



HM Revenue  
& Customs

*Research report*

# Understanding the Unpaid and Unaffiliated Paid Agent populations

Qualitative research with Unpaid  
Authorised/Unauthorised friends and family,  
Unaffiliated Paid Agents and Voluntary  
Community Sector organisations

**Behavioural Evidence and Insight Team**

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**Unpaid and unaffiliated agents*****About Business Tax Change (BT Change)***

Business Tax Change is responsible for delivering the Business Tax elements of the HMRC Change Programme. This is done by working collaboratively with teams in HMRC and across government departments to present a coherent, joined-up picture of change for business taxes.

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## Unpaid and unaffiliated agents

### Research requirement (background to the project)

The agent population serves a pivotal role in the UK tax system, performing a variety of roles and functions on behalf of some 8 million taxpayers. This research focuses principally on the smallest/most informal of agents (unpaid – usually family and friends; and paid but unaffiliated), with a particular focus on their understanding of/perceived need for authorisation (to act on behalf of the taxpayer with HMRC); and explores the appeal of a future online authorisation service and how it could meet their needs most effectively.

There are an estimated c. 45,000 - 80,000 individuals who are either formally authorised to represent their friends and family members, or are unaffiliated paid agents. Strictly speaking, under the current process, anyone who acts on another person's behalf in their dealings with HMRC, whether in a paid or unpaid capacity, should first be authorised to act by the customer concerned. HMRC then needs proof that authorisation has been given before they can discuss the customer's affairs with a third party. There are various ways in which such proof can be provided – in writing (if the consent is to be enduring), either by completing a form 64 – 8 or via a letter; or by phone, if the customer calls, passes security and then hands over the phone to someone acting for them.

### When the research took place

The qualitative research was carried out to the following timeline:

- Set up/immersion: December 2013 – January 2014
- Qualitative research: January 2014 – March 2014
- Analysis, reporting and delivery: March 2014 – April 2014

### Who did the work (research agency)

Quadrangle carried out all activities involved in the research, working in close collaboration with the HMRC project team.

### Methodology – Design, participants/sample and data collection

#### Set up/immersion:

The set-up phase included workshops that were focused on understanding what is known/not known about the paid and unpaid agent populations and identifying the key questions that need to be answered to inform the development of a new online self-service tax system for these agents.

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### Qualitative research:

The purpose of the qualitative research was to:

- Develop an understanding of the relationship between “agents” and their “clients” and how they describe/perceive the help provided/received;
- Establish why taxpayers seek help from friends and family in order to comply with their tax obligations;
- Assess awareness of authorisation (among the unauthorised) and its relevance/importance to the “agent” and “client”;
- Explore any potential impact (positive or negative) of the introduction of an online authorisation service on the help provided by friends and family;
- Establish whether any support would be required on the part of the “agent” and/or “client” in order to use an online authorisation service;
- Determine the optimal communication channels required for introduction of an online authorisation service to the unpaid and paid agent populations.

The research was conducted through depth interviews on the points above with 100 respondents (54 telephone, 46 face-to-face), with a mix of authorised/unauthorised/paid and unpaid agents, including some paired interviews with both the agent and the person they were helping.

## Main Findings

### *8 key insights among authorised and unauthorised friends and family*

- 1. People who help their friends and family with their tax affairs do not view themselves as “agents” (even those who are authorised).** They see themselves as informal helpers, who may be there in a temporary capacity only. The term “agents” is perceived by them as indicating providers of more professional help, on a permanent basis, with the possibility (based on a misconception of the term “agent”) that they will be legally liable if the person helped makes a mistake. The term “client” is also not recognised by them as reflecting their relationship with the person being helped. Any revised process and subsequent communications relating to that amended process needs to use terminology that these people recognise and with which they feel comfortable.
- 2. Awareness of authorisation is very low amongst the unauthorised friends and family.** Even though details of the authorisation process and its purpose can be found on the HMRC website, unauthorised friends and family do not always know about it. When informed about authorisation, they can appreciate its necessity for tax professionals; but not necessarily for them.

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- 3. Friends and family *all* consider themselves to have “authorisation” (permission) to assist the taxpayers they help.** Friends and family tend to think of authorisation as the process by which the taxpayer and helper agree, between themselves, that the helper can act for the taxpayer in their dealings with HMRC. Many do not realise there is a further crucial stage – that the taxpayer then informs HMRC of the agreement reached (this is fundamentally what gives HMRC legal cover to speak to the helper about the taxpayer’s affairs). Friends and family tend to see the informality of the arrangement between them as meaning there is no need for a formal notification to HMRC.
- 4. The appeal of being authorised or not is driven by the nature of the relationship/ level of support required, and is made on a case-by-case basis.** In some cases, agents who were authorised for some clients were not authorised for others (reflecting their views on the differing circumstances where authorisation was or was not considered appropriate). Some respondents did appreciate the need for/value of authorisation.

Generally speaking, official authorisation was more likely to be sought in the following circumstances:

- Linked to the level of assistance provided, i.e.
  - When the helper “does it all”, as opposed to “just helping out”
  - If the taxpayer’s affairs are particularly complicated
  - If there is a need to contact HMRC with queries/resolve issues
- Physical proximity - when the helper doesn’t live with or very close to the taxpayer
- Low emotional connection in terms of the relationship between taxpayer and helper

Respondents who already held authorisation for some clients, or who could appreciate the benefits of authorisation, were more likely to be persuaded of the value of using any improved authorisation process in future.

- 5. Distance is a significant driver of need for authorisation from HMRC – friends and family helpers and taxpayers who live apart have a greater need for formal authorisation.** The benefits of this include the helper receiving copies of correspondence from HMRC to the taxpayer, and being able to speak with HMRC on the taxpayer’s behalf without the taxpayer being present, in the room, at the time.
- 6. Whether authorisation is completed online or not is irrelevant – most helpers have a high degree of digital capability and online is often considered more efficient than other channels.** However, those who are already authorised would not expect to have to re-apply for authorisation under any new system; and that new system would have to take account of the fact that some taxpayers will not find it easy to confirm the authorisation, using online methods.

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- 7. There is an opportunity to increase authorisation among those who deal with more complex tax affairs and provide remote assistance.** Increasing awareness of formal authorisation and the specific benefits that it provides for some authorised helpers would lead to increased authorisation. The key benefits to be communicated include the ability to submit returns online and speak to HMRC directly to resolve any queries, without the taxpayer being present, and to receive relevant correspondence to taxpayers, so that important communications are not missed.
- 8. The appeal of a new online authorisation service is heavily influenced by the perceived need for authorisation (i.e. the level of help being provided and the nature of the relationship between the taxpayer and helper). Three broad responses were observed:**
- For some unauthorised helpers, a new online authorisation service would make no difference to their current behaviour as their needs are met by non-enduring consent such as a one off call with the client present
  - For other unauthorised helpers, a new online authorisation service has some appeal, particularly for those providing remote or more involved/complicated assistance. This needs to be framed in language which speaks to the helper rather than disengages them by speaking to a professional agent
  - Those who are already authorised will continue to be authorised in the future and generally welcome the introduction of an online authorisation service

### *Key insights among unaffiliated paid agents and paid friends/family*

One of the key insights among the unaffiliated paid agent landscape is that it **comprises both commercial agents, and friends and family who have some form of paid arrangement with those they help.**

Unaffiliated agents generally run their own, small-scale commercial accountancy practices, offering a low cost service, and do not see a benefit in being affiliated with a representative body. They are usually aware of authorisation as part of their everyday work. However, **authorisation is not always sought**; in some instances, the client simply shares their login credentials with the agent. Commercial agents generally felt the proposed new online self-service tax system would be a good thing, although there was a general assumption that existing authorisations would be carried over to the new system.

Friends and family who receive payment from the taxpayers they help are assisting in a similar way to the unpaid authorised/unauthorised population, in that the relationship is informal and ad hoc. The type of help provided is generally limited (as most do not have any professional knowledge, as such – their confidence is based on ability to handle their own tax affairs successfully) and they are often unfamiliar with the concept of authorisation (as they do not need it for their own affairs). As a result, once they are introduced to the concept of authorisation they tend to see it as ‘too much of a responsibility’ - in their view,

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they are just helping friends/acquaintances. Most do not envisage seeking online authorisation in the future.

### *Key insights among VCS organisations*

VCS organisations typically provide help on a case-by-case basis to people who are disadvantaged or vulnerable in some way (e.g. learning difficulties or low income). Providing financial/tax advice is often just one of a range of broad life issues where they provide help.

Importantly, the help that VCS organisations provide is characterised by **short-term assistance**, so as to discourage dependency. Therefore, although the organisations may be aware of the 64-8 process, official authorisation isn't normally necessary to support clients (e.g. most queries are dealt with over the phone/in person). For a minority of cases, when there is a need to deal with HMRC on a client's behalf, formal authorisation is not seen as the most appropriate solution – they can be better served by alternative approaches to access HMRC support (e.g. the Fast Track service).

When introduced to the proposed new online self-service tax system, the VCS organisations were concerned about the taxpayers' ability to provide authorisation; many do not have online access or experience of doing things online. They foresaw that additional help would be required for taxpayers to complete authorisation online, and that this task would likely fall to them. In addition, many VCS volunteers do not view themselves as tax professionals and would not want the perceived extra 'responsibility' that authorisation (whether online or not) would bring.

### *Three categories of support for HMRC and the new online self-service tax system*

Understanding what influences the decision to obtain authorisation, e.g. nature of relationship; level of help; physical and emotional proximity, helped to identify three categories of support for HMRC to focus on in the design and communication of the online self-service system. The three categories are the **professional agents**, those providing **informal support** and those providing **hidden help**. These three types of support call for three different offers/requirements of HMRC.

#### **1. Professional agents:**

These are generally professional or voluntary organisations that help others to comply with their tax obligations, e.g. unaffiliated agents or VCS organisations (where formal authorisation is deemed appropriate).

Those providing this type of support would be best served with an online self-service platform designed for professional agents with B2B terminology and communication channels, and should be offered access to the Agents' Helpline.

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### **2. Informal support:**

These are authorised and unauthorised friends and family (including paid, unaffiliated friends and family helpers) who undertake compliance activities/ transactions for those that they help.

Helpers providing informal support should be targeted with a similar platform to the professional agents, but one designed for a non-professional audience, using consumer language with access to the General Helpline, downloadable information documents (FAQ's), and web chats.

### **3. Hidden support:**

These are friends and family members who help others comply by offering casual advice, or by sitting alongside them while they complete their tax return (e.g. to provide IT support).

HMRC does not need to take any action with this group because formal authorisation is neither of interest or appropriate for the type of support they provide.