



Large Business Survey 2022

Report

Prepared for



**HM Revenue
& Customs**

By IFF Research

July 2023

His Majesty's Revenue and Customs Research Report 708



Disclaimer

The views in this report are the authors' own and do not necessarily reflect those of HM Revenue & Customs.

© Crown Copyright 2023

Copyright in the typographical arrangement and design rests with the Crown. This publication may be reported free of charge in any format or medium provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright with the title and source of the publication specified.

Published by HM Revenue and Customs, July 2023.

<http://www.gov.uk/hmrc>



IFF Research

Contact details:

Alistair Kuechel and Marc Cranney

IFF Research Ltd

St Magnus House

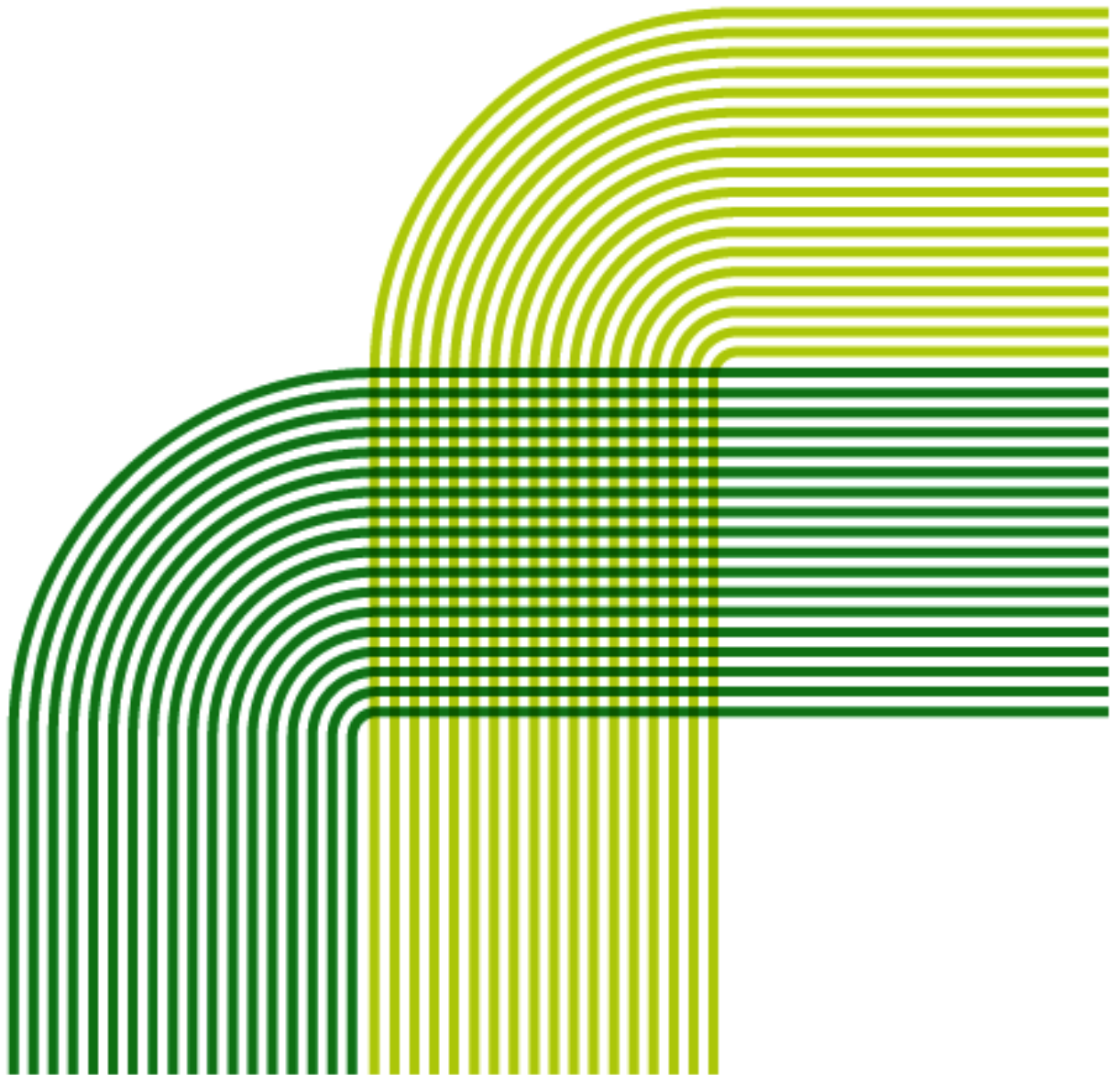
3 Lower Thames Street

London EC3R 6HD

Tel +44(0)20 7250 3035

alistair.kuechel@iffresearch.com

marc.cranney@iffresearch.com



Contents

Glossary of terms	5
1 Executive Summary	6
2 Introduction	12
3 Overall Customer Experience	15
4 Wider Customer Experience	26
5 The CCM Relationship	34
6 Contact with HMRC	45
7 HMRC Enquiries	51
8 Systems and Processes	55
9 Attitudes Towards Risk	59
10 Uncertain Tax Treatment (UTT)	69



Glossary of terms

Term	Definition
'Annual Conversation'	In 2021 HMRC introduced the 'Annual Conversation' for businesses that will not receive an HMRC Business Risk Review (BRR+). These cross-tax conversations are led by CCMs (see below for definition of CCM). They provide an opportunity for businesses to discuss challenges or issues they may be facing.
Business Risk Review (BRR+)	HMRC use CCMs to conduct a periodic Business Risk Review (BRR+) of the largest, most complex businesses. This assesses the business risk profile. This assessment is a key determinant of the level of scrutiny and resource the business receives from HMRC. Prior to October 2019 the BRR assessed the business risk profile to categorise the business as either Low Risk or Non-Low Risk. HMRC introduced an updated BRR process, known as BRR+, in October 2019 which increased the number of risk categories to 4: Low, Moderate, Moderate-High, and High Risk. BRR+ has 24 behavioural indicators from which the risk category is derived, under Systems & Delivery, Internal Governance and Approach to Tax Compliance. In order to be regarded as Low Risk, a customer must not fail any of the Low Risk criteria in any material aspect. If indicators have not been met, the number and materiality of any failings will determine whether a customer is rated as 'Moderate', 'Moderate-High' or 'High' risk. The CCM will arrive at an overall risk rating for the customer through the application of their knowledge, skills and experience while considering the overall context of risk for the business.
Co-operative Assurance Review	This would involve HMRC Auditors observing businesses using their systems and processes in real time to see if they work as they are described and to identify any potential weak spots.
Corporation Tax	A tax on the taxable profits of limited companies and some organisations including clubs, societies, associations, co-operatives, charities, and other unincorporated bodies. The Corporation Tax rate was 19% for the financial year beginning 1 April 2022.
Customer Compliance Manager (CCM)	All large business customers have a Customer Compliance Manager (CCM), who works within HMRC, and is responsible for their overall tax compliance. Prior to LBS 2017, the CCM was known as the Customer Relationship Manager (CRM).
Income Tax	A tax paid on income, such as money earned from employment, pensions, rental income, and interest on savings.
Key Driver Analysis	Key Driver Analysis (KDA) is a statistical technique using multiple linear regression – the aim of which is to help understand what impact different elements of HMRC service (that is, factors) have on overall experience of dealing with HMRC, the overall CCM relationship and perceptions of trust.
Large Business	For the purposes of this research, large businesses are the 2,000 or so largest and most complex businesses in the UK, which have been allocated a CCM within HMRC's Large Business Directorate. Typically, these businesses have a turnover of more than £200 million, but other factors are considered when determining a business's complexity.
Large Business Directorate	The division within HMRC managing the tax compliance of the largest businesses in the UK.
Large Business Panel Survey (LBPS)	The predecessor to the Large Business Survey, carried out between 2010 and 2014. This was conducted with 3 different customer groups: LBS businesses (those managed by HMRC's Large Business Service), LC CRM businesses (those with a CRM that were managed by HMRC's Large and Complex group)



	and LC CC businesses (those with a Customer Co-ordinator rather than a CRM, but still managed by HMRC's Large and Complex group).
Large Business Survey	HMRC's current survey vehicle for the large business population. The first 7 waves were conducted between 2015 and 2021. This report presents the findings from the eighth wave, conducted in 2022.
Making Tax Digital (MTD)	As part of Making Tax Digital, businesses will use software to keep records of their business/property income and out-goings digitally, and update HMRC online. The aim of MTD is to make tax administration more effective, more efficient, and easier for taxpayers to see what they owe, cut out mistakes and save time spent trying to resolve problems.
The notification of Uncertain Tax Treatment (UTT)	This requirement, effective from 1 April 2022, requires large businesses to notify HMRC when they take a tax position in their returns for VAT, CT, or Income Tax (including PAYE) that is uncertain.
The Plastic Packaging Tax (PPT)	Businesses that manufacture or import 10 or more tonnes of plastic packaging over a 12-month period must register for the new Plastic Packaging Tax which came into effect as of 1 April 2022.
R&D Expenditure Credit (RDEC)	Expenditure credit is a tax credit and can be claimed by large businesses. The expenditure credit is calculated as a percentage of the business's qualifying R&D expenditure, the rates are: <ul style="list-style-type: none"> • 11% from 1 April 2015 up to and including 31 December 2017 • 12% from 1 January 2018 up to and including 31 March 2020 • 13% from 1 April 2020 up to and including 31 March 2023 • 20% from 1 April 2023
Value Added Tax (VAT)	The tax paid on most goods and services. There are 3 rates of VAT – standard: 20%, reduced 5% and zero rate, 0%.



1 Executive summary

Introduction

- 1.1 HMRC has a strategic priority to support more customers to resolve issues quickly and easily, deliver new systems and improved online services and keep the tax gap from widening. HMRC first commissioned the Large Business Survey (LBS) in 2015 to help evaluate whether HMRC's processes are delivering the intended customer experience and examine views about specific policies from a large business perspective. This report summarises the eighth wave of the LBS (LBS 2022 or W8) with the largest and most complex businesses in the UK.¹
- 1.2 The report is based on data from 2 strands of research:
- a quantitative telephone survey with 548 Heads of Tax or Finance Directors from HMRC's large business customers (representing 31% of the population) that was conducted between 31 August 2022 and 6 January 2023.
 - a qualitative 'follow-up' phase, consisting of 30 in-depth interviews conducted via telephone or Microsoft Teams with respondents from the main survey, was conducted between 23 January and 27 February 2023.
- 1.3 Any significant differences between waves of research have been tested using t-testing and are significant at a 95% confidence interval.

Overall customer experience

- 1.4 The majority (81%) of businesses rated their overall experience of dealing with HMRC as 'good' in 2022, which is broadly in line with 2021 (83%). This suggests that the overall experience score has reverted to the 'norm' having peaked in 2020 at 91% due to the support HMRC provided to businesses during the COVID-19 pandemic.
- 1.5 Most businesses that participated in the qualitative follow-up were positive about their relationship with HMRC at an overall level. They generally reported having a positive working relationship with HMRC overall, describing it as 'open', 'collaborative', and 'co-operative'. Some also spontaneously mentioned that their relationship with HMRC is better than their working relationship with other tax authorities.
- 1.6 However, some felt their working relationship would be improved if they had more contact with or timely engagement from HMRC. This included numerous businesses that reported that they have found it increasingly difficult to get in contact with the appropriate people at HMRC, which they perceived to be down to resource constraints and HMRC staff becoming increasingly overstretched.

What makes a good experience for large business customers?

- 1.7 Key Driver Analysis (KDA²) identified the top 5 areas of service which had the most impact on customers' overall experience of dealing with HMRC in 2022 (see Figure 1.1). The top five key drivers of overall experience in 2022 shown in Figure 1.1 were: 'HMRC are easy to deal with' (69%), 'interaction led to

¹ The LBS was first commissioned in 2015 and it was re-contracted in 2018 and 2021. Prior to the LBS, HMRC commissioned the Large Business Panel Survey (LBPS) between 2010 and 2014 which asked some of the same questions, and HMRC have been conducting research with this audience since 2008.

² A statistical technique used to determine which elements of HMRC's service were most likely to contribute to a 'good' rating of overall experience. This analysis therefore identifies the areas which have the most impact on customers' overall experience of dealing with HMRC.



the business having confidence in HMRC' (66%), 'there is good co-ordination across HMRC' (58%), 'HMRC are competent in their treatment of the business' (81%) and 'HMRC actively seeking a co-operative relationship with you' (87%).

Figure 1.1: The 5 most important 'key drivers' of overall experience in 2022, and the proportion of customers giving a positive response to each

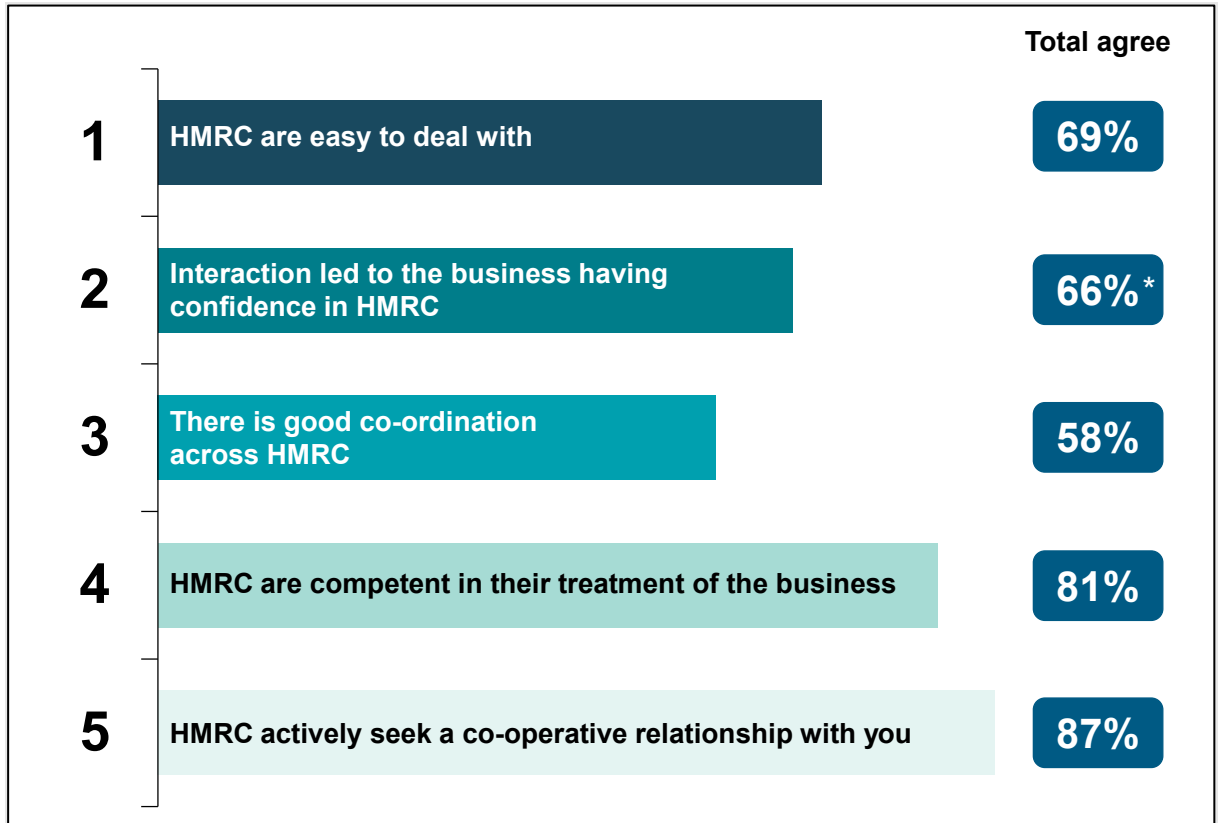


Figure 1.1 Base: All businesses (2022: 548) *All businesses that contacted HMRC on tax issues not including routine filing (2022: 487)

- 1.8 The performance measures identified as the most important key drivers of customers' overall experience of dealing with HMRC in 2022 were largely consistent this those identified 2021, with four of the five remaining the same. The only difference was that 'There is good co-ordination across HMRC' did not feature as a key driver in 2021. This performance measure replaced 'HMRC made clear the steps you needed to take'.
- 1.9 Businesses were generally more positive about each of the key drivers of overall experience when they reported that they had a 'good' relationship with their CCM. Having a single dedicated contact was widely reported to make it easier to deal with HMRC because it meant the business knows who to get in touch with if they have queries or issues. Businesses also reported that CCMs play a pivotal role in taking ownership of issues to help ensure that HMRC's response is more co-ordinated. Feedback collected during the qualitative interviews also showed that businesses perceptions on whether they felt HMRC actively seeks a co-operative relationship with them or not hinges on perceptions of CCM performance.

Wider customer experience

- 1.10 Across the wider measures of customer experience, businesses were most likely to be positive about the extent to which HMRC is perceived to treat their business fairly (89% agreed with this performance



measure in 2022). They were least likely to agree that HMRC provided their business with certainty in its tax affairs (64% agreed in 2022).

- 1.11 As in 2021, feedback collected in the qualitative interviews showed that businesses felt HMRC being able to provide certainty often hinged on them having an open and transparent relationship with HMRC. They felt that HMRC were more likely to be able to provide their business with certainty if they were willing to establish a collaborative dialogue with businesses to discuss potential issues. Most businesses that did not agree that HMRC provided their business with certainty said that poor response times and a perceived lack of transparency in terms of HMRC's decision-making exacerbated uncertainty.

Relationship with the Customer Compliance Manager (CCM)

- 1.12 Most large businesses (95%) had dealt personally with the CCM responsible for their business in the 12 months before they participated in the LBS 2022. This was in line with the previous waves of the LBS (2021: 93%; 2020: 95%; 2019: 93%).
- 1.13 Businesses that had contact with their CCM in 2022 were asked to rate their overall relationship with the CCM. Almost all (95%) described their overall relationship with their CCM as 'good, including 64% that rated it 'very good'. Only a small minority (4%) rated it as 'neither good nor poor' and just 1% regarded their relationship as 'poor'. These results are consistent with 2021.
- 1.14 As in 2021, businesses that participated in qualitative interviews often highlighted their relationship with their CCM as the thing they valued most about their working relationship with HMRC. Many felt that the involvement of their CCM made dealings with HMRC more efficient, straightforward, and co-ordinated, and that their involvement was more likely to mean that their issue was resolved in a timely manner.
- 1.15 However, some businesses raised concerns about how the role of CCMs has changed in recent years. They felt that CCMs are unable or reluctant to make meaningful decisions without deferring to specialist teams. They felt that working with specialists is not as efficient since they can be more difficult to establish contact with, and because they do not have the same level of understanding about the business.
- 1.16 Others reported a decline in interaction with their CCM and had found it more difficult to get their CCM to engage with queries and issues raised. Some businesses perceived that this was sometimes down to resource constraints at HMRC resulting in staff turnover and increased workloads for some CCMs.

Contact with HMRC

- 1.17 Nine in ten businesses had contacted HMRC in relation to tax issues excluding the routine filing of returns in the 12 months preceding their participation in the LBS 2022 (89%), up significantly from 84% in 2021. This equates to 487 businesses in 2022 and 496 businesses in 2021.
- 1.18 Half (51%) of the businesses that had contacted HMRC agreed that 'HMRC responded in a timeframe that was reasonable from a commercial perspective', while 31% disagreed and 18% neither agreed nor disagreed. The proportion of businesses that agreed with this measure decreased significantly between 2021 and 2022 (from to 57% to 51%).
- 1.19 Businesses that took part in qualitative follow-ups said that HMRC response times were especially slow when using communication channels other than their CCM, such as mailboxes, telephone helplines and written correspondence.
- 1.20 Most of the 487 businesses that contacted HMRC in 2022 agreed that:



- their contact led to the business 'having a more transparent relationship with HMRC' (91%)
- their contact led to their business having trust in HMRC (71%)
- their contact led to the business having confidence in HMRC (66%)

1.21 Again, these results were consistent with previous waves.

HMRC enquiries

1.22 Around two fifths (38%) of businesses have had a formal enquiry about their business' tax affairs in the 12 months leading up to their involvement in the LBS 2022. Of these businesses, two thirds (66%) reported that was ongoing at the time they participated in the survey and a third (33%) reported that enquiry was resolved.

1.23 Amongst the businesses that had a formal enquiry, around four fifths (78%) agreed that HMRC treated them in a 'reasonable manner' during the process, around two thirds (62%) found it easy to understand what was happening during the process and almost half (47%) agreed that the experience had an impact on how the business would act in relation to a similar issue in the future.

Administrative burden

1.24 Just under half (46%) of all businesses agreed that the overall level of administrative burden relating to tax compliance was 'reasonable' in 2022. A quarter (26%) neither agreed nor disagreed and around three in ten (28%) disagreed. These results were consistent with 2021.

Changes to systems and processes

1.25 Just over two fifths (44%) of businesses reported making substantial improvements to their tax systems and processes outside of those required by HMRC in the 12 months prior to their involvement in the LBS 2022.

1.26 Feedback from the qualitative interviews showed that the nature of improvements to their tax systems and processes beyond those required by HMRC varied considerably. Specific examples cited included introducing software to improve information flows, the automation of processes and the implementation of an entirely new Enterprise Resource Planning (ERP) system.

1.27 Businesses generally reported that it can be costly and time-consuming for businesses to make changes to their tax systems and processes. The cost and resource required is amplified for more complex changes and for businesses that have more complex systems and processes. As such, many reported that non-statutory improvements are rarely a priority for the wider business.

Co-operative assurance reviews

1.28 Two fifths (40%) of businesses indicated that they would be open to HMRC conducting a co-operative assurance review, while 52% were not open to engaging in such an exercise and 8% were unsure.

1.29 During qualitative interviews, businesses that had agreed that they would be open to HMRC conducting a co-operative assurance review said they would need more information before volunteering for such an exercise. Specifically, these businesses would want to know what HMRC are looking to achieve, who would be involved in the review, what would be expected of the business and what benefits, if any, the review would provide.



Appetite for working collaboratively with HMRC and tax technology providers

- 1.30 Two thirds (65%) of businesses 'agreed' that they would be open to working collaboratively in this manner, including a quarter (24%) that strongly agreed. A further quarter neither agreed nor disagreed and 11% disagreed.
- 1.31 The views expressed on this topic by businesses that participated in qualitative interviews were very similar to those raised when they were asked about co-operative assurance reviews. Again, many clarified their survey response by saying they would 'in theory' be open to working with HMRC and tax technology providers, but that they had some reservations about what this might entail. Businesses that said they would be open to working collaboratively with HMRC and tax technology providers generally felt they would need more information about the aim, their involvement, and potential benefits of this form of collaboration before opting in.

Business Risk Reviews (BRR+) and the Annual Conversation

- 1.32 The proportions of businesses that underwent a BRR+ or had an Annual Conversation increased significantly between 2021 and 2022, rising from 30% to 38% in relation to a BRR+ and from 19% to 37% for Annual Conversations. Concurrently, the proportion of businesses that reported having neither a BRR+ nor an Annual Conversation decreased significantly (from 51% in 2021 to 25% in 2022).
- 1.33 Most businesses that underwent a BRR+ were positive about their experience: 86% agreed that HMRC worked collaboratively with them, 79% agreed that they were clear on how to improve their risk rating and a further 79% agreed that they were clear on how HMRC came to the decision on their risk rating. These results are broadly in line with 2021.
- 1.34 As in 2021, most businesses that had an Annual Conversation in the 12 months prior to them participating in the LBS 2022 were positive about the experience, with 94% agreeing that it had a positive impact on their relationship with HMRC and 93% agreeing that it was a useful alternative to a BRR+.

Appetite for risk

- 1.35 As was the case in 2021, most businesses (86%) rated their appetite for boundary pushing tax planning as 'low'. This included 61% that rated their appetite as 'very low'. One in eight (12%) rated their appetite for risk 'neither high nor low', 1% rated it 'high' and 1% refused to answer.

The notification of Uncertain Tax Treatment (UTT)

- 1.36 Four fifths (80%) of businesses agreed that they are confident that they understand the conditions in which they should notify HMRC about a UTT, including 38% that strongly agreed. However, just over a third (36%) of businesses agreed that the UTT requirement has made them more likely to actively engage with HMRC to obtain certainty on legal interpretations of uncertain tax treatments. The same proportion (36%) neither agreed or disagreed with the statement, and around a fifth (22%) disagreed.
- 1.37 Amongst the businesses that did not agree that the UTT requirement had made them more likely to actively engage with HMRC attributed this to the view that they already adequately engaged with the department to get certainty (54%), followed by the view that the business was unlikely to have uncertain tax treatments as per the requirement (27%).



2 Introduction

Background to study

- 2.1 HMRC has always placed considerable importance on its relationship with large businesses. The tax compliance of the largest businesses in the UK is managed by the Large Business Directorate (LBD) division within HMRC. All large businesses managed by the LBD have a dedicated HMRC Customer Compliance Manager (CCM) who uses a tailored approach to understand their business and ensure the correct tax is paid.
- 2.2 HMRC has a strategic priority to deliver strong customer service for all. As part of this, HMRC has been conducting research since 2008 to understand large businesses' views of the service provided. HMRC first commissioned the Large Business Survey (LBS) in 2015 to collect robust data from these businesses to understand their needs and improve approaches to supporting tax compliance. The LBS was re-contracted in 2018 and 2021.³
- 2.3 The LBS measures the experiences of the largest and most complex businesses in dealing with HMRC, assesses the effectiveness of tax policy and tracks how the department's relationship with large businesses changes over time.
- 2.4 This report presents the findings from the LBS 2022, the eighth wave of the annual survey.

Methodology

Approach to data collection

- 2.5 A total of 548 interviews were conducted with Heads of Tax or Finance Directors from HMRC's large business customers. This amounted to 31% of the available contacts in the sample provided by HMRC. The quantitative questionnaire lasted an average of 20 minutes and fieldwork was conducted using Computer Assisted Telephone Interviewing (CATI) between 30 August 2022 and 6 January 2023.
- 2.6 As is the case every wave, the LBS survey script was re-developed, and a series of changes were made as part of this between the LBS 2021 and the LBS 2022. This was to ensure that the survey remained engaging and relevant to HMRC's evolving strategic priorities. Some questions were added or changed during the development phase. This is stated in the report, where relevant.
- 2.7 To explore some of the quantitative findings in more depth, certain types of large business customers were specifically selected to take part in qualitative follow-up interviews based on their responses to the quantitative survey. This, combined with the comparatively small numbers interviewed for the qualitative research, means that qualitative responses in this report are not representative of the overall large business population.
- 2.8 A total of 30 qualitative follow-up interviews were conducted with respondents from the main quantitative survey between 30 January and 27 February 2023. These interviews were conducted by telephone or Microsoft Teams, and each lasted approximately 60 minutes.

³ Prior to the LBS, HMRC commissioned the Large Business Panel Survey (LBPS) between 2010 and 2014 which asked some of the same questions, and HMRC have been conducting research with this audience since 2008.



Approach to analysis

2.9 This report summarises the findings from the Large Business Survey 2022 (LBS 2022 or W8). The main aim of this research was to assess (and track where possible) businesses' views of the services provided by HMRC and changes to policy. The following analysis techniques were adopted to achieve this:

- comparison with the seventh wave of the Large Business Survey (LBS 2021 or W7)
- longitudinal analysis⁴
 - comparisons between LBS 2021 and LBS 2022 are based on the 232 businesses that participated in both of these years
- Key Driver Analysis (see paragraphs 3.14 and 5.14 for more details)
- sub-group analysis

2.10 Through the sub-group analysis, the views of businesses were compared by primarily looking at:

- size of the business: comparing smaller large businesses (with fewer than 250 employees), medium-sized large businesses (250 to 999 employees) and larger businesses (with 1,000 or more employees)
- UK turnover: comparing businesses with a turnover under £41.5 million to those with a £41.5 million up to £500 million turnover⁵, and those with turnover of £500 million or more
- if the business had personally dealt with the CCM responsible for their business in the 12 months prior to participating in the LBS 2022 survey or not⁶
- if the business had undergone a Business Risk Review (BRR+) or an Annual Conversation in the 12 months prior to participating in the LBS 2022 survey or neither⁷

2.11 Other sub-group analysis has been conducted but it is only referred to in this report where statistically significant and relevant or, in a few cases, where not statistically significant but potentially of interest.

2.12 'Don't know' or 'prefer not to say' responses have not been included in some tables and figures for simplicity, as the proportions were often negligible and did not add to the overall narrative. Consequently, not all figures will necessarily sum to a total of 100%. Figures may also not add to a total of 100% if the response was multi-coded. Finally, where all responses have been included, figures may not sum to exactly 100% due to rounding. Significant changes between waves are denoted in figures with arrows which show the direction of change and the wave of research they have been compared against. Please note that results included in the figures have only been compared against the preceding year.

⁴ Where customers took part in multiple waves of LBS, data was analysed to help HMRC understand changes in the views of customers over time.

⁵ This includes businesses with a £41.5 million to £499,999.99 million turnover but the description of this sub-group has been shortened for the purposes for the report

⁶ A total of 519 had dealt with the CCM that was responsible for their business at the time of the survey and 29 had not. Questions about the CCM relationship were asked of 527 businesses in total, that is, the 519 that had dealt with the CCM responsible for their business at the time of the survey and the 8 businesses that had only dealt with their previous CCM in the 12 months leading up to the survey.

⁷ 208 businesses had a BRR+, 202 had an Annual conversation and 138 had neither in the 12 months prior to participating in the LBS 2022.



- 2.13 Any significant differences between waves of research have been tested using t-testing and are significant at a confidence interval of 95% or above (that is a 95% certainty that the difference in distribution is not due to chance but indicates a genuine change).
- 2.14 Further background on HMRC's large business customers and details about the analytical techniques used are included in the glossary and technical appendix to this report.



3 Overall customer experience

3.1 This chapter covers businesses' overall rating of their experience of dealing with HMRC in 2022 and the elements of HMRC's service most likely to contribute to a 'good' rating of overall experience.

Rating of overall experience of dealing with HMRC

3.2 Most large businesses were positive about their overall experience of dealing with HMRC in 2022. As shown in Figure 3.1, around four in five (81%) rated their overall experience as 'good', with 38% rating it as 'very good' and 44% rating it as 'fairly good'. The full range of responses on overall experience from 2022 are compared to those from previous waves of the LBS in Figure 3.1.

Figure 3.1: Rating of overall experience of dealing with HMRC

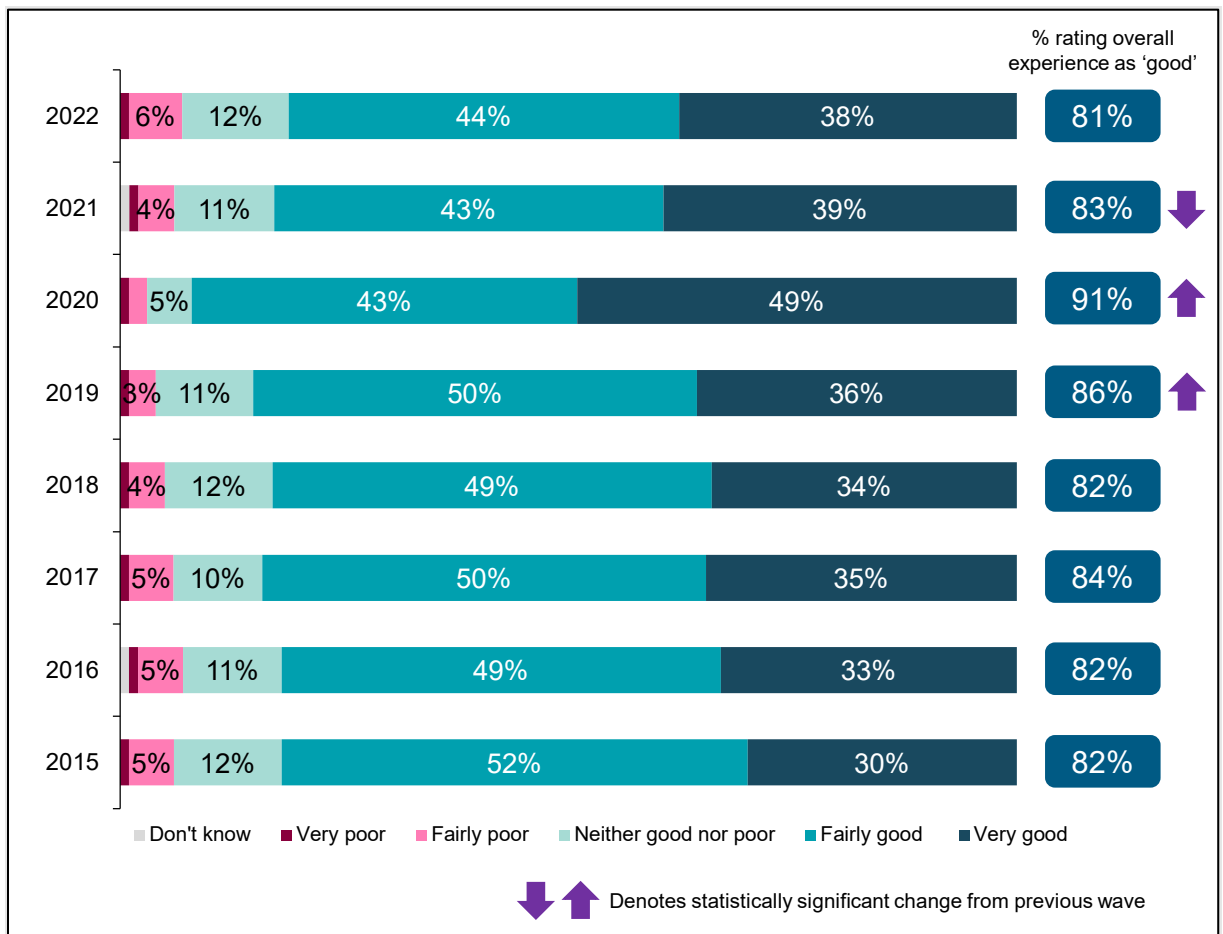


Figure 3.1 Base: All businesses (2015: 932; 2016: 732; 2017: 755; 2018: 745; 2019: 786; 2020: 564; 2021: 587; 2022: 548)

3.3 The proportion of businesses that rated their overall experience of dealing with HMRC as 'good' in 2022 remained broadly in line with 2021 (81% versus 83% respectively), and waves of the LBS conducted prior to the COVID-19 pandemic.

3.4 In 2020, the proportion of businesses that rated their overall experience as 'good' increased significantly compared to the previous wave (from 86% in 2019 to 91% in 2020). Findings from the 2020 wave of the LBS indicated that the overall experience score that year was likely influenced by the support businesses received from HMRC during the pandemic, which had a positive impact on their overall perceptions. The



findings from the 2021 and 2022 waves of the LBS suggest that businesses' views on their overall experience of dealing with HMRC have reverted to the 'norm'.

- 3.5 Businesses that participated in the in-depth qualitative interviews generally reported having a positive working relationship with HMRC overall. They described their working relationship as 'open', 'collaborative', and 'co-operative'. Some also spontaneously mentioned that their relationship with HMRC is better than their working relationship with other tax authorities.

"I have a very open dialogue with our CCM where we discuss everything in advance of what we do. So, I would say it is very good."

250 to 999 employees, Insurance

- 3.6 However, some businesses said they were frustrated that the level of service provided by HMRC in 2022, reporting that it can be very difficult to get in contact with the appropriate people at HMRC – especially via email or through telephone help lines.

"I think it is very positive. When you get hold of a person at least. When you get through to someone, there is always action on the back of that, which is great. It's when you try to do something online is where there is an issue. Trying to get anything done by email is terrible."

250 to 999 employees, Automotive

- 3.7 The minority of businesses that rated their overall experience of working with HMRC as poor in 2022 said this was largely down to a lack of engagement and communication from HMRC; and a lack of engagement from their CCM in particular.

"We want to engage with HMRC, but questions to our CCM went into a black hole... it's taken months and months and months to get a response. Having a CCM that knows your business, makes sure things are targeted, and that HMRC responds to things in a timely manner is the most valuable thing. None of that was happening in the last 12 months."

1,000 or more employees, Other sector

- 3.8 Some businesses reported having what they deemed to be limited interaction with HMRC in the 12 months prior to participating in the 2022 survey. While some were content with this (saying the level of contact they did have was proportionate); others said they would like more engagement from HMRC and that this would strengthen the relationship. Those that reported not having had enough engagement from HMRC perceived this was down to resource constraints at HMRC, and HMRC staff being overstretched.

"I wouldn't say the relationship is poor, I would say the service is poor. HMRC just have massive issues in terms of resource that they need to deal with. We want to engage, but it seems very one sided and a lot of the barriers preventing this type of relationship are at their side."

1,000 or more employees, Oil and Gas



- 3.9 As was the case in 2021, several businesses were frustrated that the level of service provided by HMRC had not returned to the level of service that they had experienced prior to the COVID-19 pandemic.

“I think they are a well-intentioned organisation that are doing a really hard job... but I don't think they've recovered from COVID, and their working practices are different from how they've been before. That's had an impact on us as a taxpayer and that's the route of my challenge at the moment.”

1,000 or more employees, Retail

How did overall experience vary for different types of businesses?

- 3.10 Businesses that agreed the overall level of administrative burden related to tax compliance was 'reasonable' were more likely to rate their overall experience as 'good' (88%) than businesses that disagreed that the level of administrative burden was 'reasonable' (71%).
- 3.11 Businesses that underwent a BRR+ and those that had participated in an Annual Conversation in the 12 months prior to participating in the LBS 2022 were more likely to rate their overall experience as 'good' (86% and 82% respectively) than those that had neither form of interaction (73%).⁸
- 3.12 Businesses that reported having a 'good' relationship with their CCM were more likely than average to rate their overall experience as 'good' (85%).

⁸ In 2021 HMRC introduced the 'Annual Conversation' for businesses that are not undergoing a HMRC Business Risk Review (BRR+). These cross-tax conversations are led by CCMs, and they provide an opportunity for businesses to discuss any challenges or issues they may be facing.



Key Driver Analysis: Overall Experience

- 3.13 Key Driver Analysis (KDA) was conducted to understand what was driving businesses’ overall rating of HMRC in 2022. KDA is a statistical technique used to determine which elements of HMRC’s service were most likely to contribute to a ‘good’ rating of overall experience. This analysis therefore identifies the areas which have the most impact on customers’ overall experience of dealing with HMRC.
- 3.14 Figure 3.2 presents the top five key drivers of overall experience in 2022 in order of importance and the proportion of businesses that gave a positive response to each measure. The key drivers listed in Figure 3.2 are: HMRC are easy to deal with (69%), interaction led to the business having confidence in HMRC (66%), there is good coordination across HMRC (58%), HMRC are competent in the treatment of the business (81%) and HMRC actively seek a co-operative relationship (87%).

Figure 3.2: The five ‘key drivers’ of overall experience in 2022, and the proportion of customers giving a positive response to each

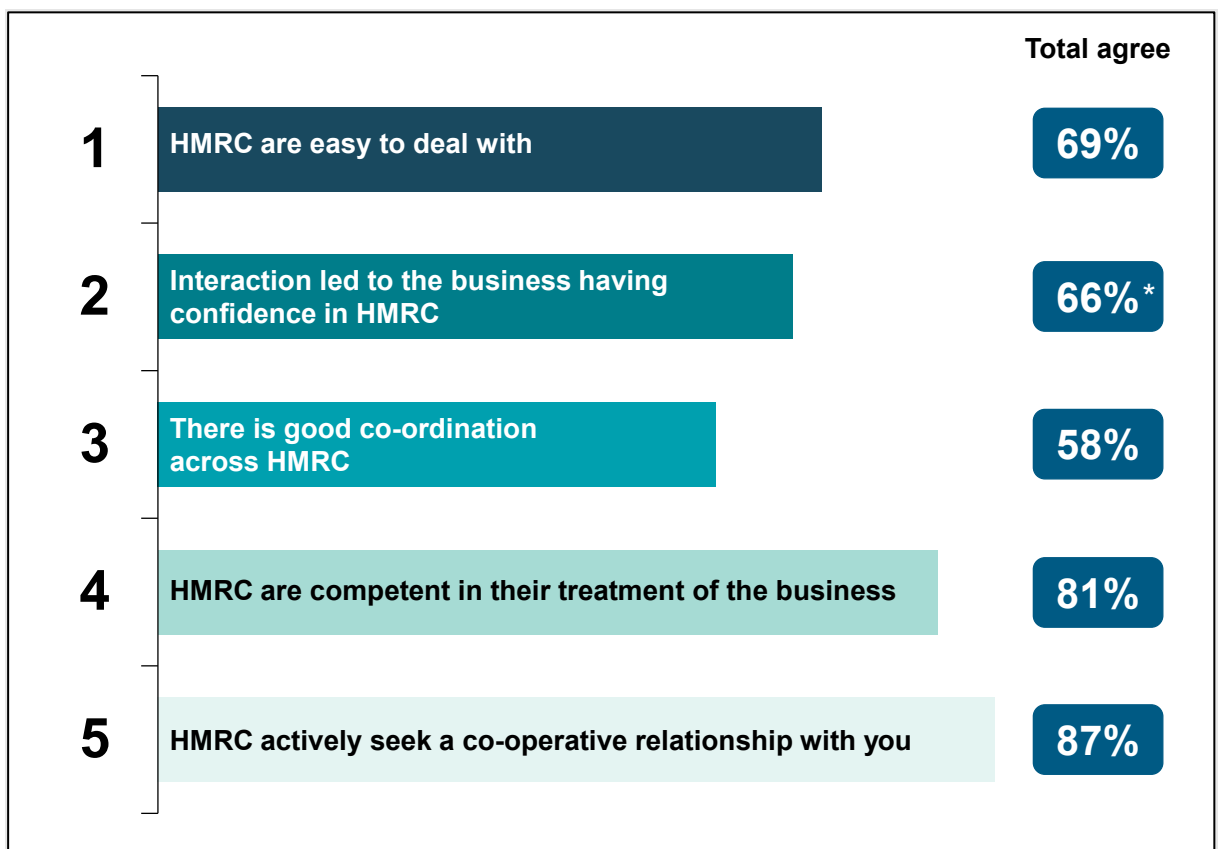


Figure 3.2 Base: All businesses (2022: 548)
 *All businesses that contacted HMRC on tax issues not including routine filing (2022: 487)

- 3.15 The full range of responses on each of the top 5 key drivers of overall experience in 2022 are discussed in turn below.



Key Driver 1: HMRC are easy to deal with

- 3.16 The driver with the biggest impact on overall experience in 2022 was agreement that ‘HMRC are easy to deal with’. This performance measure was also the first key driver of overall experience in the LBS 2021, having been introduced to the survey that year.
- 3.17 As Figure 3.3 illustrates, seven in ten businesses agreed that HMRC are easy to deal with (69%), including 27% that strongly agreed. Around one in five (18%) neither agreed nor disagreed, and one in eight (13%) disagreed. These results are broadly in line with the LBS 2021.

Figure 3.3 Whether businesses agreed or disagreed that HMRC are easy to deal with

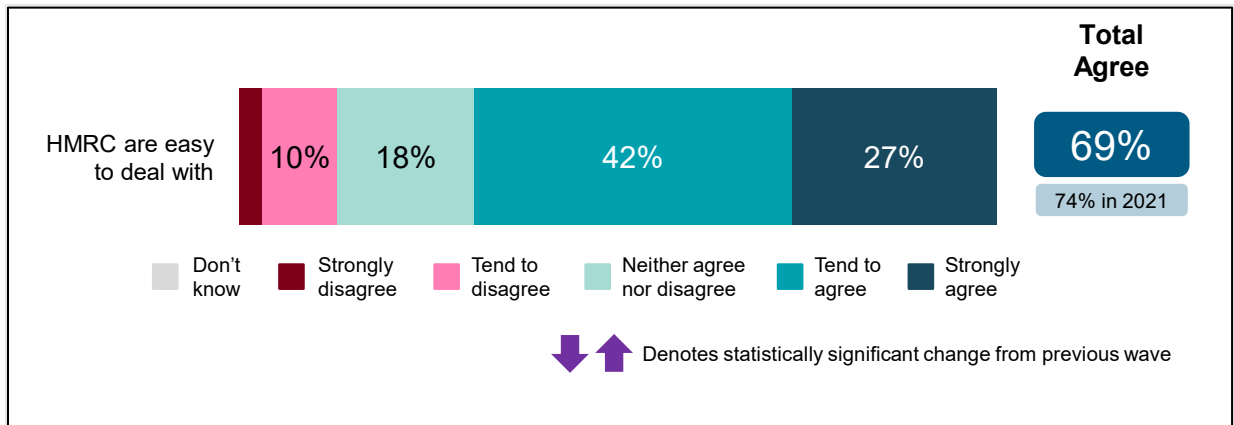


Figure 3.3 Base: All businesses (2021: 587; 2022; 548)

- 3.18 Businesses that agreed that the administrative burden of tax compliance on their business was ‘reasonable’ were more likely to agree that HMRC are easy to deal with than those that disagreed the overall burden of compliance was ‘reasonable’ (75% versus 57% respectively).
- 3.19 Businesses that reported having a ‘good’ relationship with their CCM were more likely than the overall average to agree that HMRC are easy to deal with (73%).
- 3.20 Businesses that had engaged in neither a BRR+ nor an Annual Conversation in the 12 months prior to participating in the LBS 2022 were less likely than the overall average to agree that HMRC are easy to deal with (62%).
- 3.21 As was the case in 2021, some businesses that participated in the qualitative research spontaneously mentioned that their relationship with HMRC is far better than their working relationship with other tax authorities. These businesses said the CCM model meant it was a lot easier for them to deal with HMRC compared to other tax jurisdictions that did not operate using a similar model.
- 3.22 During qualitative interviews, many businesses said HMRC is easier to deal with when their CCM is involved. Having a single dedicated contact was widely reported to make it easier to deal with HMRC because it means the business knows who to get in touch with if they have queries or issues. They generally reported that they find it more difficult to deal with HMRC when their CCM is not involved. Businesses said it can be difficult to get in touch with the right person to deal with their issue when using HMRC helplines and mailboxes.

“Having the CCM helps us expedite issues that are quite difficult through standard channels of communication.”

Less than 250 employees, Automotive



“The CCM role is incredibly valuable. It’s having that one point of contact and who understands the business and has a similar desire to resolve issues in a reasonable length of time.”

1,000 or more employees, Business Services

- 3.23 However, some businesses explained that, while they found HMRC easy to deal with once through to an appropriate member of staff, they often had difficulty establishing contact in the first place. Reflecting on their recent experiences, some reported a reduction in communication from their CCM and it being more difficult to reach them when they attempted contact themselves. Others said that getting through to an appropriate member of HMRC staff was a particular challenge when requiring input from specialists or when using general channels of communication such as telephone helplines and mailboxes. Difficulty contacting appropriate members of staff were sometimes perceived to be down to resource constraints at HMRC.

“The useless helplines take about 40 minutes to get through to someone who doesn’t have an answer. That’s why I don’t bother.”

1,000 or more employees, Transport

“You get in touch with the CCM. They email another team. The other team doesn't reply, and you are no further along after 4 weeks. It is good to have contacts because the mailbox is a black hole.”

1,000 or more employees, Oil and Gas

- 3.24 HMRC is felt to be easier to deal with if businesses have a CCM that has a good understanding of the business and their sector or industry. Businesses said CCMs were more likely to have a good understanding of their business if they have regular engagement and have worked with the business for a prolonged period. As such, businesses felt that HMRC can be more difficult to deal with if their CCMs change too regularly as this prevents them from developing their understanding of the business.

“To have the CCM changed every two years or so is not particularly helpful because you do want to engage if you know the relationship will not last. You want to talk to them about issues and you need to invest in them too, so they can build knowledge.”

1,000 or more employees, Utilities

- 3.25 Businesses also reported that it can be more difficult to get issues resolved if it is passed onto specialists at HMRC. They felt that working with specialists is not as efficient since they can be more difficult to establish contact with, and because they do not have the same level of understanding about the business as CCMs.

“CCMs are very good at managing the relationship but as soon as there is anything slightly non-routine it seems to have to go back to policy... and that is the bit where we lose transparency... it can then get stuck in a vacuum for months and months.”

1,000 or more employees, Insurance



Key Driver 2: Interaction led to the business having confidence in HMRC

- 3.26 The second key driver of overall experience in 2022 was agreement that ‘interactions with HMRC (on issues not relating to the routine filing of returns) led to the business having confidence in HMRC’. This measure was added to the LBS for the first time in 2021, when it featured as the third key driver of overall experience.
- 3.27 As shown in Figure 3.4, two thirds (66%) of businesses agreed that interaction led to the business having confidence in HMRC, including 27% that strongly agreed. A quarter (24%) neither agreed nor disagreed, and one in ten (10%) disagreed. These results are in line with the LBS 2021.

Figure 3.4 Whether businesses agreed or disagreed that interaction led to the business having confidence in HMRC

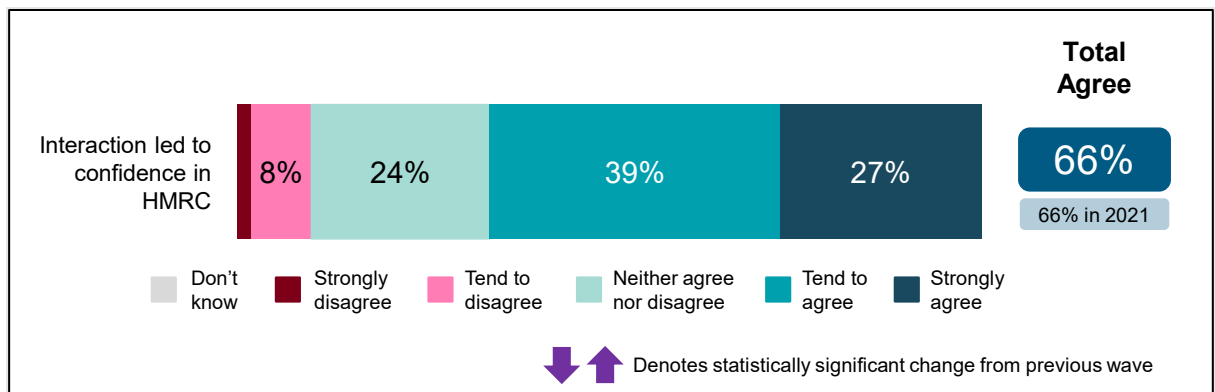


Figure 3.4 Base: All businesses that contacted HMRC on tax issues not including routine filings (2021: 496; 2022: 487)

- 3.28 Businesses that agreed that the administrative burden of tax compliance on their business was ‘reasonable’ were significantly more likely to agree that interactions resulted in the business having confidence in HMRC than those that disagreed the overall burden of compliance was ‘reasonable’ (75% versus 50% respectively).
- 3.29 Businesses that reported having a ‘good’ relationship with their CCM were more likely than the overall average to agree that interactions resulted in the business having confidence in HMRC (70%).
- 3.30 Businesses with 1000 or more employees were less likely than the overall average to agree that interactions with HMRC resulted in the business having confidence in the department (61%).
- 3.31 Businesses that had engaged in neither a BRR+ nor an Annual Conversation in the 12 months prior to participating in the LBS 2022 were less likely to agree than the overall average that interactions resulted in the business having confidence in HMRC (58%).
- 3.1 This performance measure was not explicitly explored in the follow-up qualitative interviews. However, responses indicate confidence is closely linked with the other key performance measures. Feedback showed that businesses were more likely to feel confident about their interaction with HMRC is they felt that HMRC was easy to deal with, co-ordinated, competent, and co-ordinated.

"It's hard to have any confidence in an organisation that are very difficult to engage with because we're constantly chasing them for a response, and when turnover of staff means you get basic questions from people parachuted in."

250 to 999 employees, Banking



Key Driver 3: There is good co-ordination across HMRC

- 3.2 The third key driver of overall experience in 2022 was agreement that ‘there is good co-ordination across HMRC in relation to your business’s tax affairs’. This measure did not feature in the top five key drivers of overall experience in 2021.
- 3.3 As shown in Figure 3.5, around six in ten businesses agreed that there is good co-ordination (58%), including 20% that strongly agreed. Around a quarter (23%) neither agreed nor disagreed, and one in five (19%) disagreed. These results are broadly in line with the LBS 2021.

Figure 3.5 Whether businesses agreed or disagreed that there is good co-ordination across HMRC

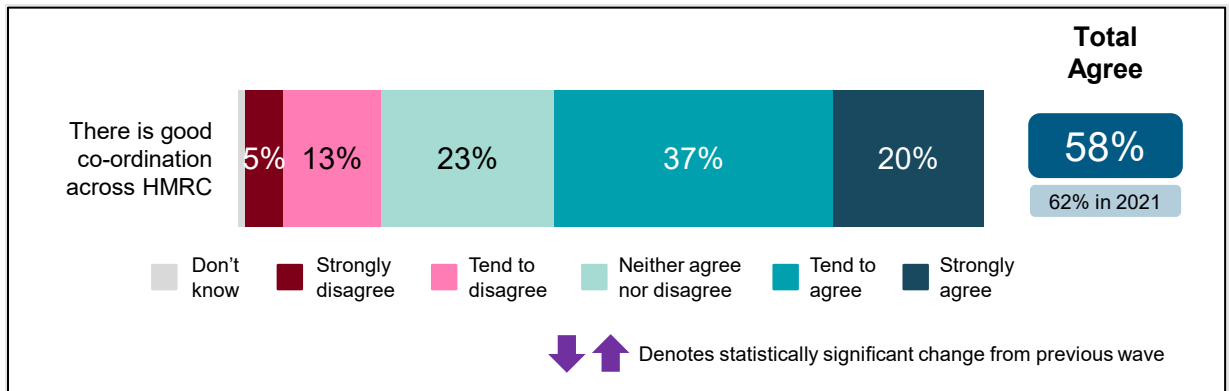


Figure 3.5 Base: All businesses (2021: 587; 2022; 548)

- 3.4 Businesses which agreed that the administrative burden of tax compliance on their business was ‘reasonable’ were more likely to agree there is good co-ordination across HMRC, compared to businesses that disagreed the overall burden of compliance was ‘reasonable’ (67% versus 46% respectively).
- 3.5 Businesses that reported having a ‘good’ relationship with their CCM were more likely than average to agree there is good co-ordination across HMRC (59%).
- 3.6 Businesses that had engaged in neither a BRR+ nor an Annual Conversation in the 12 months prior to participating in the LBS 2022 were less likely than average to agree there is good co-ordination across HMRC (48%).
- 3.7 During qualitative interviews, businesses that agreed there was good co-ordination across HMRC often attributed this to the performance of their CCM. In keeping with previous waves of the LBS, businesses typically felt that their CCM played a crucial role in taking ownership of issues and queries relating to their business’s tax affairs. They felt the CCM played a vital role in putting them in contact with the correct people in other teams at HMRC, who could be difficult to establish contact with otherwise.

“It all really comes down to the CCM. They are the spider at the centre of the web, and key to ensuring you have that level of co-ordination.”

1,000 or more employees, Media

- 3.8 Mirroring feedback collected in previous years; some businesses reported that it is generally more difficult to deal with HMRC when using certain channels of communication (such as the large business mailbox) and when CCMs or specialist contacts pass queries or issues onto individual tax teams.



- 3.9 Several also cited cases where they felt that different teams at HMRC were working in silo, and not communicating with each other, which resulted in what they perceived to be poor co-ordination.

“HMRC don't talk to each other. One person tells you to do one thing and another tells you to do something entirely different.”

1,000 or more employees, Oil and Gas

- 3.10 Some felt that issues with co-ordination stemmed from resource constraints at HMRC. Linked to this, businesses reported that high turnover of staff reduced coordination at HMRC, by causing a loss of knowledge of the business or issue. They also felt that staff churn resulted in remaining HMRC staff being overstretched.

“I think a lot of these issues are clearly a product of the CCMs and perhaps other staff members at HMRC being overworked, so it feels that they are not as across everything as they might have been in the past.”

250 to 999 employees, Real Estate

Key Driver 4: HMRC are competent in their treatment of the business

- 3.11 The fourth most important driver of overall experience in 2022 was agreement that ‘HMRC are competent in their treatment of your business’. This measure was the second key driver in 2021, having been introduced to the LBS for the first time that year.
- 3.12 As presented in Figure 3.6, four in five (81%) of businesses agreed that HMRC are competent in the treatment of their business, including 29% that strongly agreed. One in seven (14%) neither agreed nor disagreed, and 4% disagreed. These results are broadly in line with the LBS 2021.

Figure 3.6 Whether businesses agreed or disagreed that HMRC are competent in their treatment of your business

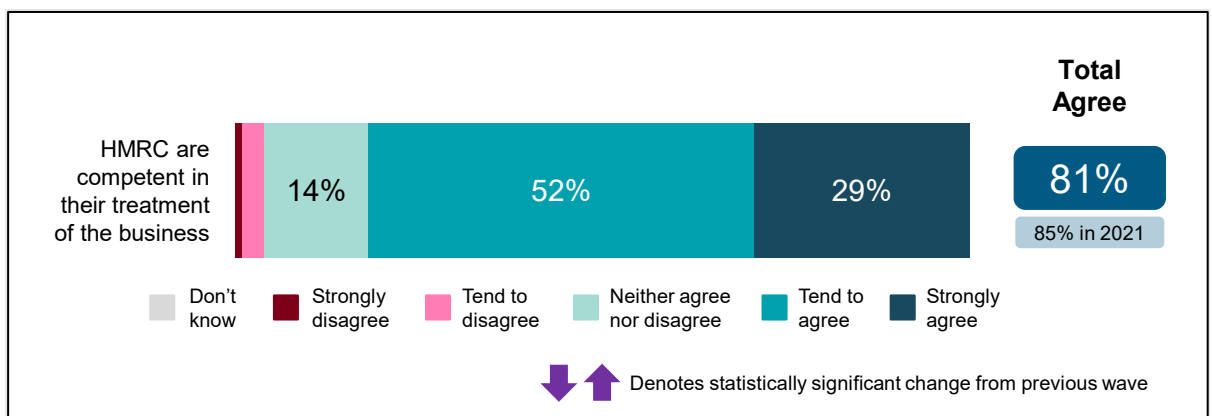


Figure 3.6 Base: All businesses (2021: 587; 2022; 548)

- 3.13 Businesses that agreed that the administrative burden of tax compliance on their business was ‘reasonable’ were more likely to agree that HMRC are competent in the treatment of their business than those that disagreed that the overall burden of compliance was ‘reasonable’ (87% versus 72% respectively).

- 3.14 Businesses that reported having a ‘good’ relationship with their CCM were more likely than average to agree that HMRC are competent in the treatment of their business (85%).



- 3.15 Businesses with 1000 or more employees were less likely than average to agree that HMRC are competent in the treatment of their business (78%).
- 3.16 Businesses that had engaged in neither a BRR+ nor an Annual Conversation in the 12 months prior to participating in the LBS 2022 were less likely than average to agree that HMRC are competent in the treatment of their business (75%).
- 3.17 During qualitative interviews, those that agreed HMRC were competent in their treatment of the business often said they gave that response because they did not have any experiences of HMRC staff being incompetent.
- 3.18 Feedback from those that did not agree suggested that this view largely hinges on perceived levels of technical knowledge amongst HMRC staff. Again, businesses suggested that turnover of staff and resource constraints at HMRC can prevent HMRC staff from building their technical knowledge.

“My main suggestion for improvement would be having more competent specialists to review and drive processes. I have seen some A1 people at HMRC, but we don’t have any on our account. They don’t seem to understand our business or tax or accounting.”

250 to 999 employees, Banking

Key Driver 5: HMRC actively seek a co-operative relationship with you

- 3.19 The fifth key driver of overall experience in 2022 was agreement that ‘HMRC actively seek a co-operative relationship with you’. This measure has featured in the top 5 key drivers of overall experience almost every year since 2015, with the exception of 2020. It was the fourth key driver of overall experience in 2021.
- 3.20 As shown in Figure 3.7, around nine in ten businesses agreed that HMRC seek a co-operative relationship (87%), including 57% that strongly agreed. One in twenty (5%) disagreed and 4% neither agreed nor disagreed. These results are broadly in line with the LBS 2021.

Figure 3.7 Whether businesses agreed or disagreed that HMRC actively seek a co-operative relationship

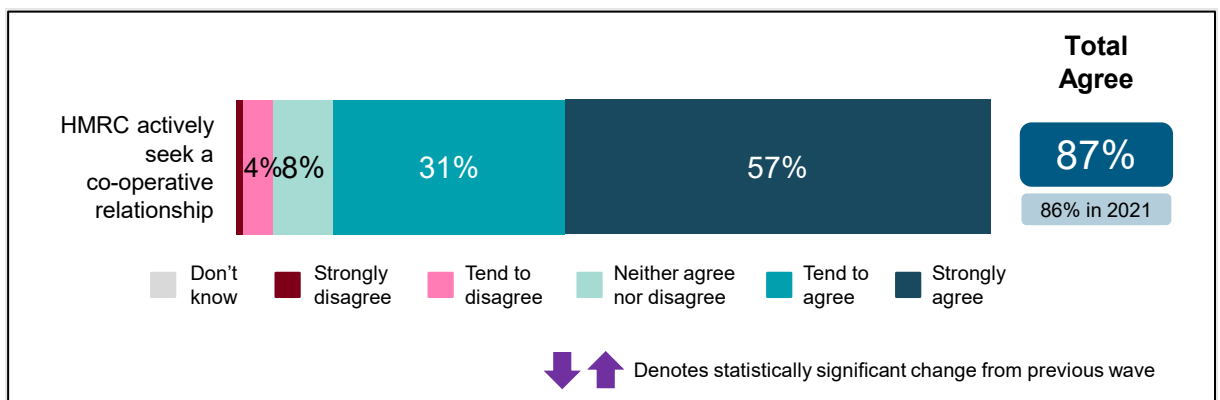


Figure 3.7 Base: All businesses (2021: 587; 2022; 548)

- 3.21 Businesses that agreed that the administrative burden of tax compliance on their business was ‘reasonable’ were more likely to agree that HMRC seek a co-operative relationship than those that disagreed that the overall burden of compliance was ‘reasonable’ (90% versus 83% respectively).



- 3.22 Businesses that reported having a 'good' relationship with their CCM were more likely than average to agree that HMRC seek a co-operative relationship (91%).
- 3.23 Businesses that had engaged in neither a BRR+ nor an Annual Conversation in the 12 months prior to participating in the LBS 2022 were less likely than average to agree that HMRC seek a co-operative relationship (80%).
- 3.24 Feedback collected during the qualitative interviews showed that businesses perceptions on whether they felt HMRC actively seek a co-operative relationship with them hinged on perceptions of CCM performance. Those that agreed generally reported their CCM was proactive in terms of their communication and in taking ownership of issues faced by the business.
- 3.25 On the other hand, those who disagreed that HMRC seek a co-operative relationship with them reported a general lack of engagement from their CCM as the prime reason for giving that response. Many businesses highlighted the CCM model as pivotal to HMRC maintaining co-operative relationships with large businesses.

“The overall relationship is transparent, and we get positive engagement on both sides. If there is something I need to bring to HMRC's attention, or we need to discuss then I feel comfortable picking up the phone to my CCM and discussing it. Equally the inverse is true and HMRC will come to us. I think we work together in a way which is constructive and collaborative.”

1,000 or more employees, Insurance



4 Wider customer experience

4.1 This chapter reports on the wider measures of customer experience covered in the LBS 2022. These are service measures that affect overall customer experience to a lesser extent than the top 5 key drivers already discussed.

Views on wider service measures

4.2 As illustrated in Figure 4.1, most businesses were positive about each of the four service measures that did not feature as 'key drivers' of overall experience in 2022. Positive scores for each measure ranged from 64% that agreed 'HMRC provide your business with certainty in its tax affairs' to 89% that agreed 'HMRC treats your business fairly'.

Figure 4.1 Proportion of businesses that agreed with the following statements about wider measures of customer service between 2015 and 2022

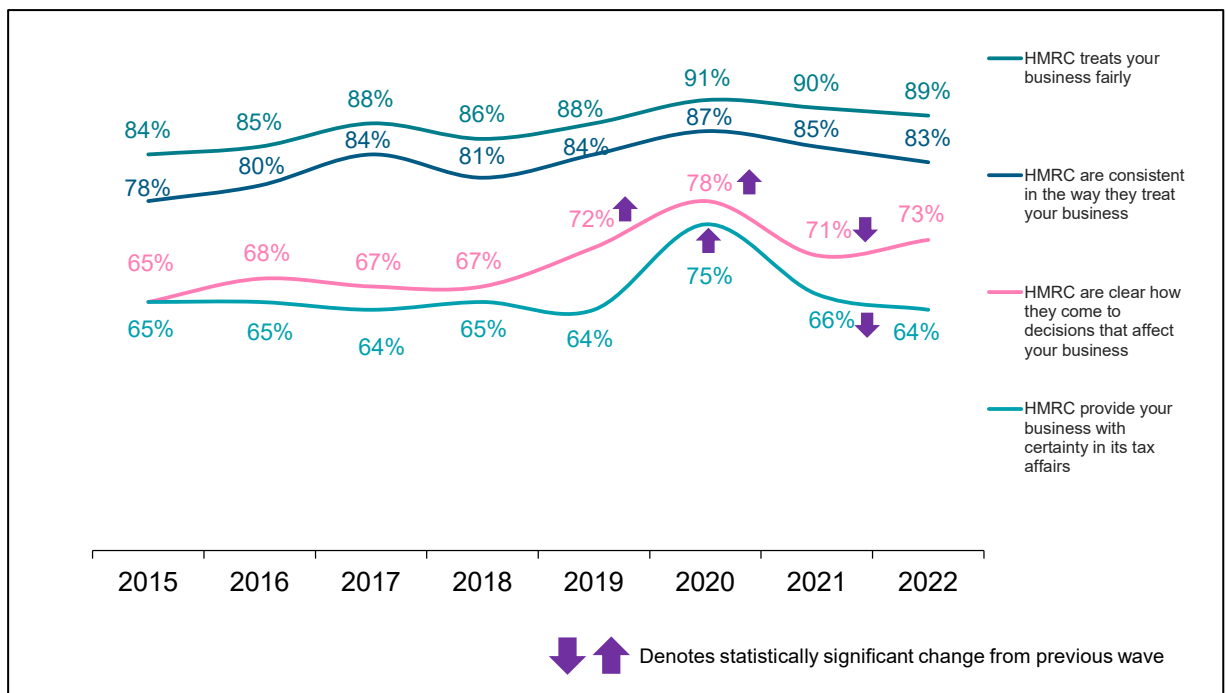


Figure 4.1 Base: All businesses (2015: 932; 2016: 732; 2017: 755; 2018: 745; 2019: 786; 2020: 564; 2021: 587; 2022: 548)

4.3 The proportion of businesses that were positive about each of these service measures in 2022 was broadly consistent with 2021. This further supports the hypothesis that 2021 and 2022 results represent a return to pre-pandemic levels, having peaked in 2020 due to the support that businesses received from HMRC during the COVID-19 pandemic.

4.4 The full ranges of responses for each of these wider service measures are discussed in turn below.

HMRC treats your business fairly

4.5 Around nine in ten businesses agreed that HMRC treats their business fairly (89%), including 47% that strongly agreed. A small minority (8%) neither agreed nor disagreed, and just 3% disagreed. These results are broadly in line with those reported in 2021.



4.6 With regards to sub-group differences, businesses were more likely than the overall average to agree than that HMRC treats them fairly if they:

- had an Annual Conversation in the 12 months prior to the LBS 2022 (94%)
- agreed that the overall administrative burden of tax compliance on their business was 'reasonable' (94%)
- reported having a 'good' overall experience of dealing with HMRC (93%)
- reported having a 'good' relationship with their CCM (92%)

HMRC are consistent in the way they treat your business

4.7 Around four in five businesses agreed that HMRC are consistent in the way they treat their business (83%), including 38% that strongly agreed. Around one in ten (11%) neither agreed nor disagreed, and one in twenty (5%) disagreed.

4.8 With regards to sub-group differences, businesses were more likely than the overall average to agree that HMRC are consistent in the way they treat their business if they:

- reported having a 'good' overall experience of dealing with HMRC (91%)
- agreed that the overall administrative burden of tax compliance on their business was 'reasonable' (91%)
- had an Annual Conversation in the 12 months prior to the LBS 2022 (90%)
- had a UK turnover of between £41.5 million and £499 million (88%)
- reported having a 'good' relationship with their CCM (86%)

HMRC are clear how they come to decisions that affect your business

4.9 Three quarters (73%) of businesses agreed that HMRC are clear how they come to decisions that affect the business, including 26% that strongly agreed. One in five (20%) neither agreed nor disagreed, and 8% disagreed. These results are broadly in line with the 2021 findings.

4.10 With regards to sub-group differences, businesses were more likely to agree that HMRC are clear how they come to decisions that affect the business if they:

- agreed that the overall administrative burden of tax compliance on their business was 'reasonable' (81%)
- had between 250 and 999 employees (81%)
- reported having a 'good' overall experience of dealing with HMRC (80%)
- reported having a 'good' relationship with their CCM (76%)



HMRC provide your business with certainty in its tax affairs

- 4.11 Two thirds (64%) of businesses agreed that HMRC provide their business with certainty in its tax affairs, including 19% that strongly agreed. Around one in five (22%) neither agreed nor disagreed, and 14% disagreed. These results are broadly in line with those reported in 2021.
- 4.12 With regards to sub-group differences, businesses were more likely than the overall average to agree that HMRC provide their business with certainty in its tax affairs if they:
- agreed that the administrative burden of tax compliance on their business was ‘reasonable’ (74%)
 - reported having a ‘good’ overall experience of dealing with HMRC (73%)
 - had an Annual Conversation in the 12 months prior to the LBS 2022 (71%)
 - reported having a ‘good’ relationship with their CCM (67%)
- 4.13 As was the case in 2021, feedback from the qualitative interviews suggested that businesses which agreed HMRC provided their business with certainty in 2022 said this response was largely based on specific examples where HMRC had provided clarity on how to deal with a technical issue that was open to interpretation, within a timely manner.

“We sold a part of our business and as part of that we went through an exercise with the CCM and agreed up front the tax treatment of particular items. That gives us certainty, and it avoids enquiries years down the track.”

1,000 or more employees, Business Services

- 4.14 Businesses felt that HMRC are more likely to be able to provide certainty when they have an open and transparent relationship with them, and a good understanding of their business and the issues they are facing – both of which are deemed more likely when the business has regular contact with HMRC (especially with their CCM).
- 4.15 As was the case in 2021, businesses felt HMRC were more likely to be able to provide their business with certainty if they were willing to establish a collaborative dialogue to discuss potential issues. Businesses felt discussing issues up front and agreeing an approach with HMRC provides certainty, as it reduces the likelihood of being subject to an enquiry further down the line. Most felt the CCM played a crucial role in this respect.
- 4.16 Several businesses perceived that being classified by HMRC as Low Risk also helped to provide their business with certainty because it reduced the likelihood of HMRC raising enquiries – see paragraphs 9.25 to 9.34 for further feedback on the perceived benefits and drawbacks of being classed as Low Risk by HMRC.
- 4.17 On the other hand, feedback from the qualitative interviews also suggested that businesses felt that a lack of engagement from HMRC, poor co-ordination, and poor response times are all barriers to HMRC providing their business with certainty. Again, resource constraints were thought to be exacerbating these issues.



“Having financial positions open [where you are unable to reach agreement with HMRC on the tax treatment] creates uncertainty and that comes from HMRC's inability to make any decision or engage. We want to work with contacts who actually have the ability to close things off, because I really don't want to be having discussions about what we did three years ago.”

1,000 or more employees, Business Services

Views on HMRC's written communication

4.18 As shown in Figure 4.2, most businesses were positive about HMRC's written manuals, guidance, and guidelines. Close to four in five rated HMRC's written communication as 'good' in terms of quality of information (78%). More than three in five rated it as 'good' in terms of providing practical steps to help them align with HMRC's views on compliance (67%). A similar proportion of businesses rated it as good for providing sufficient clarity to allow them to determine if their interpretation of the law align with that of HMRC (64%). Finally, 62% rated it as good for providing certainty for the business.

Figure 4.2 Proportion of businesses that agreed with the following statements about HMRC's written manuals, guidance, and guidelines

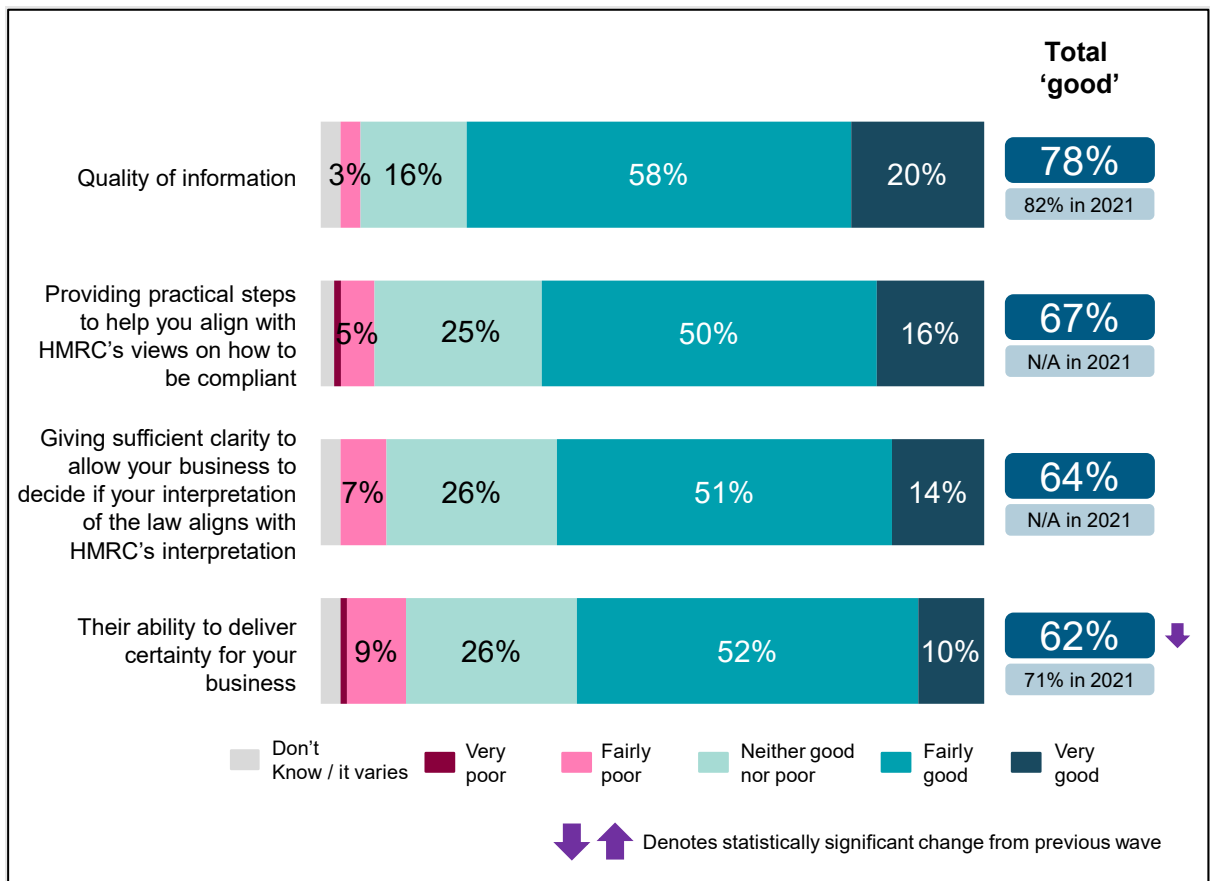


Figure 4.2 Base: All businesses (2022: 548)

4.19 The full ranges of responses for each of the aspects of HMRC's written communications are discussed in turn below.



Quality of information

- 4.20 Around four in five businesses rated HMRC's written communication as 'good' in terms of quality of information (78%), including 20% that rated it as 'very good'. Around one in six (16%) rated the quality of information in HMRC's written communication as neither good nor poor, and 3% rated it as 'poor'. These results are broadly in line with those reported in 2021.
- 4.21 Businesses were more likely than the overall average to rate HMRC's written communication as 'good' in terms of quality of information if they:
- had over 5,000 employees (89%)
 - reported having a 'very good' overall experience of dealing with HMRC (85%)
 - reported having a 'good' relationship with their CCM (80%)

Providing practical steps

- 4.22 Two thirds (67%) of businesses rated HMRC's written communication as 'good' in terms of providing practical steps to help them align with HMRC's views on how to be compliant. This included 16% that rated HMRC's communication as 'very good' in this regard. A quarter (25%) rated HMRC's written communication as neither good nor poor in terms of providing practical steps, and 6% rated it as 'poor'. This question was not asked prior to the LBS 2022.
- 4.23 Businesses were more likely than the overall average to rate HMRC's written communication as 'good' in terms of providing practical steps to help them align with HMRC's views on how to be compliant if they:
- had over 5,000 employees (75%)
 - agreed that the overall administrative burden of tax compliance on their business was 'reasonable' (73%)
 - reported having a 'good' overall experience of dealing with HMRC (71%)
 - reported having a 'good' relationship with their CCM (69%)

Giving sufficient clarity

- 4.24 Around two thirds (64%) of businesses rated HMRC's written communication as 'good' in terms of providing sufficient clarity to allow the business to decide if their interpretation of the law aligns with HMRC's, with 14% giving a rating of 'very good'. A quarter (26%) rated HMRC's written communication as neither good nor poor in terms of providing clarity, and 7% rated it as 'poor'. This question was not asked prior to the LBS 2022.
- 4.25 With regards to sub-group differences, businesses were more likely than the overall average to rate HMRC's written communication as 'good' in terms of providing sufficient clarity to allow the business to decide if their interpretation of the law aligns with HMRC's if they:
- had a UK turnover of £1,000 million or more (73%)



- agreed that the overall administrative burden of tax compliance on their business was 'reasonable' (70%)
- reported having a 'good' overall experience of dealing with HMRC (67%)
- reported having a 'good' relationship with their CCM (67%)

Ability to deliver certainty

- 4.26 Just over three fifths (62%) of businesses rated the ability of HMRC's written communication to deliver certainty for the business as 'good'. This included 10% giving a rating of 'very good'. A quarter (26%) rated HMRC's written communication as neither good nor poor in this regard, and 10% rated it as 'poor'.
- 4.27 The proportion of businesses that rated the ability of HMRC's written communication to deliver certainty for the business as 'good' decreased significantly from 71% in 2021 to 62% in 2022. Concurrently, the proportion of businesses that rated it as neither good nor poor increased (19% in 2021 versus 26% in 2022).
- 4.28 With regards to sub-group differences, businesses were more likely than the overall average to rate the ability of HMRC's written communication to deliver certainty for the business as 'good' if they:
- had a UK turnover of £1,000 million or more (70%)
 - had an Annual Conversation in the 12 months prior to the LBS 2022 (69%)
 - reported having a 'good' overall experience of dealing with HMRC (67%)
 - agreed that the overall administrative burden of tax compliance on their business was 'reasonable' (66%)
 - reported having a 'good' relationship with their CCM (65%)
- 4.29 During qualitative interviews, many businesses that did not rate HMRC's written manuals, guidance, and guidelines as good in terms of delivering certainty typically felt that this was inevitable owing to the complexity of the issues and transactions they are dealing with, rather than shortcomings in HMRC's written guidance. Businesses acknowledged that HMRC need to write their guidance in a way that caters to the situation of most taxpayers, rather than being focused on the circumstances of very complex or niche businesses. As such, these businesses said they do not necessarily expect HMRC's written manuals, guidance, and guidelines to provide certainty on the very complex types of issues they tend to deal with.
- “The HMRC guidance is like: “Dave is a tradesman earning £80,000 a year. He should register for VAT”. Yeah, fine. I understand why that needs to be the case, because you are trying to deal with most cases in one piece of guidance. What we are doing is so much more complex. HMRC will never be able to capture it in guidance. It is just not possible.”
- 1,000 or more employees, Oil and Gas
- 4.30 However, some that did not rate HMRC's written communications as being 'good' at delivering certainty said they gave that response because they felt some of HMRC's written manuals, guidance, and



guidelines on some recent changes could have been clearer. Those cited included guidance on EU Exit, the Plastic Packaging Tax (PPT), R&D Expenditure Credit, and the notification of Uncertain Tax Treatment (UTT).

“You could read the stuff on Brexit, and you wouldn't have a clue what was going on. The stuff on Plastic Packaging could have been a lot clearer too.”

1,000 or more employees, Other sector

“The guidance around UTT is badly written and it is massively skewed in HMRC's favour. So why would we open-up to them under the requirements?”

1,000 or more employees, Oil and Gas

- 4.31 Several businesses that participated in the qualitative interviews also spontaneously reported that HMRC guidance does not provide certainty from a legal perspective. Their feedback suggested that this has implications for how they perceive UTT and the extent to which this requirement might influence their future behaviours with regards to actively engaging with HMRC to get certainty from a legal standpoint – see chapter 10 for more feedback relating to UTT.

“Do they have legal standing? I'm not sure they do. So, obviously, if you went to litigation on a matter, what HMRC's manuals say is likely to bear no or little relevance in court.”

1,000 or more employees, Other sector



Views on the level of administrative burden relating to tax compliance

4.32 As illustrated in Figure 4.3, just under half (46%) of all businesses agreed that the overall level of administrative burden relating to tax compliance was 'reasonable' in 2022. A quarter (26%) neither agreed nor disagreed and around three in ten (28%) disagreed. These results were consistent with 2021.

Figure 4.3 Extent to which businesses agree or disagree that the overall level of administrative burden on your business relating to tax compliance is 'reasonable'

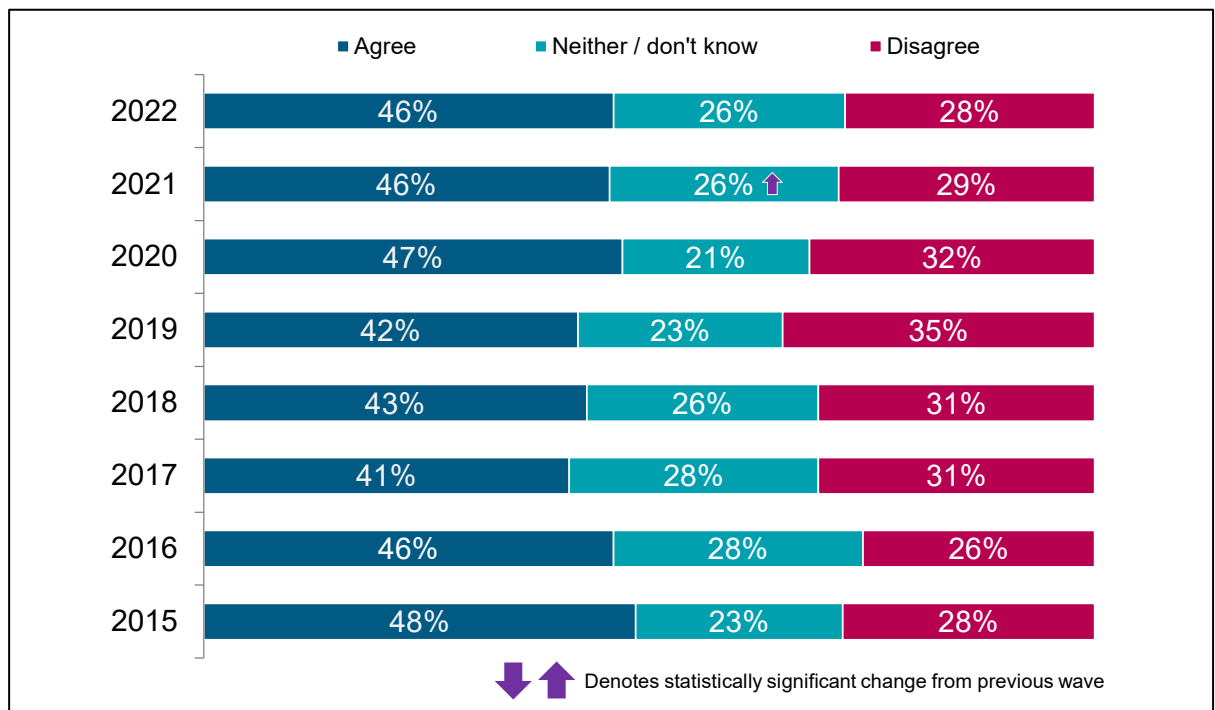


Figure 4.3 Base: All businesses (2015: 932; 2016: 732; 2017: 755; 2018: 745; 2019: 786; 2020: 564; 2021: 587; 2022: 548)

4.33 With regards to sub-group differences, there was evidence that perceptions of overall experience influenced whether businesses consider administrative burden to be 'reasonable'. Specifically, businesses were more likely than the overall average to agree that the level of administrative burden relating to tax compliance was 'reasonable' if they:

- had fewer than 1,000 employees (54%)
- agreed that HMRC responded to them in a 'reasonable' timeframe (54%)
- agreed HMRC provides their business with certainty (53%)
- agreed that there is good co-ordination at HMRC (53%)
- agreed that HMRC are easy to deal with (50%)
- reported having a 'good' overall experience of dealing with HMRC (49%)



- rated the ability of HMRC's written manuals, guidance, and guidelines to deliver certainty as good (49%)

5 The CCM Relationship

5.1 This chapter explores the extent to which businesses engaged with their Customer Compliance Manager (CCM) in 2022, how they viewed their overall relationship with their CCM and the factors most likely to contribute to a 'good' CCM relationship.

Contact with the CCM

- 5.2 Most large businesses (95%) had dealt personally with the CCM responsible for their business in the 12 months before they participated in the LBS 2022. This was in line with the previous waves of the LBS (2021: 93%; 2020: 95%; 2019: 93%).
- 5.3 A small minority (1%) of businesses had only dealt with their previous CCM, 3% reported having never dealt with their CCM and 1% said they did not have a CCM or that they did not know who their current CCM was. These results were consistent with those seen in previous waves of the LBS.
- 5.4 In keeping with previous waves, smaller large businesses were less likely to have dealt personally with their CCM in the 12 months leading up to their participation in the LBS 2022.
- 5.5 Businesses with fewer than 250 employees were significantly less likely to have had contact with their CCM (86%), when compared to those with 250 to 999 employees (95%) and those with 1,000 or more employees (98%).
- 5.6 Similarly, those with a turnover under £41.5 million were significantly less likely to have had contact with their CCM (67%), when compared with those with a £41.5 million up to £500 million turnover (96%), and those with a £500 million turnover or more (97%).

The overall relationship with the CCM

- 5.7 Businesses that had contact with their CCM in 2022 were asked to rate their overall relationship with the CCM. Almost all (95%) described their overall relationship with their CCM as 'good, including 64% that rated it 'very good'. Only a small minority (4%) rated it as 'neither good nor poor' and just 1% regarded their relationship as 'poor'. These results are consistent with 2021.
- 5.8 As Figure 5.1 illustrates, CCM relationship and overall experience scores both increased significantly between 2018 and 2020. The proportion of businesses that rated their overall relationship with their CCM as 'good' has since stayed consistently high (2020: 96%; 2021: 95%; 2022: 95%). However, the proportion of businesses that rated their overall experience of dealing with HMRC as 'good' decreased significantly during this period (from 91% in 2020 to 81% in 2022). This meant that overall experience scores and CCM relationship scores diverged for the first time in 2021.



Figure 5.1: Proportion of businesses that rated their overall relationship with their CCM as 'good' and proportion rating their overall experience as 'good' 2015-2022

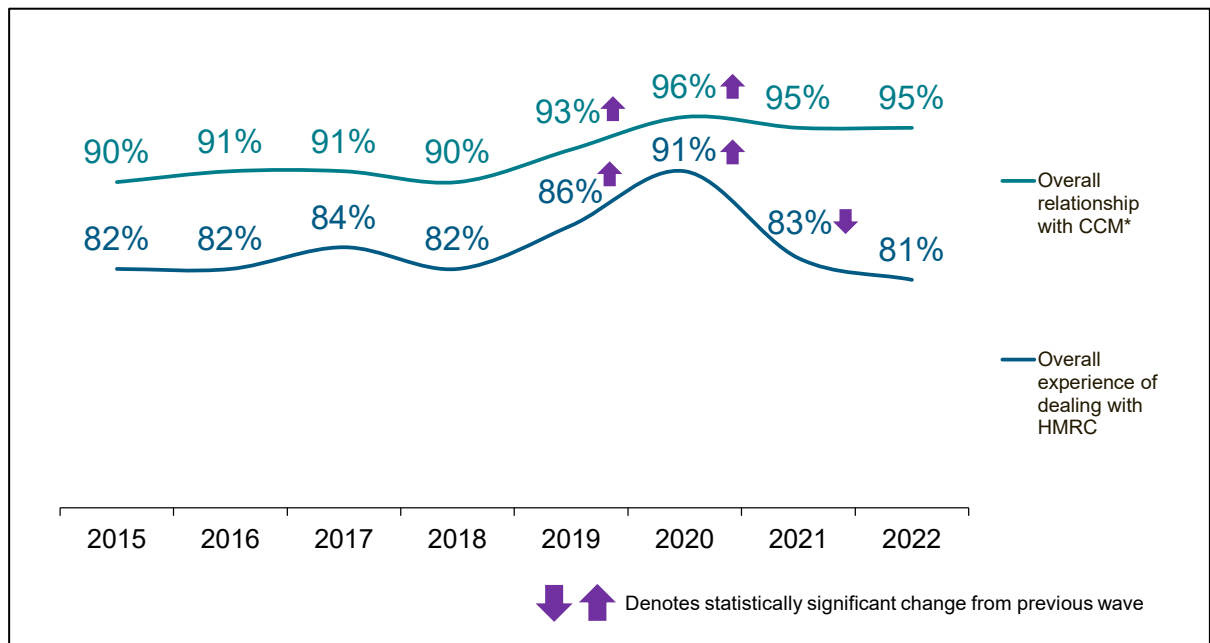


Figure 5.1 Base: All businesses (2015: 932; 2016: 732; 2017: 755; 2018: 745; 2019: 786; 2020: 564; 2021: 587; 2022: 548) *All businesses that had contact with their CCM (2015: 879; 2016: 700; 2017: 732; 2018: 703; 2019: 743; 2020: 543; 2021: 562; 2022: 527)

- 5.9 Businesses that reported having a 'good' overall experience of dealing with HMRC in 2022 were more likely than average to rate their overall relationship with their CCM as 'good' (99%).
- 5.10 Businesses that underwent neither a BRR+ nor an Annual Conversation in the 12 months prior to participating in the LBS 2022 were less likely to rate their overall relationship with their CCM as 'good' (90%) compared to the overall average (95%) and those that had a BRR+ (97%).
- 5.11 Businesses that participated in qualitative interviews often highlighted their relationship with their CCM as the thing they valued most about their working relationship with HMRC. As detailed in chapter 3, many felt that the involvement of their CCM made dealings with HMRC more efficient, straightforward, and co-ordinated, and that their involvement was more likely to result in a timely resolution.

"[Our CCM] is the one point of contact and who understands the business, who's willing to invest time in understanding the business and who has a similar desire to keep enquiries short and closed in a reasonable length of time and that you can have those kind of real time conversations...so I definitely think the CCM role is incredibly valuable."

1,000 or more employees, Business Services

- 5.12 However, some businesses raised concerns about how the role of CCMs has changed in recent years. They felt that CCMs are unable or reluctant to make meaningful decisions without deferring to specialist teams. They felt that working with specialists is not as efficient since they can be more difficult to establish contact with, and because they do not have the same level of understanding about the business.



- 5.13 Others reported a decline in interaction with their CCM, and that they had found it more difficult to get their CCM to engage with queries and issues raised. As mentioned previously, some businesses perceived that this was sometimes down to resource constraints at HMRC resulting in staff turnover and increased CCM workloads.

“Contact has been very limited... More limited than I am comfortable with. I would like to speak to the CCM on a more regular basis... then I would have a sense that we have a relationship with HMRC.”

1,000 or more employees, Media

Key Driver Analysis: the CCM relationship

- 5.14 Key Driver Analysis (KDA) was conducted to understand what was driving businesses’ rating of their overall relationship with their CCM in 2022, to identify the areas that have the most impact on customer perceptions.
- 5.15 Figure 5.2 presents the top five key drivers of a ‘good’ CCM relationship in 2022, listed in order of importance (that is, the 5 areas that had the greatest influence on customers’ perceptions of their overall relationship with their CCM), along with the proportion of businesses that gave a positive response to each measure in the LBS 2022.⁹ The key drivers listed in Figure 5.2 are: the quality of information they provide your business (77%), their ability to be pragmatic and make decisions (75%), HMRC actively seek a co-operative relationship (87%), over all experience (81%) and CCM responding in timeframes agreed (80%).

⁹ KDA was not conducted on the overall CCM relationship prior to the LBS 2020.



Figure 5.2: The five 'key drivers' of CCM relationship in 2022, and the proportion of customers giving a positive response to each

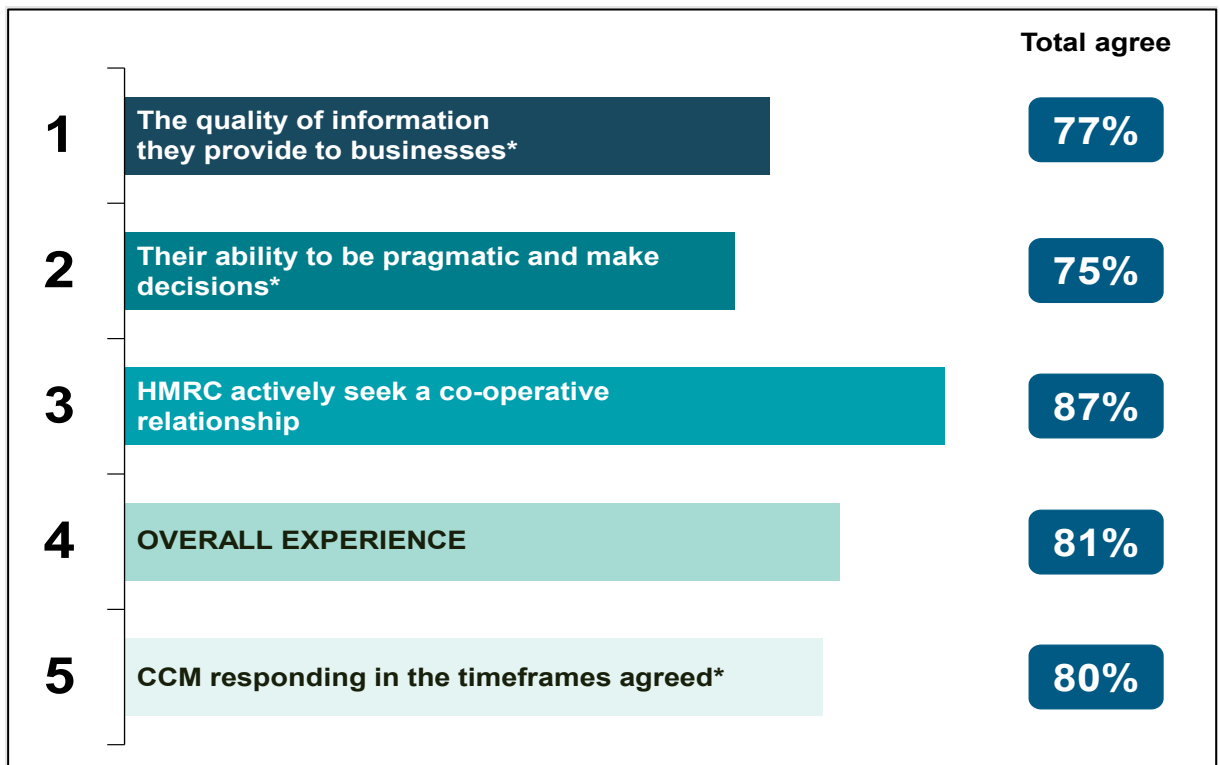


Figure 5.2 Base: All businesses (2022: 548) * Businesses that had contact with their CCM (2022: 527)



- 5.16 Overall experience and the CCM rating for ‘responding in the timeframes agreed’ both entered the key driver model for the overall relationship in 2022 having not featured as key drivers of the overall relationship in 2021. The other three measures also featured as key drivers of the overall CCM relationship in 2021.
- 5.17 The full ranges of responses on each of the top 5 key drivers of the CCM relationship in 2022 are discussed in turn below.

Key Driver 1: The quality of information CCMs provide

- 5.18 The driver with the biggest impact on positive perceptions of the CCM relationship in 2022 was a positive rating for ‘the quality of information that CCMs provide your business’. This measure was also the top key driver of a ‘good’ overall relationship with CCMs in the LBS 2021.
- 5.19 As Figure 5.3 illustrates, close to eight in ten businesses rated the quality of information that their CCM provides as ‘good’ (77%), including 34% that rated it as ‘very good’. Around a fifth (18%) rated it as ‘neither good nor poor’, and 3% rated it as ‘poor’. These results are consistent with 2021.

Figure 5.3: Rating of the quality of information CCMs provide

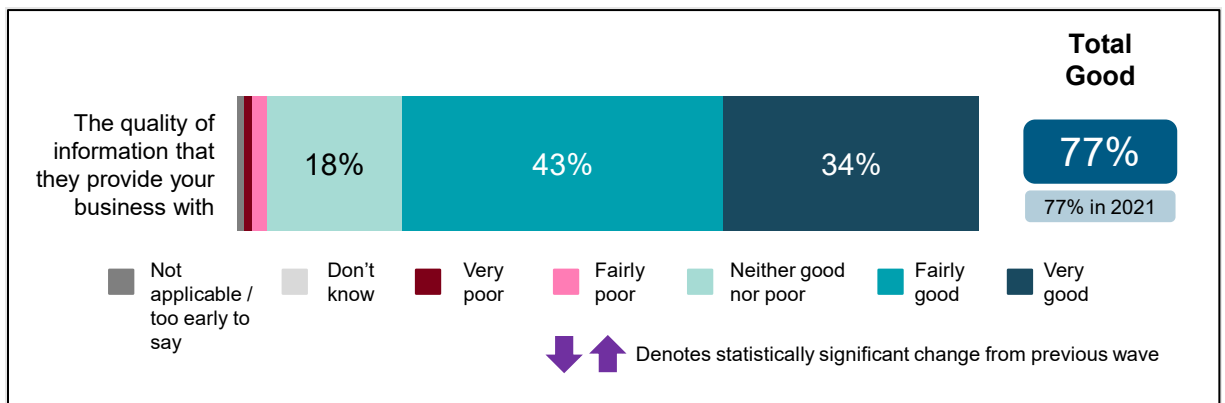


Figure 5.3 Base: Businesses that had contact with their CCM (2021: 562; 2022: 527)

- 5.20 With regards to sub-group differences, businesses were more likely than the overall average to rate the quality of information that their CCM provides as ‘good’ if they:
- reported having a ‘good’ overall experience of dealing with HMRC (84%)
 - agreed that the administrative burden of tax compliance on their business was ‘reasonable’ (84%)
 - had between 250 and 999 employees (83%)
- 5.21 As in 2021, businesses that participated in the qualitative research said the quality of the information they got from their CCMs tended to be better than that received from HMRC helplines or mailboxes as CCMs were more likely to have a better understanding of the business.



Key Driver 2: The ability of CCMs to be pragmatic and make decisions

- 5.22 The second key driver of a 'good' CCM relationship in 2022 was a positive rating for their 'ability to be pragmatic and make decisions'. This measure was the fourth key driver in 2021.
- 5.23 As presented in Figure 5.4, three quarters (75%) of businesses rated the ability of their CCM to be pragmatic and make decisions as 'good', including 37% that rated it as 'very good'. Around one in six (16%) gave a rating of 'neither good nor poor' and 6% gave a rating of 'poor'.
- 5.24 Compared to the LBS 2021, the proportion of businesses that rated the ability of their CCM to be pragmatic and make decisions as 'neither good nor poor' decreased slightly (but not significantly) from 19% to 16% in 2022. Correspondingly, there was a slight increase in the proportion of businesses that gave a rating of 'good' (70% in 2021 versus 75% in 2022), but again not to a statistically significant extent.

Figure 5.4: Rating of the ability of CCMs to be pragmatic and make decisions

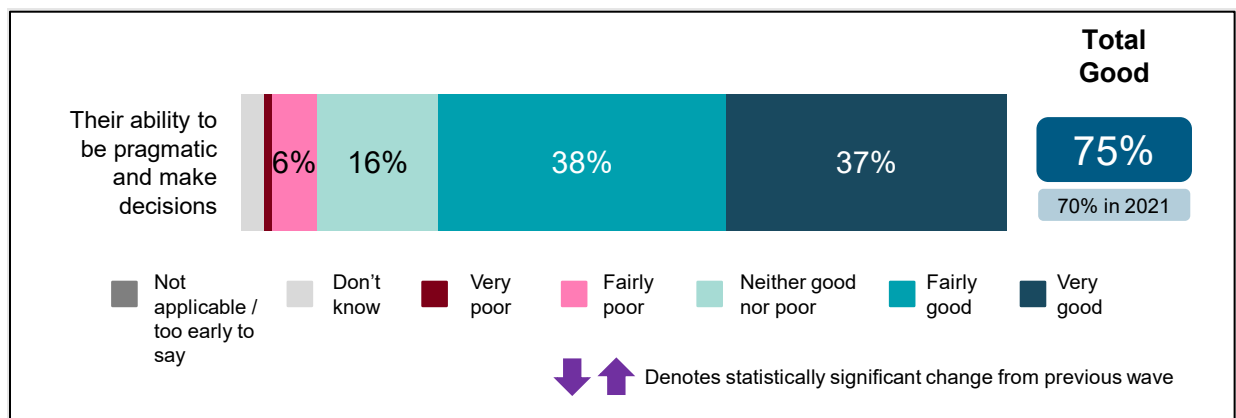


Figure 5.4 Base: Businesses that had contact with their CCM (2021:562; 2022: 527)

- 5.25 With regards to sub-group differences, businesses were more likely than the overall average to rate the ability of their CCM to be pragmatic and make decisions as 'good' if they:
- had fewer than 250 employees (86%)
 - agreed that the administrative burden of tax compliance on their business was 'reasonable' (84%)
 - reported having a 'good' overall experience of dealing with HMRC (82%)
 - had an Annual Conversation in the 12 months prior to the LBS 2022 (82%)
 - had a UK turnover between £41.5 million and £499 million (79%)



Key Driver 3: HMRC actively seek a co-operative relationship

5.26 The third key driver of a 'good' CCM relationship in 2022 was agreement that 'HMRC actively seek a co-operative relationship'. This measure was the second key driver of a 'good' overall relationship with CCMs in the LBS 2021 and features as the fifth key driver of overall experience this year. The fact that it features in both models further demonstrates how important this measure is to large businesses (see paragraphs 3.50 to 3.55 for more information about this measure).

Key Driver 4: Overall experience

5.27 The fourth key driver of the CCM relationship in 2022 was businesses' overall rating of their experience of dealing with HMRC in 2022. This measure was not identified as a key driver of a 'good' overall relationship with CCMs in the LBS 2021 but has as recently as the LBS 2020, when it was the third key driver for CCM relationship. The fact that the overall experience of dealing with HMRC features in the top five key drivers of the overall CCM relationship in 2022 further reinforces the symbiotic relationship between perceptions of overall experience and the overall CCM relationship (see chapter 3 for more information about overall experience).

Key Driver 5: CCMs responding in the timeframes agreed

5.28 The fifth key driver of a 'good' CCM relationship in 2022 was a positive rating for their CCM 'responding within the timeframes agreed'. This measure did not feature as a key driver of a 'good' overall relationship with CCMs in the LBS 2021.

5.29 As presented in Figure 5.5, four fifths (80%) of businesses rated CCMs as 'good' in terms of responding within an agreed timeframe, including 46% that gave a rating of 'very good'. Around one in eight (13%) gave a rating of 'neither good nor poor' and 6% gave a rating of 'poor'. These results are consistent with 2021.

Figure 5.5: Rating of CCMs responding in the timeframe agreed

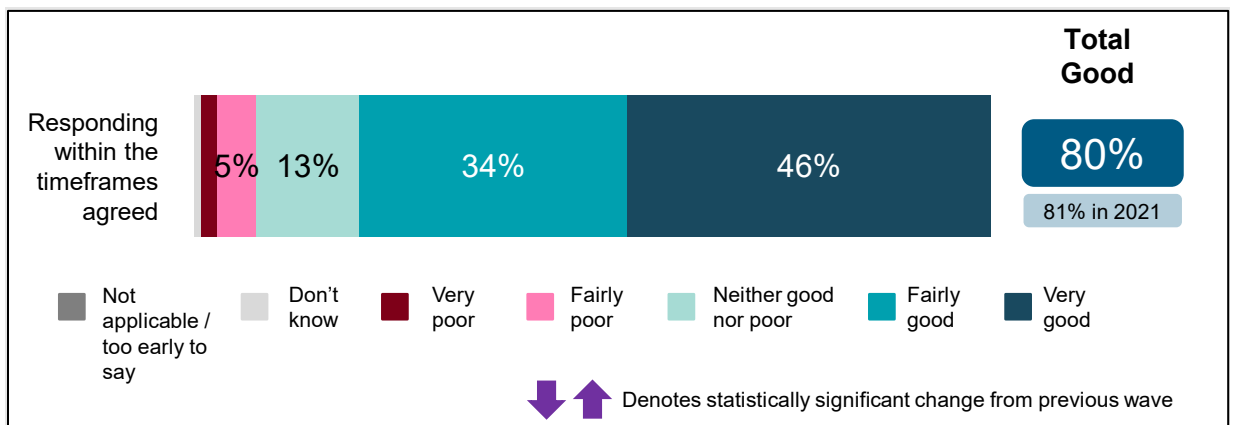


Figure 5.5 Base: Businesses that had contact with their CCM (2021: 562; 2022: 527)

5.30 With regards to sub-group differences, businesses were more likely than the overall average to rate their CCM as 'good' in terms of responding within an agreed timeframe if they:

- reported having a 'good' overall experience of dealing with HMRC (85%)
- agreed that the administrative burden of tax compliance on their business was 'reasonable' (84%)



- 5.31 As noted previously (see chapter 3), some businesses that participated in qualitative interviews reported having difficulty getting in contact with their CCM and getting their CCM to fully engage with issues and queries after initial contact. This resulted in dealings with their CCM to be protracted and the resolution of issues to be delayed.

Other CCM service measures

- 5.32 As presented in Table 5.1, most businesses were positive about other CCM service measures that did not feature as key drivers of a 'good' overall relationship in 2022. The proportion of businesses that rated their CCM 'good' for each individual measure ranged from 63% for 'resolving uncertainty around complex or significant tax issues' to 81% that rated their CCM 'good' in terms of their 'understanding of the commercial context your business operates in'.

Table 5.1: Proportion of businesses rating their CCM as 'good' on other CCM service measures between 2015 and 2022

LBS year	Understanding of the commercial context your business operates in	Ability to address your needs across all taxes	Being transparent about HMRC's decision-making processes	Keeping you informed on the internal progress of issues raised	Resolving uncertainty around complex or significant tax issues
2015	72%	Not asked	Not asked	Not asked	66%
2016	75%	Not asked	Not asked	Not asked	64%
2017	74%	Not asked	Not asked	Not asked	64%
2018	74%	81%	Not asked	Not asked	62%
2019	73%	84%	Not asked	Not asked	65%
2020	83%	89%	Not asked	Not asked	73%
2021	79%	83%	72%	69%	65%
2022	81%	78%**	78%*	70%	63%

Table 5.1 Base: Businesses that had contact with their CCM (2015: 879; 2016: 700; 2017: 732; 2018: 703; 2019: 743; 2020: 543; 2021: 562; 2022: 527) * Denotes a statistically significant increase compared to 2021 ** Denotes a significantly significant decrease compared to 2021

- 5.33 The full ranges of responses for each of these CCM service measures presented in Table 5.1 are discussed in turn below.

CCM rating: Understanding of the commercial context your business operates in

- 5.34 Four fifths (81%) of businesses rated their CCM as 'good' in terms of 'their understanding of the commercial context your business operates in', including 36% that gave a rating of 'very good'. Around one in eight (13%) gave a rating of 'neither good nor poor' and 5% gave a rating of 'poor'. These results are consistent with 2021.
- 5.35 With regards to sub-group differences, businesses were more likely than the overall average to rate their CCM as 'good' in terms of their understanding of the commercial context their business operates in if they:



- had an Annual Conversation in the 12 months prior to the LBS 2022 (87%)
- agreed that the administrative burden of tax compliance on their business was ‘reasonable’ (85%)
- reported having a ‘good’ overall experience of dealing with HMRC (85%)

CCM rating: Ability to address your needs across all taxes

- 5.36 More than three quarters (78%) of businesses rated their CCM as ‘good’ in terms of their ‘ability to address your needs across all taxes’, including 34% that gave a rating of ‘very good’. Nearing a fifth (17%) gave a rating of ‘neither good nor poor’ and 4% gave a rating of ‘poor’.
- 5.37 Compared to the LBS 2021, the proportion of businesses that rated their CCM as ‘good’ in terms of their ability to address businesses needs across all taxes decreased significantly from 83% to 78% in 2022. Correspondingly, the proportion of businesses that rated their CCM as neither good nor poor in this regard increased (10% in 2021 versus 17% in 2022).
- 5.38 With regards to sub-group differences, businesses were more likely than the overall average to rate their CCM as ‘good’ in terms of their ability to address businesses needs across all taxes if they:
- agreed that the administrative burden of tax compliance on their business was ‘reasonable’ (86%)
 - reported having a ‘good’ overall experience of dealing with HMRC (86%)
 - had an Annual Conversation in the 12 months prior to the LBS 2022 (82%)
- 5.39 Qualitative discussions with businesses indicated that perceptions of the ability of CCMs to address their needs across all taxes hinged on the ease of contacting their CCM, the CCM’s level of experience and understanding of the business and of technical issues, their ability to co-ordinate specialist teams, and their ability to act pragmatically and keep things moving. Where these criteria were met, businesses tended to be very happy with the role their CCM played in addressing their needs.

“We have gone from having two quite challenging CCMs... then we had a senior CCM who came in and they were fantastic; able to unlock issues, apply judgement and cut through longstanding issues.”

1,000 or more employees, Media

- 5.40 Those that did not rate their CCM as good in terms of their ability to address their needs across all taxes often attributed this to the aforementioned difficulties in getting in contact with their CCM and getting them to engage with issues. Some businesses gave accounts of having to wait a long time for their CCM to respond to their communications, some gave accounts of their CCM signposting them to HMRC mailboxes and helplines with no follow-up, while others had doubts about the extent to which their CCM was able to add value due to a lack of understanding about their business.

“We want to engage with HMRC, but those questions [to our CCM] went into a black hole as far as I’m concerned. We chased up for responses and we were provided with none. It’s months and months and months to get a response.”

1,000 or more employees, Manufacturing



CCM rating: Being transparent about HMRC's decision-making processes

- 5.41 More than three quarters (78%) of businesses rated their CCM as 'good' in terms of being 'transparent about HMRC's decision-making processes', including 38% that gave a rating of 'very good'. Around one in six (16%) gave a rating of 'neither good nor poor' and 4% gave a rating of 'poor'.
- 5.42 Compared to the LBS 2021, the proportion of businesses that rated their CCM as 'good' in terms of being transparent about HMRC's decision-making process increased significantly from 72% to 78% in 2022. Correspondingly, the proportion of businesses that rated their CCM as poor in this regard decreased (7% in 2021 versus 4% in 2022).
- 5.43 With regards to sub-group differences, businesses were more likely than the overall average to rate their CCM as 'good' in terms of being transparent about HMRC's decision-making process if they:
- agreed that the administrative burden of tax compliance on their business was 'reasonable' (85%)
 - reported having a 'good' overall experience of dealing with HMRC (84%)
 - had an Annual Conversation in the 12 months prior to the LBS 2022 (83%)

CCM rating: Keeping the business informed on the internal progress of issues raised

- 5.44 Seven in ten businesses rated their CCM as 'good' in terms of 'keeping the business informed on the internal progress of issues raised' (70%), including 29% that gave a rating of 'very good'. A fifth (20%) gave a rating of 'neither good nor poor' and 7% gave a rating of 'poor'. These results are consistent with those posted in the LBS 2021.
- 5.45 With regards to sub-group differences, businesses were more likely than the overall average to rate their CCM as 'good' in terms of keeping the business informed on the internal progress of issues raised if they:
- reported having a 'good' overall experience of dealing with HMRC (77%)
 - had an Annual Conversation in the 12 months prior to the LBS 2022 (76%)
 - agreed that the administrative burden of tax compliance on their business was 'reasonable' (75%)

CCM rating: Resolving uncertainty around complex or significant tax matters

- 5.46 Around two thirds (63%) of businesses rated their CCM as 'good' in terms of 'resolving uncertainty around complex or significant tax matters', including 25% that gave a rating of 'very good'. Around a fifth (22%) gave a rating of 'neither good nor poor' and 6% gave a rating of 'poor'. These results are consistent with those captured in the LBS 2021.
- 5.47 With regards to sub-group differences, businesses were more likely than the overall average to rate their CCM as 'good' in terms of resolving uncertainty around complex or significant tax matters if they:
- had between 250 and 999 employees (72%)
 - had an Annual Conversation in the 12 months prior to the LBS 2022 (72%)



- reported having a 'good' overall experience of dealing with HMRC (71%)
- agreed that the administrative burden of tax compliance on their business was 'reasonable' (71%)



6 Contact with HMRC

6.1 This chapter explores businesses' contact with HMRC in 2022. This relates to businesses views on their contact with HMRC, excluding the routine filing of returns, and outcomes of contact with HMRC.

Contact with HMRC in 2022 (excluding routine filing of returns)

6.2 Nine in ten businesses had contacted HMRC in relation to tax issues excluding the routine filing of returns in the 12 months preceding their participation in the LBS 2022 (89%), up significantly from 84% in 2021.

6.3 Consistent with previous waves, larger businesses (both in terms of employee numbers and turnover) were more likely to have contacted HMRC in relation to tax issues. Those with 1,000 employees or more were more likely than those with fewer than 250 employees to have contacted HMRC (92% versus 74% respectively). Those with a UK turnover of £500 million or more were more likely than those with a UK turnover between £41.5 million and £499 million to have contacted HMRC (93% versus 86% respectively).

6.4 Businesses that underwent a BRR+ (92%) in the 12 months prior to participating in the LBS 2022 were more likely to have contacted HMRC in relation to tax issues than those that had neither a BRR+ nor an Annual Conversation (84%).

Experiences of contact (excluding routine filing of returns)

6.5 Businesses that contacted HMRC in relation to tax issues not including the routine filing of returns in the 12 months prior to LBS 2022 were asked about their experience of this contact. Figure 6.1 presents the extent to which business' agreed or disagreed that 'HMRC responded in a timeframe that was reasonable from a commercial perspective' and 'made clear the next steps you needed to take'.

Figure 6.1: Whether businesses agreed or disagreed that HMRC responded in a timeframe that was 'reasonable' and that HMRC made clear the next steps

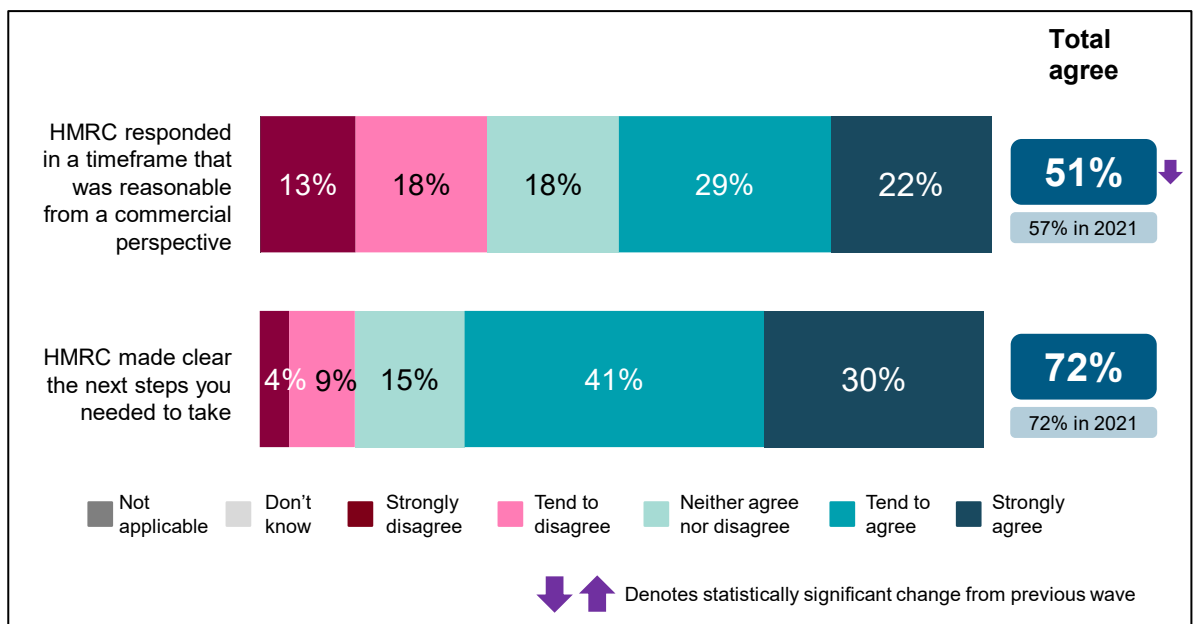


Figure 6.1 Base: Businesses that contacted HMRC about tax issues not including the routine filing of returns in the 12 months prior to the LBS (2021:496; 2022: 487)



6.6 The full range of responses presented in Figure 9.3 are described below.

HMRC responded in a timeframe that was reasonable from a commercial perspective

6.7 Half (51%) of the businesses that had contacted HMRC agreed that 'HMRC responded in a timeframe that was reasonable from a commercial perspective', while 31% disagreed and 18% neither agreed nor disagreed. The proportion of businesses that agreed with this measure decreased significantly between 2021 and 2022 (from 57% to 51%).

6.8 With regards to sub-group differences, businesses were more likely than the overall average to agree that HMRC responded in a timeframe that was 'reasonable' from a commercial perspective if they:

- agreed that HMRC made clear the steps they needed to take (65%)
- agreed that the administrative burden of tax compliance on their business was 'reasonable' (64%)
- reported having a 'good' overall experience of dealing with HMRC (59%)
- reported having a 'good' overall relationship with their CCM (54%)

6.9 Businesses that took part in qualitative follow-ups said that HMRC response times were especially slow when using communication channels other than their CCM, such as mailboxes, telephone helplines and written correspondence. As noted in chapters 3 and 5, some also reported issues with the time taken for their CCM to respond to issues. However, most believed issues were more likely to be resolved more efficiently and in a timely manner when their CCM was involved.

"You e-mail and then sometimes you have to e-mail back because you don't know if anybody's received it ... you have to send two or three emails just to get an admin thing sorted. So, you have got to be very persistent."

1,000 or more employees, Banking

6.10 Some businesses that felt HMRC did not respond in a 'reasonable' timeframe identified specific types of issues where they had experienced particularly poor response times. These included:

- the issuing of repayments,
- issuing of Certificates of Residence and other withholding tax forms,
- changes to VAT groups
- agreeing Mutual Agreement Procedures.

6.11 Regardless of the nature of the issue, delayed responses from HMRC resulted in uncertainty within the business and lead to more time and resource being spent on issues.

"It took us about 9 or 10 months to get a signed withholding tax form out of HMRC... 6 weeks should have been more than enough time."

1,000 or more employees, Business Services



“We overpaid the PAYE Settlement Agreement and applied for a refund. It didn't happen for 6 months, and we wasted so much time chasing. We need that cash right now!”

1,000 or more employees, Retail

- 6.12 Some businesses felt that HMRC have become less responsive in recent years. This was often attributed to the perception that HMRC faced resource challenges, with staff (including CCMs) being overstretched. Others attributed the perceived decline in responsiveness to HMRC putting more emphasis on mailboxes and helplines and CCMs being unable to make meaningful decisions without input from specialists or policy teams.

“HMRC are slow. Very, very slow. Issues are clearly a product of the CCMs and perhaps other staff members at HMRC being overworked.”

250 to 999 employees, Real Estate

“When something goes to policy it can then get stuck in a vacuum for months and months.”

1,000 or more employees, Insurance

HMRC made clear the steps you needed to take

- 6.13 Seven in ten businesses that had contacted HMRC agreed that ‘HMRC made clear the steps they needed to take’ when they contacted them (72%), 15% ‘neither agreed nor disagreed’ and 13% disagreed. These results are broadly in line with 2021.
- 6.14 With regards to sub-group differences, businesses were more likely than the overall average to agree that HMRC made clear the steps they needed to take if they:
- agreed that HMRC responded in a timeframe that was ‘reasonable’ from a commercial perspective (91%)
 - agreed that the administrative burden of tax compliance on their business was ‘reasonable’ (81%)
 - reported having a ‘good’ overall experience of dealing with HMRC (80%)
 - had engaged in a BRR+ in the 12 months prior to the LBS 2022 (78%)
 - reported having a ‘good’ overall relationship with their CCM (74%)



Outcomes of contact (excluding routine filing of returns)

6.15 Figure 6.2 presents the extent to which businesses agreed or disagreed that contact with HMRC resulted in 'a more transparent relationship' with the department and having 'trust' and 'confidence' in HMRC. The full range of responses presented in Figure 6.2 are described below.

Figure 6.2: Outcomes of contact for businesses that had contact with HMRC outside the routine filing of taxes in the last 12 months

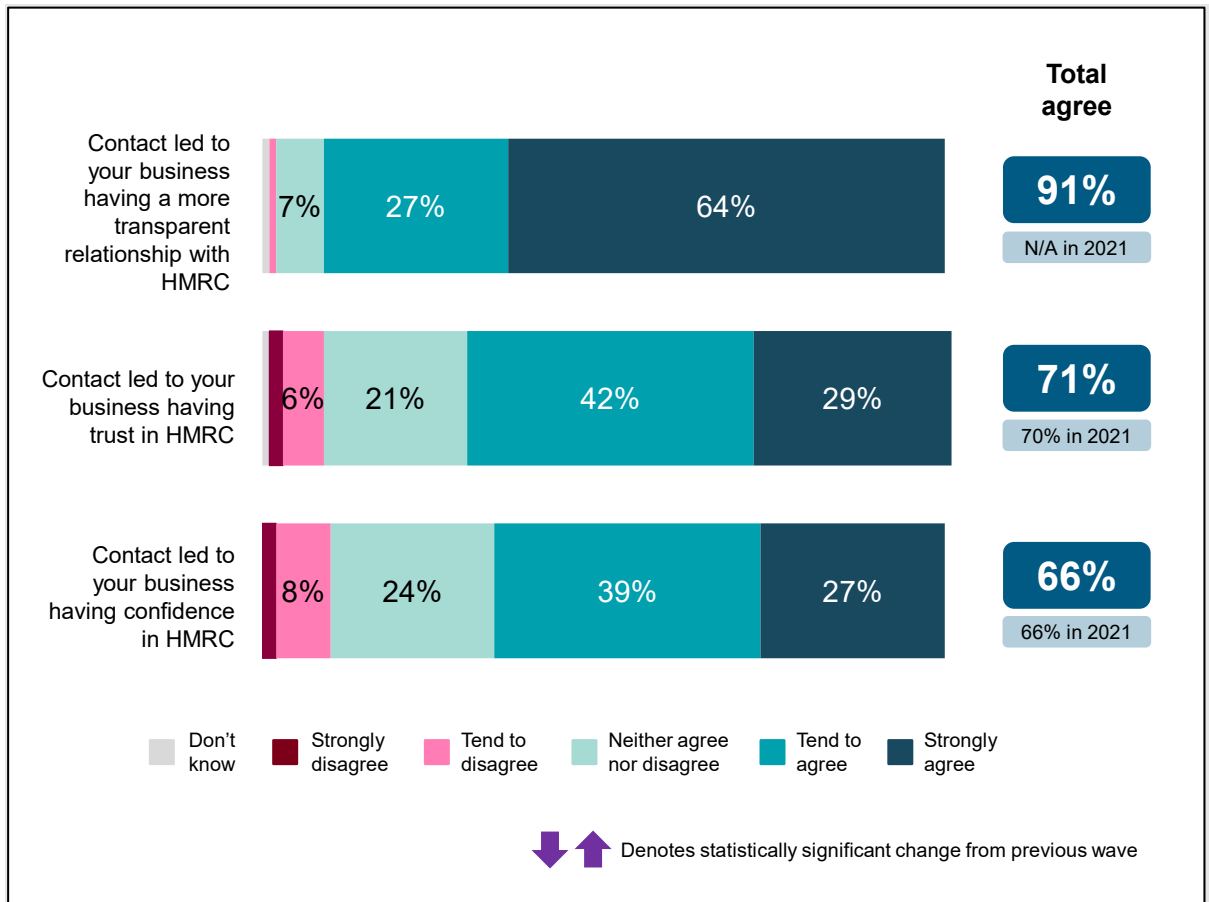


Figure 6.2 Base: Businesses that contacted HMRC about tax issues not including the routine filing of returns in the 12 months prior to the LBS (2021 :496; 2022: 487)

Contact led to your business having a more transparent relationship with HMRC

6.16 Most businesses (91%) that had contacted HMRC agreed that their contact led to the business 'having a more transparent relationship with HMRC'. Of the remainder, 7% neither agreed or disagree and 1% disagreed. This was consistent with the last time this question was asked in 2020 (when 93% agreed).
 10

10 Prior to LBS 2021 and in LBS 2022 the question was worded: 'To what extent do you agree or disagree that your interaction with HMRC over the last 12 months has led to your business having a transparent relationship with HMRC?' and in LBS 2021 the wording was changed to 'To what extent do you agree or disagree that your interaction with HMRC over the last 12 months has led to your business having a more transparent relationship with HMRC?' That means results from LBS 2021 cannot be directly compared with results from other waves.



6.17 With regards to sub-group differences, businesses were more likely than the overall average to agree that their contact led to the business having a more transparent relationship with HMRC if they:

- agreed that contact resulted in having confidence in HMRC (99%)
- agreed that contact resulted in having trust in HMRC (98%)
- had an Annual Conversation in the 12 months prior to the LBS 2022 (96%)
- reported having a 'good' overall experience of dealing with HMRC (94%)
- reported having a 'good' overall relationship with their CCM (93%)

Contact led to your business having trust in HMRC

6.18 Seven in ten businesses that contacted HMRC agreed that these interactions led to their business 'having trust in HMRC' (71%), while 21% selected neither agreed nor disagreed and 7% disagreed (see Figure 6.2). These results are broadly in line with 2021.

6.19 With regards to sub-group differences, businesses were more likely than the overall average to agree that their contact led to the business having trust in HMRC if they:

- agreed that contact resulted in having confidence in HMRC (96%)
- agreed that contact resulted in a more transparent relationship with HMRC (77%)
- agreed that the administrative burden of tax compliance on their business was 'reasonable' (79%)
- reported having a 'good' overall experience of dealing with HMRC (81%)
- reported having a 'good' overall relationship with their CCM (77%)

Contact led to your business having confidence in HMRC

6.20 Two-thirds (66%) of businesses that had contact with HMRC agreed their interaction led to their business 'having confidence in HMRC', while a quarter (24%) neither agreed nor disagreed and 10% disagreed. These results are broadly in line with 2021.

6.21 With regards to sub-group differences, businesses were more likely than the overall average to agree that their contact led to the business having confidence in HMRC if they:

- agreed that contact resulted in having trust in HMRC (88%)
- reported having a 'good' overall experience of dealing with HMRC (77%)
- agreed that the administrative burden of tax compliance on their business was 'reasonable' (75%)
- agreed that contact resulted in a more transparent relationship with HMRC (71%)
- reported having a 'good' overall relationship with their CCM (70%)





7 HMRC Enquiries

- 7.1 This chapter explores large businesses' experiences of dealing with HMRC in relation to formal enquiries about their tax affairs.

Whether businesses dealt with HMRC in relation to a formal enquiry

- 7.2 Around two fifths (38%) of businesses reported they had dealt with HMRC in relation to a formal enquiry about their business' tax affairs in the 12 months leading up to them participating in the LBS 2022.
- 7.3 Larger businesses, in terms of both employee numbers and UK turnover, were more likely to have undergone a formal enquiry. More than two fifths (44%) of businesses with 1,000 or more employees had undergone a formal enquiry. Compared to a fifth (17%) of businesses with fewer than 250 employees. Similarly, more than two fifths (45%) of businesses with a UK turnover of £500 million or more had undergone a formal enquiry, compared to a third (31%) of those with a UK turnover between £41.5 million and £499 million.
- 7.4 Of the two fifths (38%) of businesses that had a formal enquiry about their business' tax affairs, two thirds (66%) reported that this was ongoing at the time they participated in the survey and a third (33%) reported that enquiry was resolved.

Experiences of enquiries

- 7.5 Businesses that had a formal enquiry about their business' tax affairs in the 12 months leading up to their involvement in the LBS 2022 were asked about their experience of these enquiries. Specifically, whether they felt they were treated in a 'reasonable manner', the extent to which they found it easy or difficult to understand what was happening during the enquiry and the extent to which they agreed or disagreed that the experience effected how they would act in relation to a similar issue in the future. The full ranges of responses for each of these are discussed below.



Treated in a reasonable manner

7.6 As shown in Figure 7.1, nearing four fifths of all businesses that had a formal enquiry agreed that HMRC treated them in a 'reasonable manner' during the process (78%). This result is broadly in line with the LBS 2019, when 75% of businesses agreed.

Figure 7.1: Whether businesses felt HMRC treated them in a reasonable manner during the enquiry

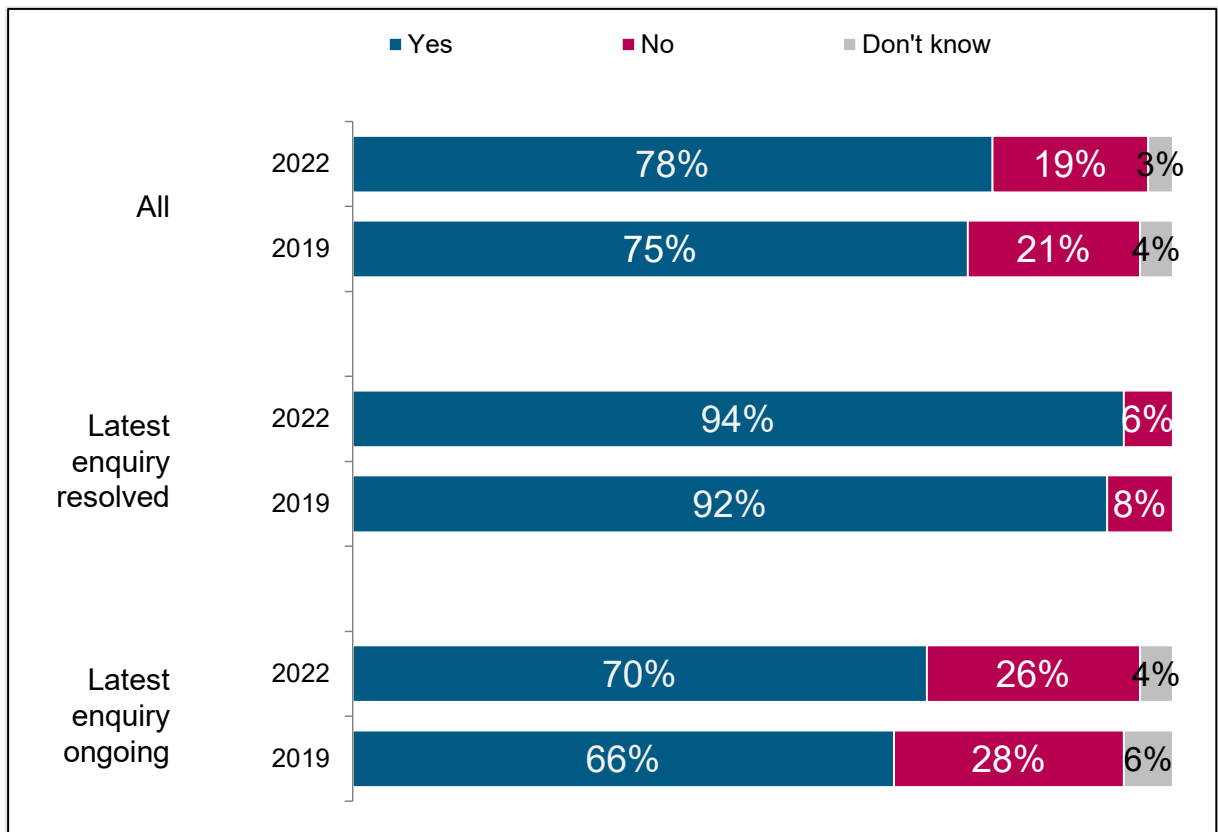


Figure 7.1 Base: Businesses that interacted with HMRC in relation to a formal enquiry in the 12 months prior to the LBS (2022: total: 207; resolved: 69; ongoing: 137; 2019: total: 402; resolved: 132; ongoing: 267)

- 7.7 Businesses that reported their enquiry was resolved were more likely than those that reported an ongoing enquiry to agree that the HMRC treated them in a 'reasonable manner' (94% versus 70% respectively). This corresponds with the results in 2019, when businesses that reported an enquiry was resolved were more likely than those that reported an ongoing enquiry to agree HMRC treated them in a 'reasonable manner' (92% versus 66% respectively).
- 7.8 Responses to this question in 2022 were not statistically significantly different to responses in 2019, when they were last asked in the LBS.
- 7.9 With regards to sub-group differences, businesses were more likely than the overall average to agree they were treated in a 'reasonable manner' during their enquiry if they:
- reported having a 'good' overall experience of dealing with HMRC (83%)
 - had an Annual Conversation in the 12 months prior to the LBS 2022 (89%)



- agreed that the administrative burden of tax compliance on their business was 'reasonable' (87%)

Understanding of what was happening during the enquiry

7.10 As presented in Figure 7.2, around two thirds (62%) of all businesses that had a formal enquiry found it easy to understand what was happening during the process. This result is broadly in line with the LBS 2019, where 57% of businesses agreed.

Figure 7.2: Whether businesses found it easy to understand what was happening during the enquiry

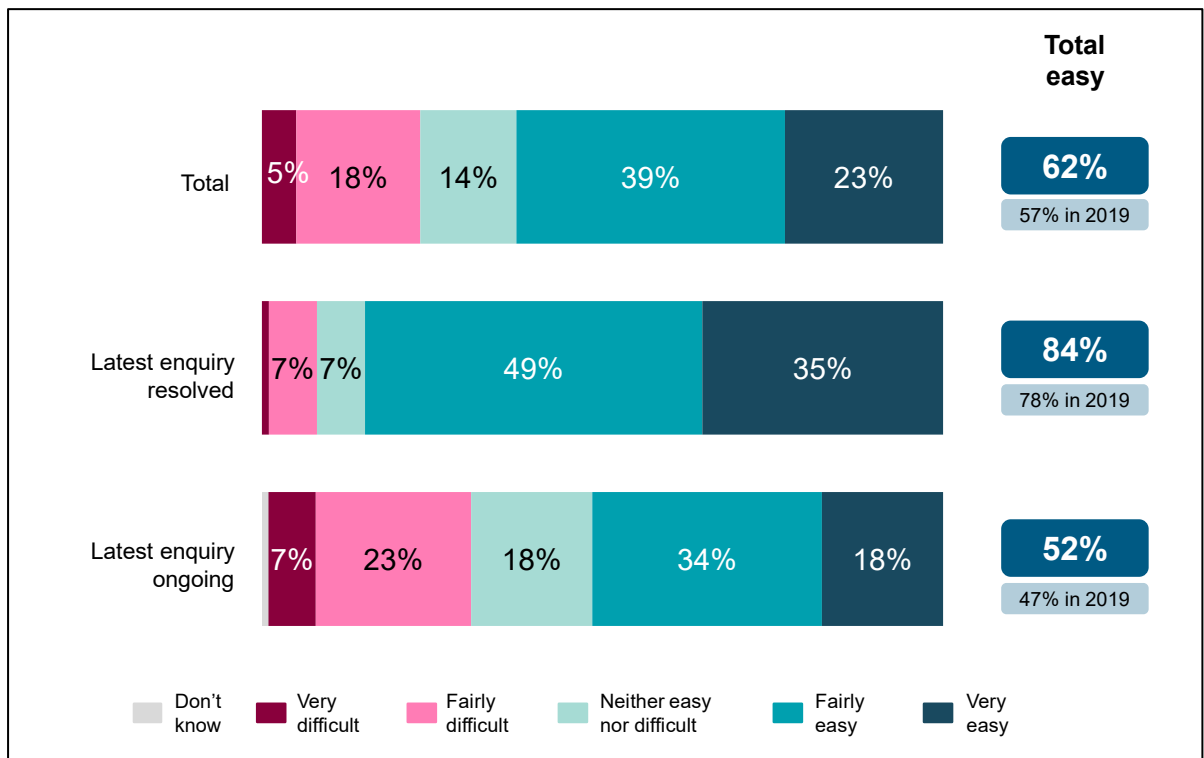


Figure 7.2 Base: Businesses that interacted with HMRC in relation to a formal enquiry in the 12 months prior to the LBS (2022: total: 207; resolved: 69; ongoing: 137; 2019: total: 402; resolved: 132; ongoing: 267)

- 7.11 Businesses that reported that their enquiry was resolved were more likely to have found it easy to understand what was happening during the enquiry process than those that reported an ongoing enquiry (84% versus 52% respectively).
- 7.12 Results from 2022 were broadly consistent with those from 2019 when the question was last included in the LBS.
- 7.13 With regards to sub-group differences, businesses were more likely to have found it easy to understand what was happening during the enquiry process if they reported having a 'good' overall experience of dealing with HMRC (68%) or had between 250 and 999 employees (78%). By contrast with the latter, those with 1,000 or more employees were less likely to have found it easy to understand what was happening (56%).



Effect of enquiry on future behaviour

7.14 As illustrated in Figure 7.3, almost half (47%) of all businesses that had a formal enquiry agreed that the experience had an impact on how the business would act in relation to a similar issue in the future. This result is broadly in line with the LBS 2019, where 51% of businesses agreed.

Figure 7.3: Whether experience of enquiry would impact on future behaviour on a similar issue

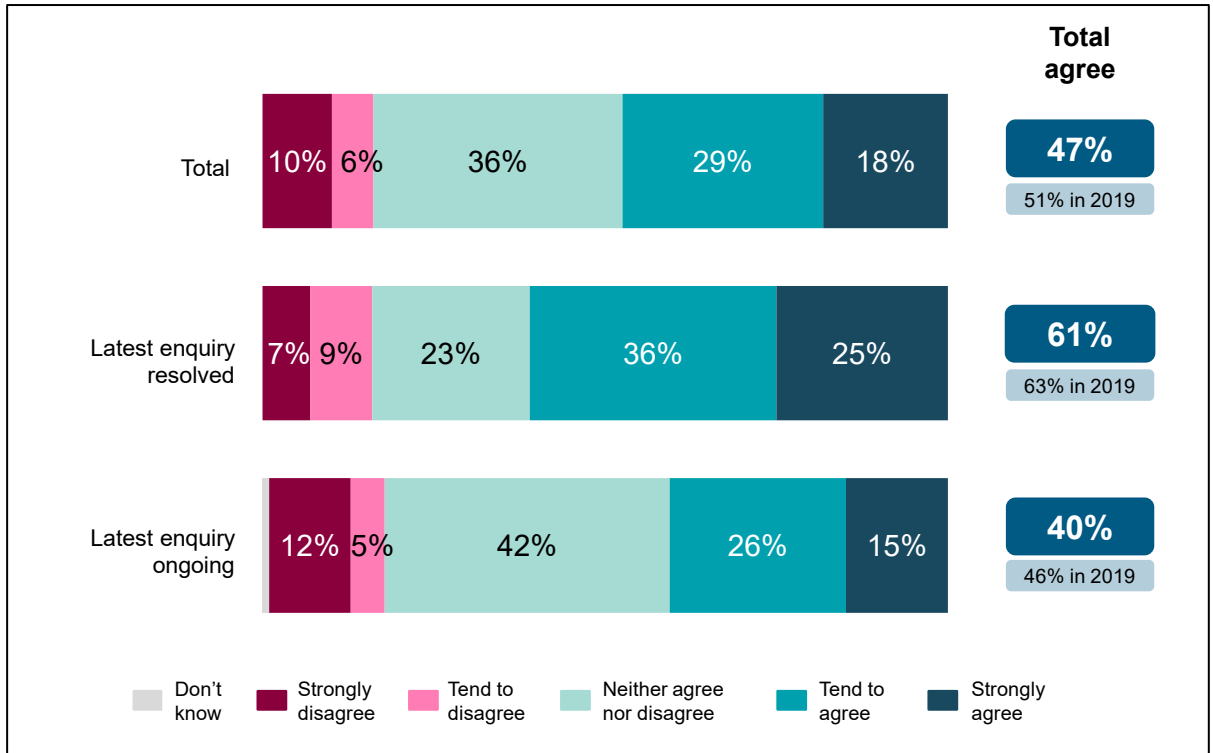


Figure 7.3 Base: Businesses that interacted with HMRC in relation to a formal enquiry in the 12 months prior to the LBS (2022: total: 207; resolved: 69; ongoing: 137; 2019: total: 402; resolved: 132; ongoing: 267)

7.15 Businesses that reported that their enquiry was resolved were more likely to agree that they would act differently in relation to a similar issue in the future than those that reported an ongoing enquiry (61% versus 40% respectively).

7.16 Again, results from 2022 were broadly consistent with those from 2019 when this question was last included in the LBS.

7.17 There was very little in the way of sub-group differences with regard to businesses agreeing that the experience of a formal enquiry had an impact on how the business would act in relation to a similar issue in the future. However, those that reported having a 'good' overall experience of dealing with HMRC in 2022 were more likely than average to report formal enquiries having this effect (51%).



8 Systems and Processes

- 8.1 This chapter presents findings from questions about tax systems and processes, which were included in the LBS for the first time in 2022. This includes whether businesses made substantial improvements to their tax systems and processes outside of HMRC requirements, the business' appetite for co-operative assurance reviews and working collaboratively with HMRC and tax technology providers.

Non-statutory changes to tax systems and processes

- 8.2 Just over two fifths (44%) of businesses reported making substantial improvements to their tax systems and processes outside of those required by HMRC in the 12 months prior to their involvement in the LBS 2022.
- 8.3 Larger businesses were more likely to have made such changes to their systems and processes. More than half (53%) of businesses with 1,000 or more employees had made substantial improvements, compared to 27% of those with fewer than 250 employees. Similarly, over half (52%) of those with a UK turnover of £500 million or more had made substantial improvements, compared to 37% of those with a UK turnover between £41.5 million and £499 million.
- 8.4 Additionally, businesses that felt that the administrative burden of tax compliance was unreasonable were more likely to have made substantial improvements to their tax systems and processes than those that considered the administrative burden to be reasonable (54% versus 38% respectively).
- 8.5 Feedback from the qualitative interviews showed that the nature of improvements to businesses tax systems and processes beyond those required by HMRC varied considerably. Specific examples cited included introducing software to improve information flows, the automation of processes and the implementation of an entirely new Enterprise Resource Planning (ERP) system.
- 8.6 For most businesses that had made these changes, the primary aim was to improve efficiency. Several reported that this is a key area for their tax department going forward.

“As head of a small team internally, tech is always top of mind. What can we automate to make sure we free up people's time for the more important stuff, like dealing with HMRC?”

250 to 999 employees, Real Estate

- 8.7 However, businesses generally reported that it can be costly and time-consuming for businesses to make changes to their tax systems and processes. The cost and resource required is amplified for more complex changes and for businesses that have more complex systems and processes. As such, many reported that non-statutory improvements are rarely a priority for the wider business.

“The process of doing that has been very difficult because you have to put through a business case and that goes into the pipeline and the queue in the business. It is difficult enough to get a statutory change through in a timely fashion. That can take weeks or months. So, yeah, the non-statutory stuff just goes to the bottom of the pile.”

1,000 or more employees, Oil and Gas

- 8.8 Several businesses also spontaneously mentioned they felt they had made a lot of changes to their tax systems and processes in recent years because of HMRC requirements; and that these have taken up considerable resource within the business.



“Over the past few years, HMRC have asked for more and more and more, and we have given it to them. Things like MTD and iXBRL It all takes up internal resource. We give them more and more and nothing has changed. We are not seeing the changes or the benefits that are commensurate with the admin involved at our side.”

1,000 or more employees, Utilities

Appetite for co-operative assurance reviews

- 8.9 Businesses were asked if they would be open to HMRC conducting a co-operative assurance review of their tax systems and processes. Businesses were told “this would involve HMRC Auditors asking you to run through your systems and processes in real time to see if they work as they are described and to identify any potential weak spots. At no point would HMRC staff touch or use any of your IT equipment it would be by way of observing, either in person or remotely using MS Teams share screen”.
- 8.10 Two fifths (40%) of businesses indicated that they would be open to HMRC conducting a co-operative assurance review, while 52% were not open to engaging in such an exercise and 8% were unsure.
- 8.11 Businesses were more likely to be open to the concept of a co-operative assurance review if they:
- had engaged in a Business Risk Review (BRR+) in the 12 months prior to their participation in the survey the LBS 2022 (47%)
 - reported having a ‘very good’ overall experience of dealing with HMRC (46%)
 - agreed HMRC provides their business with certainty (44%)
 - agreed that HMRC are easy to deal with (43%)
- 8.12 During qualitative interviews, businesses that said they would be open to HMRC conducting a co-operative assurance review said they would need more information before volunteering for such an exercise. Specifically, these businesses would want to know what HMRC are looking to achieve, who would be involved in the review, what would be expected of the business and what benefits, if any, the review would provide.

“We'd need to know a bit more in terms of how they think it would enhance our current ways of working and our relationship is general. You don't want them to go on a fishing expedition and there is a real risk of that with something like this.”

1,000 or more employees, Other sector

- 8.13 Some of those that reported being open to HMRC conducting a co-operative assurance review clarified this during the qualitative interviews by saying they would be open to this type of interaction ‘in theory’ but that they had reservations about working with HMRC in this way. Some highlighted internal time and resource constraints as a possible hurdle, while others had concerns that a co-operative assurance review might lead to unwarranted scrutiny from HMRC.

“We always have a starting point of being open and transparent with HMRC. My concern would be the amount of time and resources needed. HMRC might misinterpret and misunderstand our systems too.”

1,000 or more employees, Oil and Gas



"If HMRC were to come to us and ask us, we'd probably agree. We could be pleasantly surprised and HMRC could decide we're doing our best, but the uneasiness is that you could get an HMRC person who is very details focused and is looking for faults and then could take a negative turn."

Less than 250 employees, Automotive

- 8.14 Internal time and resource constraints and the possibility of unwarranted scrutiny from HMRC were also prominent barriers for those businesses that were not open to participating in a co-operative assurance review. These businesses also perceived that co-operative assurance reviews are not a good use of HMRC's resource. Furthermore, they were not confident that HMRC staff would understand their systems and processes, and that they doubted how useful a co-operative assurance review would be for HMRC and the business.

"To be honest, I don't know how HMRC would have the resource to throw it at something like this when I know the routine compliance stuff is just being left or not dealt with sufficiently well."

250 to 999 employees, Real Estate

"There is no benefit to anyone. Before you know if you'll have a full-blown enquiry on your hands. We give HMRC more and more information, and we are not seeing benefits that are commensurate with the admin involved. If we keep giving and see nothing back in return, why bother again?"

1,000 or more employees, Utilities

Appetite for working collaboratively with HMRC and tax technology providers

- 8.15 Businesses were asked to what extent they would be open to working collaboratively with HMRC and their current tax technology providers to help them understand how they can potentially better utilise IT to meet their tax compliance requirements.
- 8.16 Two thirds (65%) of businesses 'agreed' that they would be open to working collaboratively in this manner, including a quarter (24%) that strongly agreed. A further quarter neither agreed nor disagreed and 11% disagreed.
- 8.17 Businesses were more likely to be open to working collaboratively with HMRC and their current tax technology providers if they:
- agreed that interaction with HMRC in the preceding 12 months led to confidence in HMRC (71%)
 - agreed the administrative burden of tax compliance on their business was 'reasonable' (70%)
 - agreed that interaction with HMRC in the preceding 12 months led to trust in HMRC (68%)
 - agreed HMRC provides their business with certainty (68%)
 - reported having a 'good' overall experience of dealing with HMRC (67%)



- 8.18 The views expressed on this topic by businesses that participated in qualitative interviews were very similar to those raised when they were asked about co-operative assurance reviews. Again, many clarified their survey response by saying they would 'in theory' be open to working with HMRC and tax technology providers, but that they had some reservations about what this might entail. Businesses that said they would be open to working collaboratively with HMRC and tax technology providers generally felt they would need more information about the aim, their involvement, and potential benefits of this form of collaboration before opting in.

"Technically, but it depends on HMRC's angle. If it was going to work for both of us then, yeah... but I suspect that is not the intent. HMRC want to find gaps to potentially get tax. The problem there is they would think they found something, when they hadn't, and it would be this huge sinkhole in terms of time."

250 to 999 employees, Real Estate

- 8.19 A few businesses that were open to working collaboratively with HMRC and tax technology providers spoke about the potential benefits of there being a 'test site' for new systems and allowing businesses to have an input in their development.

"I was thinking about Making Tax Digital for Corporation Tax ... It will be useful to work with HMRC to understand what their requirements are going to be, so we can plan ahead effectively and get ahead in the game. We are always open to being a test site for some of the particular pieces of software that are being developed because, ultimately, it's going to be a benefit to us."

250 to 999 employees, Insurance

- 8.20 However, many businesses had reservations about the concept. Like co-operative assurance reviews, these centred on concerns about the time and resources businesses would be required to invest, concerns about unwarranted scrutiny from HMRC and doubts about whether HMRC staff would understand their systems. Some businesses questioned how much value the business could add in this scenario and instead suggested that HMRC work with tax technology providers directly.

"I just don't have any faith in HMRC technically nor resource-wise... get other key parts of the service in order before putting resource into this."

1,000 or more employees, Oil and Gas

"What would I gain from that is the point, it just creates work for me. We've got auditors that do that already. Why would we need to do that with HMRC? It's just a load of work for no gain ... HMRC probably want to find errors in your processes. Why else would they be looking at your processes other than to find issues with them? They're not going to be doing it to praise you."

250 to 999 employees, Manufacturing



9 Attitudes Towards Risk

9.1 This chapter explores businesses' attitudes to risk by summarising feedback about their experiences of the Business Risk Review (BRR+) process and of having an Annual Conversation. Before discussing businesses' appetite for risk and their views on tax planning and tax avoidance.

Profile of businesses that had a BRR+ or an Annual Conversation

9.2 HMRC use the Customer Compliance Manager (CCM) model to conduct a periodic Business Risk Review (BRR+) of large businesses. This assessment is a key determinant of the level of scrutiny the business receives from HMRC, with a less intensive approach being used to manage Low Risk businesses. HMRC introduced an updated BRR process in October 2019 which increased the number of risk categories to four: Low, Moderate, Moderate to High, and High.

9.3 In 2021 HMRC introduced Annual Conversations for businesses that did not undergo a BRR+. These cross-tax conversations are led by CCMs and give businesses the chance to discuss any challenges or issues facing them.

9.4 As illustrated by Figure 9.1, 75% of businesses had undergone either a BRR+ (38%) or an Annual Conversation (37%) in the 12 months prior to participation in the LBS 2022. A quarter (25%) had undergone neither.

Figure 9.1: Proportion of businesses that had a BRR+ or an Annual Conversation in the 12 months prior to the LBS

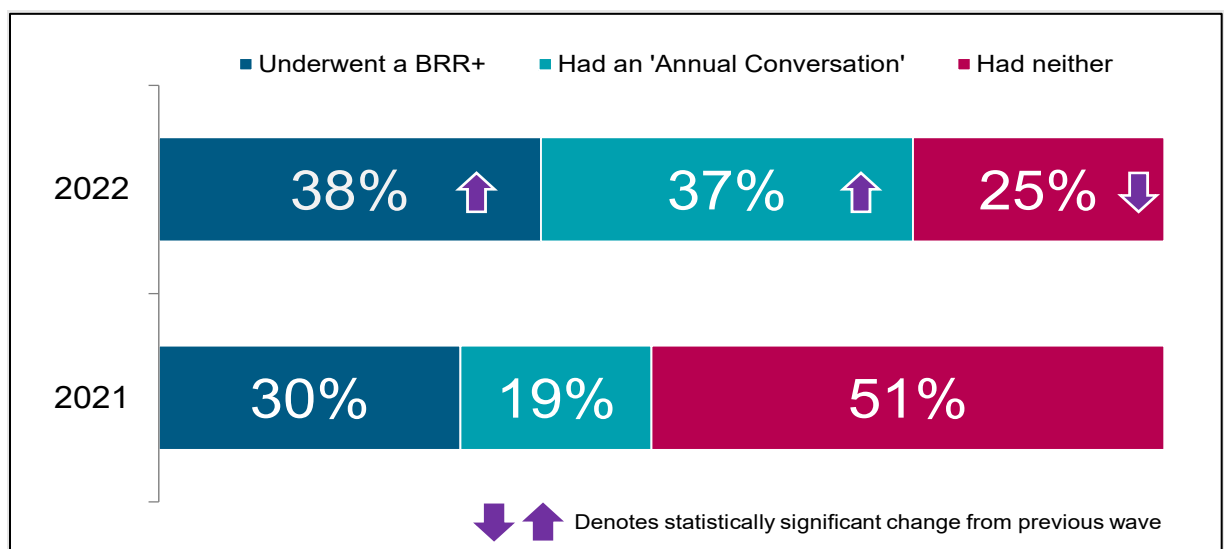


Figure 9.1 Base: All businesses (2021: 587; 2022: 548)

9.5 The proportions of businesses that underwent a BRR+ or had an Annual Conversation increased significantly between 2021 and 2022, rising from 30% to 38% for BRR+, and from 19% to 37% for Annual Conversations. Concurrently, the proportion of businesses that reported having neither a BRR+ nor an Annual Conversation decreased significantly (from 51% in 2021 to 25% in 2022).

9.6 Larger businesses, both in terms of employee numbers and UK turnover, were more likely to have undergone a BRR+, rising significantly to 46% for those with a UK turnover of £500 million or more and



43% amongst those with 1,000 employees or more. There were no differences by size with regards to the likelihood to have had an Annual Conversation.

9.7 Businesses that had neither a BRR+ nor an Annual Conversation in 2022 were significantly more likely to have:

- fewer than 250 employees (40%).
- reported having a 'poor' overall experience of dealing with HMRC (51%)¹¹
- disagreed that interaction with HMRC in the preceding 12 months resulted in them having trust in HMRC (46%)¹²
- disagreed that interaction with HMRC in the preceding 12 months resulted in them confidence in HMRC (39%)
- disagreed that HMRC are easy to deal with (36%)

Experience of Business Risk Reviews (BRR+)

9.8 Businesses that underwent a BRR+ in the 12 months prior to them participating in the LBS 2022 were asked about their experience of the process. As presented in Figure 9.2, most businesses were positive about their experience: 86% agreed that HMRC worked collaboratively with them, 79% agreed that they were clear on how to improve their risk rating and a further 79% agreed that they were clear on how HMRC came to the decision on their risk rating. These results are broadly in line with 2021.

11 Caution low base size (n=37)

12 Caution low base size (n=35)



Figure 9.2: Business views on the BRR+ process

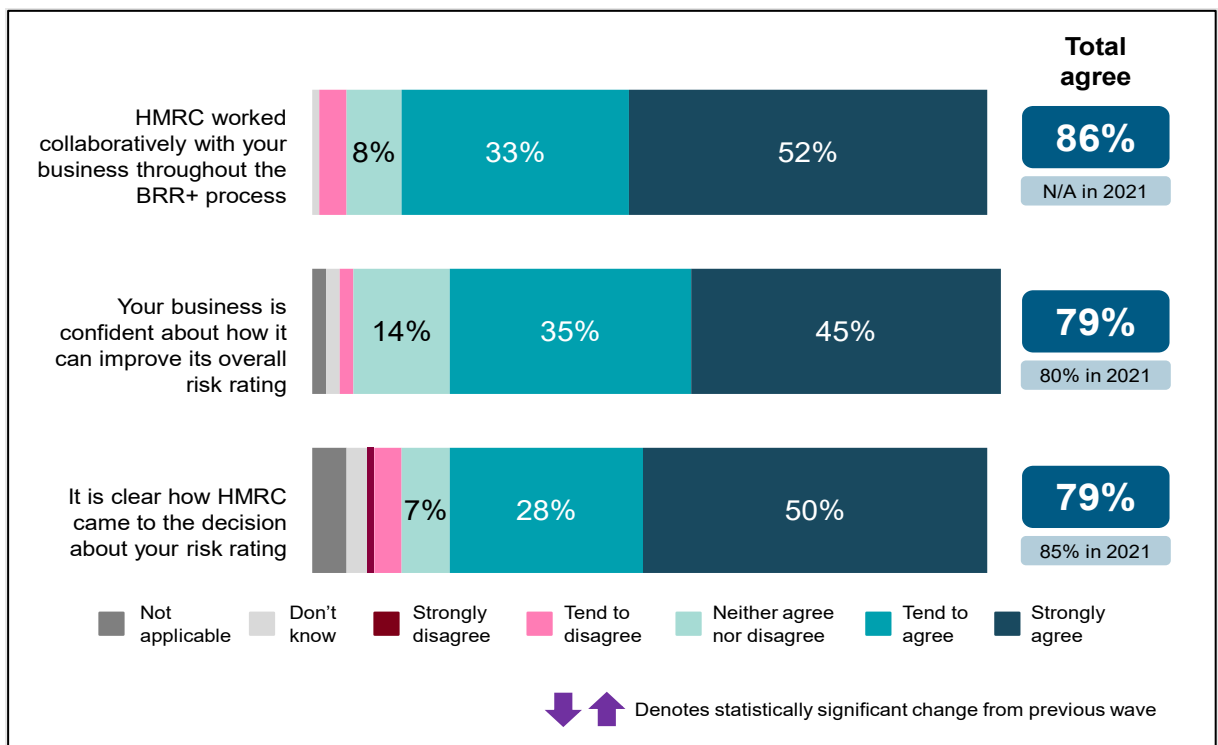


Figure 9.2 Base: Businesses that had a BRR+ in 12 months prior to survey (2021: 179; 2022: 208)

9.9 The full ranges of responses for each of the wider service measures presented in Figure 9.2 are discussed in turn below.

HMRC worked collaboratively with your business through the Business Risk Review (BRR+) process

- 9.10 Over eight in ten (86%) businesses agreed that HMRC worked collaboratively with them throughout the BRR+ process. One in ten (10%) neither agreed nor disagreed, said they didn't know or said it was not applicable to them, and 5% disagreed.
- 9.11 Businesses that rated their overall experience of dealing with HMRC in 2022 as 'very good' were more likely to agree that HMRC worked collaboratively with them throughout the BRR+ process than the overall average (94% versus 86% respectively).
- 9.12 During qualitative interviews, businesses that had undergone a BRR+ were generally positive about the process, with many referencing an open and honest dialogue between the two parties. The collaborative nature of the BRR+ process was said to be beneficial in allowing the business and HMRC to develop a better understanding of each other.

"We were able to explain what we were doing and why. It felt more joined up than the previous experiences we have had with HMRC. In terms of relationship building and the building of mutual understanding, I think it was helpful."

1,000 or more employees, Retail



“On the whole it was... a fair reflection of how we work together ... we have the ability to discuss it and comment even before it is finalized and that is all good and collaborative”

1,000 or more employees, Insurance

- 9.13 Businesses that did not think HMRC had worked collaboratively with them typically attributed this to the outcome of the BRR+ process. A few did not agree with some of the rationale behind HMRC’s decisions with regards to their risk rating, while others were unhappy with the length of time it took for HMRC to share the outcome of the BRR+ with them.

“There were comments in the BRR+ I thought were simply inaccurate that I did not have the chance to challenge.”

250 - 999 employees, Real Estate

Business confidence about how to improve its risk rating

- 9.14 Four fifths (79%) of businesses that had a BRR+ in 2022 agreed that they were confident about how to improve their risk rating (which was consistent with the 80% that agreed in 2021). 14% neither agreed nor disagreed and 2% disagreed.
- 9.15 Businesses that rated their overall experience of dealing with HMRC in 2022 as ‘very good’ were more likely to agree that they were confident compared to the overall average (91%).

Clarity of risk rating decisions

- 9.16 The majority (79%) of businesses that had a BRR+ in the 12 months prior to them participating in the LBS 2022 agreed (50% strongly) that it was clear how HMRC came to the decision about their risk rating, 7% neither agreed nor disagreed and a similar proportion (6%) disagreed.
- 9.17 The proportion of businesses that agreed it was clear how HMRC came to the decision on their risk rating was slightly (but not statistically) lower in 2022 (79%) than it was in 2021 (85%). However, the proportion giving a ‘Not Applicable’ response increased from 1% to 5% between 2021 and 2022. Feedback from the qualitative research shows that businesses gave this response when HMRC’s decision on their risk rating had not been communicated by the time they participated in the survey. Excluding ‘Not Applicable’ responses means that 83% agreed with this statement in 2022, which is broadly in line with the 2021 score.
- 9.18 Businesses that rated their overall experience of dealing with HMRC in 2022 as ‘very good’ were more likely to agree with this statement than the overall average (86%).



Experience of Annual Conversations

9.19 As presented in Figure 9.3, most businesses that had an Annual Conversation in the 12 months prior to them participating in the LBS 2022 were positive about the experience, with 94% agreeing that it had a positive impact on their relationship with HMRC and 93% agreeing that it was a useful alternative to a BRR+. These results are broadly in line with those posted in the LBS 2021. The full range of responses presented in Figure 9.3 are described below.

Figure 9.3: Business views on their experience of having an Annual Conversation

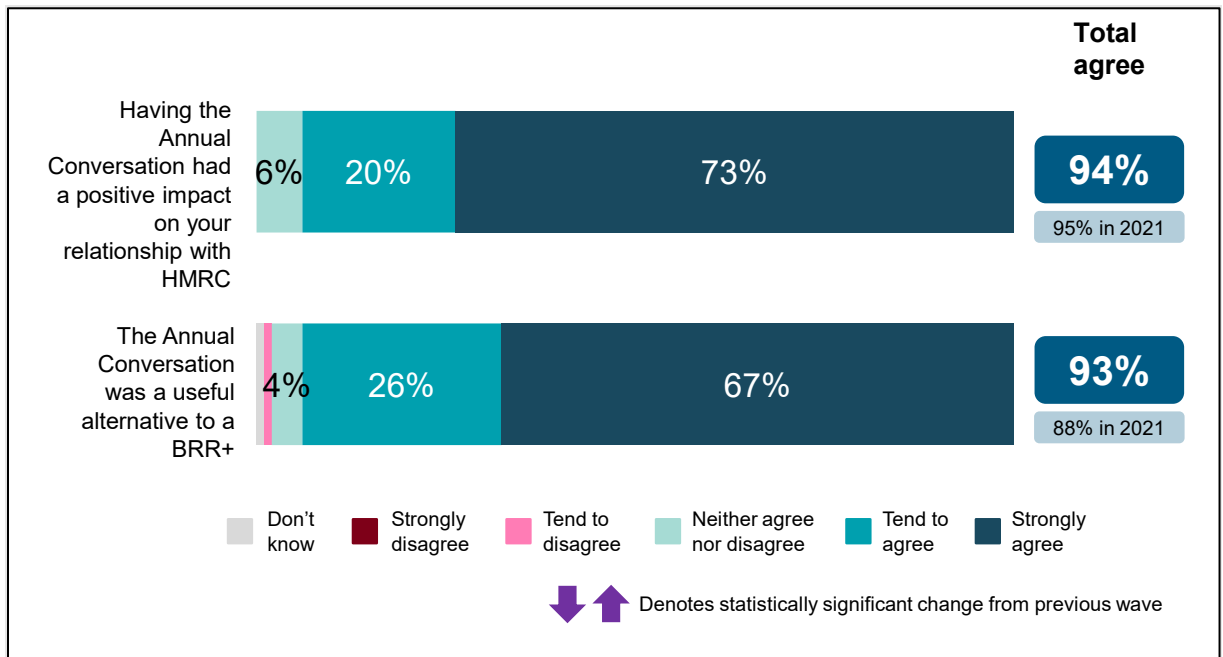


Figure 9.3 Base: Businesses that had an Annual Conversation in the 12 months prior to the LBS (2021: 110; 2022: 202)

Positive impact on the relationship with HMRC

9.20 Almost all (94%) of the businesses that had an Annual Conversation in 2022 agreed (73% strongly) that it had a positive impact on their relationship with HMRC. A small minority (6%) neither agreed nor disagreed, and fewer than 1% disagreed. These results are broadly in line with those reported in the LBS 2021.

9.21 Those who agreed that HMRC provides them with certainty, and that contact led to the business having trust and confidence in HMRC, were more likely to agree with this statement (97%, 97% and 98% respectively). This is also true of those who had a good overall experience with HMRC (96%).

Useful alternative to BRR+

9.22 The vast majority (93%) of businesses that had an Annual Conversation in 2022 also agreed that it was a useful alternative to their business undergoing a BRR+. Fewer than one in twenty (4%) neither agreed nor disagreed, and 2% disagreed. These results are broadly in line with those stated in the LBS 2021.

9.23 Those that agreed the administrative burden of compliance on their business was 'reasonable' were more likely than those that disagreed the overall burden of compliance was 'reasonable' to agree with



this statement (96% versus 86% respectively), as did those that agreed that there is good coordination at HMRC compared to those that disagreed (96% versus 85%¹³ respectively).

9.24 A few businesses that took part in qualitative interviews said that, while they agreed that the Annual Conversation was a useful alternative to BRR+, they do not want it to replace it. These businesses tended to be those who had not had a BRR+ for several years. They felt that the Annual Conversation is less useful as an alternative if a business has been waiting a long period for their BRR+.

Benefit of being classed as Low Risk by HMRC

9.25 All businesses were asked whether being classed as Low Risk is or would be of a benefit to them. Figure 9.4 illustrates the responses of all businesses as well as specifically those that had a BRR+ in the 12 months prior to taking part in the LBS 2022. The full range of responses presented in Figure 9.4 are described below.

Figure 9.4: Whether businesses agree or disagree that being classed as Low Risk by HMRC is or would be beneficial

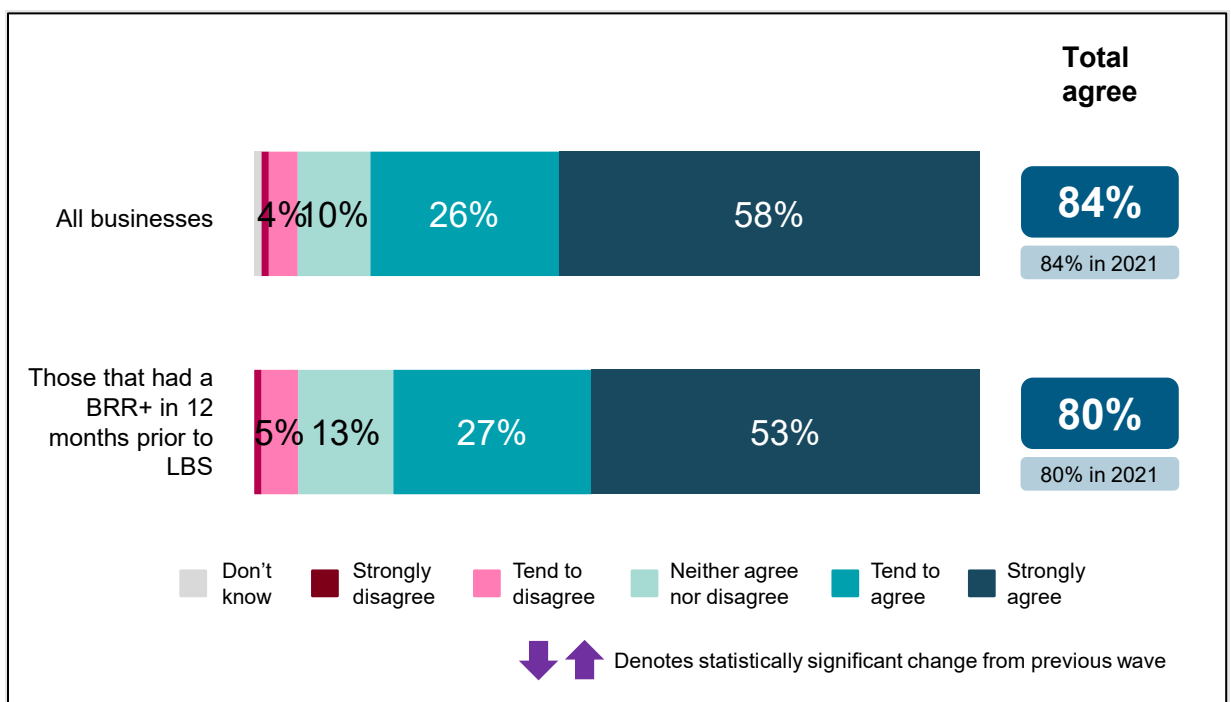


Figure 9.4 Base: All businesses (2021: 587; 2022: 548)
 Businesses that underwent a BRR+ in the 12 months prior to the LBS (2021: 179; 2022: 208)

9.26 Four fifths (80%) of businesses that had a BRR+ in 2022 agreed that being classed as Low Risk by HMRC is or would be of benefit to their business, which is an identical figure to 2021. Around one in ten (13%) neither agreed nor disagreed, and 5% disagreed. These results are consistent with 2021.

9.27 A slightly higher proportion (84%) of all businesses agreed that being classed as Low Risk by HMRC is or would be of benefit to their businesses (including 58% that strongly agreed), 10% neither agreed nor disagreed, and 5% disagreed. Overall agreement is the same as 2021 (also 84%), and strong agreement has increased slightly, but not significantly, from 56%. Again, these results are consistent with 2021.

13 Caution low base size (n=34)



- 9.28 Businesses that rated their overall experience of dealing with HMRC in 2022 as 'very good' were more likely to agree with this statement than the overall average (88%).
- 9.29 Businesses with a UK turnover between £41.5 million and £500 million were more likely to agree with the statement (90%) than those with a turnover of £500 million or more (81%).
- 9.30 Over nine in ten (92%) businesses that had an Annual Conversation in 2022 agreed that being classed as Low Risk by HMRC is or would be of benefit to their business, which was significantly higher than those that had a BRR+ (80%) and those that had had neither a BRR+ nor an 'Annual Conversation' in 2022 (80%).
- 9.31 Those that agreed that the administrative burden of compliance on their business was 'reasonable' were more likely than those that disagreed that the overall burden of compliance was 'unreasonable' to agree with this statement (88% versus 76% respectively).
- 9.32 Businesses were more likely than the overall average to disagree that being classed as Low Risk is beneficial if they:
- reported having a 'poor' overall experience of dealing with HMRC (14%)¹⁴
 - disagreed that HMRC provides their business with certainty (12%)
 - had a UK turnover of £1,000 million or more (10%)
 - disagreed the administrative burden of tax compliance on their business was 'reasonable' (10%)
- 9.33 Businesses that took part in qualitative discussions explained that they generally perceived being classed as Low Risk by HMRC to be beneficial because they think it results in them having a 'lighter-touch' yet stronger relationship with HMRC. This closely mirrors the feedback we have received on this subject in recent years. Businesses suggested that being classed as Low Risk can give HMRC confidence that the business is looking to 'do the right thing' from a tax perspective. They felt this in turn restricts the number of enquiries from HMRC, which keeps administrative burden down and, ultimately, reduces the cost of compliance. Businesses also said that being classed as Low Risk is beneficial from a reputational standpoint, both internally and externally.

“Low Risk means that HMRC don't ask us a million questions all the time [because they] are happy with our processes.”

1,000 or more employees, Transport

- 9.34 Some of the businesses that participated in the qualitative research said they did not consider Low Risk to be beneficial because they felt that it would have a negative impact on their communication with HMRC. A few perceived that becoming Low Risk would mean less frequent contact with their CCM or that it would result in their CCM taking longer to respond to queries, all of which could create uncertainty for the business. One business also stated they felt that HMRC prioritise higher-risk businesses by providing them with the best standard of contacts.

“Clearly, HMRC need to put their best resources against higher risk companies. I get that. My previous company didn't want to be Low Risk

14 Caution low base size (n=37)



because they wanted to be able to engage with sensible people at HMRC on a regular basis.”

1,000 or more employees, Retail

Appetite for risk

- 9.35 As was the case in 2021, most businesses (86%) rated their appetite for boundary pushing tax planning as ‘low’. This included 61% that rated their appetite as ‘very low’. One in eight (12%) rated their appetite as ‘neither high nor low’, and a very small minority (1%, equivalent to 6 businesses) said their appetite for boundary pushing tax planning was ‘high’. These results are broadly in line with those posted in the LBS 2021.
- 9.36 Businesses with 1,000 employees or more were more likely to rate their appetite for boundary pushing as low (89%), both compared to the overall average (86%) and to businesses with fewer than 250 employees and between 250 and 999 employees (80% and 85% respectively).

Tax planning and tax avoidance

- 9.37 As illustrated in Figure 9.5, businesses were asked to what extent they agreed with a series of statements about their attitude towards tax planning. The full range of responses presented in Figure 9.3 are described below.

Figure 9.5: Whether businesses agreed or disagreed with statements relating to tax planning

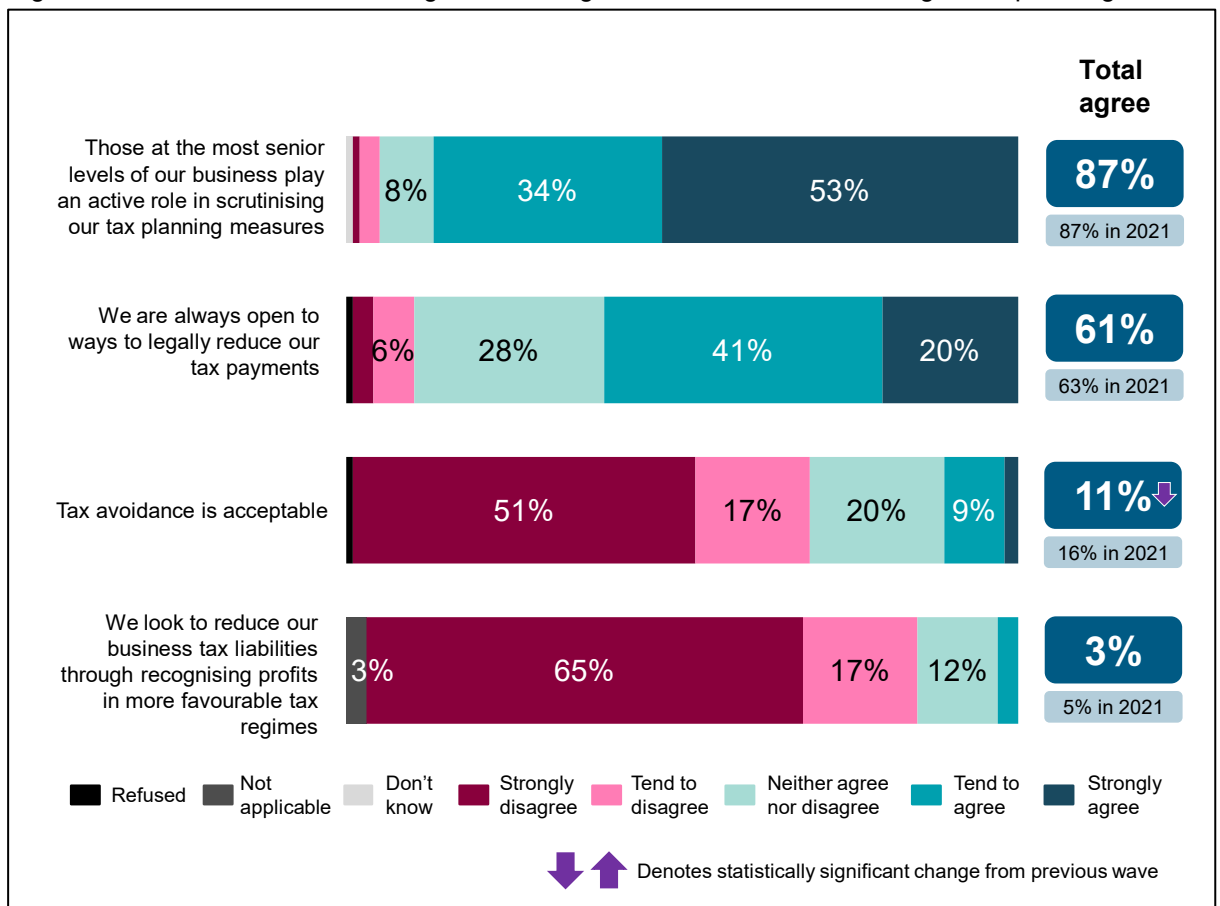


Figure 9.5 Base: All businesses (2021: 587; 2022: 548)



Those at the most senior levels of the business play an active role in scrutinising tax planning measures

- 9.38 The vast majority (87%) of businesses agreed (53% strongly) that those at 'the most senior levels of their business play an active role in scrutinising tax planning measures'. Around one in ten (8%) neither agreed nor disagreed and a small minority (4%) disagreed. These results are broadly in line with those posted in the LBS 2021.
- 9.39 Businesses were more likely than the overall average to agree that the most senior levels of the business play an active role in scrutinising tax planning measures if they:
- reported having a 'good' overall experience of dealing with HMRC (89%)
 - agreed that contact resulted in having confidence in HMRC (90%)
 - agreed that HMRC provides them with certainty (89%)
 - had a BRR+ in the 12 months prior to the LBS 2022 (91%)
 - reported having a 'good' overall relationship with their CCM (88%)

We are always open to legally reduce our tax payments

- 9.40 Most businesses (61%) agreed they were 'always open to ways to legally reduce tax payments', a quarter (28%) neither agreed nor disagreed, and one in ten (10%) disagreed.¹⁵ These results are broadly in line with those in the LBS 2021.
- 9.41 There were very few sub-group differences with regards to agreement with this statement. However, businesses that had a low appetite for risk stood out as being significantly less likely to agree (59%).

Tax avoidance is acceptable

- 9.42 Around two-thirds (68%) of businesses disagreed (51% strongly disagreed) that 'tax avoidance is acceptable'. The proportion of businesses that disagreed with this statement increased, albeit not significantly, from 63% in 2021. However, the proportion of businesses that agreed decreased significantly between 2021 and 2022, from 16% to 11%.
- 9.43 Businesses were significantly more likely than the overall average to agree that tax avoidance is acceptable if they:
- disagreed that contact led to them having trust in HMRC (23%)¹⁶
 - disagreed that HMRC made clear the steps they needed to take (18%)
 - disagreed that HMRC provides them with certainty (19%)
 - thought that the overall burden of administration is not 'reasonable' (15%)

¹⁵ Agreement with this statement does not necessarily mean that they are minimising their tax liabilities.

¹⁶ Caution low base size (n=35)



- had a turnover of more than £500 million (14%)

We look to reduce our business tax liabilities through recognising profits in more favourable tax regimes

- 9.44 A small proportion (3%) of businesses agreed that that they 'look to reduce their business tax liabilities through recognising profits in more favourable tax regimes' in 2022. One in eight (12%) neither agreed nor disagreed and four fifths (82%) disagreed with this statement (including 65% that disagreed strongly). These results are broadly consistent with those posted in 2021.
- 9.45 The proportion of businesses that agreed that they look to reduce their tax liabilities through recognising profits in more favourable tax regimes rose to 9% amongst those with fewer than 250 employees. This group of businesses were significantly more likely than those with between 250 and 999 employees (1%) and those with more than 1000 employees (2%) to agree.



10 Uncertain Tax Treatment (UTT)

- 10.1 This chapter explores businesses' views around the 'Uncertain Tax Treatment' (UTT) requirement, which came into effect on 1 April 2022.
- 10.2 Under the UTT requirement large businesses must notify HMRC when they take a tax position in their returns for VAT, Corporation Tax, or Income Tax (including PAYE) that is uncertain.
- 10.3 An uncertainty is only notifiable where the tax advantage in treatments exceed £5 million. For the purposes of the UTT regime, large businesses are companies and partnerships with a turnover exceeding £200m or a balance sheet total of more than £2bn.

Views on UTT requirement

- 10.4 Businesses were asked to what extent they agreed or disagreed with a series of statements about the UTT requirement. The full range of responses to these questions are shown in Figure 10.1: and discussed in turn below.

Figure 10.1: Whether businesses agreed or disagreed with statements relating to UTT

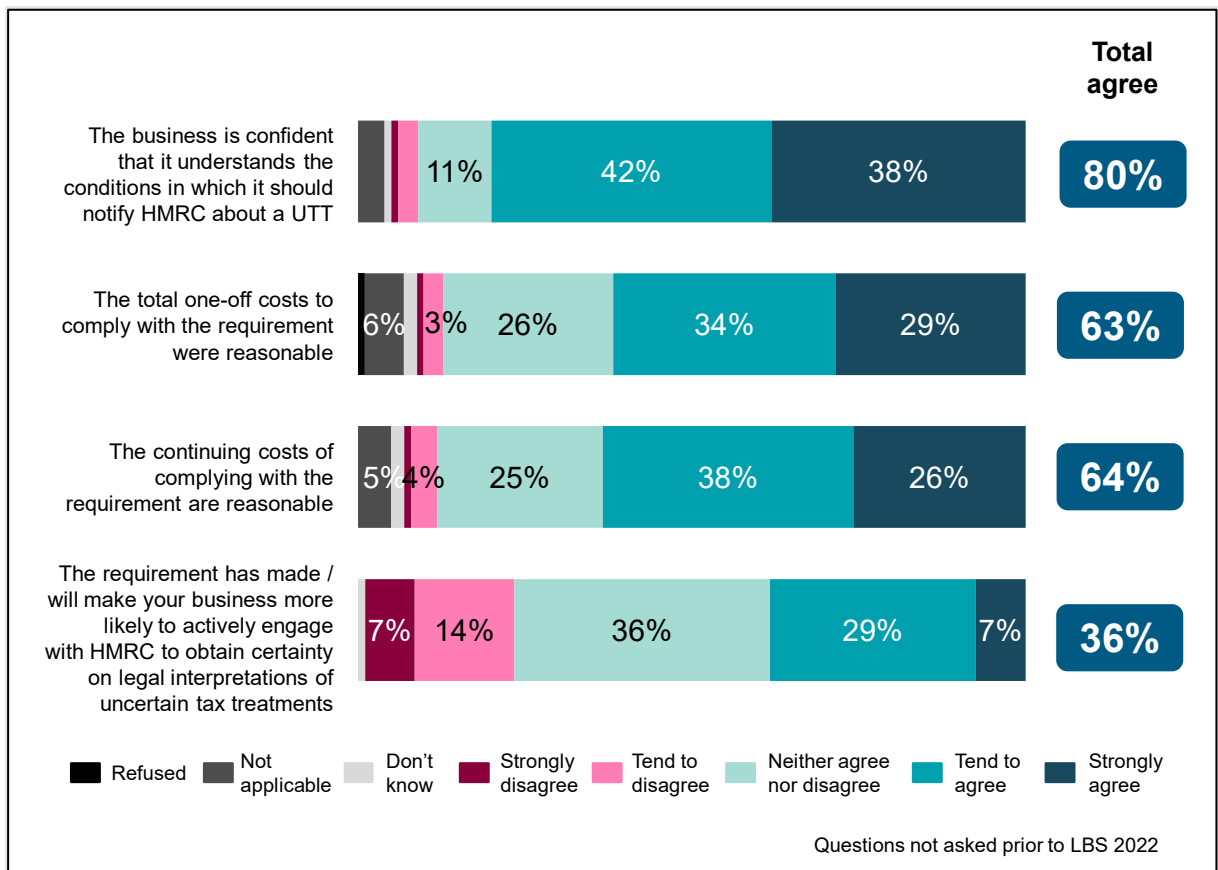


Figure 10.1 Base: All businesses (2022: 548). Questions were not asked prior to LBS 2022.

Confidence in understanding the conditions in which HMRC should be notified

- 10.5 Four fifths (80%) of businesses agreed that they are confident they understand the conditions in which they should notify HMRC about a UTT, including 38% that strongly agreed. One in nine (11%) neither



agreed nor disagreed, and a small minority (4%) disagreed. A similar proportion (4%) said that the new UTT requirement was not currently relevant to their business.

10.6 Businesses were more likely to agree that they were confident that they understood the conditions in which it should notify HMRC about a UTT if they:

- had a UK turnover of more than £1,000 million (86%)
- agreed that HMRC responded in a timeframe that was 'reasonable' from a commercial perspective (85%)
- agreed that HMRC provides them certainty (84%)
- agreed that HMRC are easy to deal with (83%)
- reported having a 'good' overall experience of dealing with HMRC (82%)
- reported having a 'good' relationship with their CCM (82%)
- agreed that HMRC are competent in their treatment of businesses (82%)

One-off costs of complying with the requirement

10.7 Around two-thirds (63%) of businesses agreed that the total 'one-off costs' incurred by their business to comply with the UTT requirement was 'reasonable'. A quarter (26%) neither agreed nor disagreed, and 3% disagreed. A small proportion (6%) said that the UTT requirement was not currently relevant to their business.

10.8 With regards to sub-group differences, businesses were more likely to agree that the total one-off costs incurred by their business to comply with the UTT requirement were 'reasonable' if they:

- agreed that the administrative burden of tax compliance on their business was 'reasonable' (77%)
- agreed that HMRC responded in a timeframe that was 'reasonable' from a commercial perspective (71%)
- had a UK turnover of more than £1,000 million (70%)
- agreed that HMRC provides them with certainty (69%)
- agreed that HMRC are easy to deal with (68%)
- reported having a 'good' overall experience of dealing with HMRC (67%)
- reported having a 'good' relationship with their CCM (66%)
- agreed that HMRC are competent in their treatment of businesses (66%)



Continuing costs of complying with the requirement

10.9 Around two-thirds (64%) of businesses agreed that the 'continuing costs' they were likely to incur in complying with the UTT requirement were reasonable.¹⁷ A quarter (25%) neither agreed nor disagreed, while one in twenty (5%) disagreed. A similar number of businesses (5%) said that the new UTT requirement was not currently relevant to them.

10.10 With regards to sub-group differences, businesses were more to agree that the expected continuing costs of compliance with the UTT requirement were 'reasonable' if they:

- agreed that the administrative burden of tax compliance on their business was 'reasonable' (78%)
- agreed that HMRC provides them with certainty (69%)
- agreed that HMRC responded in a timeframe that was 'reasonable' from a commercial perspective (69%)
- agreed that there is good coordination at HMRC (68%)
- agreed that HMRC are easy to deal with (67%)
- reported having a 'good' overall experience of dealing with HMRC (66%)
- reported having a 'good' relationship with their CCM (66%)
- agreed that HMRC are competent in their treatment of businesses (66%)

Effect of UTT requirements on likelihood to engage with HMRC to obtain certainty

10.11 Just over a third (36%) of businesses agreed that the UTT requirement has made them more likely to actively engage with HMRC to obtain certainty on legal interpretations of uncertain tax treatments. The same proportion (36%) neither agreed or disagreed with the statement, and around a fifth (22%) disagreed.

10.12 Businesses were more likely to agree that the UTT requirement has made them more likely to actively engage with HMRC to obtain certainty on legal interpretations of uncertain tax treatments if they:

- had an Annual Conversation in the 12 months prior to the LBS 2022 (45%)
- agreed that the administrative burden of tax compliance on their business was 'reasonable' (46%)
- had a UK turnover of between £41.5 million and £499 million (44%)
- agreed that there is good coordination at HMRC (40%)

10.13 Conversely, businesses were more likely to disagree with this statement if they:

¹⁷ Continuing costs were defined in the survey as costs associated with business considering whether relevant returns contain an uncertain tax treatment and notifying HMRC



- rated HMRC’s written manuals, guidance, and guidelines ‘poor’ in terms of providing certainty (42%)
- disagreed that their interaction led to confidence in HMRC (35%)
- disagreed HMRC provides their business with certainty (33%)
- disagreed that the administrative burden of tax compliance on their business was ‘reasonable’ (31%)
- that disagreed that disagreed there is good co-ordination across HMRC (31%)

10.14 As presented in Figure 10.2, amongst the businesses that did not agree that the UTT requirement had made them more likely to actively engage with HMRC to obtain certainty on legal interpretations of uncertain tax treatments typically attributed this to the view that they already adequately engaged with the department to get certainty (54%), followed by the view that the business was unlikely to have uncertain tax treatments as per the requirement (27%). The remaining businesses responded that they do not think UTT is relevant to their business (9%), they perceive that HMRC as unable to provide certainty (6%) and they would refer to agents and advisers (6%).

Figure 10.2: Reasons why the UTT requirement has not made businesses more likely to actively engage with HMRC to obtain certainty on legal interpretations of uncertain tax treatments (top 5 codes listed)

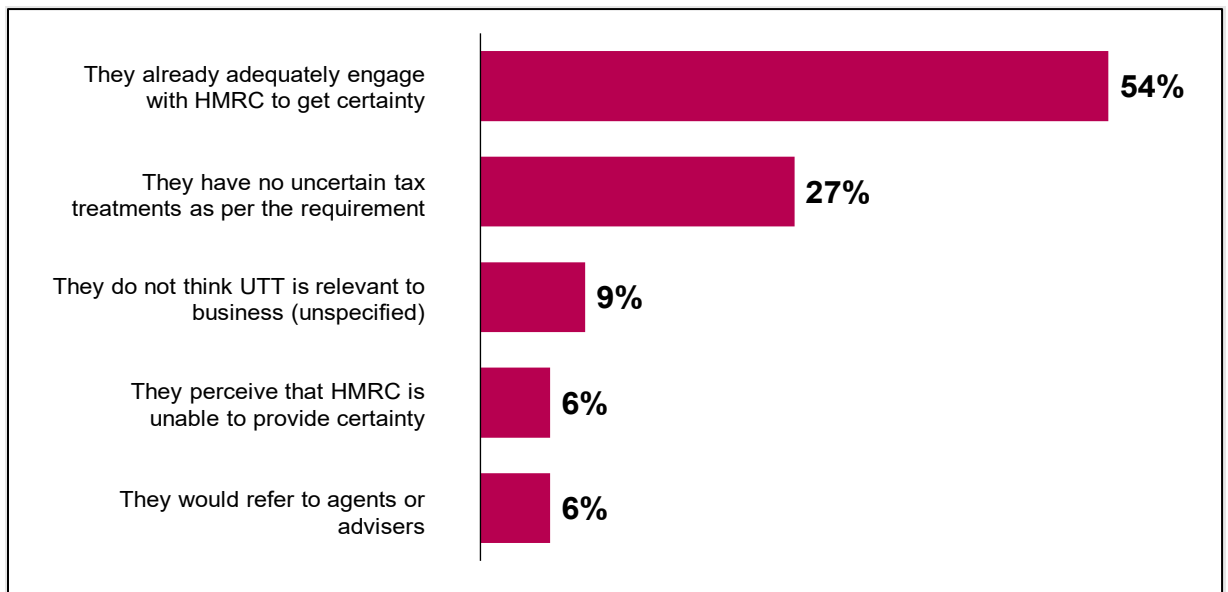


Figure 10.2 Base: All that did not agree UTT will make them more likely to engage (2022: 351)
As shown above, 9% of businesses that UTT was not relevant to them, but they did not specify why or which element of UTT meant that it was not relevant to them.

10.15 Echoing results from the survey, in the qualitative interviews many businesses that did not agree with this statement said they gave this response because they already engage with HMRC when they have an uncertain tax treatment. These businesses said they tended to do this via their CCM; and that they would be keen to continue to do this going forward because they would like to maintain an open and transparent relationship with HMRC and because they wanted to ‘do the right thing’.

“If we have an uncertain tax, we will just go to HMRC anyway, go to our CCM, because we don't like uncertainty. Within the partnership we don't like



uncertain tax treatments because it just slows everything down, and for us what we want to do is we want to get certainty, we want to have things agreed.”

1,000 or more employees, Business Services

“We're not more likely to [engage with HMRC] because we already do. Nothing has changed as far as we're concerned ... We are a very open business.”

250 to 999 employees, Insurance

10.16 Although these businesses reported that they already engage with HMRC to try to get certainty, several reported that there are numerous barriers preventing HMRC being able to provide it. Some felt that HMRC cannot provide legal certainty without there being a statutory clearance procedure in place. Others felt that HMRC's inability and / or reluctance to make decisions has also hampered their ability to provide certainty. Again, resource constraints were perceived to be having a negative impact in this area by making it harder to respond to these requests for certainty in a co-ordinated and timely fashion.

“We did approach HMRC to get clarification before a transaction and it took four or five years to actually get an answer. HMRC can never give certainty unless they adopt a statutory clearance procedure.”

1,000 or more employees, Utilities

“We are trying our best to be open and honest with them anyway. We have had these conversations with HMRC. We provide the information to them, and we never hear anything back.”

1,000 or more employees, Oil and Gas

10.17 As already noted in paragraph 4.30, several businesses that participated in the qualitative research also made the point that HMRC's written guidance is just 'guidance' and that it cannot provide legal certainty as a result.

“The UTT legislation is tricky because it looks at what HMRC believe and what they've issued in guidance. Not everything that HMRC issue is actually published in a way that enables us to know exactly where we stand [legally].”

1,000 or more employees, Insurance



Appendix A: Technical Appendix

Background and aims

HMRC has always placed considerable importance on its relationship with its customers, including large businesses. HMRC has carried out research with large businesses since 2008, using a telephone survey and qualitative follow-up interviews, to annually assess businesses' views of the services provided by HMRC. The survey has measured changes in customer service and has, since 2008, also provided key performance indicators on customer experience for the Department.

Between 2010 and 2015 the experiences of the largest and most complex businesses in the UK were measured through the Large Business Panel Survey (LBPS). As well as measuring customer experience, the panel survey also sought feedback to help HMRC assess the effectiveness of business tax initiatives. In addition to the LBPS, between 2011 and 2013 HMRC also conducted the Tax Opinions Panel Survey (TOPS) with the same large business customers to get their views on tax policies. In 2014 the LBPS and TOPS studies were consolidated to reduce research burden on HMRC's large business customers whilst still measuring their experiences of dealing with HMRC and their opinions regarding the administration of tax policy and changes to legislation.

Prior to 2014 HMRC's relationships with large businesses were managed by either the Large Business Service (LBS) or the Local Compliance Large and Complex (LC) business unit. The LBS was responsible for working with the UK's largest businesses which all had a Customer Relationship Manager (CRM) assigned to them. Local Compliance (LC) dealt with the tax affairs of the remaining large businesses. The larger businesses in LC also had a CRM, while the rest of the customers had an assigned point of contact from 2010 onwards.

In the spring of 2014 HMRC sought to redefine how large businesses are segmented within the department and since then the largest 2,000 or so businesses in the UK have all been serviced by the Large Business Directorate (LBD) and have had a CRM assigned to them. In 2018 the title of CRM was changed to Customer Compliance Manager (CCM).

In the context of these changes and HMRC's strategic priority of improving customer experience, HMRC launched the new Large Business Survey (LBS) in 2015. This survey is used to help evaluate whether HMRC's processes are delivering the intended customer experience from a large business perspective. Wave 1 of LBS was conducted in 2015, Wave 2 was conducted in 2016, Wave 3 was conducted in 2017, Wave 4 was conducted in 2018, Wave 5 was conducted in 2019, Wave 6 was conducted in 2020, Wave 7 was conducted in 2021, and Wave 8 was conducted in 2022.

Quantitative survey

Achieved sample

The 2022 LBS survey encompassed 548 quantitative telephone interviews (which equates to 31% of the sample available). Interviews were mainly conducted with Heads of Tax or Finance Directors from HMRC's Large Business customers. This report draws on the findings of interviews with these businesses.

Approach to sampling

A sample of 1,972 large businesses was provided by HMRC with the aim of interviewing as many of these customers as possible.

Where contact details were lacking in the original sample, telephone numbers and addresses were found where possible via look-up services, and via manual desk research. All businesses that were not duplicates,



based overseas and were still in operation that had viable addresses were sent a letter introducing the research.

The number of records available for the research is shown in the table below along with the associated confidence intervals.

Sample selection for mainstage fieldwork of the LBS 2022

Pop (n)	Sample selected (n) Cognitive interviews	No. of interviews achieved (n) Cognitive interviews	Sample selected (n) Pilot	No. of interviews achieved (n) Pilot	Remaining sample (n) Mainstage	No. of interviews achieved (n) Mainstage	Confidence intervals (at 50%) Main stage
1,972	50	10	120	18	1,762	548	+/- 3.48%

Interviews conducted during the pilot were added to those conducted during the mainstage and counted towards the final number of interviews achieved. This was possible because the changes between the pilot and mainstage were minor and had no impact on results. The same approach was adopted in LBS 2020 and LBS 2021.

Questionnaire development and screening

The construction of the questionnaire involved a period of development which included discussions with key stakeholders at HMRC, cognitive testing via Microsoft Teams, Zoom or telephone and a pilot telephone survey.

Cognitive interviews took place between 22 July and 5 August 2022. All pilot interviewing took place between 30 August and 5 September 2022. A warm-up letter and an introductory email were sent before both cognitive and pilot interviewing to introduce respondents to the survey.

Mainstage fieldwork took place between 26 September 2022 and 6 January 2023. A warm-up letter and an introductory email were also sent prior to the mainstage to introduce respondents to the survey.

The screening section at the start of the script was used to identify the correct respondent at each business - the person at the business with overall responsibility for dealing with HMRC on behalf of the company, for at least one of Corporation Tax, VAT or PAYE and National Insurance. Those that participated in the research were usually a Finance Director, Tax Director, Head of Tax, or a Senior Accountant at the business. As part of this, any external agents or advisers that were provided in the initial sample were screened out.

The eligibility of the business to take part in the research was also checked during the screening stage, with businesses that were part of a larger owned group being screened out if they did not manage the group's UK tax affairs.



Response rates

Sub-group response rates were calculated for the whole sample. Businesses which chose to opt out of the research were classified as refusals for the purpose of calculating response rates. Each respondent was allocated to one of the following categories:

- I – complete interview
- P – partial interview (classified as those respondents reaching at least the beginning of section D, deemed a half-way point, before breaking off the interview)
- R – refusal (including those who opted out before the research, those who refused when contacted during the main-stage fieldwork, and those who broke off the interview before reaching the beginning of section D)
- NC – non-contact (those with whom contact was never made during the fieldwork period)
- U – unknown eligibility (including businesses that had moved and could not be traced during fieldwork)
- O – other non-response (including where correct respondent was unavailable throughout fieldwork)
- NE – not eligible

The response rate was calculated using the following formula¹⁸:

$$\text{Response rate} = \frac{I + P}{(I + P) + (R + NC + O) + e(U)}$$

Where 'e' is the estimated proportion of cases of unknown eligibility that are eligible, calculated as below:

$$E = \frac{(I + P) + (R + NC + O)}{(I + P) + (R + NC + O) + NE}$$

¹⁸ Thomas, M., 2002 Standard Outcome Codes and Methods of Calculating Response Rates in Business Surveys at the Office for National Statistics, GSR Conference 2002, UK; and Beerten, R., Lynn, P., Laiho, J. & Martin, J. 2001 'Recommended Standard Final Outcome Categories and Standard Definitions of Response Rates for Social Surveys', ISER Working Papers no 2001-23.



The below table shows the 2021 LBS response rate¹⁹ achieved.

Response rates achieved (LBS)

	TOTAL
2022 LBS Completed Interviews	548
2022 Response Rate	31%

Non-response analysis

Checks were run on the profile of complete interviews to detect non-response bias. Non-response bias can occur in surveys if the answers of respondents differ from the potential answers of those who did not participate. The danger of this is that overall results may not be fully representative of the overall customer group.

The scope for non-response analysis was limited to variables on the original sample database, which were sector, region and HMRC administrative data. Generally, this analysis showed only very minimal differences between the original sample and the profile of achieved interviews and therefore non-response bias was not deemed to affect the final results.

Data linking

At the end of the survey, respondents were asked whether they would be willing to have their survey answers linked to administrative data held on their business by HMRC, on the condition that HMRC would still not be able to identify any business that has taken part in the survey, regardless of whether data linking occurred or not. In total 84% of all business customers taking part agreed for their answers to be data linked.

Data analysis

When comparing results across years or between sub-groups it is essential to establish whether these differences are significant or not, that is, whether we can be certain that a change in a particular score or percentage from one year to the next is sufficiently large to be considered a genuine movement and not due to chance. In order to do this, significance testing was carried out on survey findings using t testing.

The calculation investigated whether distributions of categorical variables genuinely differ from one another, by comparing the frequencies of categorical responses between 2 (or more) independent groups. For the purposes of this report, if a difference in distribution between findings is referred to as 'significant' then this indicates a confidence level of 95% or above (that is a 95% certainty that the difference in distribution is not due to chance but indicates a genuine change). In some parts of the report, differences which are not statistically significant using this test (but add to the overall 'story') have been included. In these instances it has been made clear that the difference was not statistically significant.

Although the survey was re-developed in 2022, a lot of the core survey content of the 2022 LBS remained broadly similar to that of the previous LBS survey waves to enable comparisons, particularly in terms of the customer experience score. Where possible, comparisons with previous survey waves have been made in this report. However, a degree of caution is needed when looking at direct comparisons for the following reasons:

¹⁹ The response rate gives the number of interviews achieved as a proportion of the number of records available for use at the beginning of the relevant wave of the project, also considering the number of refusals, unobtainable numbers, and various other non-response categories that were recorded throughout fieldwork.



- context effects – although most questions remained the same, in some cases the position of the questions within the questionnaire changed. This could lead to a context effect where the respondent's answer to a question is influenced by the context set by previous questions
- response order effects – the order in which the questions are asked can affect the responses given. Where possible, this effect has been mitigated in the questionnaire by randomly rotating sets of opinion questions
- category effects – a change in the number of categories used to rate a statement can affect the ratings respondents give, as a respondents' rating may vary depending on the number of categories they can choose from. Where possible we have used the same number of categories year on year

In some instances, the base sizes of certain subgroups are small (particularly if the question was modular in nature (that is, only asked of half the sample). In these instances findings for these groups should be treated as indicative only. Instances of low base sizes are highlighted in the report.

Key Driver Analysis

Key Driver Analysis (KDA) is a statistical technique using multiple linear regression – the aim of which is to help understand what elements of HMRC service factors have on overall experience of dealing with HMRC and their relationship with their CCM.

Key Driver Analysis is important as it provides HMRC with insight into which factors are most important for their large business customers. This in turn helps HMRC prioritise areas for improvement with the ultimate aim of further improving the relationship it has with large businesses.

The Key Driver Analysis was achieved using correlation and regression techniques to understand key influences on responses to the following questions:

Overall, thinking about all your dealings with HMRC over the last 12 months, how would you rate your experience of dealing with them?

- Very good
- Fairly good
- Neither good nor poor
- Fairly poor
- Very poor
- Don't know

How would you rate your overall relationship with the Customer Compliance Manager responsible for your business?

- Very good
- Fairly good
- Neither good nor poor
- Fairly poor
- Very poor
- Don't know
- Too early in the CCM relationship to say
- Refused



An extensive number of measures (that is questions) were fed into the Multiple Regression Analysis, which then produced an output detailing the extent to which each measure had a bearing on overall experience and CCM relationship. The questions that were fed into the model covered the following areas:

- A2_1 – Whether businesses agree / disagree that: HMRC treats their business fairly
- A2_2 – Whether businesses agree / disagree that: There is good coordination across HMRC in relation to your business's tax affairs
- A2_3 – Whether businesses agree / disagree that: They are consistent in the way they treat your business
- A2_4 – Whether businesses agree / disagree that: It is clear how they come to decisions that affect your business
- A2_5 – Whether businesses agree / disagree that: They actively seek a co-operative relationship with you
- A2_6 – Whether businesses agree / disagree that: They provide your business with certainty in its tax affairs
- A2_7 – Whether businesses agree / disagree that: They provide a service that is personalised to your business
- A2_8 – Whether businesses agree / disagree that: They are easy to deal with
- A2_9 – Whether businesses agree / disagree that: They are competent in their treatment of your business
- A5_1 – Rating of their CCM in terms of: Responding within the timeframes agreed
- A5_2 – Rating of their CCM in terms of: Resolving uncertainty around complex or significant tax issues
- A5_3 – Rating of their CCM in terms of: Their ability to address your needs across all taxes
- A5_4 – Rating of their CCM in terms of: Their understanding of the commercial context your business operates in
- A5_5 – Rating of their CCM in terms of: The quality of information that they provide your business with
- A5_6 – Rating of their CCM in terms of: Their ability to be pragmatic and make decisions
- A5_7 – Rating of their CCM in terms of: Keeping you informed on the internal progress of issues raised
- A5_8 – Rating of their CCM in terms of: Being transparent about HMRC's decision-making processes
- A6 - Overall rating of CCM relationship
- B1c_1 – Whether businesses agree / disagree that: HMRC responded in a timeframe that was reasonable from a commercial perspective
- B1c_2 – Whether businesses agree / disagree that: HMRC made clear the steps you needed to take
- B4a_1 – Whether businesses agree / disagree that: Your business being transparent with HMRC
- B4a_2 – Whether businesses agree / disagree that: Your business having trust in HMRC
- B4a_3 – Whether businesses agree / disagree that: Your business having confidence in HMRC
- B14_1 – Rating of HMRC's written manuals, guidance, and guidelines in terms of: Quality of information
- B14_2 – Rating of HMRC's written manuals, guidance, and guidelines in terms of: Their ability to deliver certainty for your business
- B14_3 - Rating of HMRC's written manuals, guidance, and guidelines in terms of: Giving sufficient clarity to allow your business to decide if your interpretation of the law aligns with HMRC's interpretation
- B14_4 - Rating of HMRC's written manuals, guidance, and guidelines in terms of: Providing practical steps to help you align with HMRC's views on how to be compliant



- C17 – Whether businesses agree / disagree that: Your business would be willing to work collaboratively with HMRC and your current tax technology providers to understand how you can utilise IT to better meet your tax compliance requirements
- D2c_1 – Whether businesses agree / disagree that: The Annual Conversation was a useful alternative to your business undergoing a Business Risk Review (BRR+)
- D2c_2 – Whether businesses agree / disagree that: Having the Annual Conversation had a positive impact on your relationship with HMRC
- D3_1 – Whether businesses agree / disagree that: It is clear how HMRC came to the decision about your risk rating
- D3_2 – Whether businesses agree / disagree that: Being classed as low risk is / would be of benefit to your business
- D3_3 – Whether businesses agree / disagree that: Your business is confident about how it can improve its overall risk rating
- D3_4 – Whether businesses agree / disagree that: HMRC worked collaboratively with your business throughout the Business Risk Review (BRR+) process
- E4 – Whether businesses agree / disagree that: the overall level of administrative burden on your business relating to tax compliance is reasonable
- F4 – Appetite for risk for 'boundary pushing' tax planning
- F6_1 – Whether businesses agree / disagree that: We are always open to ways to legally reduce our tax payments
- F6_2 – Whether businesses agree / disagree that: We look to reduce our business tax liabilities through recognising profits in more favourable tax regimes
- F6_3 – Whether businesses agree / disagree that: Tax avoidance is acceptable
- F6_5 – Whether businesses agree / disagree that: Those at the most senior levels of our business play an active role in scrutinising our tax planning measures

The relative strength of each aspect in predicting overall experience, and the CCM relationship gave an indication of the relative importance of each aspect to respondents. Two different analysis models were created, each model summarised the top 5 key drivers having an impact on each of those performance measures.

Qualitative follow-ups

Method

Thirty qualitative follow-up interviews were conducted exploring:

- overall experience of working with HMRC and how this may have changed
- working relationships with CCMs
- views on the extent to which HMRC were perceived to have provided certainty and why
- perceptions of co-ordination at HMRC
- attitudes to risk and how these might have been impacted by the COVID-19 pandemic
- experiences of contacting HMRC on issues outside of routine filing of returns
- views on the extent to which this contact led to businesses having trust in HMRC



- whether businesses felt HMRC responded in a timeframe that was reasonable from a commercial perspective when you contacted them outside of routine filing of returns in the last 12 months
- experiences of the BRR+ process and actions taken as a result of going through it
- experiences of having an Annual Conversation
- the perceived advantages and disadvantages of being classed as Low Risk by HMRC
- views on the extent to which HMRC provides businesses with sufficient time to prepare for changes in your systems or processes
- VAT-self billing

The qualitative interviews lasting approximately 60 minutes were conducted with Heads of Tax and Financial Directors. A semi-structured topic guide was used to carry out the interviews, to ensure key topics were explored in sufficient detail while also allowing the flexibility to explore issues raised spontaneously by the respondent. All interviews were recorded and subsequently transcribed where the participant gave permission.

Sampling and recruitment

The sample for the qualitative stage was recruited from those who participated in the Large Business Survey 2022 and gave their consent to being re-contacted for a more in-depth piece of research. From this pool of willing respondents, potential participants were targeted for the qualitative stage based on answers given in the quantitative stage, to reflect a range of opinions on key issues.

The following table shows how the interviews were purposively sampled to ensure specific views and opinions were covered. In this context qualitative findings should not be treated as representative of the large business population.



Qualitative stage – achieved sample structure

Description (based on survey response)	Recruited
Businesses that DO NOT rate their overall experience as good	10
Businesses that DO NOT AGREE there is go co-ordination at HMRC	12
Businesses that DO NOT AGREE that HMRC is competent	9
Businesses that DO NOT AGREE that HMRC is easy to deal with	12
Businesses that DID NOT rate their CCM good in terms of addressing needs across all taxes	13
Businesses that had contact and DID NOT AGREE HMRC responding in a commercially reasonable timeframe	15
Businesses that DID NOT AGREE HMRC's written communications provide certainty	9
Businesses that have made substantial changes to their systems and processes outside of those required by HMRC	13
Businesses that WOULD NOT be open to a co-operative assurance review	13
Businesses that WOULD NOT be open to working collaboratively with HMRC and technology providers	10
Businesses that AGREE that having a Low-Risk rating is or would be beneficial	14
Businesses that DID NOT AGREE HMRC worked collaboratively with them during the BRR+	3
Businesses that DID NOT AGREE that it was clear about HMRC came to the decision about their risk rating	2
Businesses that DID NOT AGREE UTT requirements will make them more likely to engage on certainty for reasons other than they already do or they have no uncertain tax treatments	15
Businesses that DID NOT AGREE UTT requirements will make them more likely to engage on certainty because they already do	10
Total	30*

*Please note that each business fell into multiple categories.

