experienced by trained accountants. Many, for example, perceived Corporation Tax as 'too expert' and responded emotionally by automatically outsourcing to an agent, rather than logically appraising whether they could handle it in-house. Where protective factors significantly influenced behaviours, was around the ability to troubleshoot issues relating to complexity. Those with digital competence or financial knowledge were generally open and more able to search for information that might help them resolve their query, rather than defaulting to calling HMRC for support, or suffering the frustration that, for example, a Business Generalist might experience.

Figure 5.5 shows a Business Generalist experiencing high levels of stress and anxiety when trying to access information about commodity codes for overseas withholding tax. He struggled to navigate HMRC online systems and found himself increasingly frustrated at his inability to find the answer. As his anger and frustration increased he started to scroll through at speed and didn't realise he had passed the information he was looking for. He eventually calmed down and optimised his search terms, finding the code he needed. However, every time he now has to search for a commodity code, he associates the task with the frustrations of that first attempt. He, therefore, finds all searches for commodity codes burdensome to some extent, even as he gradually becomes more equipped to access the information he needs quickly.

> "Operationally it's not an easy thing to grasp for a small business – we aren't accountants. Some taxes are relatively easy, some are relatively difficult to get your head around."
>
> (Business Generalist)

Figure 5.5: Depiction of how fear of complexity can impact on perception of burden for a Business Generalist
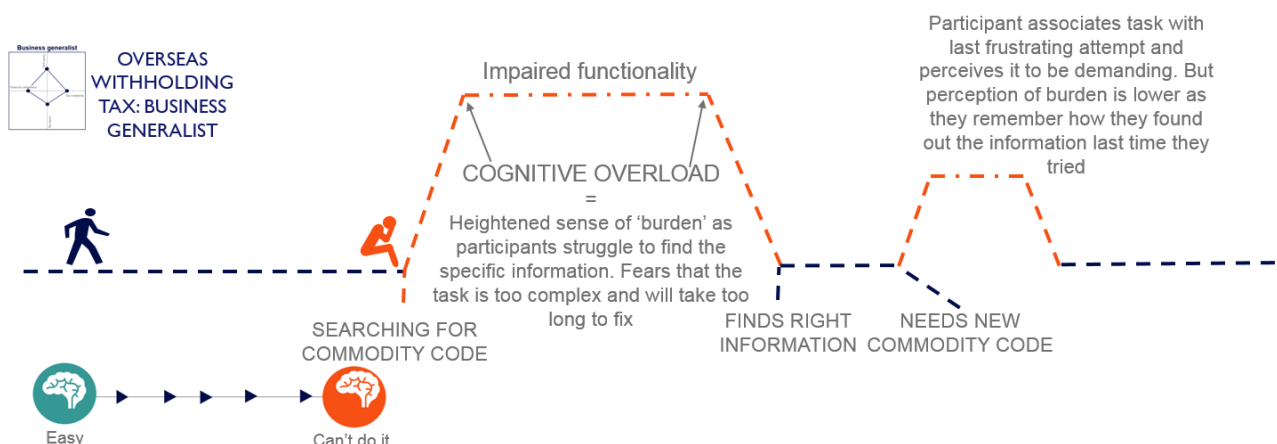
6. Suggestions for change

Key Findings

Several spontaneous suggestions arose for how HMRC could help participants understand and keep up-to-date with their tax administration obligations. These related to specific tools such as better search functions and more user-friendly navigation for HMRC information online.

Responses to prompted suggestions for change varied. Positivity towards these ideas was generally undermined by a lack of confidence in HMRC to deliver them. Efficient and effective delivery would be vital for burden reduction to be successful if these ideas were rolled out.

6.1 Spontaneous suggestions for changes

As most respondents did not associate their tax administration duties with high levels of burden, they struggled to come up with spontaneous ideas for improvements to processes. However, across the research a range of 'fixes' emerged, some general and some relating to specific taxes.

Several suggestions related specifically to the tools provided by HMRC to help understand and keep up to date with tax obligations, for example:

- participants found it difficult to navigate HMRC information online and felt it could be improved by structuring pages more systematically, to make it easier to find overview information but also to drill down into more specialised detail when needed

- some participants felt it would be helpful for HMRC to provide concise and easy-to-understand top-line summaries of important information, preferably presented visually, to provide easy reference points and context for more detailed understanding

- some felt the site would benefit from an improved search function, especially with regards to very specific information such as commodity or VAT codes, which were perceived as harder to search through Google

Other suggestions related to the use of online tax accounts:

- a number of respondents felt they would like to minimise the amount of time they spent accessing their account if possible, and wanted to be able to set up direct debit to manage payments

- those who owned more than one business wanted the option to register multiple companies under a single Government Gateway account. At present it is time-consuming managing multiple accounts, especially as communications are not generally easy to link up

> "When the Revenue send a notification there is no way of knowing which company the notification is for. Every time we get one we need to search online to find the company that corresponds to the reference number. There's no use telling me, this is what you need to do, this is what you've done, if you don't tell me which company it is. Because then I have to go through 20 different companies. We can't be the only business set up this way. And I have to check in case, but sometimes the contact is literally to say things are correct and ok."

> (Financial Specialist)

A final suggestion related specifically to those paying overseas withholding tax. Compared to other taxes, administration of this process was felt to be particularly costly, due to the time delay between applying for and receiving exemption. Those liable for this tax wanted to see this time reduced.

6.2 Prompted suggestions for change

As well as exploring spontaneous ideas for change, we also prompted respondents on a number of broad areas for change. Reactions to these ideas varied but responses were generally shaped by a lack of confidence in HMRC to deliver them in an efficient way. Even when ideas were seen as positive in theory, there were concerns about how they might be executed in practice, prompting the need for HMRC to consider not only the services that it delivers, but the way in which this delivery is executed.

Intelligent software

Participants were generally very positive about intelligent software and those already using commercial accounting packages felt these delivered well. There was broad support for HMRC working with software companies to ensure that this software was kept up to date. Responses to the idea of HMRC providing its own intelligent software were more mixed. Some felt HMRC already provided this for the submission of VAT accounts and felt it would be useful and provide reassurance if this service was expanded to pick up common errors. However, others were sceptical about the idea of HMRC providing intelligent software more generally and felt this was best left to software companies with established expertise. For some, whilst the software was useful, they felt it could impede an actual understanding of the tax, thus undermining real tax literacy.

> "If you are using an online accounts package like Sage it gives you that anyway."

> (Business generalist)

> "That would be helpful for reasons previously stated. They keep changing things and it doesn't matter how many books you read, you miss something. That would be a good backstop. If it can pick up all the differences that would be great."

> (Slightly overwhelmed)

Webinars

The idea of HMRC providing more webinars received mixed reactions. Many respondents were already aware that HMRC offered webinars and a minority had used these in the past. Amongst these respondents, principally Finance Specialists and the Digitally Competent, there was an interest in HMRC producing more webinar content if on relevant topics. However, for this group it was important that material was available at a time that suited them and not just streamed live, so they wanted all videos to be catalogued somewhere

easily accessible for future reference[6]. For others who were less engaged with their finances, webinars were not seen to be relevant, and the term could be alienating for the less tech savvy.

> "I have done those webinars, the online ones from HMRC. They were helpful. I've done it for I think the pension one and basically payroll ones. Because you get an email every couple of days telling you what's coming up. I think it was on sick pay and maternity and things like that. It was helpful."

> (Tech savvy)

> "Webinars probably have their place but actually we just need a software briefing room where there's probably some information about the SAGE model, similar to what SAGE are doing. And I might be interested but usually when I hear it's too late. It's noise in the email system and then you realise, bugger that might be useful ... they do have a place but there must be a better way of doing it. Like a feedback session, questions and answers."

> (Slightly Overwhelmed)

Online forums

The idea of using forums to access information on tax administration was generally not popular due to doubts that the information would be focused enough to meet the specific needs of participants. There were also concerns about who would moderate the forums and ensure that the information contained was accurate. There was a general preference to continue to use helplines in order to address specific information needs, with a minority also mentioning web chat as an alternative channel. This was seen to provide a higher level of responsivity and reassurance than a forum.

> "That could be really useful if the people at the other end are well versed in the business that you're in. Most of it is versed to peculiarities of your business, not general things ... that's when you need more technical people."

> (Slightly Overwhelmed)

> "I don't think I'd need to – I don't have anything to ask. But those kind of things are helpful for people that don't have the knowledge and experience and have been forced down the digital route."

> (Financial Specialist)

Connecting to broader government services

Participants were generally positive about the idea of a portal providing access to a range of services from across national and local government, as it could help to cut down on the overall complexity of business administration. However, there were serious concerns for all respondents about HMRC's ability to deliver such a service and that, if not executed well, it could actually increase complexity or make things more confusing. With this in mind, the majority rejected this idea and felt that HMRC should instead focus on meeting their more specific goals related to tax administration.

> "This would be great in theory, but given the general state of government websites, I'm not holding out for this to be anything but unclear and complex."

> (Business Generalist)

Proactive and tailored engagement

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[6] While many participants were aware of live webinars, only a few realised that these could be watched back at a later date.

Participants were generally positive about the idea of HMRC using data they hold on individual businesses to proactively engage with them, tailoring the support and guidance provided. They were open, in theory, to a more personalised and tailored service. However, responses suggested that the storing and using of information on businesses by HMRC could raise concerns about how that information is being used, which could in turn reinforce perceptions of an asymmetric relationship. As such, many rejected this idea due to lack of trust in HMRC, signalling the need to take care with how such a service is communicated.

> "I question whether gathering data from companies would do anything to help them other than to serve the interests of Her Majesty's government and find further ways of taxing them additionally."

(Digitally Competent)

Appendix 1: Research Sample

6.3 Research sample

Table 1: Quantitative sample

Primary Variables

Number of employees	Unweighted base
0	155
1-4	154
5-9	56
10-19	56

Outsource work to an agent/accountant	Unweighted base sizes
All external	134
Some internal, some agent	181
All internal	105

Secondary Variables

Whether a growth business	Unweighted base
Growth business	198
Not a growth business	214

Age of business	Unweighted base
Less than 2 years	15
2 years or more	405

Tax obligations	Unweighted base
PAYE	304
Self Assessment (SA)	202
VAT	300
Company tax	207
Import/export duties	26
Excise duties	19
Benefits in kind	44
Construction Industry Scheme	39
Other tax	7

Sector	Unweighted base
Agriculture or fishing	34
Construction	57
Education	14
Finance and insurance	23
Health and Social work	12
Hotels and restaurants	10
Manufacturing	32
Mining, electricity or gas and	4
Real estate, Renting or	21

Transport, storage and	31
Wholesale and retail trade	54
Any other activity	128
Burden	
Generally easy	194
Some easy/some more	186
Generally difficult	28

Burden	Unweighted base sizes
Generally easy	194
Some easy/some more demanding	186
Generally difficult	28

Please note that some of the base sizes in table 1 do not add up to 421 as some respondents answered "Don't know" or "Refused", and this is not displayed in the quota table.

Table 2: Qualitative sample

Primary Variables

Number of employees	Quotas	Achieved
0	10	11
1–4	15	14
5–9	15	12
10–19	10	10

Outsource work to an agent/accountant	Quotas	Achieved
Some internal, some agent	25	27
All internal	25	20

Secondary Variables

Whether a growth business	Quotas	Achieved
Growth business	15 min	23
Not a growth business	15 min	24

Age of business	Quotas	Achieved
Less than 2 years	5 min	6
2 years or more	45 max	41

Tax obligations	Quotas	Achieved
Tax obligations	Mix	39
PAYE	Mix	14
Self Assessment (SA)	Mix	39
VAT	Mix	34
Company tax	Mix	6
Import/export duties	8 min	4

Excise duties	Mix	11
Benefits in kind	Mix	4
Construction Industry Scheme (CIS)	Mix	1
Other – SPECIFY	Mix	

Sector	Quotas	Achieved
Agriculture or fishing	Mix	2
Construction	Mix	3
Education	Mix	1
Finance and insurance	Mix	7
Health and Social work	Mix	1
Hotels and restaurants	Mix	2
Manufacturing	Mix	5
Mining, electricity or gas and water supply	Mix	0
Real estate, Renting or Business Activities	Mix	2
Transport, storage and communication	Mix	2
Wholesale and retail trade	Mix	7
Any other activity – SPECIFY	Mix	15

International	Quotas	Achieved
Engages in business with international customers/clients	8 min	6

| Burden	Quotas	Achieved
Generally easy	Mix	24
Some easy/some more	Mix	18
Generally difficult	Mix	5

Appendix 2: Quantitative findings

A short online survey was undertaken with small business respondents to the 2016 Individuals, Small Business and Agents Customer Survey who had agreed to be re-contacted. In total, 1,817 respondents had agreed to be re-contacted by Kantar Public and 421 respondents took part in the online survey, giving a response rate of 23%. The quantitative survey was designed to inform the development of the qualitative research and help contextualise the qualitative findings, not as a representative, standalone piece of research.

Respondents were asked whether they felt that dealing with tax-related administration tasks on behalf of their business was generally easy or difficult, then asked to select which administrative processes they considered to be the most and least demanding and why.

The survey revealed that perceptions of burden were generally low. Tasks which tended to be considered more 'demanding' were participants struggling to understand tax requirements or adapt to changes in legislation. Only 9% of small businesses described their tax administration tasks as 'generally difficult'. Forty-four per cent of respondents described tax-related administration as 'generally easy' and a further 43% were neutral, saying 'some tasks are easy but others are demanding'. These results are largely in line with the findings from the qualitative phase of the research and indicate that, overall, most participants viewed tax administration processes as more or less straightforward.

Overall perception of burden
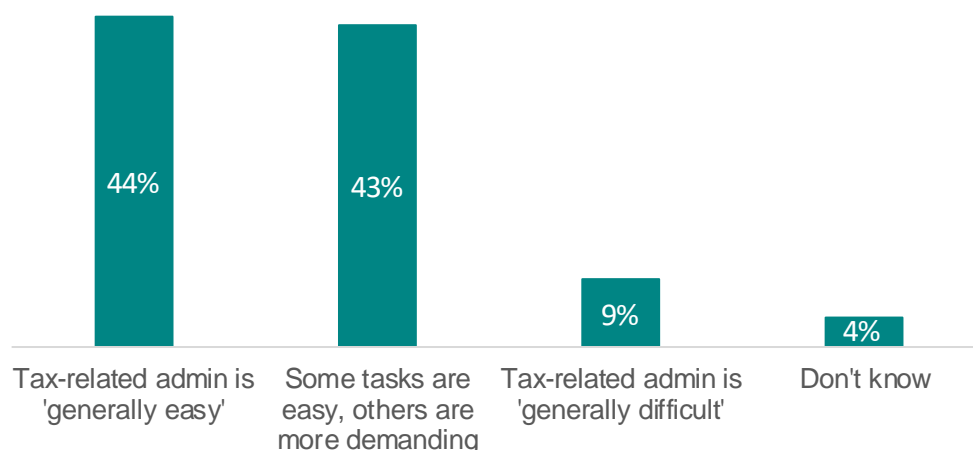
Overall perception of burden	
Tax-related admin is generally easy	44%
Some tasks are easy, others are more demanding	43%
Tax-related admin is generally difficult	9%
Don't know	4%

Base: All respondents (421)

The quantitative data indicated that the three 'most demanding' aspects of meeting tax requirements for small businesses are related to: 1) keeping up to date with changes in legislation and requirements, 2)

correctly calculating and checking figures, and 3) gathering and assessing relevant figures. The qualitative interviews provided contextual nuance to these findings, identifying that the burdens outlined in the quantitative results appear not to relate to specific aspects of tax administration, but are instead driven by underlying emotional trigger points associated with each of these processes.

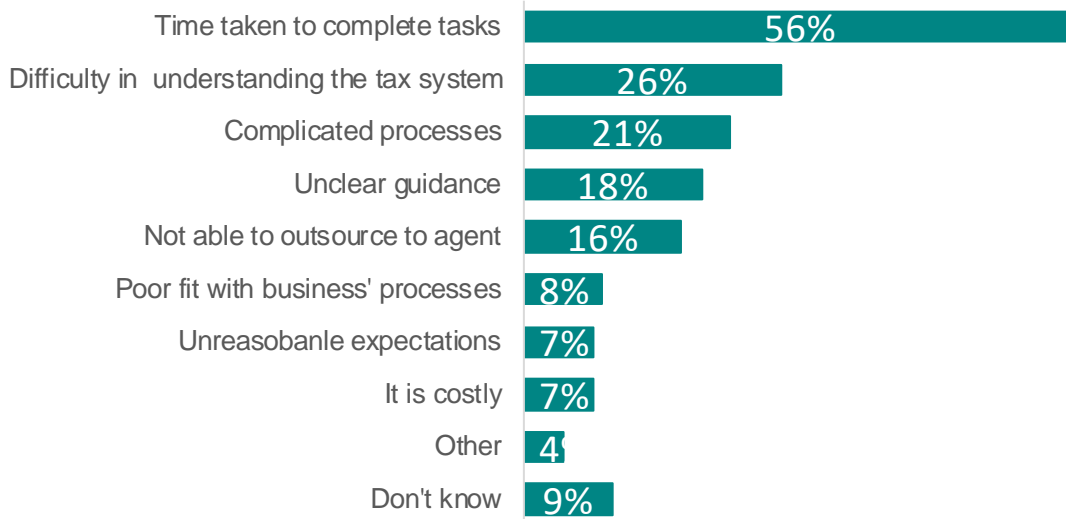## Top three 'most demanding' tax admin tasks
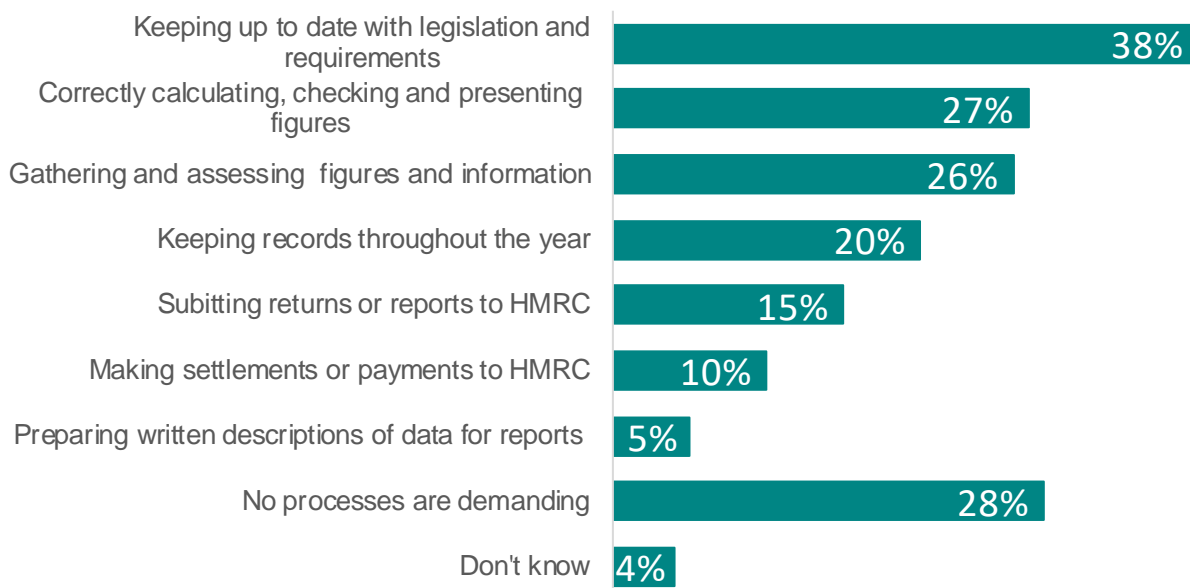
Top three 'most demanding' tax admin tasks	
Keeping up to date with legislation requirements	38%
Correctly calculating, checking and presenting figures	27%
Gathering and assessing figures and information	26%
Keeping records throughout the year	20%
Submitting returns or reports to HMRC	15%
Making settlements or payments to HMRC	10%
Preparing written descriptions of data for reports	5%
No processes are demanding	28%
Don't Know	4%

Base: All respondents (421)

The quantitative survey responses indicated that time taken to complete tax administration is more demanding than tax complexity, but this was not supported by the qualitative interviews. While time taken to complete administrative duties did factor in some of the qualitative interviews, this was largely associated with their habitual processes and felt to be something that just 'needed to be done' rather than burdensome. Instead, discussions about other, more salient factors featured considerably more prominently when depicting 'burden' (such as understanding requirements or adapting to changes in system). This highlights the importance of the in-depth interviews to further unpick small businesses' stated drivers.
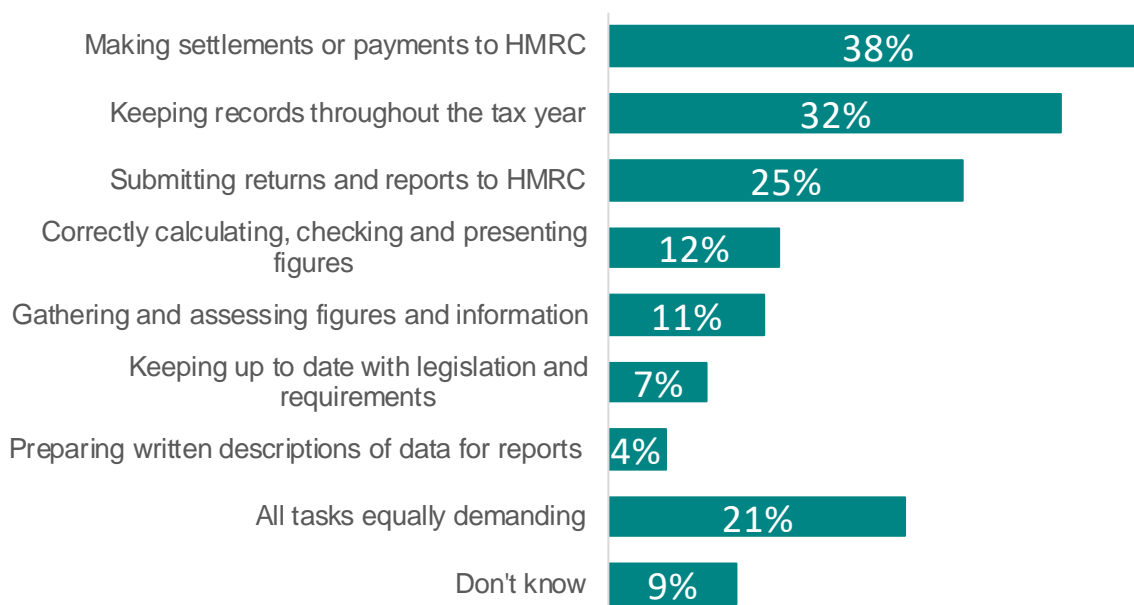
Reasons driving perceptions of burden

Reason	Percentage
Time taken to complete tasks	56%
Difficulty in understanding the tax system	26%
Complicated processes	21%
Unclear guidance	18%
Not able to outsource to agent	16%
Poor fit with business' processes	8%
Unreasobanle expectations	7%
It is costly	7%
Other	4
Don't know	9%

Reasons driving perceptions of burden	
Time taken to complete tasks	56%
Difficulty in understanding the tax system	26%
Complicated processes	21%
Unclear guidance	18%
Not able to outsource to agent	16%
Poor fit with business' processes	8%
Unreasonable expectations	7%
It is costly	7%
Other	4%
Don't know	9%

Base: Respondents who find it demanding to deal with certain tax-related admin tasks (296)

Conversely, the survey found that the three 'least demanding' aspects of tax administration related to using HMRC digital interfaces for making settlements and payments, submitting returns and reports and keeping records; the latter perhaps due to the integrated nature of financial and tax-related administrative duties. These results broadly indicate that using HMRC systems and record keeping (tasks which are arguably the main bulk of tax-related administration) were felt to be straightforward.

Top three 'least demanding' tax admin tasks

Making settlements or payments to HMRC	38%
Keeping records throughout the tax year	32%
Submitting returns and reports to HMRC	25%
Correctly calculating, checking and presenting figures	12%
Gathering and assessing figures and information	11%
Keeping up to date with legislation and requirements	7%
Preparing written descriptions of data for reports	4%
All tasks equally demanding	21%
Don't know	9%

Top three 'least demanding' tax admin tasks	
Making settlements or payments to HMRC	38%
Keeping records throughout the tax year	32%
Submitting returns and reports to HMRC	25%
Correctly calculating, checking and presenting figures	12%
Gathering and assessing figures and information	11%
Keeping up to date with legislation and requirements	7%
Preparing written descriptions of data for reports	4%
All tasks equally demanding	21%
Don't know	9%

Base: All respondents (421)

The reasons driving low perceptions of burden were associated with straightforward processes, outsourcing to an agent and tasks being 'not time consuming'.

Reasons driving low perception of burden

Reason	%
Processes are straightforward	47%
Outsourcing to an agent	40%
Not time consuming	21%
Clear guidance	17%
Reasonable expectations	16%
Good fit with business' processes	14%
Inexpensive	10%
Easy to understand the tax system	3%
Other	3%
Don't know	5%

Reasons driving low perception of burden	
Processes are straightforward	47%
Outsourcing to an agent	40%
Not time consuming	21%
Clear guidance	17%
Reasonable expectations	16%
Good fit with business' processes	14%
Inexpensive	10%
Easy to understand the tax system	3%
Other	3%
Don't know	5%

Base: Respondents who find it less demanding to deal with certain tax-related admin tasks (311)