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Research report

Pre-return Support for Agents: Assessing the Pilot

Evaluation of toolkits developed to support agents with the pre-return processes associated with tax forms

Business Customer Unit

Her Majesty's Revenue and Customs Research Report Number 126

Behavioural Evidence and Insight Team
part of the HMRC Customer Units

Pre-return Support for Agents

About the Business Customer Unit (BCU)

The Business Customer Unit (BCU) is part of HM Revenue and Custom's Business Tax Directorate. BCU is responsible for ensuring that businesses pay the right amount of tax whilst improving both the experience of our customers 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)

Her Majesty's Revenue & Customs (HMRC) relationship with agents remains vitally important. Agents are directly involved in a disproportionately large volume of transactions, with current estimates suggesting that agents represent:

- 63% of self assessment tax payers
- 78% of companies
- 43% of VAT traders
- 33% of employers

Given this, the pre-return processes and assurances which agents go through to ensure completeness and accuracy in the forms they submit to HMRC can be critical to the risk a particular form or return presents.

As part of HMRC's programme of changes to transform the services provided to business customers, HMRC needed to develop a better understanding of agents' pre-return processes and the support that HMRC could offer to agents in this area.

The first stage in achieving this objective was delivered through engagement with the agent community via the Compliance Reform Forum (CRF). This engagement helped shape the approach, processes and products delivered, ensuring that they were customer focussed, as well as their associated timelines.

From the engagement with CRF and the agent community a series of toolkits were developed to support agents with their pre-return processes. Use of these toolkits should help to reduce error and help to ensure that reasonable care is taken.

The toolkits were developed in 2 tranches and were piloted with a sample of volunteer agents between May 2009 and the end of January 2010. The format of the toolkits consisted of a checklist, explanatory notes and links to further guidance. They provided a view of the common errors that attract HMRC's attention and the mitigating action that could be taken. For the purpose of the pilot the toolkits were in a PDF format and were emailed to agents who volunteered to be involved in the pilot.

Research was required to evaluate the effectiveness and the potential benefits of the toolkits to both agents and HMRC, determine how best to roll out the pilot programme across a wider agent base and what improvements could be made to the support materials and the process. Further, the research sought to understand the issues and/or benefits that agents experienced with using the toolkits and the likelihood of different agents using them in the future.

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More specifically, the research sought to understand:

1. How effective the design of the toolkits was from the agents' perspective?

2. Why agents in the pilot sample did or did not use the toolkits?

3. When rolled out, what the likelihood was of the wider agent community using the toolkits, what would further encourage use and what issues and/or benefits may be experienced?

4. What benefits, if any, there are for agents and thus their clients by obtaining:
   - A view on the confidence and assurance that the use of the toolkits provides to agents in completing their clients' returns, and whether this in turn leads them to think that they are less likely to get an enquiry from HMRC.
   - A view on HMRC reputation in providing these types of products in supporting agents in completing their clients' returns.
   - An understanding of any additional time that the use of the toolkits added in completing their clients' returns.
   - Any additional costs incurred in using them.

5. Where agents would like to get the toolkits from?

6. Any feedback on the additional support provided by HMRC Agent Account Managers who provided telephone support to the agents involved in the pilot.

Five types of toolkits were tested:

1. Capital Gains Tax (CGT) for Trusts

2. Marginal Small Companies Relief (MSCR)

3. Capital Allowances for Plant and Machinery

4. Personal and Private Expenditure

5. Capital Gains Tax (CGT) for Land and Buildings

Who did the work (research agency)

The Futures Company.

When the research took place

January – March 2010.

Method, Data and Tools used, Sample

A four stage approach consisting of both quantitative and qualitative techniques was taken:

(i) Agent Account Manager workshop and expert interviews: 1 hour discussion group plus 2x phone interviews with Agent Account Managers.

(ii) Quantitative survey: an online survey (set up and run by Lightspeed Research) was sent to all 571 agents who took part in the pilot and was completed by 107 agents (18.7% response rate). The agents represented a regional spread, a range of levels of experience, a mix of organisation size, mix of segment types and covered all types of toolkits. The survey ran from February 1st to February 26th 2010.

(iii) Qualitative depth interviews: 12x 1.5 hour depth interviews were conducted with agents who took part in the pilot and who also completed the online survey. The sample covered all types of toolkits, a range of levels of experience, a mix of organisation size, a mix of segment types and a range in attitudes of likeliness to use a toolkit in the future. All respondents completed a short pre-task prior to the interview in which they were asked to review a toolkit, to refresh their memory and note down their likes/ dislikes and what was working well/ less well. The interviews took place between 24th February and 4th March and were conducted at agents' place of work.

(iv) Qualitative group discussions: 2x 2 hour group discussions with agents who did not take part in the pilot. These were held at a central London viewing facility on 16th March. All agents were tax advisors involved in the preparation and/or submission of tax forms to HMRC, covering a range of tax areas and a range of experience. Group 1 consisted of agents working for medium/large sized organisations (50+ employees) and group 2 consisted of agents working for small sized organisations (less than 50 employees).

Main Findings

Context

Agents face a number of challenges in their day-to-day working lives particularly around keeping up-to-date with changes in legislation, embracing channel migration and managing client relationships in terms of ensuring complete and accurate information is obtained and deadlines are met. In this context, the process of completing the returns themselves is often relatively straight forward.

However, agents recognise that issues can arise despite their best efforts to avoid them. For instance when a client has a complex portfolio or unusual circumstances or when interpreting tax allowances.

Some areas of tax are felt to be more complicated than others; for example Capital Gains Tax for Land and Buildings is felt to be a specialist area with high complexity compared to Personal and Private Expenditure which is felt to be more straightforward.

Pre-return processes vary from one organisation to another but in general agents work through a series of iterative steps to ensure that the correct and complete information is collected and recorded. This is supported by well documented IT/ paper systems - many agents use in-house checklists and robust processes to assist with this.

Agents consult a number of sources during the process, particularly for more complex tax returns. Sources they use include the legislation, HMRC manual and website, tax guides such as Tolley's, professional institutes and tax magazines/ websites. They access this information via a range of channels which is often driven by convenience. Internet and online channels are preferred although paper-based are still popular. Phoning HMRC is a less favourable method of obtaining information due to being time consuming, lack of accountability and concern of receiving incorrect information. Agents raised some frustration with perceived inconsistencies of HMRC channel delivery in relation to tax returns such as timely nature of written correspondence and they hope for more efficient, multi-channel service delivery from HMRC in the future. Agents also point out that HMRC and the law are different things and HMRC's guidance is the department's interpretation of the law not the law itself.

Evaluation of the toolkits

Overall agents speak positively about the toolkits. They think that they are a good idea, believe that they will help improve accuracy and are perceived to be helpful. In addition they feel that they have been constructed well in terms of design and content. As such, they give a good impression of HMRC and demonstrate that HMRC is trying to work together with agents to help them do their job.

In the online survey, 107 agents received a toolkit and some agents received more than one toolkit. Of these, around half of the toolkits were used in a client case (as opposed to just looked through). Among the toolkits used, about 50% were rated as 'very or somewhat useful'. CGT for Land and Building was rated most useful with 71% agreeing compared to 35% rating the Personal and Private Expenditure toolkit as useful. This could suggest that toolkits are more useful to agents for more complex tax areas.

Some toolkits (31 in total) were not used mainly due to 'poor timing'; toolkits were received at a time when there were no relevant client cases, they were received at a busy time of year (near 31st January deadline) and as such agents didn't have time to use them. It should be noted that all agents with less than 10 years experience used a toolkit and it was the more experienced agents who didn't.

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Across the online survey sample, 59% of agents said that they are likely to use a toolkit in the future. Sole traders are the most likely to use the toolkits across organisation size and agents with less experience are the most likely to use the toolkits compared to more experienced agents. Those who used the toolkits are more likely to use a toolkit in the future compared to those who only looked at the toolkit suggesting that the toolkits were found to be more useful in practice than they are perceived to be.

The toolkits offer agents a range of benefits with the following being key:

- Help identify potential errors and highlight potential risk areas: the toolkits help agents to ensure that tax returns are completed correctly from the beginning so minimising potential errors and they also help agents keep up-to-date with changes in tax laws and hence minimise errors.

- Give reassurance: The toolkits allow agents to check and confirm that their current working practices are correct and in line with HMRC's expectations. They help to ensure reasonable care is taken and minimise the risk of investigation. They also ensure that all members of staff are following a recommended procedure and they safeguard workers by providing them with a paper trail of issues that have been addressed.

- Act as a training tool: Agents of all levels of experience recognise that the toolkits play an important role in training more junior members of staff. They offer a useful framework that ensures that they ask the right questions and think things through thoroughly. Because the content is non-copyright, the toolkits can be applied in-house as a readymade training aide.

  In addition the toolkits are seen to be a good reference tool, particularly for the more complex / unusual cases, and the direct links to the legislation and relevant sources are extremely convenient and helpful.

  Some agents feel that the toolkits could even reduce their costs by getting things right from the start and avoiding re-work further down the line and also by enabling more junior/ lower levels of staff to do some of the checking.

  Agents welcome insight on HMRC's viewpoint of tax issues and receiving a toolkit from HMRC helps them focus on areas that are of interest to HMRC.

  To some extent the toolkits could improve relationships with clients indirectly if the toolkit reduces the chance of an investigation. However, agents don't tend to show clients their working processes – clients are not interested and agents don't want to be seen to be 'working for HMRC'.

Some drawbacks were identified with the toolkits. The drawbacks were perceived to be greater amongst those who had not used them than was found in practice. In particular there is concern that the toolkit will add time, increase workloads and costs to agents due to some agents (mainly those more experienced) feeling that the toolkits are unnecessary i.e. don't tell them anything new; and/or that they repeat processes they already have in place.

In addition there is some concern that agents may rely too heavily on the toolkits and will use them exclusively; which may lead to incomplete checking of tax returns and errors.

Agents plan on using the toolkits in their organisation in a number of ways to minimise additional workload and increase value for money. There are broadly three different ways in which agents plan on embedding the toolkits in their organisation:

(i) They will use the toolkits 'standalone' in their existing format alongside their current working processes. This tends to be the case for agents who don't have an existing checklist – just process checks rather than content.

(ii) They will 'incorporate' the toolkits into their existing process. This is the case when an agent has a comprehensive, detailed checklist similar to the toolkit but they seek to improve it and check that it is in agreement with HMRC. They may cut and paste extracts of the toolkit into their own so that they have one robust checklist.

(iii) They will use the toolkits as 'reference'. This tends to be the case for more experienced agents who do not see the need for a toolkit for straightforward tax returns but would like to refer to guidance on more complex cases.

Content of the toolkits

The majority of agents in the survey rated all aspects of the content as 'good' or 'very good'. In particular the quality of information was rated highly with 76% of agents rating it as good or very good. No mistakes were found.

The language was also rated highly in the survey and was commended in the qualitative research; it strikes a good balance between technical and plain English, it is easy to understand and makes HMRC come across as approachable.

The layout is logical and easy to navigate and whilst there are some individual preferences for longer and shorter documents, on the whole the length is felt to be ideal – it contains a lot of information without being overwhelming.

The examples are well liked and help clarify the explanation and allow agents to relate the information to real client scenarios. There is little room for improvement in terms of content and design.

Name 'toolkit'

Most agents think that the term 'toolkit' is appropriate and fitting with 62% of agents from the quantitative survey agreeing that it fits. 'Toolkit' sparks interest and correctly positions the document as a checklist. However, some agents feel that the term 'toolkit' is inappropriate as it overstates what the document is and is a somewhat 'jargon' term. As such it could overpromise and risk agents relying too heavily on it.

'Toolkit for managing risk' was not received positively by agents. It can be misleading and suggest to agents that the toolkit is focussed on the interests of HMRC rather than their own. It also defines the document too narrowly which could deter some agents.

No other suggestions of names were felt to be very strong although 'toolkit highlighting common errors' or similar was felt to be more fitting in correctly depicting the document.

Distribution and availability of toolkits

Future promotion of the toolkits should be through a variety of sources in addition to the HMRC website and include Agent Account Managers, Business Link, other websites as well as through professional bodies. However it is important not to exclude agents who don't hold membership with a professional body. Moreover, the toolkits need to be communicated directly to agents: HMRC must ensure that agents are made aware of them rather than leave it to chance.

The toolkits should be made available to agents via the HMRC website on the agent section but also via the general section. Agents should also be directed to the HMRC website from other websites such as Business Link. The toolkits must be easy to find and easy to download.

A HMRC communication leaflet was tested with agents and they responded well to it. It is an example of direct communication which is perceived to be useful. It provides a concise and accurate overview of the toolkits and explains its role. Most importantly it communicates the benefits of using the toolkits and works well at selling them to agents. Agents like that it tells them that the toolkits have been developed and trialled with agents and they want the opportunity to feedback to help with continuous improvement.

Overall agents should be encouraged to take a look at the toolkit as they may find that it helps them with their job and offers benefits. However, it must be communicated as a purely voluntary tool as many agents are against the idea of them being made compulsory.

In terms of future topics for toolkits, agents expressed an interest in a large range of toolkits and would welcome them in as many areas of tax as possible to cover a range of individual needs.