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Customer readiness for Making Tax Digital for Income Tax Self-Assessment (ITSA)

HM Revenue and Customs Research Report 646

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# Glossary and abbreviations

|  |  |
| --- | --- |
| 1. Term
 | 1. Definition
 |
| 1. Agent
 | 1. Individuals such as accountants or tax agents who help customers meet their tax obligations, for example through keeping accounting records, storing copies of receipts and invoices, or preparing, checking or submitting tax returns. No agents were included in the research.
 |
| 1. Corporation Tax
 | 1. This is a tax that limited companies and other organisations pay on their profits. At the time of writing, the rate of [Corporation Tax](https://www.gov.uk/corporation-tax) was 19%
 |
| 1. Customers
 | 1. Unincorporated small businesses, self-employed people and landlords included in the research. [Incorporation](https://www.gov.uk/government/publications/incorporation-and-names/incorporation-and-names#:~:text=Incorporation%20is%20the%20process%20by,by%20shares%20or%20by%20guarantee.) is the process by which a business registers as a limited company with Companies House, under the Companies Act 2006.
 |
| 1. Income Tax Self Assessment (ITSA)
 | 1. Self Assessment is a system HMRC uses to collect Income Tax from those who do not have tax deducted automatically from wages, pensions and savings. People and businesses with other income (including COVID-19 grants and support payments) must report it in a tax return. For more information, please see the GOV.UK page on [Self Assessment tax returns](https://www.gov.uk/self-assessment-tax-returns#:~:text=who%20has%20died-,Overview,it%20in%20a%20tax%20return.).
 |
| 1. MTD for ITSA
 | 1. Making Tax Digital for ITSA consists of two elements: keeping digital records through MTD-compatible software, and using this software to send HMRC quarterly summaries of income and expenditure. For more information, please see the GOV.UK page on [MTD for ITSA](https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital#making-tax-digital-for-income-tax).
 |
| 1. Landlord
 | 1. For the purposes of MTD for ITSA mandation, landlords are those who receive property income of over £10,000 per year and who will therefore be subject to MTD for ITSA rules from April 2024.
 |
| 1. Partnership
 | 1. A type of business whereby two or more partners personally share the cost of business expenses and responsibility for any losses the business makes.
 |
| 1. PAYE
 | 1. Pay As You Earn is HMRC’s system to collect Income Tax and National Insurance from those in employment.
 |
| 1. SA200
 | 1. The SA200 Short Tax Return is a more simple version of the SA100 Main Tax Return, but should only be used if HMRC asks customers to use it.
 |
| 1. Self-employed
 | 1. In this research, this refers to unincorporated small businesses taxed through Income Tax and not owner-managed small companies that are taxed through Corporation Tax.
 |
| 1. Software
 | 1. Accounting or record keeping packages which can be accessed on a computer, on the internet or through a smartphone app. It does not include spreadsheets (which are referred to separately, as such).
 |
| 1. VAT
 | 1. Value Added Tax is a general tax placed on almost all goods and services sold. The standard rate of VAT is currently 20%. For more information please see the GOV.UK page on [VAT rates](https://www.gov.uk/vat-rates).
 |
| 1. VAT threshold
 | 1. The turnover or gross income threshold needed to register for VAT. At the time of the survey the VAT threshold was £85,000. For more information, please see the GOV.UK page on [VAT registration thresholds](https://www.gov.uk/vat-registration-thresholds).
 |

# Executive summary

Background

1. Since 2019, VAT-registered businesses with a taxable turnover above the VAT threshold (£85,000 at the time of writing) have been required to follow the Making Tax Digital (MTD) rules by keeping digital records and using software to submit their VAT returns. Unincorporated businesses and landlords with annual turnover or gross income above £10,000 will need to follow the rules for MTD for Income Tax Self Assessment (ITSA) from their next accounting period starting on or after 6 April 2024. For those who are both self-employed and landlords, this is their total income (from self-employment and property rental). General partnerships will not be required to join MTD for ITSA until 6 April 2025.

Research aims and method

1. The aim of the research was to update HMRC’s understanding of eligible ITSA customers’ readiness to move to MTD and consisted of:
	* + - a random-probability telephone survey of 2,200 eligible ITSA customers, conducted between 22 February and 20 August 2021
			- a segmentation analysis to divide customers into distinct groups based on their current practices and attitudes towards MTD for ITSA
			- 30 in-depth, qualitative interviews with ITSA customers who had taken part in the survey

Key findings

1. The segmentation analysis resulted in 6 distinct customer Clusters, based on respondents’ demographic and attitudinal responses in the survey. The Clusters varied in terms of their likely ability to comply with MTD, and the extent to which they recognised the benefits of keeping regular, digital records. It is important to note that the qualitative research indicated that awareness of MTD for ITSA was low. Therefore, customers’ judgements about how easy or difficult it would be to comply, and the extent to which they would see any benefits, were formed on the basis of limited information.
	* + - ‘Receptive and Capable’ customers made up 32% of the in-scope population. They were the youngest in age and most positive about the benefits of MTD for ITSA. They required limited support relative to the other Clusters – namely clear, concise information about what they needed to do and by when.
			- ‘Complex and Capable’ customers made up 10% of the in-scope population. They included the largest and most complex businesses, with long-established systems for managing their tax affairs; many were already complying with MTD for VAT. With infrastructure in place such as accountants, staff, software and quarterly recordkeeping practices, they expected to find it easy to comply and could recognise the benefits (though less so than the Receptive and Capable Cluster).
			- ‘Capable but Disengaged’ customers made up 25% of the in-scope population. They included a high proportion of landlords and those with income from employment (PAYE). Their tax affairs were simple and they spent minimal time meeting their obligations. As such, they struggled to see the benefits and needed to understand why they had been included in MTD. They wanted recommendations for free or low-cost software, appropriate to their straightforward needs.
			- ‘Cautious and Lack Confidence’ customers made up 15% of the in-scope population. This Cluster thought MTD would be difficult, as they lacked confidence with technology and found meeting their current obligations challenging. They needed support with recordkeeping tools, information about how their agents could support them, and reassurance that their data would be handled securely.
			- ‘Resistant and Less Capable’ customers made up 16% of the in-scope population. They were one of the oldest Clusters in terms of time trading, with long-established, paper-based recordkeeping practices. They lacked the capability to use digital tools and struggled to see the benefits of digital recordkeeping. These customers needed guidance on all aspects of MTD but were likely to turn to friends and family in the first instance, rather than rely on HMRC guidance.
			- ‘Short Tax Return’ customers currently completed a simpler SA200 tax return and they made up 2% of the in-scope population. They were similar to the Resistant and Less Capable customers in all regards, though they were marginally more capable of switching to MTD (40% felt comfortable using technology to manage their finances, versus 4% of Resistant and Less Capable), yet less able to see the benefits.
2. The two most receptive Clusters made up 41% of the population, meaning that 4 in 10 customers thought complying would be easy and could recognise the benefits of MTD, despite some reservations. Ipsos conducted similar research on MTD in 2016, including ITSA, VAT and Corporation Tax customers. Though not directly comparable, the latest findings indicate a greater proportion reporting that they would find transitioning to MTD relatively easy, partly due to greater use of MTD for VAT.
3. However, a similar proportion across the Clusters thought it would be difficult to use MTD-compatible software (35%) or to send quarterly summaries to HMRC (39%). Three of the six Clusters had customers that were particularly resistant to the changes (Cautious and Lack Confidence, Resistant and Less Capable, and the Short Tax Return customers). They represented one-third of the population and will likely require more tailored support to comply.

The vast majority of customers (86%) had turnover, property income or combined turnover and property income below the VAT threshold, meaning most had no prior MTD experience. Though current use of recordkeeping software was low (17%), more than half of ITSA customers (54%) were already keeping records at least quarterly. Overall, likely engagement with MTD was shaped by customers’:

* + - * current practices (those who used paper methods, infrequently kept records, spent minimal time on their obligations, or who found recordkeeping difficult, were the least receptive to the changes)
			* structure (the largest and most complex businesses – namely, the partnerships – were either already completing MTD for VAT or keeping digital records quarterly, and so felt the move should be easy. Landlords, particularly those with one or two properties spent minimal time and effort on their obligations, and felt MTD would result in more time and higher costs)
			* comfort using technology (the more confidence customers felt they had using technology to manage their finances, the easier they thought MTD would be, and the more they were able to recognise the benefits; this was correlated with customers’ age)
			* life stage (the older the customer, the more likely they were to find complying with MTD difficult)

Customers’ primary concern was therefore with finding, choosing, and using MTD-compatible software. They stressed the importance of trial periods to understand what MTD looked like in practice and to feel confident with the new system. For the rollout of MTD for ITSA to be a success, customers emphasised the need for leniency while they submitted their first digital returns (particularly important for those who had a long history of submitting correct and punctual tax returns) and requested that HMRC play an active role in helping them to choose software.

1. Introduction
	1. Background
2. Since 2019, VAT-registered businesses with a taxable turnover above the VAT threshold (£85,000 at the time of writing) have been required to follow the Making Tax Digital (MTD) rules by keeping digital records and using software to submit their VAT returns.
3. In July 2020, the Government published its [10-year strategy](https://www.gov.uk/government/publications/tax-administration-strategy/building-a-trusted-modern-tax-administration-system) for building a trusted, modern tax administration system, incorporating plans for the gradual extension of Making Tax Digital (MTD). Unincorporated businesses and landlords with annual turnover or gross income above £10,000 will need to follow the rules for MTD for Income Tax Self Assessment (ITSA) from their next accounting period starting on or after 6 April 2024. For those who are both self-employed and landlords, this is their total income (from self-employment and property rental). General partnerships will not be required to join MTD for ITSA until 6 April 2025.
4. Following the rules for MTD for ITSA will involve keeping digital records and using software to submit quarterly summaries of income and expenditure. After submitting the quarterly summaries of income and expenses to HMRC, ITSA customers will receive an estimated tax calculation to help them budget for their tax. At the end of the year, ITSA customers can add any further information and finalise their tax affairs using MTD-compatible software, which replaces the need for a Self Assessment tax return.
5. MTD will fundamentally change how the tax system works for customers. This integrated approach to business administration and tax means that many of the existing paper-based or manual processes are eliminated, and time spent by many customers on administration is reduced.
	1. Research objectives
6. This research focused on customers eligible for MTD for ITSA: businesses (including the self-employed and partnerships), landlords, and those who are both self-employed and landlords with combined turnover and/or property income above £10,000. SA200 customers (who currently complete short tax returns) are also eligible. The aim of the research was to update HMRC’s understanding of ITSA customers’ readiness to move to MTD and to provide a baseline measure for future surveys on the topic.
7. Specifically, the core objectives of the research were to understand ITSA customers’:
	* + - current recordkeeping practices, including methods used, frequency, and ease of meeting their ITSA obligations
			- current engagement with MTD, in terms of their attitudes towards digital recordkeeping and submitting quarterly summaries
			- ability to comply, and support needs in transitioning to MTD
	1. Methodology
8. The research consisted of: a telephone survey, segmentation analysis carried out on the survey data, and qualitative in-depth interviews. Each is discussed in turn below, and further detail is included in the Appendix.

Survey

Ipsos conducted a random-probability telephone survey with 2,200 customers eligible for MTD for ITSA. Fieldwork took place between 22 February and 20 August 2021, with a pilot of 22 interviews conducted between 22 and 25 February 2021. Respondents were randomly selected from HMRC’s ITSA database, and the final data was weighted to be representative of the MTD for ITSA population.

Segmentation analysis

A segmentation (also known as a cluster analysis) is used to divide survey respondents into distinct groups with specific characteristics, which can include demographic, behavioural or attitudinal variables. Variables are introduced until the optimal segmentation is found. This is one where all segments (or clusters) are different and distinct, the clusters are well distributed, and it is possible to derive an algorithm to predict membership. The segmentation resulted in 6 distinct clusters, based on survey data, who vary in terms of their current recordkeeping practices, demographics, and attitudes towards MTD.

Qualitative in-depth interviews

1. Following the survey and segmentation analysis, Ipsos conducted 30 in-depth, qualitative interviews with survey respondents. Customers were recruited in line with the 6 segments, in order to better understand their willingness and ability to comply with MTD for ITSA, and the support they would need to transition.
	1. Reporting notes

Survey findings

Survey results are subject to margins of error, which vary with the sample size and the percentage figure concerned. The report only comments on subgroup differences where these were found to be statistically significant at the 95% level of confidence[[1]](#footnote-2). Where figures do not sum to 100% this is due to rounding of percentages or because the questions allowed more than one response.

1. Average figures are reported using mean and median values. Mean values were derived by taking the average of the actual figure given or the midpoint of banded responses. Median values were derived by taking the midpoint of the frequency distribution of the values. Median figures are useful where very high or low outlying figures were reported, to provide a more accurate and balanced account.

Qualitative findings

1. Qualitative research is not designed to be statistically representative. The qualitative findings are intended to be illustrative of the range of views held by ITSA customers eligible for MTD, providing insight into their behaviours and perceptions. The qualitative findings presented in this report reflect only the perspectives of those interviewed and cannot be generalised to a wider sample of ITSA customers.

Verbatim quotes have been included in this report to illustrate key points and common themes. Where verbatim quotes are used, they have been anonymised and attributed to their Cluster. Attributions are not unique identifiers for each interview so while some quotes may have identical attributions this does not necessarily mean that they were said by the same participant.

Accessibility

This report complies with [Government Digital Service standards](https://www.gov.uk/guidance/guidance-and-tools-for-digital-accessibility#designing-accessible-content) on designing accessible content. All images have alternative text, and we have included data tables underneath charts throughout.

1. Overview of the customer Clusters
2. This Chapter provides an overview of the 6 Clusters, covering their key characteristics and prevalence in the ITSA population.
	1. Introducing the customer Clusters

The segmentation produced 6 distinct Clusters based on customers’ demographic and attitudinal responses in the survey. Customers were grouped into these Clusters (Figure 2.1) because they gave similar responses to these questions and, consequently, were expected to have similar behaviours in relation to tax and similar attitudes and concerns towards MTD for ITSA. The Clusters varied both in terms of their ability to comply, and how receptive they were to the changes.

* + - 1. Proportion of the population each Cluster represents
1. 
2. Base (unweighted): All survey respondents (2,200). Image: The Clusters listed in order of most to least receptive of MTD, showing the size of each Cluster among participants. Receptive and Capable (32%), Complex and Capable (10%), Capable but Disengaged (25%), Cautious and Lack Confidence (15%), Resistant and Less Capable (16%), Short Tax Return (2%).
3. Two in five customers eligible for MTD for ITSA (41%) felt complying should be easy and were broadly receptive to MTD. The Receptive and Capable and Complex and Capable Clusters were consistently more likely to recognise the benefits of keeping digital records and reporting on a quarterly basis.
4. Ipsos conducted similar research on MTD in 2016, which included ITSA, VAT and Corporation Tax (CT) customers. The research included a [segmentation](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720010/HMRC_MTD_for_Business_segmentation_research.pdf) which grouped customers according to their engagement with MTD. Though not directly comparable, the findings presented in this report indicate an increase in the proportion who will find it relatively easy to transition to MTD.
5. The ITSA population mandated for MTD is fairly fragmented, and there are several small customer groups that are particularly resistant to the changes (Cautious and Lack Confidence, Resistant and Less Capable, and the Short Tax Return customers). These customers represent one-third of the population (33%) and the report focuses on the nature of their concerns and the support they need to transition smoothly. It is important to note that the qualitative research indicated that awareness of MTD for ITSA was low and where customers had not heard of the changes prior to the research, they tended to have a more negative outlook and were more resistant (see Section 6.1 for more detail).
6. Please note, though the Short Tax Return group is depicted in Figure 2.1 as the most resistant to MTD, on some measures the Resistant and Less Capable customers were more negative about the changes. These two groups together should be seen as the most resistant customer groups, and the nature of their resistance is described in further detail in Chapters 3 and 4. Please refer to the Appendix (Table 8.3) for more detail on the variables included in the segmentation analysis. The remainder of this Chapter provides more detail on the key characteristics of each Cluster.
	1. Receptive and Capable
7. This Cluster was predominantly self-employed, compared to the average, and were one of the youngest Clusters in terms of length of time trading, or spent as a landlord. Nine in ten (90%) had a turnover, property income, or combined turnover and property income below the VAT threshold.
8. Key characteristics of the Receptive and Capable Cluster
9. The Receptive and Capable Cluster are the largest and most positive about MTD, making up 32% of the overall population eligible for MTD for ITSA. They find recordkeeping easy and do not currently spend that much time on their tax affairs (Chapter 5). They are the youngest Cluster in terms of age, and growing up with technology has helped them to feel more confident using this in business and to feel better able to comply with MTD (Chapter 5). They are receptive to the idea of MTD for ITSA (Chapters 3 and 4) and are awaiting further instruction from HMRC on how and when to prepare (Chapter 6).
10. More than 4 in 10 Receptive and Capable customers (44%) used an external, paid agent to help them with their ITSA obligations, lower than the average. The most commonly used method of recordkeeping was spreadsheets, followed by paper methods, software, and lastly carried out by their agents.
11. Almost all Receptive and Capable customers (97%) said they felt comfortable using technology to manage their finances, and 9 in 10 (89%) thought it would be easy to use MTD-compatible software. This means that whilst many are not currently using software, the requirement to do so is unlikely to present difficulties or resistance among this group.
	* + - 1. Key characteristics of the Receptive and Capable Cluster

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Characteristic
 | 1. Description
 | Receptive and Capable | All respondents |
| 1. Customer group
 | 1. Self-employed
 | 1. 70%\*
 | 60% |
| 1. Customer group
 | 1. Landlords
 | 1. 21%
 | 22% |
| 1. Customer group
 | 1. Self-employed and landlords
 | 1. 6%\*
 | 11% |
| 1. Customer group
 | 1. Partnerships
 | 1. 3%\*
 | 6% |
| 1. Average time
 | 1. Trading
 | 1. 10 years\*
 | 1. 15 years
 |
| 1. Average time
 | 1. As a landlord
 | 1. 12 years
 | 1. 14 years
 |
| 1. Turnover / income
 | 1. Below VAT threshold
 | 1. 90%\*
 | 1. 86%
 |
| 1. Turnover / income
 | 1. Above VAT threshold
 | 1. 4%\*
 | 1. 8%
 |
| 1. Turnover / income
 | 1. Turnover / income unknown
 | 1. 6%
 | 1. 7%
 |
| 1. External paid agent use
 | 1. Yes
 | 1. 44%\*
 | 1. 51%
 |
| 1. Recordkeeping method
 | 1. Agent
 | 1. 12%
 | 1. 12%
 |
| 1. Recordkeeping method
 | 1. Paper
 | 1. 31%\*
 | 1. 45%
 |
| 1. Recordkeeping method
 | 1. Spreadsheets
 | 1. 47%\*
 | 1. 41%
 |
| 1. Recordkeeping method
 | 1. Software (including mobile apps)
 | 1. 23%\*
 | 1. 17%
 |
| 1. Using technology to manage finances
 | 1. Fairly or very comfortable
 | 1. 97%\*
 | 1. 70%
 |
| 1. Using MTD-compatible software
 | 1. Fairly or very easy
 | 89%\* | 38% |
| Base (unweighted): All survey respondents (2,200), all Receptive and Capable customers (670). Statistically significant differences are denoted with an asterisk (\*) and the cells have been shaded where subgroups are significant against the total. |

* 1. Complex and Capable
1. This Cluster had the highest proportion of partnerships whose tax affairs were generally more complex compared to other ITSA customers. They were the oldest Cluster in terms of length of time trading and around average in terms of length of time as a landlord meaning they had well established systems for managing their taxes. This Cluster contained the largest businesses – half had turnover, property income, or combined turnover and property income above the VAT threshold (48%).
2. Key characteristics of the Complex and Capable Cluster
3. The Complex and Capable Cluster are the second smallest group, making up 10% of the overall population eligible for MTD for ITSA. They are the biggest businesses with the most complex tax affairs (Chapter 5). Most are already meeting the MTD recordkeeping requirements and / or have signed up for MTD for VAT (Chapter 5). They have the infrastructure to support them (agents and other employees) and therefore will find it easy to switch to MTD for ITSA. However, they are neutral on the benefits of MTD in terms of saving them time and greater accuracy (Chapters 3 and 4).
4. More than 7 in 10 Complex and Capable customers (76%) used an external, paid agent to help them with their ITSA obligations. Due to the size, complexity and maturity of their business, Complex and Capable customers were the most likely to already be using software as their method of recordkeeping, followed by spreadsheets, paper methods or using an agent.
5. Nine in ten Complex and Capable customers (87%) said they felt comfortable using technology to manage their finances, while 6 in 10 (61%) thought it would be easy to use MTD-compatible software.
	* + - 1. Key characteristics of the Complex and Capable Cluster

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Characteristic
 | 1. Description
 | Complex and Capable | All respondents |
| 1. Customer group
 | 1. Self-employed
 | 1. 39%\*
 | 60% |
| 1. Customer group
 | 1. Landlords
 | 1. 2%\*
 | 22% |
| 1. Customer group
 | 1. Self-employed and landlords
 | 1. 26%\*
 | 11% |
| 1. Customer group
 | 1. Partnerships
 | 1. 34%\*
 | 6% |
| 1. Average time
 | 1. Trading
 | 1. 27 years\*
 | 1. 15 years
 |
| 1. Average time
 | 1. As a landlord
 | 1. 13 years
 | 1. 14 years
 |
| 1. Turnover / income
 | 1. Below VAT threshold
 | 1. 48%\*
 | 1. 86%
 |
| 1. Turnover / income
 | 1. Above VAT threshold
 | 1. 48%\*
 | 1. 8%
 |
| 1. Turnover / income
 | 1. Turnover / income unknown
 | 1. 4%
 | 1. 7%
 |
| 1. External paid agent use
 | 1. Yes
 | 1. 76%\*
 | 1. 51%
 |
| 1. Recordkeeping method
 | 1. Agent
 | 1. 18%\*
 | 1. 12%
 |
| 1. Recordkeeping method
 | 1. Paper
 | 1. 23%\*
 | 1. 45%
 |
| 1. Recordkeeping method
 | 1. Spreadsheets
 | 1. 23%\*
 | 1. 41%
 |
| 1. Recordkeeping method
 | 1. Software (including mobile apps)
 | 1. 61%\*
 | 1. 17%
 |
| 1. Using technology to manage finances
 | 1. Fairly or very comfortable
 | 1. 87%\*
 | 1. 70%
 |
| 1. Using MTD-compatible software
 | 1. Fairly or very easy
 | 61%\* | 38% |
| Base (unweighted): All survey respondents (2,200), all Complex and Capable customers (299). Statistically significant differences are denoted with an asterisk (\*) and the cells have been shaded where subgroups are significant against the total. |

* 1. Capable but Disengaged
1. This Cluster had a high proportion of landlords, compared to the average, and were one of the youngest Clusters in terms of length of time trading. Nine in ten (90%) had a turnover, property income, or combined turnover and property income below the VAT threshold.

Key characteristics of the Capable but Disengaged Cluster

The Capable but Disengaged Cluster are the second largest Cluster, making up 25% of the overall population eligible for MTD for ITSA. This Cluster has a high proportion of landlords or those who have income from employment and so their ITSA obligations are not their main priority (Chapter 5). They are very comfortable with technology (Chapter 5), and so using software should be easy. However, they struggle to see the benefits of MTD given their size and the limited time they currently spend on their tax affairs compared to other Clusters (Chapter 5) and are therefore likely to be more resistant to the change.

1. Around 3 in 10 Capable but Disengaged customers (28%) used an external, paid agent to help them with their ITSA obligations. Because their tax affairs tended to be simple, Capable but Disengaged customers were the most likely to be using spreadsheets as their method of recordkeeping, followed by paper methods; relatively few used an agent or software.
2. While 9 in 10 Capable but Disengaged customers (90%) said they felt comfortable using technology to manage their finances, 4 in 10 (38%) thought it would be difficult to use MTD-compatible software and 3 in 10 were neutral (28%).
	* + - 1. Key characteristics of the Capable but Disengaged Cluster

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Characteristic
 | 1. Description
 | Capable but Disengaged | All respondents |
| 1. Customer group
 | 1. Self-employed
 | 1. 53%\*
 | 60% |
| 1. Customer group
 | 1. Landlords
 | 1. 39%\*
 | 22% |
| 1. Customer group
 | 1. Self-employed and landlords
 | 1. 6%\*
 | 11% |
| 1. Customer group
 | 1. Partnerships
 | 1. 2%\*
 | 6% |
| 1. Average time
 | 1. Trading
 | 1. 8 years\*
 | 1. 15 years
 |
| 1. Average time
 | 1. As a landlord
 | 1. 14 years
 | 1. 14 years
 |
| 1. Turnover / income
 | 1. Below VAT threshold
 | 1. 90%\*
 | 1. 86%
 |
| 1. Turnover / income
 | 1. Above VAT threshold
 | 1. 1%\*
 | 1. 8%
 |
| 1. Turnover / income
 | 1. Turnover / income unknown
 | 1. 8%
 | 1. 7%
 |
| 1. External paid agent use
 | 1. Yes
 | 1. 28%\*
 | 1. 51%
 |
| 1. Recordkeeping method
 | 1. Agent
 | 1. 5%\*
 | 1. 12%
 |
| 1. Recordkeeping method
 | 1. Paper
 | 1. 41%\*
 | 1. 45%
 |
| 1. Recordkeeping method
 | 1. Spreadsheets
 | 1. 66%\*
 | 1. 41%
 |
| 1. Recordkeeping method
 | 1. Software (including mobile apps)
 | 1. 9%\*
 | 1. 17%
 |
| 1. Using technology to manage finances
 | 1. Fairly or very comfortable
 | 1. 90%\*
 | 1. 70%
 |
| 1. Using MTD-compatible software
 | 1. Fairly or very difficult
 | 38% | 35% |
| Base (unweighted): All survey respondents (2,200), all Capable but Disengaged customers (517). Statistically significant differences are denoted with an asterisk (\*) and the cells have been shaded where subgroups are significant against the total. |

* 1. Cautious and Lack Confidence
1. The Cautious and Lack Confidence Cluster had a high proportion of customers who were both self-employed and landlords, compared to the average. Nine in 10 (88%) had a turnover, property income, or combined turnover and property income below the VAT threshold.

Key characteristics of the Cautious and Lack Confidence Cluster

The Cautious and Lack Confidence Cluster make up 15% of the overall population and are among the most negative towards MTD. This Cluster included a high proportion of self-employed customers and landlords, meaning that whilst their businesses are small, they feel they have complex tax affairs, find recordkeeping difficult, and are reliant on their agents (Chapter 5). They are reasonably comfortable using technology, but have data security concerns regarding software use (Chapter 6). They think MTD will be difficult to adjust to and struggle to see the benefits (Chapters 3 and 4).

1. Reflecting their lack of confidence, eight in ten Cautious and Lack Confidence customers (83%) used an external, paid agent to help them with their ITSA obligations. Cautious and Lack Confidence customers were mainly using paper as their method of recordkeeping, followed by spreadsheets or using an agent; just 8% used software.
2. Four in ten Complex and Capable customers (41%) said they felt comfortable using technology to manage their finances and 7 in 10 (73%) thought it would be difficult to use MTD-compatible software.
	* + - 1. Key characteristics of the Cautious and Lack Confidence Cluster

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Characteristic
 | 1. Description
 | Cautious and Lack Confidence | All respondents |
| 1. Customer group
 | 1. Self-employed
 | 1. 48%\*
 | 60% |
| 1. Customer group
 | 1. Landlords
 | 1. 23%
 | 22% |
| 1. Customer group
 | 1. Self-employed and landlords
 | 1. 20%\*
 | 11% |
| 1. Customer group
 | 1. Partnerships
 | 1. 9%\*
 | 6% |
| 1. Average time
 | 1. Trading
 | 1. 17 years
 | 1. 15 years
 |
| 1. Average time
 | 1. As a landlord
 | 1. 14 years
 | 1. 14 years
 |
| 1. Turnover / income
 | 1. Below VAT threshold
 | 1. 88%
 | 1. 86%
 |
| 1. Turnover / income
 | 1. Above VAT threshold
 | 1. 6%
 | 1. 8%
 |
| 1. Turnover / income
 | 1. Turnover / income unknown
 | 1. 6%
 | 1. 7%
 |
| 1. External paid agent use
 | 1. Yes
 | 1. 83%\*
 | 1. 51%
 |
| 1. Recordkeeping method
 | 1. Agent
 | 1. 18%\*
 | 1. 12%
 |
| 1. Recordkeeping method
 | 1. Paper
 | 1. 58%\*
 | 1. 45%
 |
| 1. Recordkeeping method
 | 1. Spreadsheets
 | 1. 29%\*
 | 1. 41%
 |
| 1. Recordkeeping method
 | 1. Software (including mobile apps)
 | 1. 8%\*
 | 1. 17%
 |
| 1. Using technology to manage finances
 | 1. Fairly or very comfortable
 | 1. 41%\*
 | 1. 70%
 |
| 1. Using MTD-compatible software
 | 1. Fairly or very difficult
 | 73%\* | 35% |
| Base (unweighted): All survey respondents (2,200), all Cautious and Lack confidence customers (320). Statistically significant differences are denoted with an asterisk (\*) and the cells have been shaded where subgroups are significant against the total. |

* 1. Resistant and Less Capable
1. The Resistant and Less Capable Cluster included a high proportion of self-employed, compared to the average, and were one of the oldest clusters in terms of length of time trading. Nine in 10 (87%) had a turnover, property income, or combined turnover and property income below the VAT threshold.

Key characteristics of the Resistant and Less Capable Cluster

The Resistant and Less Capable Cluster make up 16% of the overall population eligible for MTD for ITSA and are among the most negative towards MTD. As one of the oldest Clusters in terms of time trading, they have long-established recordkeeping practices, rely predominantly on paper, and generally lack confidence with technology (Chapter 5). As such, they think MTD will be difficult to comply with and struggle to see the benefits. They are more likely to turn to friends and family for support, rather than consulting official channels or professionals such as HMRC guidance or agents (Chapter 6).

1. Six in ten Resistant and Less Capable customers (60%) used an external, paid agent to help them with any aspect of their ITSA obligations. For recordkeeping, they predominantly used paper methods, with relatively few using spreadsheets, software, or handing recordkeeping over to their agent.
2. Resistant and Less Capable customers were very uncomfortable using technology to manage their finances – just 4% said they were comfortable doing so – and 7 in 10 (70%) thought it would be difficult to use MTD-compatible software. This Cluster were the most likely to expect use of MTD-compatible software to be difficult and had the lowest current levels of software use of all the Clusters.
	* + - 1. Key characteristics of the Resistant and Less Capable Cluster

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Characteristic
 | 1. Description
 | Resistant and Less Capable | All respondents |
| 1. Customer group
 | 1. Self-employed
 | 1. 76%\*
 | 60% |
| 1. Customer group
 | 1. Landlords
 | 1. 13%\*
 | 22% |
| 1. Customer group
 | 1. Self-employed and landlords
 | 1. 9%
 | 11% |
| 1. Customer group
 | 1. Partnerships
 | 1. 2%\*
 | 6% |
| 1. Average time
 | 1. Trading
 | 1. 20 years\*
 | 1. 15 years
 |
| 1. Average time
 | 1. As a landlord
 | 1. 15 years
 | 1. 14 years
 |
| 1. Turnover / income
 | 1. Below VAT threshold
 | 1. 87%
 | 1. 86%
 |
| 1. Turnover / income
 | 1. Above VAT threshold
 | 1. 4%\*
 | 1. 8%
 |
| 1. Turnover / income
 | 1. Turnover / income unknown
 | 1. 9%\*
 | 1. 7%
 |
| 1. External paid agent use
 | 1. Yes
 | 1. 60%\*
 | 1. 51%
 |
| 1. Recordkeeping method
 | 1. Agent
 | 1. 12%
 | 1. 12%
 |
| 1. Recordkeeping method
 | 1. Paper
 | 1. 76%\*
 | 1. 45%
 |
| 1. Recordkeeping method
 | 1. Spreadsheets
 | 1. 11%\*
 | 1. 41%
 |
| 1. Recordkeeping method
 | 1. Software (including mobile apps)
 | 1. 4%\*
 | 1. 17%
 |
| 1. Using technology to manage finances
 | 1. Fairly or very comfortable
 | 1. 4%\*
 | 1. 70%
 |
| 1. Using MTD-compatible software
 | 1. Fairly or very difficult
 | 70%\* | 35% |
| Base (unweighted): All survey respondents (2,200), all Resistant and Less Capable customers (280). Statistically significant differences are denoted with an asterisk (\*) and the cells have been shaded where subgroups are significant against the total. |

* 1. Short Tax Return customers
1. The Short Tax Return Cluster contained a higher proportion of customers who were both self-employed and landlords, compared to the average. Almost all had a turnover, property income, or combined turnover and property income below the VAT threshold (97%).

Key characteristics of the Short Tax Return customers

The Short Tax Return Cluster is the smallest group, making up 2% of the overall population eligible for MTD for ITSA. At present, these customers are eligible to complete a simpler tax return. Because of this, they find recordkeeping quite simple and currently spend the least time on their obligations (Chapter 5). They lack confidence with technology, think MTD will be difficult to comply with, and struggle to see the benefits, though they are more receptive than the Resistant and Less Capable Cluster (Chapters 3 and 4).

1. Short Tax Return customers had the lowest level of use of an external, paid agent to help them with their ITSA obligations, reflecting their simple tax returns. Seven in ten were using paper as their method of recordkeeping (71%), followed by spreadsheets (28%), and just 7% were using software.
2. Short Tax Return customers were not particularly at ease using technology to manage their finances – 40% said they were comfortable doing so – and 60% thought it would be difficult to use MTD-compatible software.
	* + - 1. Key characteristics of the Short Tax Return Cluster

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Characteristic
 | 1. Description
 | Short Tax Return | All respondents |
| 1. Customer group
 | 1. Self-employed
 | 1. 58%
 | 60% |
| 1. Customer group
 | 1. Landlords
 | 1. 15%
 | 22% |
| 1. Customer group
 | 1. Self-employed and landlords
 | 1. 27%\*
 | 11% |
| 1. Customer group
 | 1. Partnerships
 | 1. 0%\*
 | 6% |
| 1. Average time
 | 1. Trading
 | 1. 17 years
 | 1. 15 years
 |
| 1. Average time
 | 1. As a landlord
 | 1. 15 years
 | 1. 14 years
 |
| 1. Turnover / income
 | 1. Below VAT threshold
 | 1. 97%\*
 | 1. 86%
 |
| 1. Turnover / income
 | 1. Above VAT threshold
 | 1. 0%\*
 | 1. 8%
 |
| 1. Turnover / income
 | 1. Turnover / income unknown
 | 1. 3%
 | 1. 7%
 |
| 1. External paid agent use
 | 1. Yes
 | 1. 16%\*
 | 1. 51%
 |
| 1. Recordkeeping method
 | 1. Agent
 | 1. 4%\*
 | 1. 12%
 |
| 1. Recordkeeping method
 | 1. Paper
 | 1. 71%\*
 | 1. 45%
 |
| 1. Recordkeeping method
 | 1. Spreadsheets
 | 1. 28%\*
 | 1. 41%
 |
| 1. Recordkeeping method
 | 1. Software (including mobile apps)
 | 1. 7%\*
 | 1. 17%
 |
| 1. Using technology to manage finances
 | 1. Fairly or very comfortable
 | 1. 40%\*
 | 1. 70%
 |
| 1. Using MTD-compatible software
 | 1. Fairly or very difficult
 | 60%\* | 35% |
| Base (unweighted): All survey respondents (2,200), all Short Tax Return customers (114). Statistically significant differences are denoted with an asterisk (\*) and the cells have been shaded where subgroups are significant against the total. |

1. Views on using MTD-compatible software
2. This Chapter covers how customers viewed the requirement to use MTD-compatible software at both the overall level and within each of the 6 different Clusters.
	1. Ease of using MTD-compatible software

In the survey, customers were provided with information about the upcoming changes and asked to think about how easy or difficult they would find it to comply. They were asked to think about both of the MTD for ITSA requirements of using software for recordkeeping (discussed below) and submitting quarterly summaries to HMRC (covered in Section 4.1).

During the survey, customers were told that:

* business partnerships, self-employed people, and landlords with annual turnover above £10,000 would need to follow the rules for MTD for ITSA from their next accounting period starting on or after 6 April 2023. This date was subsequently changed to 6 April 2024 after fieldwork had completed. For more information, please see [GOV.UK](https://www.gov.uk/government/publications/extension-of-making-tax-digital-for-income-tax-self-assessment-to-businesses-and-landlords)
* they would need to use MTD-compatible software (or applications) to keep digital records of their income and expenditure
* MTD-compatible software must record and preserve digital records, provide information and returns to HMRC from data held in these digital records, and receive information from HMRC. It can be one software package or several that are digitally linked together. There should be no manual transfer of information (such as writing totals from one application into another)

Customers were split in terms of whether they thought using MTD-compatible software would be easy (38%) or difficult (35%), and one in ten were unable to say (13%). As discussed further in Section 5.1, use of recordkeeping software was low, with 17% of the population currently using it for their ITSA obligations. Half of those liable for VAT had signed up to MTD for VAT (53%, equating to 9% of the overall population eligible for MTD for ITSA).

These figures varied substantially across the Clusters, with 3 of the 6 Clusters (33% of the population) having high proportions of customers who thought using software would be difficult (Table 3.1). The Cautious and Lack Confidence, Resistant and Less Capable, and Short Tax Return Clusters all reported lower than average levels of confidence using technology, tended to be older, and relied on paper methods for recordkeeping, meaning that the requirement to use software presented the biggest challenge for these groups (see Chapter 5 for more detail).

* + - * 1. How easy or difficult customers thought using MTD-compatible software would be

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1.
 | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Total: Easy
 | 1. 38%
 | 1. 89%
 | 1. 61%
 | 1. 8%
 | 1. 3%
 | 1. 9%
 | 1. 16%
 |
| 1. Neutral
 | 1. 14%
 | 1. 6%
 | 1. 11%
 | 1. 28%
 | 1. 14%
 | 1. 9%
 | 1. 10%
 |
| 1. Total: Difficult
 | 1. 35%
 | 1. 0%
 | 1. 18%
 | 1. 38%
 | 1. 73%
 | 1. 70%
 | 1. 60%
 |
| 1. Don’t know
 | 1. 13%
 | 1. 5%
 | 10% | 25% | 10% | 11% | 14% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return customers (114). Please refer to Table 8.6 in the Appendix for the full data table. |

* 1. The benefits of using MTD-compatible software

Customers were asked for their views on whether keeping digital records of their income and expenditure in real-time would make it quicker and easier to submit information to HMRC. Half of customers could see the benefits of real-time reporting (47%) with those in the Receptive and Capable and Complex and Capable Clusters being the most positive. As discussed in Section 3.1, customers’ ability to comply with MTD, and whether or not they could recognise the benefits of it, were shaped by their age, current practices, and comfort with technology. Receptive and Capable and Complex and Capable customers tended to be younger, had higher software use, and were generally more confident with technology. The factors that help to explain the different Clusters’ attitudes towards using MTD-compatible software are discussed further in Chapter 5.

* + - * 1. Digital recordkeeping will make submitting information quicker and easier

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Total: Agree
 | 1. 47%
 | 1. 71%
 | 1. 59%
 | 1. 36%
 | 1. 31%
 | 1. 27%
 | 1. 17%
 |
| 1. Neutral
 | 1. 19%
 | 1. 17%
 | 1. 20%
 | 1. 21%
 | 1. 21%
 | 1. 18%
 | 1. 25%
 |
| 1. Total: Disagree
 | 1. 29%
 | 1. 10%
 | 1. 18%
 | 1. 37%
 | 1. 45%
 | 1. 46%
 | 1. 50%
 |
| 1. Don’t know
 | 1. 4%
 | 1. 2%
 | 3% | 6% | 3% | 8% | 8% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return customers (114). Please refer to Table 8.7 in the Appendix for the full data table. |

1. Customers’ views on sending quarterly summaries
2. This Chapter covers how customers viewed the requirement to send a quarterly summary of their income and expenditure to HMRC, using MTD-compatible software.
	1. Ease of sending quarterly summaries
3. As discussed in Section 3.1, customers were asked to consider how easy or difficult they would find it to comply with the requirement to use software and submit quarterly summaries to HMRC.

During the survey, customers were told that:

* business partnerships, self-employed people, and landlords with annual turnover above £10,000 will need to follow the rules for MTD for ITSA from their next accounting period starting on or after 6 April 2023. This date was subsequently changed to 6 April 2024 after fieldwork had completed. For more information, please see [GOV.UK](https://www.gov.uk/government/publications/extension-of-making-tax-digital-for-income-tax-self-assessment-to-businesses-and-landlords)
* they would need to send a quarterly summary of their income and expenditure to HMRC through this software
* quarterly summaries were not a list of every transaction, and software would be available to tell them how and when to send updates to HMRC

Views were split, with 4 in 10 customers thinking it would be easy (43%) and a similar proportion thinking it would be difficult (39%). The Receptive and Capable and Complex and Capable Clusters were again the most likely to feel complying would be easy (Figure 4.1). This contrasted with views in the Cautious and Lack Confidence, Resistant and Less Capable, and Short Tax Return Clusters, where over 6 in 10 customers in each Cluster felt that it would be difficult to comply with this requirement. The reasons for this were similar to those discussed in Section 3.1 in relation to using MTD-compatible software, and are covered further in Chapter 5.

* + - * 1. Ease or difficulty of submitting quarterly summaries to HMRC

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Total: Easy
 | 1. 43%
 | 1. 82%
 | 1. 57%
 | 1. 24%
 | 1. 13%
 | 1. 15%
 | 1. 21%
 |
| 1. Neutral
 | 1. 11%
 | 1. 8%
 | 1. 10%
 | 1. 16%
 | 1. 10%
 | 1. 10%
 | 1. 10%
 |
| 1. Total: Difficult
 | 1. 39%
 | 1. 6%
 | 1. 24%
 | 1. 48%
 | 1. 71%
 | 1. 66%
 | 1. 63%
 |
| 1. Don’t know
 | 1. 8%
 | 1. 4%
 | 9% | 11% | 6% | 9% | 5% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return customers (114). Please refer to Table 8.8 in the Appendix for the full data table. |

* 1. The benefits of sending quarterly summaries

To explore views on the potential benefits of sending quarterly summaries to HMRC, customers were asked to what extent they agreed with the following attitudinal statements: ‘submitting quarterly summaries will reduce my end of year tax burden’ and ‘calculating quarterly summaries will give me more certainty over my finances’.

Overall, 4 in 10 customers disagreed (42%) that quarterly summaries could reduce their end of year tax burden, while around 3 in 10 agreed (34%). Customers in the Receptive and Capable Cluster were the most positive about the benefits of quarterly submissions; half agreed that summaries could reduce their end of year tax burden (52%). Complex and Capable customers were marginally more likely to agree (38%) than disagree with the benefits (33%), but the remaining Clusters were all more likely to disagree than agree (Table 4.3).

* + - * 1. Agreement that quarterly summaries could ease the end of year tax burden

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Total: Agree
 | 1. 34%
 | 1. 52%
 | 1. 38%
 | 1. 23%
 | 1. 24%
 | 1. 26%
 | 1. 17%
 |
| 1. Neutral
 | 1. 20%
 | 1. 23%
 | 1. 25%
 | 1. 14%
 | 1. 19%
 | 1. 21%
 | 1. 19%
 |
| 1. Total: Disagree
 | 1. 42%
 | 1. 22%
 | 1. 33%
 | 1. 60%
 | 1. 52%
 | 1. 46%
 | 1. 55%
 |
| 1. Don’t know
 | 1. 4%
 | 1. 3%
 | 4% | 2% | 4% | 7% | 9% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return customers (114). Please refer to Table 8.9 in the Appendix for the full data table. |

As covered in Chapter 5, customers’ current recordkeeping practices had a strong bearing on whether or not they recognised the benefits of quarterly summaries. Customers struggled to see how quarterly summaries could improve a process they already found challenging or time-consuming where they spent a lot of time updating their records currently (Complex and Capable), or they found recordkeeping difficult (Cautious and Lack Confidence).

Conversely, those who found recordkeeping easy (Short Tax Return customers) or did not need to spend that much time updating their records (Capable but Disengaged) had concerns that MTD would result in them needing to spend more time meeting their tax obligations.

Customers’ views were split over whether or not quarterly summaries could provide more certainty over their finances. Four in ten (41%) disagreed, and 36% agreed that the new summaries could afford customers more certainty. One in five customers overall were either neutral (21%) or did not know (2%) – Table 4.3 overleaf.

* + - * 1. Agreement that calculating quarterly summaries would give greater financial certainty

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Total: Agree
 | 1. 36%
 | 1. 55%
 | 1. 43%
 | 1. 21%
 | 1. 25%
 | 1. 30%
 | 1. 19%
 |
| 1. Neutral
 | 1. 21%
 | 1. 21%
 | 1. 23%
 | 1. 24%
 | 1. 13%
 | 22% | 1. 18%
 |
| 1. Total: Disagree
 | 1. 41%
 | 1. 22%
 | 1. 33%
 | 1. 53%
 | 1. 60%
 | 1. 45%
 | 1. 58%
 |
| 1. Don’t know
 | 1. 2%
 | 1. 2%
 | 2% | 2% | 3% | 3% | 5% |

Again, the Receptive and Capable customers were the most positive, with over half (55%) feeling that quarterly summaries could give them greater certainty over their finances. Four in ten Complex and Capable customers (43%) could also see quarterly summaries having a positive impact on the clarity of their financial situation, but the remaining Clusters were all more likely to disagree than agree that the quarterly summary calculation would give them greater certainty.

1. Customers’ likely engagement with MTD for ITSA
2. This Chapter covers the different factors that shape customers’ likely engagement with MTD for ITSA, helping to explain the variation in response between the Clusters, as shown in Chapters 3 and 4. The Chapter covers 4 key themes that will likely have an impact on engagement with MTD: customers’ recordkeeping practices, current structure, comfort using technology, and their life stage.
	1. Current recordkeeping practices
3. The closer customers’ current recordkeeping practices were to the MTD requirements (using software and recordkeeping at least quarterly), the more receptive they were to the changes. This section covers customers’ current methods for recordkeeping, the time spent on recordkeeping, how easy or difficult customers find it to meet their obligations, and the bearing these findings have on customers’ engagement with MTD for ITSA.

Current methods for recordkeeping

1. The Clusters with higher software use were more likely to see the benefits of MTD, and to find the transition easier. These included the Receptive and Capable and Complex and Capable Clusters (23% and 61%, respectively, were using software).
	* + - 1. Current recordkeeping practices

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Agent
 | 1. 12%
 | 1. 12%
 | 1. 18%
 | 1. 5%
 | 1. 18%
 | 1. 12%
 | 1. 4%
 |
| 1. Paper
 | 1. 45%
 | 1. 31%
 | 1. 23%
 | 1. 41%
 | 1. 58%
 | 1. 76%
 | 1. 71%
 |
| 1. Spreadsheets
 | 1. 41%
 | 1. 47%
 | 1. 23%
 | 1. 66%
 | 1. 29%
 | 1. 11%
 | 1. 28%
 |
| 1. Software
 | 1. 17%
 | 1. 23%
 | 61% | 9% | 8% | 4% | 7% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114).  |

1. Complex and Capable customers were the closest to MTD in terms of their current practices. They had both the highest levels of software use and of keeping their records at least quarterly (Table 5.2). Despite this, their views on how easy it would be to use MTD-compatible software and the benefits of doing so were lower than those of the Receptive and Capable Cluster. Those already using software could not recognise any further benefits (given they were already compliant), and the qualitative research showed that non-users of software in this Cluster were unsure whether software could be tailored to their individual business needs. These customers explained that they had complex finances and had long-established systems for recordkeeping.

‘We're not a normal business that buys and sells things. My income comes from lots of clients, through several different models, and then we have lots of different expenditure types. And then add onto that my property and investment income.’

– Complex and Capable customer

1. By contrast, the Short Tax Return and Resistant and Less Capable Clusters were heavily reliant on paper methods (versus the average of 45%). As a result, they were more likely to feel that moving to MTD would be both more difficult and unlikely to bring any benefits. They had long-established practices, were confident that the way they submitted information to HMRC was correct, and were therefore reluctant to change.

‘I keep everything in my book, all my receipts in an envelope, and I use a calculator or tot it up in my head. I just feel confident doing it the way I’ve always done it. I know I get it right, and it seems to work […] I really don’t want to [use MTD] because I’m confident with what I’m doing.’

– Resistant and Less Capable customer

Time spent on recordkeeping

1. How frequently customers were currently updating their records and how much time they were spending on recordkeeping had a bearing on their perceptions of MTD and their willingness to transition. As shown in Table 5.2, the Receptive and Capable and Complex and Capable Clusters were the most likely to be keeping their records at least quarterly, in line with MTD for ITSA requirements.
	* + - 1. Keeping records at least quarterly and time spent on recordkeeping each tax year

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Keeping records at least quarterly
 | 1. 54%
 | 1. 57%
 | 1. 75%
 | 1. 49%
 | 1. 50%
 | 1. 50%
 | 1. 48%
 |
| 1. Time spent on recordkeeping
 | 1. 7 days
 | 1. 6 days
 | 22 days | 4 days | 7 days | 6 days | 4 days |
| Keeping records at least quarterlyBase (unweighted): All who do not use an external agent for recordkeeping (1,990), Receptive and Capable (605), Complex and Capable (258), Capable but Disengaged (499), Cautious and Lack Confidence (268), Resistant and Less Capable (249), Short Tax Return customers (111). Please refer to Table 8.11 in the Appendix for the full data table for frequency of recordkeeping.Time spent on recordkeepingBase (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return customers (114). Please note that the days shown in the table above are based on an 8-hour working day. |

The majority of customers (54%) were already keeping their records quarterly or more than quarterly (Table 5.2). Where customers were already keeping their records at least quarterly, they felt that the move to MTD would be less onerous than those who kept their records more infrequently. The main concern about quarterly summaries, highlighted in the qualitative interviews, was whether or not preparing, checking and sending quarterly summaries would result in more work than the current system. Where customers thought it would involve more work, they were more negative about the introduction of MTD, and where they did not think it would involve more work, they were more neutral.

‘I don't mind having to do them more frequently, I just don't want to have to do any more work overall. I'm happy to do it, and to do it how HMRC want me to, but my time is precious and I don't want to spend any more of it than I already do on my taxes.’

– Capable but Disengaged customer

‘I think it would be a nightmare, I would have to keep records contemporaneously [constantly], every week or every month. I would forget! It seems to be four times the amount of work.’

– Resistant and Less Capable customer

1. The Complex and Capable Cluster spent the most time on recordkeeping compared to customers overall (7 days), and the Capable but Disengaged Cluster spent the least. This helps to explain these Clusters’ views on the benefits of quarterly summaries. Both were relatively unlikely to believe that submitting quarterly summaries would reduce their end of year tax burden (38% and 23%, respectively, Table 4.3). For the Complex and Capable Cluster, this was because they were mostly using recordkeeping software to update their records quarterly anyway, so they struggled to see how MTD could reduce the time they spent on their obligations. Conversely, the Capable but Disengaged Cluster had relatively simple tax affairs that they spent minimal time on, and they saw the changes as likely to result in more work.

Ease of recordkeeping

1. Overall, 6 in 10 customers (63%) found their current obligations easy to meet, and the Receptive and Capable and Complex and Capable Clusters were again the most likely to report this (Table 5.3).
	* + - 1. Ease of recordkeeping and submitting information to HMRC

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Total: Easy
 | 1. 63%
 | 1. 79%
 | 1. 64%
 | 1. 59%
 | 1. 50%
 | 1. 52%
 | 1. 58%
 |
| 1. Neutral
 | 1. 21%
 | 1. 15%
 | 1. 20%
 | 1. 26%
 | 1. 25%
 | 1. 19%
 | 1. 30%
 |
| 1. Total: Difficult
 | 1. 14%
 | 1. 6%
 | 1. 11%
 | 1. 14%
 | 1. 21%
 | 1. 23%
 | 1. 13%
 |
| 1. Don’t know
 | 1. 2%
 | 1. 0.2%
 | 5% | 1% | 4% | 5% | 0% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return customers (114). Please refer to Table 8.12 in the Appendix for the full data table. |

As Table 5.3 shows, there was less variation between the Clusters in terms of how easy they found their current obligations, compared to how easy they thought it would be to comply with MTD. Those who found their current obligations more difficult (Cautious and Lack Confidence, Resistant and Less Capable) were the most concerned about having to move to MTD. They saw the requirements to use software and to update HMRC more frequently as added complications to a process that they already found challenging.

* 1. Current business structure
1. For 3 of the 6 Clusters, specific details about their structures or certain characteristics about their organisations helped to explain their ability and willingness to comply with MTD for ITSA. This applied to the Complex and Capable, Capable but Disengaged, and Cautious and Lack Confidence Clusters. For the remaining 3 Clusters, these structural explanations were less apparent.

Complex and Capable

1. The Complex and Capable Cluster consisted of the largest and most complex businesses. This Cluster:
	* + - had the highest proportion of partnerships (34%, versus 6% overall)
			- had the highest turnover on average (48% had a turnover above the VAT threshold, compared to 8% overall)
			- were most likely to rate their business and tax affairs as complex (23%, versus 15% overall)
2. Subsequently, they had invested in staff and external agents to help them carry out their day-to-day business and tax affairs. Three-quarters used an external, paid agent (76%, versus 51% overall) and 3 in 10 had 2 to 19 employees (27%, versus 7% overall).

‘I’ve got someone who helps me with admin bits and pieces, here and there. At the moment, I’m thinking I’ll just give her MTD to look into and she can sort it all for me.’

– Complex and Capable customer

1. The greater complexity of their finances helped to explain why they were less likely to think using MTD-compatible software would be easy (61%), compared to the Receptive and Capable Cluster (89%). However, having the infrastructure to support a transition to MTD also helped to explain why they would find the software requirement easier to meet than the remaining 4 Clusters who lacked this support.

Capable but Disengaged

1. The Capable but Disengaged Cluster had several notable characteristics that shaped how easy or difficult they would find complying, as well as their ability to see the benefits of MTD for ITSA. This Cluster had:
	* + - a relatively high proportion of landlords (39% versus 22% overall)
			- the highest proportion of individuals receiving additional income from employment (26%, versus 21% overall)
2. Subsequently, Capable but Disengaged customers spent the least time on their recordkeeping (4 days, versus 7 days overall) and half updated their records either just before the tax return deadline or on an ad hoc basis (36% and 13% respectively). These customers felt that the extra requirements to use software and update HMRC more regularly were unnecessary for the simplicity of their tax affairs, particularly where they were landlords and only managed one or two properties.

‘This is one property that doesn't make us much money at all, and I'm hoping to sell it. I really don't want this to result in more work for me.’

– Capable but Disengaged customer

Cautious and Lack Confidence

1. The Cautious and Lack Confidence Cluster had a high proportion of customers who were both self-employed and receiving income from a property. Whilst the turnover and / or income for this Cluster was relatively low (88% were below the VAT threshold), the combination of income streams made their tax affairs more complex – 2 in 10 felt they had ‘very’ or ‘fairly’ complex tax affairs (21%, versus 15% overall). They were therefore the second most likely Cluster to find recordkeeping difficult (21% versus 14% overall) and were reliant on their agents as a result (83% used an external, paid agent, versus 51% overall).
	1. Comfort using technology
2. Comfort using technology was a key indicator for likely engagement with MTD. Overall, 7 in 10 customers (70%) agreed with the statement ‘I am comfortable using technology to manage my finances’, with 4 in 10 (40%) saying that they strongly agreed.
3. The Receptive and Capable and Complex and Capable Clusters were the most receptive towards MTD (Tables 3.1 and 3.2) and also felt comfortable using technology to manage their finances. Conversely, the Cautious and Lack Confidence, Resistant and Less Capable, and Short Tax Return Clusters were more likely to think using MTD-compatible software would be difficult, struggle to see the benefits of keeping digital records, and demonstrate less confidence using technology, as shown in Table 5.4.
	* + - 1. Agreement with ‘I am comfortable using technology to manage my finances’

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Total: Agree
 | 1. 70%
 | 1. 97%
 | 1. 87%
 | 1. 90%
 | 1. 41%
 | 1. 4%
 | 1. 40%
 |
| 1. Neutral
 | 1. 10%
 | 1. 3%
 | 1. 8%
 | 1. 7%
 | 1. 27%
 | 1. 15%
 | 1. 14%
 |
| 1. Total: Disagree
 | 1. 20%
 | 1. 0.4%
 | 1. 3%
 | 1. 3%
 | 1. 30%
 | 1. 81%
 | 1. 45%
 |
| 1. Don’t know
 | 1. 1%
 | 1. 0.1%
 | 2% | 0.2% | 1% | 1% | 1% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return customers (114). Please refer to Table 8.13 in the Appendix for the full data table. |

1. As shown in Table 5.4, the Capable but Disengaged Cluster reported the second highest levels of comfort in using technology to manage their finances. However, this Cluster reported some of the lowest figures for engagement with MTD – just 8% thought it would be easy to transition to MTD-compatible software (versus 38% overall) and 36% thought that keeping digital records could make it easier to submit information to HMRC (versus 47% overall).
2. This apparent anomaly can be explained by the key characteristics of the Cluster. Though confident with technology, they were resistant to using MTD-compatible software as they did not feel it was necessary for how simple their tax affairs were (just 9% were currently using software, versus 17%) overall.

‘I’d be interested in software, generally speaking, but it’s just not relevant for me as the rental side of things is such a small proportion of my income. We’ve got one house that just about covers its mortgage. It’s not like we’ve got a massive property empire.’

– Capable but Disengaged customer

* 1. Customer life stage
1. Both the survey and qualitative data showed that customer life stage was an important factor shaping likely engagement with MTD for ITSA. The younger the customer, the more comfortable they were using technology and the more likely they were to think complying with MTD for ITSA would be easy (Tables 5.5 and 5.6). Receptive and Capable customers were, on average, the youngest Cluster and were consistently the most positive about MTD for ITSA.[[2]](#footnote-3)
	* + 1. Ease of complying with MTD requirements by customer age (% very or fairly easy)



1. Base (unweighted): Image: All survey respondents (2,200), all aged 44 or under (593), all aged 45-54 (569), all aged 55-64 (629), all aged 65+ (373). Please refer to Table 8.14 in the Appendix for the full data table.
	* + - 1. Ease of using MTD-compatible software by customer age

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1. Overall
 | 44 or under | 45-54 | 55-64 | 65+ |
| 1. Population
 | 1. 100%
 | 29% | 26% | 27% | 16% |
| 1. Total: Easy
 | 1. 38%
 | 1. 52%
 | 1. 43%
 | 1. 30%
 | 1. 22%
 |
| 1. Total: Difficult
 | 1. 35%
 | 1. 23%
 | 1. 31%
 | 1. 42%
 | 1. 53%
 |
| 1. Don’t know
 | 1. 13%
 | 1. 10%
 | 1. 12%
 | 1. 15%
 | 1. 12%
 |
| Base (unweighted): All survey respondents (2,200), all aged 44 or under (593), all aged 45-54 (569), all aged 55-64 (629), all aged 65+ (373). Please refer to Table 8.14 in the Appendix for the full data table. |

* + - * 1. Ease of sending quarterly summaries by customer age

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1. Overall
 | 44 or under | 45-54 | 55-64 | 65+ |
| 1. Population
 | 1. 100%
 | 29% | 26% | 27% | 16% |
| 1. Total: Easy
 | 1. 43%
 | 1. 53%
 | 1. 48%
 | 1. 37%
 | 1. 25%
 |
| 1. Total: Difficult
 | 1. 39%
 | 1. 30%
 | 1. 35%
 | 1. 44%
 | 1. 53%
 |
| 1. Don’t know
 | 1. 8%
 | 5% | 7% | 9% | 9% |
| Base (unweighted): All survey respondents (2,200), all aged 44 or under (593), all aged 45-54 (569), all aged 55-64 (629), all aged 65+ (373). Please refer to Table 8.15 in the Appendix for the full data table. |

1. More than half of the population liable for MTD for ITSA were under 54 (55%). Among these customers[[3]](#footnote-4):
	* + - 48% thought it would be easy to use MTD-compatible software, 26% thought it would be difficult
			- 51% thought it would be easy to send quarterly summaries, 32% thought it would be difficult
2. As discussed in Section 5.1, those who had been operating for longer had established ways of keeping their records and were reluctant to change a system that they were confident with and had been using for a long time. In the qualitative interviews, some of the most resistant customers (more likely to be in older age groups) explained that they wanted to avoid MTD if they could, including some customers from the more positive Clusters. They thought they could do this by taking (early) retirement, reducing their work or income to ensure they stayed below the £10,000 threshold for MTD, or applying for an exemption on age grounds.
3. Where customers were close to retirement or already beyond retirement age and viewed MTD as a disproportionate time burden, some explained that they would rather wind down their business than invest the time (and money) to comply. This was especially the case for customers with simple tax affairs or who were only just earning above the £10,000 threshold for MTD, and those who had completed their tax returns on time, and accurately, for many years and felt the change was particularly unwelcome.

‘For the amount of work I do, I don't really want to [move to MTD]. If I have something that's really simple, should the threshold be higher? Or because I've got such a good record of submitting my tax on time, and I've just got a simple spreadsheet, can I just have an exemption?’

– Capable but Disengaged customer

‘I’m just not prepared to put in a lot of hours on this. If they're going to make it compulsory then they need to make it as simple as possible. And if they can't do that, then I'm going to wind down the business so I don't have to do it.’

– Receptive and Capable customer

1. Customer support needs
2. This Chapter covers the support that customers felt they might benefit from in order to transition to MTD for ITSA, and where they would look for more information and guidance.
	1. Making the transition to MTD for ITSA
3. During the qualitative interviews, customers discussed the support they would need at each stage of their journey towards MTD for ITSA. These stages included: HMRC announcing the changes; customers choosing software; customers getting used to the software; customers’ first MTD submission; and ongoing support with MTD for ITSA (Figure 6.1). Each stage of the journey is described in detail below and the support needs were mentioned across all of the 6 different Clusters. The Clusters’ specific support needs are discussed in Section 6.2.
	* + 1. The different stages on the MTD for ITSA journey
4. 
5. Image: The stages on the MTD for ITSA journey; Awareness of the changes, Choosing software, Getting used to the software, First MTD submission, Ongoing support.

Awareness of the changes

1. Awareness of MTD in general, and MTD for ITSA specifically, was low in the qualitative interviews. Where customers had not heard about the changes before they were contacted to take part in research, they tended to have a more negative outlook and assumed that MTD would result in more time and cost for them to comply with their tax obligations, and therefore were more resistant.

‘I think a fear of the unknown is a massive barrier. This is always the case when something new is looming, you spend far more time wondering around looking at it, which takes up loads of time and headspace, rather than just jumping straight in and going, let's give this a go. That's a massive part of it.’

– Receptive and Capable customer

To counter this, and to help them feel more informed of the changes and to be able to prepare for the transition, customers across all Clusters wanted clear, concise information from HMRC to be available as soon as the changes were more widely announced. Customers wanted guidance on MTD to be available via email and on GOV.UK and for this to be a one-stop-shop of information. They explained that this ‘MTD bible’ would need to be available as soon as they were told about the changes so that they could start to prepare and work out what MTD would mean for them, specifically.

Choosing software

1. One of the main areas of concern for ITSA customers was how to choose MTD-compatible software, particularly for those who were not currently using it. Overall, 19% of ITSA customers were using software for recordkeeping or for calculating tax payable. The least digitally confident customers needed the most guidance and were concerned that they would choose something inappropriate for their needs, particularly where they felt that their financial and tax affairs were too simple to require software.

‘I’d have no idea where to start with choosing software. I would rather they say, ‘this is what you use, here you are, and this is the training you’ll need’.’

– Short Tax Return customer

1. As suggested in the quote above, these customers wanted guidance from HMRC in the form of recommended software packages, particularly those well-suited to small businesses or landlords. Those on the lowest incomes (just above the £10,00 threshold for MTD) expected HMRC to provide a low or no-cost software package, or to provide grants to support the smallest businesses to pay for software.

‘If HMRC are introducing a compulsory system, then they need to provide a zero-cost solution.’

– Capable but Disengaged customer

1. Non-users of software were also keen to make use of free trials – underwritten or enforced by HMRC – so that they had the opportunity to try out various packages to find one that was most suitable for them, without having to pay for it first.

Getting used to the software

1. Customers wanted plenty of time to prepare for the new changes. Estimates ranged from 2 to 6 months across the interviews depending on the complexity of their business or property income, how busy they were, and how confident they felt about adapting to the new system. Customers wanted to use this time to build their confidence and ensure they were fully compliant with the requirements.

‘I like to adapt to new things early so I can feel confident with the system well in advance of any deadlines. So, as soon as it becomes available.’

– Complex and Capable customer

However, the most resistant customers, including those who lacked digital confidence or confidence with their tax affairs generally, would not start preparing for MTD until they were told to do so by HMRC. For these customers, being told that they would need to follow the rules for MTD for ITSA from their next accounting period starting on or after 6 April 2024 was not sufficient. They required more detailed instructions from HMRC suggesting when they would need to start looking for software, when they should be getting used to the software, and when they should be in a position to make their first submission under MTD.

1. These customers did not want to make any changes until they absolutely had to. They had systems that worked, and as they submitted and paid their taxes correctly and on time, they struggled to understand why HMRC was requiring them to change a system that had worked for many years (on average, businesses had been trading for 15 years, and landlords operating for 14 years).

‘I've got a system that works, isn't onerous and I schedule in a few hours at the same time each year to get it done. MTD won't make life easier for me from what I can see so far, so I'm not going to make my life harder before I absolutely need to.’

– Capable but Disengaged customer

1. Regardless of attitudes towards MTD, the majority of customers (77%) indicated that they would likely comply. In order to help them do this, customers wanted support to be readily available from both HMRC and their software providers whilst they learnt how to use recordkeeping software. However, one in 10 customers (11%) said that they may choose not to comply if it was cheaper to pay a fine, a figure that was highest amongst the Resistant and Less Capable Cluster (19% – Table 6.1 below).
	* + - 1. Choosing not to comply with MTD if it was cheaper to pay a fine

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Total: Agree
 | 1. 11%
 | 1. 8%
 | 1. 9%
 | 1. 8%
 | 1. 13%
 | 1. 19%
 | 1. 7%
 |
| 1. Neutral
 | 1. 8%
 | 1. 7%
 | 1. 3%
 | 1. 8%
 | 1. 6%
 | 1. 14%
 | 1. 13%
 |
| 1. Total: Disagree
 | 1. 77%
 | 1. 83%
 | 1. 86%
 | 1. 80%
 | 1. 75%
 | 1. 61%
 | 1. 68%
 |
| 1. Don’t know
 | 1. 4%
 | 1. 2%
 | 2% | 3% | 5% | 5% | 11% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return customers (114). Please refer to Table 8.17 in the Appendix for the full data table. |

Customers’ first MTD submission and ongoing support

1. Customers across all Clusters wanted reassurance from HMRC that there would be a period of leniency for at least the first full year of MTD. They wanted HMRC to recognise that mistakes may be made as a result of learning to use (new) software or reporting to HMRC in a new way, and wanted assurance that they would be treated fairly.
2. This was particularly important for customers who had a long history of submitting correct and punctual tax returns. The most anxious customers wanted to be able to submit their first summaries through both software and their existing method of submission to ensure that their returns would get through on time, and to avoid any potential penalties for non-compliance.

‘I’ll only feel confident in what I’m doing when I get that first submission right. I need reassurance from HMRC that they’ll be lenient with any errors, and give us a chance to correct any mistakes before they start issuing fines.’

– Short Tax Return customer

1. Customers were also keen for support from their software providers, and from HMRC, to continue beyond the initial period of their first few submissions under MTD. Those who were most concerned about using software (the Cautious and Lack Confidence, Resistant and Less Capable, and Short Tax Return Clusters) wanted support to continue in the event that they encountered difficulties further down the line and were unable to resolve them. These customers were concerned about running into difficulties with software further down the line, being unable to resolve them, and then subsequently receiving a penalty for an incorrect, or late submission.

‘It's when it's working and then it stops working, who will be there to help me? I haven't got an IT department sat behind me, it's just me.’

– Cautious and Lack Confidence customer

* 1. Where customers will look for support on MTD

Customers were asked where they would go for advice or support in relation to the new requirements. As shown in Table 6.2 below, accountants were the most popular source of support, mentioned by 6 in 10 customers overall (60%). Amongst those who did not currently use an agent for their tax affairs (including external, paid agents, internal bookkeepers, and unpaid family members or friends), 27% planned to seek advice from an accountant about the changes.

* + - * 1. Where customers would look for support on MTD requirements

|  |  |
| --- | --- |
|  | **Total** |
| Accountant or agent | 60% |
| GOV.UK | 32% |
| HMRC helpline | 17% |
| Friend or relative | 14% |
| Internet search | 4% |
| No one | 4% |
| Don’t know | 3% |
| Base (unweighted): All survey respondents (2,200). Please note this was an unpromoted and multicoded question, and only the top answers are shown in the table above. Please refer to Table 8.19 in the Appendix for the full data table. |

1. Looking at support from HMRC specifically, customers were asked about the extent to which they trusted HMRC to publish accessible information to help customers comply. Overall, 7 in 10 (70%) thought that HMRC would publish information that they could understand, though as Table 6.3 demonstrates, trust varied across the Clusters, with those less receptive to MTD, having less trust in HMRC.
	* + - 1. Trust in HMRC to publish accessible information to help customers comply

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Total: Agree
 | 1. 70%
 | 1. 85%
 | 1. 70%
 | 1. 65%
 | 1. 62%
 | 1. 56%
 | 1. 55%
 |
| 1. Neutral
 | 1. 12%
 | 1. 8%
 | 1. 17%
 | 1. 15%
 | 1. 12%
 | 1. 16%
 | 1. 14%
 |
| 1. Total: Disagree
 | 1. 16%
 | 1. 6%
 | 1. 11%
 | 1. 19%
 | 1. 24%
 | 1. 25%
 | 1. 25%
 |
| 1. Don’t know
 | 1. 2%
 | 1. 1%
 | 2% | 2% | 2% | 2% | 6% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return customers (114). Please refer to Table 8.18 in the Appendix for the full data table. |

* 1. What support customers need
1. Support needs, and where customers would look for support, varied across the Clusters. Each of the Clusters’ main sources of support, and a summary of what they required, is shown in Table 6.4[[4]](#footnote-5).
	* + - 1. Specific support needs

|  |  |  |
| --- | --- | --- |
| 1. Cluster
 | Sources of support | Support they require |
| 1. Receptive and Capable (32% of the population)
 | * GOV.UK (44%, versus 32% overall)
* HMRC helpline (22%, versus 17% overall)
 | Most likely to trust HMRC guidance and to consult information on GOV.UK. They want clear instructions about what to do, but once they have this are likely to be fairly self-sufficient. |
| 1. Complex and Capable (10% of the population)
 | * Agents (80%, versus 60% overall)
 | They want to know what to do, by when, and how their agent can be involved with MTD. They will rely on their agents for support and want general guidance rather than having specific concerns (42%, versus 34% overall). As most are already using software, they are the least likely to need support with this (21%, versus 30% overall).  |
| 1. Capable but Disengaged (25% of the population)
 | * GOV.UK (44%, versus 32% overall)
* HMRC helpline (23%, versus 17% overall)
 | They want general guidance on how to prepare (43%, versus 34% overall) and are the most likely to want support with software (48%, versus 30% overall), given their low software use currently. They need to understand what the time implications of MTD are, as they currently find meeting their obligations relatively low effort. |
| 1. Cautious and Lack Confidence (15% of the population)
 | * Agents (88%, versus 60% overall)
 | This Cluster need more intensive support, including training on using digital tools (21%, versus 13% overall), and general financial guidance (16%, versus 11%). They are also more worried about the data security implications of MTD than other Clusters (58%, versus 38% overall). |
| 1. Resistant and Less Capable (16% of the population)
 | * Friends and family (30%, versus 14% overall)
 | They are the least likely to seek support from HMRC and are likely to rely on friends and family. They tend to struggle with technology, but no particular type of support stands out for this Cluster, suggesting they have a range of support needs. They are the most reliant on paper, the most likely to update their records before the deadline, and so MTD will present the biggest change for this Cluster.  |
| 1. Short Tax Return (2% of the population)
 | * Friends and family (25%, versus 14% overall)
* HMRC helpline (25%, versus 17% overall)
 | They are the least trusting in HMRC guidance and the least likely to look online for support, and will therefore ring HMRC for advice. Similar proportions will turn to friends or family, and a high proportion will either not look anywhere, or do not know where to look for more guidance on MTD. |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114). |

Sector-specific support needs

1. Customers in certain sectors reported that they would find MTD easier, or more difficult, than others. These sector differences reflect the other characteristics and current practices shown to influence likely engagement with MTD, already discussed in Chapter 5. Customers in:
	* + - Agriculture, Mining and Waste Management were largely reliant on paper methods (55%, versus 45% overall) and more likely to lack confidence using technology to manage their finances (45%, versus 20% overall). Subsequently, they were more likely to think that using MTD-compatible software (56%, versus 35% overall) and sending quarterly summaries (59%, versus 39%) would be difficult. They were also more likely to disagree that keeping digital records would make submitting information to HMRC quicker and easier (42%, versus 29% overall)
			- Real Estate Activities were consistently negative about MTD, driven by the perspectives of the landlords. This sector was more likely to think it would be difficult to submit quarterly summaries to HMRC (47%, versus 39% overall), and more likely to disagree that quarterly summaries could reduce their end of year tax burden (56%, versus 42% overall). They also struggled to see that calculating quarterly summaries could give them more certainty over their finances (56%, versus 41%). These customers were also more likely to disagree that keeping digital records would make submitting information to HMRC quicker and easier (39%, versus 29% overall)
2. By contrast, customers in Construction were consistently more positive about the benefits of MTD for ITSA and how easy it would be to comply. Construction customers were more likely to think:
	* + - it would be easier to submit quarterly summaries (50%, versus 43% overall)
			- could more readily see how quarterly summaries could reduce their end of year tax burden (43%, versus 34% overall)
			- could more readily recognise that calculating quarterly summaries would give them more certainty over their finances (44%, versus 36% overall)
			- could see that keeping digital records could make it quicker and easier to submit information to HMRC (57%, versus 47% overall)
3. Conclusion
4. ITSA customers with annual business, property, or combined business and property income above £10,000 will need to follow the rules for MTD for Income Tax Self Assessment (ITSA) from their next accounting period starting on or after 6 April 2024. The population varies substantially both in terms of their ability to comply, and how receptive they are to the changes.
5. Two in five customers felt that using MTD-compatible software (38%) and submitting quarterly summaries (39%) would be easy. Though not directly comparable to [previous research](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720010/HMRC_MTD_for_Business_segmentation_research.pdf) undertaken in 2016 to segment customers’ attitudes towards MTD, the findings do indicate that a greater proportion of ITSA customers will find the transition easier now, than previously. However, similar proportions expect to find using MTD-compatible software (35%) and submitting quarterly summaries (39%) difficult.

Across the population as a whole, low awareness and understanding of what the changes will be like in practice affected customers’ responses during both the survey and qualitative research. The qualitative research indicated that awareness of MTD for ITSA was low, meaning that respondents in the survey were making judgements about how easy or difficult it would be to comply, and the extent to which they would see any benefits, on very little information.

1. The MTD for ITSA population is fairly fragmented, consisting of 6 customer groups with varying levels of capability, current recordkeeping practices, and likely engagement with MTD. At a summary level:
	* + - Receptive and Capable customers (32% of the in-scope population) expected to find it easy to comply, and were the most positive about the benefits of MTD. They required limited support relative to the other Clusters – namely clear, concise information about what they needed to do, by when, to allow them to start preparing.
			- Complex and Capable customers (10% of the in-scope population) were the closest to MTD for ITSA in terms of their current practices, and many were already completing MTD for VAT. They expected to find it easy to comply and could recognise the benefits, though in both cases this came through less strongly than for the Receptive and Capable Cluster. They will rely on their accountants for support and those currently not using software needed more information on the benefits of software for day-to-day financial management.
			- Capable but Disengaged customers (25% of the in-scope population) were comfortable using technology but were resistant about investing time and money into digitising their recordkeeping practices. Their tax affairs were simple and they spent minimal time meeting their obligations, meaning they struggled to see the benefits of MTD. These customers, particularly landlords with one or two properties, needed to understand why they had been included within the parameters of MTD and wanted recommendations for simple, low-cost software appropriate for their straightforward finances.
			- Cautious and Lack Confidence customers (15% of the in-scope population) thought MTD would be difficult, as they lacked confidence with technology and currently found meeting their obligations challenging. These customers will need more intensive support, and would benefit from training on how to use digital tools and to maintain efficient records. They also needed reassurance that their data would be handled securely and information about how their agents could support them with the process.
			- Resistant and Less Capable customers (16% of the in-scope population) again lacked the capability to use digital tools for their business and struggled to see the benefits of digital recordkeeping after many years successfully relying on paper methods. These customers needed guidance on all aspects of MTD, from choosing software to submitting quarterly returns. They will likely turn to friends and family in the first instance, rather than rely on HMRC guidance.
			- Short Tax Return customers (2% of the in-scope population) were similar to the Resistant and Less Capable customers in all regards, though their survey and qualitative responses suggest that they will be marginally more capable of switching to MTD, despite being less able to see the benefits.
2. The qualitative research showed that customers wanted to understand what the changes meant for them, and that a ‘fear of the unknown’ was influencing some customers’ first impressions. Equally, those in the more receptive Clusters acknowledged that their views on how easy MTD would be to use were based on assumptions of their own digital confidence.
3. The research demonstrated the importance of trial periods for ITSA customers to understand and feel confident with the new system. They needed to see what quarterly summaries would look like and to understand the level of work that would be involved in producing the figures required before they could develop an informed opinion. For the rollout of MTD for ITSA to be a success, customers emphasised the need for leniency while they submitted their first digital returns, and requested that HMRC play an active role in helping them to choose software.
4. Customers wanted proactive support from HMRC, including:
	* + - explaining the rationale for MTD
			- providing information or signposting to information on how to choose suitable software packages for non-users
			- facilitating trial runs to allow those considering avoiding MTD to see if the new system would actually be as challenging as they had assumed
			- allowing a grace period for first submissions to reassure those concerned about penalties
5. Appendix
6. The Appendix provides further technical details on the survey design and overall methodology, as well as supporting data not shown in the main body of the report.
	1. Survey and questionnaire development
7. The questionnaire was developed by Ipsos and approved by HMRC. The questionnaire sought to build on that used during the [previous study of small businesses’ engagement with MTD for Business](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/663182/Report_480_Making_Tax_Digital_for_Business__Survey_of_small_businesses_and_landlords.pdf) (MTDfB) carried out by Ipsos in 2016.
8. A pilot survey consisting of 22 telephone interviews with eligible customers (drawn from the same HMRC sample frame used for the main survey) was conducted between 22 and 25 February 2020. The purpose of the pilot was to:
	* + - check the quality and eligibility of the sample
			- gather feedback on the survey introductory text and reassurance email
			- gauge average interview length
			- test the willingness of respondents to participate, especially given the impact of COVID-19 on businesses at this time
9. Small changes to the questionnaire were made based on feedback from the pilot survey.
	1. Sampling, fieldwork outcomes and response rates

Sampling

1. The sample frame was produced from analysis of HMRC’s database of ITSA customers, focusing on those eligible for MTD for ITSA (with turnover and / or property income of £10,000 or more). This included self-employed, partnerships, landlords, self-employed and landlords, and SA200 customers.
2. Prior to the pilot and main stage sample selection, the sample was cleaned. This involved removing leads with invalid telephone numbers (such as overseas numbers and numbers with too many or too few digits) and removing duplicate leads. During the sample cleaning stage, a notable proportion of telephone numbers were found to be numbers for external agents, rather than for ITSA customers themselves. In an attempt to minimise survey bias and low eligibility that would have resulted from screening out these organisations, automated telephone matching was carried out against business telephone databases. Ipsos also sent advance letters to the selected sample giving them more information about the research and an opportunity to decline to take part.

Fieldwork outcomes and response rates

1. A telephone survey, based on a random probability sampling design, was undertaken with 2,200 ITSA customers between 22 February and 20 August 2021. With the probability sample nature of the survey, each lead was called a minimum of 7 times unless it had already achieved a final outcome, and an outcome was sought for every lead in the sample.
2. The survey achieved an adjusted response rate of 33%. Fieldwork was run in three phases due to issues with sample quality, with the bulk of interviews carried out during the school summer holidays (July to August 2021) when respondent availability tends to be reduced. A breakdown of the sample outcomes is presented in Table 8.1, below.
	* + - 1. Fieldwork outcomes and response rate calculation

|  |  |
| --- | --- |
| 1. Outcome
 | Total |
| 1. Total sample loaded
 | 1. 18,012
 |
| 1. Completed interviews
 | 1. 2,200
 |
| 1. Ineligible leads[[5]](#footnote-6)
 | 1. 1,175
 |
| 1. Refusals[[6]](#footnote-7)
 | 1. 5,793
 |
| 1. Unusable leads with working numbers[[7]](#footnote-8)
 | 1. 3,870
 |
| 1. Unusable numbers[[8]](#footnote-9)
 | 1. 2,171
 |
| 1. Working numbers with unknown eligibility[[9]](#footnote-10)
 | 1. 613
 |
| 1. Eligibility of screened respondents[[10]](#footnote-11)
 | 1. 65%
 |
| 1. Unadjusted response rate[[11]](#footnote-12)
 | 1. 12%
 |
| 1. Adjusted response rate[[12]](#footnote-13)
 | 1. 33%
 |
| 1. Cooperation rate[[13]](#footnote-14)
 | 1. 37%
 |

* 1. Data processing
1. A total of 2,200 ITSA customers completed the survey. Quality assurance was undertaken on the dataset to correct a small number of conflicting answers given during the survey. Examples of these edits included customers stating that they used an agent, and then at subsequent questions asking what tasks their agent supported them with, stating that they did not have an agent (or vice versa). Where data was missing and it was not possible to recontact participants, the missing data was coded to ‘don’t know’.
2. At the data processing stage, the data was weighted by customer group, sector, turnover and region, to ensure it was representative of the overall ITSA population.
3. Final data from the survey were based on a weighted sample rather than the entire population of customers. Percentage results are therefore subject to margins of error, which vary with the size of the sample and the percentage figure concerned. For example, for a question where 50% of the 2,200 customers sampled in the survey give a particular answer, the chances are 95 in 100 that this result would not vary more or less than 5.2 percentage points from the true figure – the figure that would have been obtained had the entire customer population responded to the survey. The margins of error that are assumed to apply in this report are given in Table 8.2.
	* + - 1. Margins of error

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1. Outcome
 | 10% or 90% | 20% or 80% | 30% or 70% | 40% or 60% | 50% |
| 1. All ITSA customers (2,200)
 | 1. ± 1.3
 | 1. ± 1.7
 | ± 1.9 | ± 2.0 | ± 2.1 |
| 1. Receptive and Capable (670)
 | 1. ± 2.3
 | 1. ± 3.0
 | 1. ± 3.5
 | ± 3.7 | 1. ± 3.8
 |
| 1. Complex and Capable (299)
 | 1. ± 3.4
 | 1. ± 4.5
 | 1. ± 5.2
 | 1. ± 5.6
 | 1. ± 5.7
 |
| 1. Capable but Disengaged (517)
 | 1. ± 2.6
 | 1. ± 3.5
 | 1. ± 4.0
 | 1. ± 4.2
 | 1. ± 4.3
 |
| 1. Cautious and Lack Confidence (320)
 | 1. ± 3.3
 | 1. ± 4.4
 | 1. ± 5.0
 | 1. ± 5.4
 | 1. ± 5.5
 |
| 1. Resistant and Less Capable (280)
 | 1. ± 3.5
 | 1. ± 4.7
 | 1. ± 5.4
 | 1. ± 5.7
 | 1. ± 5.9
 |
| 1. Short Tax Return customers (114)
 | 1. ± 5.5
 | 1. ± 7.4
 | 1. ± 8.4
 | 1. ± 9.0
 | 1. ± 9.2
 |

* 1. Cluster analysis
1. The segments were formed using cluster analysis, a statistical technique used to identify independent sub-groups (or ‘clusters’) of individuals within a dataset. Cluster analysis was used to group the self-employed and landlords according to a range of demographic and attitudinal statements collected during the survey. These variables are shown in Table 8.3, below.
	* + - 1. Variables used in the segmentation analysis

|  |  |
| --- | --- |
| Demographic variables | Attitudinal or behavioural variables |
| 1. Customer type (self-employed, partnership, landlord, or self-employed and landlord)
 | 1. Customers’ current behaviours and practices in relation to tax, including their use of agents
 |
| 1. Turnover
 | 1. Customers’ capability and access to information and communication technology
 |
| 1. Whether or not customers had employees
 | 1. Customers’ attitudes towards the MTD requirements
 |
| 1. Whether or not customers were using MTD for VAT
 |  |

1. Businesses were grouped together into Clusters because they provided similar responses to the questions asked in the survey. They are therefore expected to have similar behaviours in relation to tax and have similar attitudes and concerns towards MTD.
2. There are a range of techniques available to generate clusters, the choice of method depends on the data structure. Two-step clustering (run in SPSS version 25) was used to generate the clusters. This method was chosen because it is a robust and appropriate method for grouping individuals when there is a mix of attitudinal scales and (categorical) demographic characteristics.
3. Two-step clustering is a hybrid approach. At the first step a distance measure (Euclidean distance) is used to create an initial set of groups. This step is similar to running a k-means cluster analysis as it uses an algorithm to identify a set of non-overlapping groups in the sample that contain individuals who are simultaneously as similar to each other and as different to other groups as possible based on the chosen distance measure.
4. At the second step a probabilistic approach is used to tweak and refine these clusters; statistical tests are used to identify any groups that may need merging or splitting. These clusters were then reviewed, profiled and sense checked against other findings to ensure none of the clusters were affected by outliers or spurious relationships. The result is a set of independent clusters that are as different as possible and contain individuals with consistent, identifiable and usable sets of characteristics.
5. There were 2,200 small businesses in the data. This included 247 partnerships, 1,204 businesses that were exclusively self-employed, 264 that were exclusively landlords, and 371 who were a mix of self-employed and landlords. The clustering technique grouped these businesses into 5 clusters. In addition, the sample contained 114 businesses that were eligible for the shortened SA200 return. These businesses were different in their views and attitudes and formed their own cluster, giving 6 clusters in total. Table 8.4 below shows the distribution of the final clusters.
	* + - 1. Cluster distribution (unweighted)

|  |  |  |
| --- | --- | --- |
| Cluster | Number in Cluster | Percentage of sample |
| 1. Receptive and Capable
 | 1. 670
 | 1. 30%
 |
| 1. Complex and Capable
 | 1. 299
 | 1. 14%
 |
| 1. Capable but Disengaged
 | 1. 517
 | 1. 24%
 |
| 1. Cautious and Lack Confidence
 | 1. 320
 | 1. 15%
 |
| 1. Resistant and Less Capable
 | 1. 280
 | 1. 13%
 |
| 1. Short Tax Return customers
 | 1. 114
 | 1. 5%
 |
| 1. Total
 | 2,200 | 100% |

* 1. Qualitative method
1. Follow-up depth interviews were conducted with 30 survey participants. The in-depth interviews were spread across the 6 Clusters, with greater focus being placed on those identified during the survey as needing more support, or being more resistant to MTD. The interviews took place between 26 October and 12 November 2021.
	* + - 1. Profile of qualitative interviews

|  |  |
| --- | --- |
| Cluster | Number of interviews |
| 1. Receptive and Capable
 | 1. 4
 |
| 1. Complex and Capable
 | 1. 4
 |
| 1. Capable but Disengaged
 | 1. 4
 |
| 1. Cautious and Lack Confidence
 | 1. 6
 |
| 1. Resistant and Less Capable
 | 1. 6
 |
| 1. Short Tax Return customers
 | 1. 6
 |
| 1. Total
 | 30 |

1. Recruitment was guided by a screening questionnaire. The screener was based on the variables that were most strongly associated with membership of each segment, to sense check that those selected for interview had the main characteristics associated with that segment.
	1. Supporting data tables
2. The following data tables show the full list of responses from the survey where only the most commonly reported figures were shown in the main body of the report.
	* + - 1. How easy or difficult customers thought using MTD-compatible software would be – Section 3.1

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Very easy
 | 1. 11%
 | 1. 29%
 | 1. 18%
 | 1. 0%
 | 1. 0%
 | 1. 1%
 | 1. 3%
 |
| 1. Fairly easy
 | 1. 27%
 | 1. 60%
 | 1. 43%
 | 1. 8%
 | 1. 3%
 | 1. 8%
 | 1. 13%
 |
| 1. Neither easy nor difficult
 | 1. 14%
 | 1. 6%
 | 1. 11%
 | 1. 28%
 | 1. 14%
 | 1. 9%
 | 1. 10%
 |
| 1. Fairly difficult
 | 1. 17%
 | 1. 0%
 | 1. 14%
 | 1. 25%
 | 1. 32%
 | 1. 23%
 | 1. 26%
 |
| 1. Very difficult
 | 1. 18%
 | 1. 0%
 | 1. 4%
 | 1. 13%
 | 1. 42%
 | 1. 47%
 | 1. 34%
 |
| 1. Total: Easy
 | 1. 38%
 | 1. 89%
 | 1. 61%
 | 1. 8%
 | 1. 3%
 | 1. 9%
 | 1. 16%
 |
| 1. Total: Difficult
 | 1. 35%
 | 1. 0%
 | 1. 18%
 | 1. 38%
 | 1. 73%
 | 1. 70%
 | 1. 60%
 |
| 1. Don’t know
 | 1. 13%
 | 1. 5%
 | 10% | 25% | 10% | 11% | 14% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114).  |

* + - * 1. Digital recordkeeping will make submitting quicker and easier – Section 3.2

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Strongly agree
 | 1. 19%
 | 1. 37%
 | 1. 24%
 | 1. 9%
 | 1. 8%
 | 1. 9%
 | 1. 4%
 |
| 1. Tend to agree
 | 1. 28%
 | 1. 34%
 | 1. 35%
 | 1. 27%
 | 1. 23%
 | 1. 18%
 | 1. 12%
 |
| 1. Neither agree nor disagree
 | 1. 19%
 | 1. 17%
 | 1. 20%
 | 1. 21%
 | 1. 21%
 | 1. 18%
 | 1. 25%
 |
| 1. Tend to disagree
 | 1. 10%
 | 1. 4%
 | 1. 7%
 | 1. 15%
 | 1. 13%
 | 1. 11%
 | 1. 12%
 |
| 1. Strongly disagree
 | 1. 20%
 | 1. 5%
 | 1. 11%
 | 1. 22%
 | 1. 31%
 | 1. 35%
 | 1. 38%
 |
| 1. Total: Agree
 | 1. 47%
 | 1. 71%
 | 1. 59%
 | 1. 36%
 | 1. 31%
 | 1. 27%
 | 1. 17%
 |
| 1. Total: Disagree
 | 1. 29%
 | 1. 10%
 | 1. 18%
 | 1. 37%
 | 1. 45%
 | 1. 46%
 | 1. 50%
 |
| 1. Don’t know
 | 1. 4%
 | 1. 2%
 | 3% | 6% | 3% | 8% | 8% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114). |

* + - * 1. Ease or difficulty of submitting quarterly summaries to HMRC – Section 4.1

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1.
 | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Very easy
 | 1. 10%
 | 1. 25%
 | 1. 14%
 | 1. 2%
 | 1. 0%
 | 1. 2%
 | 1. 5%
 |
| 1. Fairly easy
 | 1. 32%
 | 1. 57%
 | 1. 43%
 | 1. 23%
 | 1. 13%
 | 1. 13%
 | 1. 16%
 |
| 1. Neither easy nor difficult
 | 1. 11%
 | 1. 8%
 | 1. 10%
 | 1. 16%
 | 1. 10%
 | 1. 10%
 | 1. 10%
 |
| 1. Fairly difficult
 | 1. 19%
 | 1. 5%
 | 1. 14%
 | 1. 29%
 | 1. 30%
 | 1. 24%
 | 1. 23%
 |
| 1. Very difficult
 | 1. 20%
 | 1. 1%
 | 1. 10%
 | 1. 19%
 | 1. 41%
 | 1. 43%
 | 1. 40%
 |
| 1. Total: Easy
 | 1. 43%
 | 1. 82%
 | 1. 57%
 | 1. 24%
 | 1. 13%
 | 1. 15%
 | 1. 21%
 |
| 1. Total: Difficult
 | 1. 39%
 | 1. 6%
 | 1. 24%
 | 1. 48%
 | 1. 71%
 | 1. 66%
 | 1. 63%
 |
| 1. Don’t know
 | 1. 8%
 | 1. 4%
 | 9% | 11% | 6% | 9% | 5% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114).  |

* + - * 1. Agreement that quarterly summaries could ease end of year tax burden – Section 4.2

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Strongly agree
 | 1. 13%
 | 1. 23%
 | 1. 15%
 | 1. 5%
 | 1. 8%
 | 1. 10%
 | 1. 8%
 |
| 1. Tend to agree
 | 1. 21%
 | 1. 28%
 | 1. 23%
 | 1. 19%
 | 1. 16%
 | 1. 16%
 | 1. 9%
 |
| 1. Neither agree nor disagree
 | 1. 20%
 | 1. 23%
 | 1. 25%
 | 1. 14%
 | 1. 19%
 | 1. 21%
 | 1. 19%
 |
| 1. Tend to disagree
 | 1. 18%
 | 1. 13%
 | 1. 13%
 | 1. 24%
 | 1. 25%
 | 1. 14%
 | 1. 17%
 |
| 1. Strongly disagree
 | 1. 24%
 | 1. 10%
 | 1. 20%
 | 1. 36%
 | 1. 27%
 | 1. 32%
 | 1. 38%
 |
| 1. Total: Agree
 | 1. 34%
 | 1. 52%
 | 1. 38%
 | 1. 23%
 | 1. 24%
 | 1. 26%
 | 1. 17%
 |
| 1. Total: Disagree
 | 1. 42%
 | 1. 22%
 | 1. 33%
 | 1. 60%
 | 1. 52%
 | 1. 46%
 | 1. 55%
 |
| 1. Don’t know
 | 1. 4%
 | 1. 3%
 | 4% | 2% | 4% | 7% | 9% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114).  |

* + - * 1. Agreement that calculating quarterly summaries would give greater financial certainty – Section 4.2

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Strongly agree
 | 1. 13%
 | 1. 26%
 | 1. 15%
 | 1. 6%
 | 1. 7%
 | 7% | 1. 8%
 |
| 1. Tend to agree
 | 1. 22%
 | 1. 29%
 | 1. 28%
 | 1. 15%
 | 1. 18%
 | 22% | 1. 11%
 |
| 1. Neither agree nor disagree
 | 1. 21%
 | 1. 21%
 | 1. 23%
 | 1. 24%
 | 1. 13%
 | 22% | 1. 18%
 |
| 1. Tend to disagree
 | 1. 17%
 | 1. 13%
 | 1. 15%
 | 1. 20%
 | 1. 23%
 | 1. 15%
 | 1. 17%
 |
| 1. Strongly disagree
 | 1. 25%
 | 1. 10%
 | 1. 18%
 | 1. 33%
 | 1. 37%
 | 1. 31%
 | 1. 41%
 |
| 1. Total: Agree
 | 1. 36%
 | 1. 55%
 | 1. 43%
 | 1. 21%
 | 1. 25%
 | 1. 30%
 | 1. 19%
 |
| 1. Total: Disagree
 | 1. 41%
 | 1. 22%
 | 1. 33%
 | 1. 53%
 | 1. 60%
 | 1. 45%
 | 1. 58%
 |
| 1. Don’t know
 | 1. 2%
 | 1. 2%
 | 2% | 2% | 3% | 3% | 5% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114).  |

* + - * 1. Frequency of recordkeeping – Section 5.1

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Daily
 | 1. 7%
 | 1. 6%
 | 1. 19%
 | 1. 4%
 | 1. 5%
 | 1. 6%
 | 1. 5%
 |
| 1. At least weekly
 | 1. 11%
 | 1. 11%
 | 1. 15%
 | 1. 10%
 | 1. 10%
 | 13% | 1. 12%
 |
| 1. At least monthly
 | 1. 26%
 | 1. 27%
 | 1. 27%
 | 1. 26%
 | 1. 25%
 | 1. 24%
 | 1. 27%
 |
| 1. At least quarterly
 | 1. 10%
 | 1. 13%
 | 1. 13%
 | 1. 9%
 | 1. 11%
 | 1. 7%
 | 1. 4%
 |
| 1. End of year / before a tax deadline
 | 1. 34%
 | 1. 33%
 | 1. 20%
 | 1. 36%
 | 1. 37%
 | 1. 39%
 | 1. 34%
 |
| 1. As and when
 | 1. 10%
 | 1. 9%
 | 1. 3%
 | 1. 13%
 | 1. 11%
 | 1. 9%
 | 1. 16%
 |
| 1. Bi-annually
 | 1. 1%
 | 1. 0.4%
 | 1. 0.3%
 | 1. 1%
 | 1. 0.2%
 | 1. 1%
 | 1. 0.1%
 |
| 1. When not busy
 | 1. 0.4%
 | 1. 0%
 | 1. 0.2%
 | 1. 0.3%
 | 1. 0%
 | 1. 1%
 | 1. 0%
 |
| 1. Total: quarterly or more often
 | 1. 54%
 | 1. 57%
 | 1. 75%
 | 1. 49%
 | 1. 50%
 | 1. 50%
 | 1. 48%
 |
| 1. Don’t know
 | 1. 0.3%
 | 1. 0.3%
 | 1% | 0.2% | 0.1% | 1% | 0% |
| Base (unweighted): All who do not use an external agent for recordkeeping (1,990), Receptive and Capable (605), Complex and Capable (258), Capable but Disengaged (499), Cautious and Lack Confidence (268), Resistant and Less Capable (249), Short Tax Return (111). Please refer to Table 8.11 in the Appendix for the full data table for frequency of recordkeeping. |

* + - * 1. Ease of recordkeeping and submitting information to HMRC – Section 5.1

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Very easy
 | 1. 21%
 | 1. 31%
 | 1. 15%
 | 1. 20%
 | 1. 11%
 | 1. 15%
 | 1. 14%
 |
| 1. Fairly easy
 | 1. 42%
 | 1. 48%
 | 1. 49%
 | 1. 39%
 | 1. 38%
 | 1. 38%
 | 1. 44%
 |
| 1. Neither easy nor difficult
 | 1. 21%
 | 1. 15%
 | 1. 20%
 | 1. 26%
 | 1. 25%
 | 1. 19%
 | 1. 30%
 |
| 1. Fairly difficult
 | 1. 10%
 | 1. 4%
 | 1. 9%
 | 1. 13%
 | 1. 14%
 | 1. 15%
 | 1. 12%
 |
| 1. Very difficult
 | 1. 4%
 | 1. 2%
 | 1. 2%
 | 1. 1%
 | 1. 8%
 | 1. 8%
 | 1. 1%
 |
| 1. Total: Easy
 | 1. 63%
 | 1. 79%
 | 1. 64%
 | 1. 59%
 | 1. 50%
 | 1. 52%
 | 1. 58%
 |
| 1. Total: Difficult
 | 1. 14%
 | 1. 6%
 | 1. 11%
 | 1. 14%
 | 1. 21%
 | 1. 23%
 | 1. 13%
 |
| 1. Don’t know
 | 1. 2%
 | 1. 0.2%
 | 5% | 1% | 4% | 5% | 0% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114).  |

* + - * 1. Agreement with ‘I am comfortable using technology to manage my finances’ – Section 5.3

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Strongly agree
 | 1. 40%
 | 1. 70%
 | 1. 52%
 | 1. 47%
 | 1. 4%
 | 1. 0%
 | 1. 20%
 |
| 1. Tend to agree
 | 1. 30%
 | 1. 27%
 | 1. 35%
 | 1. 43%
 | 1. 37%
 | 4% | 1. 20%
 |
| 1. Neither agree nor disagree
 | 1. 10%
 | 1. 3%
 | 1. 8%
 | 1. 7%
 | 1. 27%
 | 1. 15%
 | 1. 14%
 |
| 1. Tend to disagree
 | 1. 9%
 | 1. 0.2%
 | 1. 2%
 | 1. 2%
 | 1. 20%
 | 1. 30%
 | 1. 12%
 |
| 1. Strongly disagree
 | 1. 11%
 | 1. 0.2%
 | 1. 1%
 | 1. 1%
 | 1. 10%
 | 1. 51%
 | 1. 33%
 |
| 1. Total: Agree
 | 1. 70%
 | 1. 97%
 | 1. 87%
 | 1. 90%
 | 1. 41%
 | 1. 4%
 | 1. 40%
 |
| 1. Total: Disagree
 | 1. 20%
 | 1. 0.4%
 | 1. 3%
 | 1. 3%
 | 1. 30%
 | 1. 81%
 | 1. 45%
 |
| 1. Don’t know
 | 1. 1%
 | 1. 0.1%
 | 2% | 0.2% | 1% | 1% | 1% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114).  |

* + - * 1. Ease of using MTD-compatible software by age – Section 5.4

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 44 or under | 45-54 | 55-64 | 65+ |
| 1. Population
 | 100% | 29% | 26% | 27% | 16% |
| 1. Very easy
 | 1. 11%
 | 1. 16%
 | 1. 13%
 | 1. 9%
 | 1. 5%
 |
| 1. Fairly easy
 | 1. 27%
 | 1. 36%
 | 1. 30%
 | 1. 21%
 | 1. 17%
 |
| 1. Neutral, it depends
 | 1. 14%
 | 1. 15%
 | 1. 14%
 | 1. 13%
 | 1. 12%
 |
| 1. Fairly difficult
 | 1. 17%
 | 1. 14%
 | 1. 17%
 | 1. 16%
 | 1. 25%
 |
| 1. Very difficult
 | 1. 18%
 | 1. 9%
 | 1. 13%
 | 1. 26%
 | 1. 28%
 |
| 1. Don’t know
 | 1. 13%
 | 1. 10%
 | 1. 12%
 | 1. 15%
 | 1. 12%
 |
| 1. Total: Easy
 | 1. 38%
 | 1. 52%
 | 1. 43%
 | 1. 30%
 | 1. 22%
 |
| 1. Total: Difficult
 | 1. 35%
 | 23% | 31% | 42% | 53% |
| Base (unweighted): All survey respondents (2,200), all 44 or under (593), all 45-54 (569), all 55-64 (629), all 65+ (373).  |

* + - * 1. Ease of submitting quarterly summaries by age – Section 5.4

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 44 or under | 45-54 | 55-64 | 65+ |
| 1. Population
 | 1. 100%
 | 29% | 26% | 27% | 16% |
| 1. Very easy
 | 1. 10%
 | 1. 15%
 | 1. 12%
 | 1. 8%
 | 1. 4%
 |
| 1. Fairly easy
 | 1. 32%
 | 1. 39%
 | 1. 36%
 | 1. 29%
 | 1. 22%
 |
| 1. Neutral, it depends
 | 1. 11%
 | 1. 12%
 | 1. 10%
 | 1. 9%
 | 1. 13%
 |
| 1. Fairly difficult
 | 1. 19%
 | 1. 19%
 | 1. 18%
 | 1. 17%
 | 1. 25%
 |
| 1. Very difficult
 | 1. 20%
 | 1. 11%
 | 1. 16%
 | 1. 27%
 | 1. 28%
 |
| 1. Don’t know
 | 1. 8%
 | 1. 5%
 | 1. 7%
 | 1. 9%
 | 1. 9%
 |
| 1. Total: Easy
 | 1. 43%
 | 1. 53%
 | 1. 48%
 | 1. 37%
 | 1. 25%
 |
| 1. Total: Difficult
 | 1. 39%
 | 30% | 35% | 44% | 53% |
| Base (unweighted): All survey respondents (2,200), all 44 or under (593), all 45-54 (569), all 55-64 (629), all 65+ (373).  |

* + - * 1. Age profile of the Clusters – Section 5.4

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. 44 or under
 | 1. 29%
 | 1. 42%
 | 1. 10%
 | 1. 33%
 | 1. 22%
 | 1. 13%
 | 1. 9%
 |
| 1. 45-54
 | 1. 26%
 | 1. 29%
 | 1. 33%
 | 1. 25%
 | 1. 22%
 | 1. 22%
 | 1. 25%
 |
| 1. 55-64
 | 1. 27%
 | 1. 19%
 | 1. 36%
 | 1. 26%
 | 1. 29%
 | 1. 38%
 | 1. 28%
 |
| 1. 65 or more
 | 1. 16%
 | 1. 9%
 | 1. 18%
 | 1. 14%
 | 1. 25%
 | 1. 25%
 | 1. 34%
 |
| 1. Refused
 | 1. 2%
 | 1. 2%
 | 2% | 1% | 2% | 3% | 4% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114).  |

* + - * 1. Choosing not to comply with MTD if it was cheaper to pay a fine (Section 6.1)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Strongly agree
 | 1. 6%
 | 1. 3%
 | 1. 4%
 | 1. 4%
 | 1. 9%
 | 1. 13%
 | 1. 1%
 |
| 1. Tend to agree
 | 1. 5%
 | 1. 5%
 | 1. 5%
 | 1. 4%
 | 1. 4%
 | 6% | 1. 6%
 |
| 1. Neither agree nor disagree
 | 1. 8%
 | 1. 7%
 | 1. 3%
 | 1. 8%
 | 1. 6%
 | 1. 14%
 | 1. 13%
 |
| 1. Tend to disagree
 | 1. 16%
 | 1. 12%
 | 1. 17%
 | 1. 16%
 | 1. 19%
 | 1. 20%
 | 1. 14%
 |
| 1. Strongly disagree
 | 1. 61%
 | 1. 70%
 | 1. 69%
 | 1. 64%
 | 1. 56%
 | 1. 41%
 | 1. 54%
 |
| 1. Total: Agree
 | 1. 11%
 | 1. 8%
 | 1. 9%
 | 1. 8%
 | 1. 13%
 | 1. 19%
 | 1. 7%
 |
| 1. Total: Disagree
 | 1. 77%
 | 1. 83%
 | 1. 86%
 | 1. 80%
 | 1. 75%
 | 1. 61%
 | 1. 68%
 |
| 1. Don’t know
 | 1. 4%
 | 1. 2%
 | 2% | 3% | 5% | 5% | 11% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114). |

* + - * 1. Trust in HMRC to publish accessible information to help customers comply (Section 6.2)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1. Total (survey)
 | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 100%
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Strongly agree
 | 1. 29%
 | 1. 41%
 | 1. 30%
 | 1. 20%
 | 1. 28%
 | 1. 22%
 | 1. 19%
 |
| 1. Tend to agree
 | 1. 40%
 | 1. 44%
 | 1. 39%
 | 1. 44%
 | 1. 34%
 | 34% | 1. 36%
 |
| 1. Neither agree nor disagree
 | 1. 12%
 | 1. 8%
 | 1. 17%
 | 1. 15%
 | 1. 12%
 | 1. 16%
 | 1. 14%
 |
| 1. Tend to disagree
 | 1. 9%
 | 1. 4%
 | 1. 6%
 | 1. 10%
 | 1. 12%
 | 1. 14%
 | 1. 11%
 |
| 1. Strongly disagree
 | 1. 7%
 | 1. 2%
 | 1. 5%
 | 1. 9%
 | 1. 12%
 | 1. 11%
 | 1. 13%
 |
| 1. Total: Agree
 | 1. 70%
 | 1. 85%
 | 1. 70%
 | 1. 65%
 | 1. 62%
 | 1. 56%
 | 1. 55%
 |
| 1. Total: Disagree
 | 1. 16%
 | 1. 6%
 | 1. 11%
 | 1. 19%
 | 1. 24%
 | 1. 25%
 | 1. 25%
 |
| 1. Don’t know
 | 1. 2%
 | 1. 1%
 | 2% | 2% | 2% | 2% | 6% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114). |

* + - * 1. Sources of support for complying with MTD for ITSA (overall) – Section 6.3

|  |  |
| --- | --- |
| Support | Total |
| 1. Accountant or agent
 | 1. 60%
 |
| 1. GOV.UK
 | 1. 32%
 |
| 1. HMRC helpline
 | 17% |
| 1. Friend or relative
 | 1. 14%
 |
| 1. Internet search
 | 1. 4%
 |
| 1. Online forums
 | 1. 3%
 |
| 1. Charities or voluntary sector organisations
 | 2% |
| 1. Owners of other small businesses
 | 1. 2%
 |
| 1. Software providers
 | 1. 2%
 |
| 1. Trade organisations
 | 1. 1%
 |
| 1. Colleagues within the business
 | 1% |
| 1. No one
 | 1. 4%
 |
| 1. Don’t know
 | 3% |
| Base (unweighted): All survey respondents (2,200).  |

* + - * 1. Sources of support for complying with MTD for ITSA (by Cluster) – Section 6.3

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 1. Receptive and Capable
 | Complex and Capable | Capable but Disengaged | Cautious and Lack Confidence | Resistant and Less Capable | Short Tax Return |
| 1. Population
 | 1. 32%
 | 10% | 25% | 15% | 16% | 2% |
| 1. Accountant
 | 1. 56%
 | 80% | 44% | 88% | 61% | 24% |
| 1. GOV.UK
 | 1. 44%
 | 21% | 44% | 17% | 12% | 27% |
| 1. HMRC helpline
 | 1. 22%
 | 8% | 23% | 8% | 8% | 25% |
| 1. Friend or relative
 | 1. 13%
 | 8% | 12% | 6% | 30% | 25% |
| 1. Internet search
 | 1. 4%
 | 3% | 5% | 5% | 2% | 4% |
| 1. Online forums
 | 1. 3%
 | 2% | 5% | 2% | 3% | 3% |
| 1. Charities or voluntary sector organisations
 | 1. 1%
 | 0% | 3% | 1% | 6% | 1% |
| 1. Owners of other small businesses
 | 1. 2%
 | 1% | 1% | 4% | 1% | 2% |
| 1. Software provider
 | 1. 3%
 | 2% | 1% | 1% | 1% | 1% |
| 1. Trade organisation
 | 1. 2%
 | 4% | 1% | 2% | 1% | 0.1% |
| 1. Colleagues within the business
 | 1. 1%
 | 2% | 2% | 0.4% | 2% | 1% |
| 1. No one
 | 1. 3%
 | 4% | 5% | 0% | 5% | 9% |
| 1. Don’t know
 | 1. 1%
 | 1% | 4% | 2% | 5% | 13% |
| Base (unweighted): All survey respondents (2,200), Receptive and Capable (670), Complex and Capable (299), Capable but Disengaged (517), Cautious and Lack Confidence (320), Resistant and Less Capable (280), Short Tax Return (114).  |

* + - * 1. Ease of using MTD-compatible software by age (54 or under) – Section 5.4

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1. Overall
 | 1. 54 or under
 | 1. 55-64
 | 1. 65+
 |
| 1. Population:
 | 1. 100%
 | 1. 55%
 | 1. 27%
 | 1. 16%
 |
| 1. Very easy
 | 1. 10%
 | 1. 14%
 | 1. 8%
 | 1. 4%
 |
| 1. Fairly easy
 | 1. 32%
 | 1. 33%
 | 1. 29%
 | 1. 22%
 |
| 1. Neutral, it depends
 | 1. 11%
 | 1. 15%
 | 1. 9%
 | 1. 13%
 |
| 1. Fairly difficult
 | 1. 19%
 | 1. 15%
 | 1. 17%
 | 1. 25%
 |
| 1. Very difficult
 | 1. 20%
 | 1. 11%
 | 1. 27%
 | 1. 28%
 |
| 1. Don’t know
 | 1. 8%
 | 1. 11%
 | 1. 9%
 | 1. 9%
 |
| 1. Total: Easy
 | 1. 43%
 | 1. 48%
 | 1. 37%
 | 1. 25%
 |
| 1. Total: Difficult
 | 1. 39%
 | 1. 26%
 | 1. 44%
 | 1. 53%
 |
| 1. Base (unweighted): All survey respondents (2,200), all 54 or under (1,162), all 55-64 (629), all 65+ (373).
 |

* + - * 1. Ease of submitting quarterly summaries age (54 or under) – Section 5.4

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1. Overall
 | 1. 54 or under
 | 1. 55-64
 | 1. 65+
 |
| 1. Population:
 | 1. 100%
 | 1. 55%
 | 1. 27%
 | 16% |
| 1. Very easy
 | 1. 10%
 | 1. 13%
 | 1. 8%
 | 1. 4%
 |
| 1. Fairly easy
 | 1. 32%
 | 1. 37%
 | 1. 29%
 | 1. 22%
 |
| 1. Neutral, it depends
 | 1. 11%
 | 1. 11%
 | 1. 9%
 | 1. 13%
 |
| 1. Fairly difficult
 | 1. 19%
 | 1. 19%
 | 1. 17%
 | 1. 25%
 |
| 1. Very difficult
 | 1. 20%
 | 1. 13%
 | 1. 27%
 | 1. 28%
 |
| 1. Don’t know
 | 1. 8%
 | 1. 6%
 | 1. 9%
 | 1. 9%
 |
| 1. Total: Easy
 | 1. 43%
 | 1. 51%
 | 1. 37%
 | 1. 25%
 |
| 1. Total: Difficult
 | 1. 39%
 | 1. 32%
 | 1. 44%
 | 1. 53%
 |
| 1. Base (unweighted): All survey respondents (2,200), all 54 or under (1,162), all 55-64 (629), all 65+ (373).
 |

# Our standards and accreditations

1. Ipsos’ standards and accreditations provide our clients with the peace of mind that they can always depend on us to deliver reliable, sustainable findings. Our focus on quality and continuous improvement means we have embedded a “right first time” approach throughout our organisation.

|  |  |
| --- | --- |
|  | ISO 202521. This is the international market research specific standard that supersedes BS 7911/MRQSA and incorporates IQCS (Interviewer Quality Control Scheme). It covers the five stages of a Market Research project. Ipsos was the first company in the world to gain this accreditation.
 |
|  | Market Research Society (MRS) Company Partnership1. By being an MRS Company Partner, Ipsos endorses and supports the core MRS brand values of professionalism, research excellence and business effectiveness, and commits to comply with the MRS Code of Conduct throughout the organisation. We were the first company to sign up to the requirements and self-regulation of the MRS Code. More than 350 companies have followed our lead.
 |
|  | ISO 90011. This is the international general company standard with a focus on continual improvement through quality management systems. In 1994, we became one of the early adopters of the ISO 9001 business standard.
 |
|  | ISO 270011. This is the international standard for information security, designed to ensure the selection of adequate and proportionate security controls. Ipsos was the first research company in the UK to be awarded this in August 2008.
 |
|  | The UK General Data Protection Regulation (GDPR) and the UK Data Protection Act (DPA) 20181. Ipsos is required to comply with the UK GDPR and the UK DPA. It covers the processing of personal data and the protection of privacy.
 |
|  | HMG Cyber Essentials1. This is a government-backed scheme and a key deliverable of the UK’s National Cyber Security Programme. Ipsos was assessment-validated for Cyber Essentials certification in 2016. Cyber Essentials defines a set of controls which, when properly implemented, provide organisations with basic protection from the most prevalent forms of threat coming from the internet.
 |
|  | Fair Data1. Ipsos is signed up as a “Fair Data” company, agreeing to adhere to 10 core principles. The principles support and complement other standards such as ISOs, and the requirements of Data Protection legislation.
 |

# For more information

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About Ipsos MORI Public Affairs

Ipsos Public Affairs works closely with national governments, local public services and the not-for-profit sector. Its c.200 research staff focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. Combined with our methods and communications expertise, this helps ensure that our research makes a difference for decision makers and communities.

1. There is a further guide to statistical reliability in the Appendix (Section 8.3). [↑](#footnote-ref-2)
2. Please refer to Tables 8.14, 8.15 and 8.16 in the Appendix for the full data tables. [↑](#footnote-ref-3)
3. Please refer to Tables 8.21 and 8.22 in the Appendix for the full data tables. [↑](#footnote-ref-4)
4. Please refer to the Appendix (Table 8.20) for the full data for this question. [↑](#footnote-ref-5)
5. Ineligible leads were those found to have permanently stopped trading (due to coronavirus or another reason), who made customs declarations on behalf of non-UK businesses only, did not currently make declarations and did not plan to when they were required on all EU trade or were currently decided about whether to make declarations. [↑](#footnote-ref-6)
6. This excludes “soft” refusals, where respondents were hesitant about taking part, so interviewers backed away and avoided a definitive refusal. [↑](#footnote-ref-7)
7. This includes sample where there was communication difficulty making it impossible to carry out the survey (either a bad line, or language difficulty), as well as numbers called 7 or more times over fieldwork without ever being picked up. [↑](#footnote-ref-8)
8. This is sample where the number was in a valid format, so was loaded into the main survey sample batches, but which turned out to be wrong numbers, fax numbers or disconnected. [↑](#footnote-ref-9)
9. This includes sample that had a working telephone number but where the respondent was unreachable or unavailable for an interview during the fieldwork period, so eligibility could not be assessed. [↑](#footnote-ref-10)
10. Eligibility has been calculated as: (completed interviews) / (completed interviews + leads established as ineligible during screener). [↑](#footnote-ref-11)
11. The unadjusted response rate has been calculated as completed interviews / total sample loaded. [↑](#footnote-ref-12)
12. The adjusted response rate has been calculated as completed interviews / (completed interviews + incomplete interviews + [refusals x eligibility] + [working numbers with unknown eligibility x eligibility]). [↑](#footnote-ref-13)
13. The cooperation rate has been calculated as: (completed interviews) / (completed interviews + refusals). Refusals have been based on expected eligibility (66%). [↑](#footnote-ref-14)