



Research report

VAT step-by-step guide and demonstrator

Qualitative evaluation of VAT guidance

Business Customer Unit, HMRC

About the Business Customer Unit (BCU)

Business Customer Unit (BCU) is part of Business Tax responsible for ensuring businesses pay the right amount of tax whilst improving our customers' experience and the overall UK business environment.

The BCU role is to help colleagues make customer focus a reality by understanding our Business Customers' needs better and using that understanding to design better products, processes and service delivery.

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Research requirement (background to the project)

From 1 April 2010, HMRC will be introducing mandatory online filing and payment for all businesses with a VAT exclusive turnover of £100k or more, and all businesses registering for VAT, on or after 1 April 2010, regardless of their turnover.

HMRC were aware that there are a number of customer groups who might need additional support to make the transition to online filing successfully; namely, some of the customers in the Traditionalists, Insecure Sceptics and Nervous Enthusiasts segments. HMRC commissioned research early on to establish which support products would provide reassurance and confidence. As a result, an **online step-by-step guide** (available as a PDF download) and an **online demonstrator** were developed, and released in November 2009. In addition, a **paper step-by-step guide** for registering/ enrolling for VAT online services was developed, to be issued to existing customers affected by the changes in February, as an enclosure in their mandation letter; and to be enclosed in the VAT registration pack issued to new customers. Two versions of the **mandation letter** were also developed, one longer and in full script, the other shorter and in bullet-point format.

In order to ensure these tools would meet the increased needs of VAT customers (both new and existing) during this transition period, HMRC commissioned further qualitative research to test each of the products in terms of:

- strengths and weaknesses – and to suggest ways in which any weaknesses could be addressed
- comprehension, tone, layout, content, level of detail, effectiveness, ease of product location and likelihood to use

Who did the work (research agency)

Research Works Limited.

When the research took place

The research was conducted w/c 18th January 2010.

Method, Data and Tools used, Sample

The approach was qualitative and comprised 8 extended focus group discussions and 6 telephone depth interviews. In detail:

- 6 extended focus group discussions (2 hours and 6 respondents) and 6 accompanied depth interviews (1 hour) with existing VAT customers with an annual (VAT excl) turnover of £100k or more.
- 2 groups and 2 accompanied depths with Traditionalists; 2 groups and 2 accompanied depths with Nervous Enthusiasts; 2 groups and 2 accompanied depths with Insecure Sceptics.
- 2 extended focus groups (2 hours, 6 respondents) and 2 accompanied depths (1 hour) with newly registered VAT customers. All had registered in the past 12 months. A mix of turnover

was achieved. A mix of Traditionalists, Nervous Enthusiasts and Insecure Sceptics was achieved.

- 3 teledepths (1 hour) with VAT customers who have used the products but not made the transition to online filing and 3 teledepths (1 hour) with customers who have made the transition to online in the past 12 months.
- Stimulus material used in the research was: the online demonstrator, the online step-by-step guide, the paper step-by-step guide (and covering letter) and two versions of the draft mandation letter (full script and bullet-point formats).

Main Findings

The support tools were well-received. They were considered straightforward, informative, comprehensive, self-explanatory, jargon free and user friendly.

Navigation and signposting are vital to ensure that *both* online tools are accessible in order to fulfil their role in assisting businesses to file their VAT returns online. Currently, users have difficulty finding the online step-by-step guide. The guide would be better positioned in the same place as the online demonstrator (<http://www.hmrc.gov.uk/VAT/index.htm> on the right hand side), so that it could be found via a Google search.

Online step-by-step guide

The **online step-by-step guide** was particularly well received. It was considered clearer and shorter than the online demo. Users liked having all the information in one place and being able to print off a paper copy to use whilst completing the online registration process.

Currently, visual content (i.e. screen grabs) tended to dominate communication and comprehension. A balance between explanatory text and visual content was suggested, by either:

- placing text before screen grabs in order to provide an explanation *before* users read the screen grab;
- and/or clear introductory instructions stating that the screen grabs illustrate and support the explanatory text.

An increase in visual content (i.e. screen grabs) might help to maximise user-friendliness, but must avoid compromising the current text-led style and easy navigation.

Online demonstrator

Compared to the online step-by-step guide, the **online demonstrator** appeared lengthy, and risked 'over-complicating' a relatively simple process. Respondents claimed they were less likely to use the online demo as they would not be able to use it whilst completing the online registration and online VAT filing processes.

The online demo is considered to be visually 'busy', due to the amount of information on screen (including the online demonstrator menu). Once again, visual content tended to dominate communication and comprehension. Respondents' suggestions for visual clarity and ease of navigation included:

- Increasing the size of the screen grabs;
- Increasing the emphasis on the explanatory text by replacing the red flag footnote system with annotations: an arrow pointing at the relevant part of the screen grab linked to a box containing the explanatory text. (Alternatively, a clear introductory instruction that the screen grabs are visual cues to support the explanatory text)
- Making it clear that links will navigate away from the demo and into the live form (e.g. *'click here to skip guidance and go to form'*).

Paper step-by-step guide

The following improvements for navigation of the newly registered users' **paper step-by-step guide** were suggested by respondents:

- The two sections ('signing up and enrolling' and 'using VAT online services') to be even more clearly differentiated;
- The 'signing up and enrolling' part of the product to clearly signpost that section A is for people who are already using HMRC's online services for other tax returns; section B is for people who are not;
- The steps within section B need to be referenced consistently. The steps from the online service should form headings, with the relevant instructions following underneath each step.

Covering letter

The format and layout of the covering letter for the paper step-by-step guide for newly registered users (particularly the burgundy colour scheme) made a positive impact. The language was considered easy to understand and the tone was described as 'informative'. Apart from a suggestion to emphasise the help provided on the second page, the letter was very well received.

Mandation letter (*full script and bullet-point versions*)

The **bullet-point version** of the mandate letter was more positively received than the full script version. Respondents appreciated the clear headings and bullet-points. By comparison, the full script mandate letter appeared less accessible due to the use of paragraphs, which tended to be visually daunting. The overall tone of the bullet-point mandate letter was considered informative and businesslike.

The ideal mandate letter would be the bullet-point version with the heading from the full script version. The tone of the bullet-point mandate letter heading - *'Important legal notice – please read and act now, or face possible penalties'* - was considered more aggressive, while the full script mandate letter heading, *"You must read and act on this notice immediately"* conveyed sufficient urgency without giving offence by implying that the user may face penalties.