

# Qualitative research into Business Records Checks and attitudes towards record keeping

HM Revenue and Customs Research Report 334



**TNS BMRB**

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80 years  
of listening  
to Britain

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# Executive Summary

## **Research background (Chapter 1 of main report)**

HM Revenue and Customs (HMRC) carry out checks on how businesses keep their records. For small and medium-sized enterprises (SMEs) this is known as the Business Record Checks (BRC) programme. This programme broadly aims to support SMEs before they have filed their tax return to ensure they get it right first time.

Since November 2012 BRC has involved an initial 'triage' stage which initially assesses record adequacy through a set of standardised questions. This helps to minimise the burden on customers, and filter out as many as possible at an early stage. For those identified by the 'triage' as potentially keeping inadequate records, a Visiting Officer from HMRC visits them to discuss their record-keeping practices. Those who are found to have inadequate records at the visit stage are informed of the changes required, and receive a follow-up visit to check if these changes have been made.

HMRC commissioned TNS BMRB to undertake research with customers that had experienced the BRC process. This research aimed to understand how HMRC can support businesses to provide accurate records, drawing on customer experiences from the BRC process and better understanding of current practices. A total of 30 interviews were undertaken with BRC customers, which covered a range of different journeys (i.e. phone call only, visit and adequate records, visit and inadequate records).

## **Understanding record keeping practices (Chapter 2 of main report)**

Whilst record keeping practices varied considerably (e.g. in frequency, method) among customers, record keeping overall was perceived to be a simple and straightforward process of recording all business income and expenditure.

Customers were aware that they were obligated to keep business records in order to submit accurate returns to HMRC, and this was the primary driver behind record keeping for many respondents (particularly those in a service sector). Nevertheless, customers also perceived benefits for themselves: for example, through keeping records, they could use the information to assess profitability, and (where relevant) manage stock effectively.

Customers in this research were largely confident in their record keeping, were attitudinally compliant and not reporting need of any support. This confidence has been reinforced by the lack of issues with record keeping or tax returns (raised either by HMRC or e.g. accountants) that customers have experienced to date. This was especially so for businesses that had been in operation for a long time, and those represented by an agent. Where customers had looked for information and advice, they tended to turn to trusted friends and family, peers, accountants and, to a lesser extent, HMRC.

### **Customer experiences of the BRC process (Chapter 3 of main report)**

The BRC was perceived as a compliance check, but customers were unclear about what was expected of them, resulting from little detail in any of the communications from or with HMRC.

- Initial expectations of the ***BRC telephone questionnaire***, for example, ranged from the verification of basic information (e.g. registered business address) to detailed questions of accounts and the record keeping process. This lack of clarity, coupled with the fact that most felt confident in their practices, meant that very few customers made preparations in advance of the BRC, except for seeking reassurance from family, friends and accountants. Whilst some went on to find the BRC telephone questionnaire very straightforward, others found it difficult, particularly when put on the spot and without having prepared.
- ***Customers who were referred to education resources*** further to the questionnaire (which in this research was a very small sample) recalled that this was more of a suggestion, than a referral, and take-up was very low. Barriers mentioned included the expectation that the material would be too generic and basic for their level of experience and HMRC not being seen as a key source of information or support around record keeping at present.
- ***Customers who received a BRC visit*** were largely positive about their experience – regardless of outcome – which was primarily down to the manner of the Visiting Officers who were seen to be supportive and friendly, putting customers at ease. A minority had a negative experience due to differences between their expectations of the process and the actual experience, though this may also reflect the outcome of these visits.

Where the BRC identified inadequate record keeping practices, this was due to a range of reasons, often relating to the recording of personal and business expenses. Though customers understood these reasons, the majority did not feel that their record keeping was inadequate (in principle at least) and did not feel that their returns would be any more accurate. This may, in part, be attributable to the issues identified, how they experienced the BRC visit and the way in which issues with their record keeping were communicated to customers by the Visiting Officer.

### **Supporting accurate record keeping (Chapter 4 of main report)**

A key challenge facing HMRC in supporting customers to maintain adequate business records is to tackle customers' perceptions of the simplicity of record keeping and assumptions that their current record keeping practices are adequate. Customers involved in this research issues still believed they were adequate in principle, if not in the finer details of their practices, even where their record keeping processes were deemed inadequate by HMRC. This challenge is a particular issue for longer established businesses, who have established their practices over time and have no perceived incentive or necessity to change. More recent or new businesses, especially given that record keeping practices tend to be established in the early years of a business, may pay more heed to HMRC communications and be more receptive to offers of information, advice and guidance.

Another barrier for HMRC in relation to supporting businesses with accurate record keeping is that customers may not currently look to HMRC for support, instead relying on accountants, friends, family or past experience. However, the findings from this research suggested that

whilst HMRC was not seen as a key source for information or support at present, many customers did believe they had a role to play in providing information, advice and guidance to customers in order to improve record keeping. This support can be provided in a variety of forms: providing access to information and guidance around record keeping; new services which enable customers to use standardised software for record keeping; and business record checks to identify businesses with inadequate records. Furthermore, many customers are confident in using the internet and are open to accessing support through information and training online, where appropriate.

During the research, participants were also presented with three propositions of potential ways in which services could better support accurate returns: pre-populating returns, information on similar businesses, and approved accounting software. Customers' reactions to these provide additional learnings for HMRC in supporting businesses:

- Customers are resistant to change from a familiar system and are concerned about accuracy
- Customers are cautious about sharing too much information with HMRC/Government, and are uncomfortable with giving access beyond what is necessary
- Businesses see themselves as unique, even within their own sector
- Customers' record keeping practices vary but are for the most part, firmly established (unless new business); customers are therefore cautious about propositions which may require them to alter practices with no benefit to themselves

### **What does this mean for HMRC?**

The lessons drawn from BRC and reactions to propositions of potential ways in which services could better support accurate returns have a number of implications for HMRC:

- *Customers are quick to make changes to their record keeping practices following recommendations received from HMRC or trusted others*
- *Customers may benefit from communications prompting them to review their practices and challenge assumptions about the simplicity of record keeping and correct practice*
- *Different approaches to record keeping communications may be needed with customers depending on the length of time their business has been established. Newer businesses in particular are much more likely to be receptive to communications on record keeping responsibilities than are more established businesses*
- *Business engagement with information around business record keeping processes could be improved through more personalised content, and more immediately engaging and obviously relevant support materials. The development of digital capabilities and customer's increasing online engagement may be an opportunity to tailor communications and support based on customers' experience and sector*
- *Customers see benefit in services which can support them in making accurate returns but are wary of trying something new if it may increase the risk of submitting an incorrect return (e.g. through pre-populating returns)*

- *HMRC is recognised as a compliance and enforcement department. The majority of customers are disinclined to provide HMRC with greater access to their financial information than is necessary*
- *The BRC process is a valuable tool for HMRC in identifying businesses with inadequate record keeping practices, if appropriately targeted*

# 1. Introduction

## 1.1 Research Background

HM Revenue and Customs (HMRC) carry out checks on how businesses keep their records. For small and medium-sized enterprises (SMEs<sup>1</sup>) this is known as the Business Record Checks (BRC) programme, first piloted into April 2011. This programme broadly aims to support SMEs before they have filed their tax return to ensure they get it right first time.

Since November 2012 BRC has involved an initial 'triage' stage which initially assesses record adequacy through a set of standardised questions. This helps to minimise the burden on customers, and filter out as many as possible at an early stage. For those identified by the 'triage' as potentially keeping inadequate records, a Visiting Officer from HMRC visits them to discuss their record-keeping practices. Those who are found to have inadequate records at the visit stage are informed of the changes required, and receive a follow-up visit to check if these changes have been made.

## 1.2 Aims and objectives

This research aimed to understand how HMRC can support businesses to provide accurate records, drawing on customer experiences from the BRC process and better understanding of current practices.

The key objectives of the research were to:

1. Better understand SMEs' record keeping practices and their attitudes towards record keeping, including what support they receive
2. Understand SMEs' views of BRC – e.g. expectations, experience, impact of it
3. Assess how HMRC could better support businesses to provide accurate records – e.g. role of education, new propositions, implications from BRC

## 1.3 Approach

Face to face depth interviews were conducted with 30 SMEs recruited from a sample of businesses, provided by HMRC, who had experienced a BRC during 2013. In order to have meaningful samples that had experienced different customer journeys – businesses were purposively sampled to weight the sample achieved towards those who had received a BRC

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<sup>1</sup> SMEs are businesses with an annual turnover below £30 million who employ less than 250 people.

site visit – only a small minority of customers who are initially selected for a check are subject to visits.

Interviews were conducted with the individual in the business that had completed the BRC; in this research this was the owner/manager. These were conducted using a mixture of 1 hour face-to-face interviews and 45 minute telephone depth interviews, following a structured topic guide (see Appendix A). Researchers tailored the time spent on different elements of the BRC process to respondents' customer journey and experience – for example, more time was spent discussing the telephone questionnaire with those customers who were not assessed as needing a visit.

All interviews were digitally recorded and transcribed, and analysed through matrix mapping. This robust analysis method allows researchers to draw out the diversity of opinions as well as identify common themes across interviews (see Appendix B for a more detailed description).

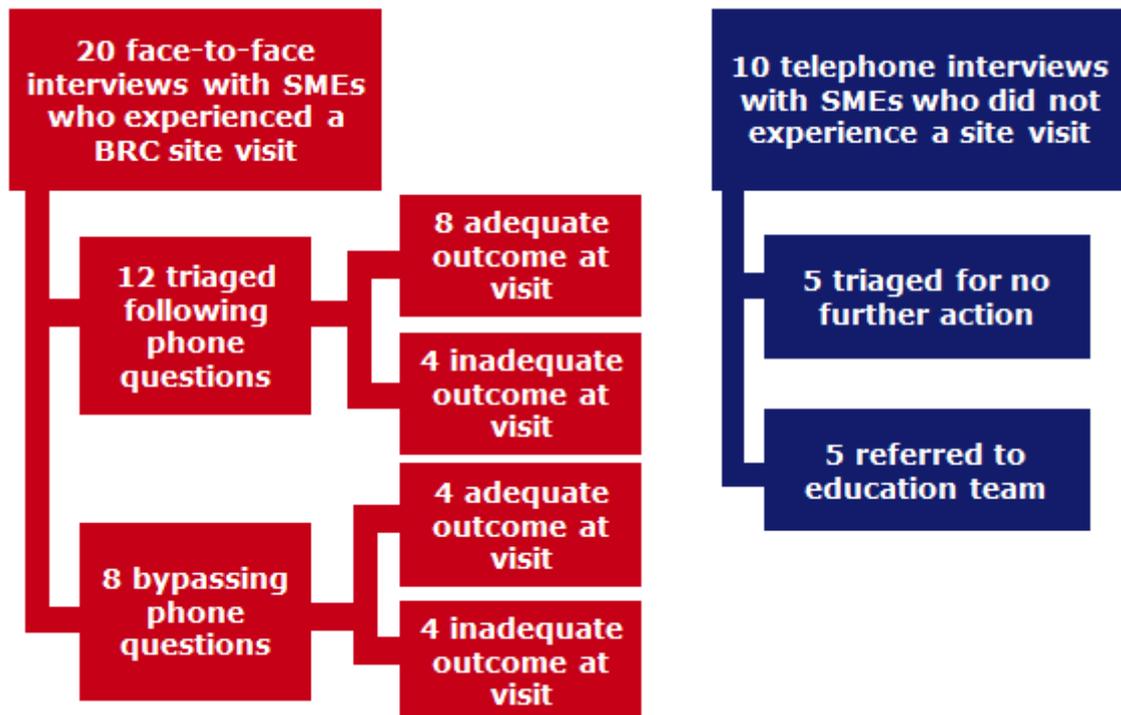
Fieldwork was conducted in the period 24<sup>th</sup> February – 20<sup>th</sup> March 2014.

### 1.3.1 Sampling and recruitment

The 30 interviews were broken down as follows:

- **20 face-to-face interviews** conducted with **SMEs who had received a BRC site visit**. These were split between those who triaged following a telephone questionnaire, and those who bypassed the telephone questionnaire, as HMRC was not able to conduct this with them. This included a mixture of those whose BRC visit resulted in no further action and those whose records were inadequate, requiring a 3 month follow-up.
- **10 telephone depth interviews** were conducted with **SMEs who had not received a BRC site visit**, but had taken part in the telephone questionnaire. 5 of these were SMEs who required no further action as a result of the telephone questionnaire, 5 were referred to the education team.

The breakdown is shown in the diagram below:



The interviews were conducted across five areas in the UK: Scotland (Glasgow / Edinburgh), Manchester and surrounding (Manchester / Stockport / Oldham / Preston); Nottingham; South West and Wales (Cardiff / Bristol / Bath); London and South East (London / Luton / Reading / Brighton).

The 30 SMEs were also recruited to allow for a breadth of representation across various variables. The following table provides a breakdown of quotas achieved against primary variables. A full breakdown of the sample including these is provided in Appendix C. Note that this research aimed to achieve a mix of sector representation and trades within sectors. Any weighting toward particular sectors/trades is due to the availability and natural fall out of sample.

**Table 1: Achieved against primary quotas**

Time since BRC	Sector	Turnover	Age of business	Representation <sup>2</sup>
1-3 months: 9	Retail/wholesale/ distribution: 4	Under 20k: 6	1-5 years: 10	Accountants / Agents: 19
3-6 months: 10	Professional/business services: 8	20-45k: 11	5+ years: 20	Unrepresented: 11
6 + months: 11	Catering/leisure: 5	45-65k: 4		
	Motor trades/transport: 10	65-85k: 7		
	Construction: 1	85k+: 2		
	Other: 2			

<sup>2</sup> The BRC sample involved businesses who were both represented and unrepresented. A screening process was used to ensure that no customers involved in this research were represented by agents who solely dealt with the BRC. No businesses were screened out of the research because they reported a representative completing the BRC on their behalf.

## 2. Understanding record keeping practices

This section explores customers' record keeping practices, and aims to provide understanding around the way in which customers perceive record keeping and their obligations relating to it. This provides insight into customers' motivations for record keeping, and demonstrates some of the different ways in which it is currently managed by businesses, including where they go for information and advice. This provides context to the sections which follow.

### 2.1 Understanding of record keeping

Record keeping was seen across all respondents as being a relatively simple process which amounted to the detailing of all business incomings and outgoings. It involved the recording of income (sales) and expenditure (expenses, bills, mileage and equipment).

Given its apparent simplicity, most participants were quite confident when discussing their record keeping practices - almost all said that they thought their record keeping was adequate to comply with HMRC's expectations - including those who had received a visit and a subsequent follow-up visit from HMRC as part of BRC. This confidence may partly have stemmed from a research effect (with participants not wishing to tell an interviewer that they are not sure whether their record keeping is adequate), but was also representative of a wider 'attitudinal compliance' amongst the businesses interviewed.

Participants saw themselves as 'honest people' and said that they wanted to be compliant with HMRC's expectations, regardless of whether or not they actually were. They had often been in business for a number of years, and therefore assumed that if they were doing something seriously wrong then they would have seen consequences (as a business, from HMRC or their accountant would have told them to change). Entrenched views such as these pose significant barriers to support or other interventions such as BRC - and highlight a greater need for earlier intervention.

*"To be honest I've always done everything the same, so it's got to be right."* (In business 5 years+; represented; visit adequate)

There were also a range of participants who, while still attitudinally compliant, and believing themselves to be 'honest' and seeking to comply with HMRC, were nevertheless concerned or anxious that there was room for misinterpretation and that their record keeping could potentially fall short by HMRC's standards. These tended to be participants involved in younger businesses, those who had had 'negative' contact with HMRC in the past, and those who were unrepresented by an accountant.

*"I didn't really know what good practice was ... I just assumed I was getting it right. There was a certain anxiety about that."* (In business 5 years+; represented; visit adequate)

## 2.2. Motivations for record keeping

For almost all participants there was a general awareness of the obligatory nature of record keeping. On first discussion, the majority of participants explained that record keeping was something that they undertook in order to satisfy the expectations and requirements of HMRC, helping ensure they provide accurate tax returns.<sup>3</sup> Consequently, most customers made reference to HMRC when thinking about the benefits and consequences of record keeping. For example, commonly cited benefits included saving time when completing a tax return, and ensuring the business wasn't overpaying tax. At the same time, participants were clear that poor record keeping could have consequences in so far as it would be a failure of their obligation to HMRC. This included penalties for inaccurate returns, and fines or even a prison sentence for failing to keep adequate records.

Participants also spoke about their responsibility as a business owner to keep accurate records. This was most evident among small businesses selling goods or stock as opposed to services. Participants whose businesses had been operating for a long time tended to present this most neutrally, seeing it as simply 'part of the job'. Younger businesses were sometimes more conscious of their responsibilities, and more uncertain as to whether they were meeting their obligations regarding appropriate record keeping practices.

*"So [the records have] got to be kept... from the point of view of trying to build a business and move forward."* [In business 1-5 years; self-represented; phone questionnaire adequate]

*"It is what my job is. You know, it is my duty to provide accurate records really."* [In business 1-5 years; represented; phone questionnaire adequate, referral to education]

Certain benefits of record keeping were consistently identified by participants. These included a general sense of 'keeping on top of things' allowing participants to be confident that the business was running smoothly; and also the ability to monitor in specific detail the progress of the business, in terms of overall profit and loss as well as in terms of which items of stock were selling particularly well. Some businesses also made use of their records when invoicing their clients to ensure accuracy. For those customers who operated businesses selling goods or stock, accurate record keeping was a key process which helped them maintain or grow a profitable business. For other customers, the main driver for maintaining accurate records was to conform to the law, to satisfy HMRC and to ensure accurate returns were submitted.

*"It's not to keep HMRC happy, it's to keep me happy and my wife happy, so we know where we are going."* [In business less than 5 years; self-represented; phone questionnaire adequate]

*"I can tell you honestly that many, many cab drivers [are not] keeping [adequate] records ... The consequences of not keeping accurate records ... mean that ... at the end of the year you're not going to have... done your tax return properly: and tax evasion is a crime."* [In business over 5 years; represented; visit inadequate]

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<sup>3</sup> This may have been because these individuals were participating in this research for HMRC on record keeping, and had been involved in a BRC relatively recently

## 2.3. How businesses manage their financial record keeping

Participants' businesses had a diverse set of arrangements in place for financial record keeping which were dependent on the level of personal organisation and business awareness of individual responsible and perceived complexity of business' financial situation.

Variations in financial record keeping management were observed across a number of different aspects:

- **Business size:** smaller businesses tended to perceive record keeping arrangements as simple and common sense practice; larger businesses had more complaints around its complexity and the time required
- **Frequency:** regularity of keeping records updated varied, but most customers recorded incomings and outgoings on a day-to-day or weekly basis, with a small minority of participants (with regular / predictable income and expenditure) who collated their records only once every six or 12 months.
- **Individual responsible:** responsibility for record keeping varied between the participant him/herself (especially among sole traders and smaller businesses), in some cases, wives or husbands took charge of record keeping duties (usually very small businesses) and around half of the participants made use of an accountant to help complete tax returns. These represented customers tended to be more confident that their record keeping practices were adequate.
- **Practices:** the actual means through which records were kept was also extremely variable, although common practice was to maintain copies of all receipts, and transfer the information from these into some kind of written record on a periodic basis. A minority, typically those trading in goods, immediately recorded the details of any transactions their business conducted. Most participants (especially larger or more complex businesses) ultimately transferred the details they had recorded into a computerised record. Practices were largely habitual, and once participants had established a system for themselves in the first few years of their business, they rarely made significant adjustments to it over time.

## 2.4. Sources of information, advice and guidance

Customers' general confidence in record keeping influenced attitudes towards requiring support. More confident individuals emphasised the importance of common sense and 'getting on with their job': some of these disliked the suggestion that they might even need support or guidance with their record keeping, and perceived this as potentially 'patronising'. These individuals tended to have several years or decades of business experience, or to see their business's operations as being particularly simple.

When participants had sought out advice, it tended to be either because they were starting a new business, or because they wanted to troubleshoot a particular problem or query that had recently arisen. Once a business was up and running, few participants reported making significant changes to their practice based on the advice of others. There were three main sources of information and advice around record keeping that were identified by participants:

- **Friends, families or peers** – informal and on an ad-hoc basis. The exact content and delivery of this kind of informal advice varied from case to case – sometimes it was just a matter of practical ‘tips’ that had been received when setting up a record keeping system; for others it could take the form of more structured support and guidance.
- **Accountants** – tended to be more structured, and commonly linked to start of business, business change, or change of accountant. Advice and guidance from customers’ representatives was perceived as directly tailored to their business and delivered by an ‘expert’ with understanding of both tax affairs and the participant’s circumstances.
- **Information or support from HMRC** – cited by a minority of participants and mainly by newer businesses. It was mostly in the context of information that had been found via the internet when searching for general advice on business record keeping practise, or when contacting an HMRC call centre for advice following a specific problem. Only a small minority had proactively sought out HMRC advice. Guidance offered by HMRC was seen as relatively inflexible and generic compared to other forms of support, partly due to an expectation or perception that it was insufficiently tailored to participants’ particular business needs.

Those who had recently started their businesses remembered encountering difficulties when they had been starting out, or lacked confidence generally, tended to be more open to discussing the kinds of support they had looked for and wanted.

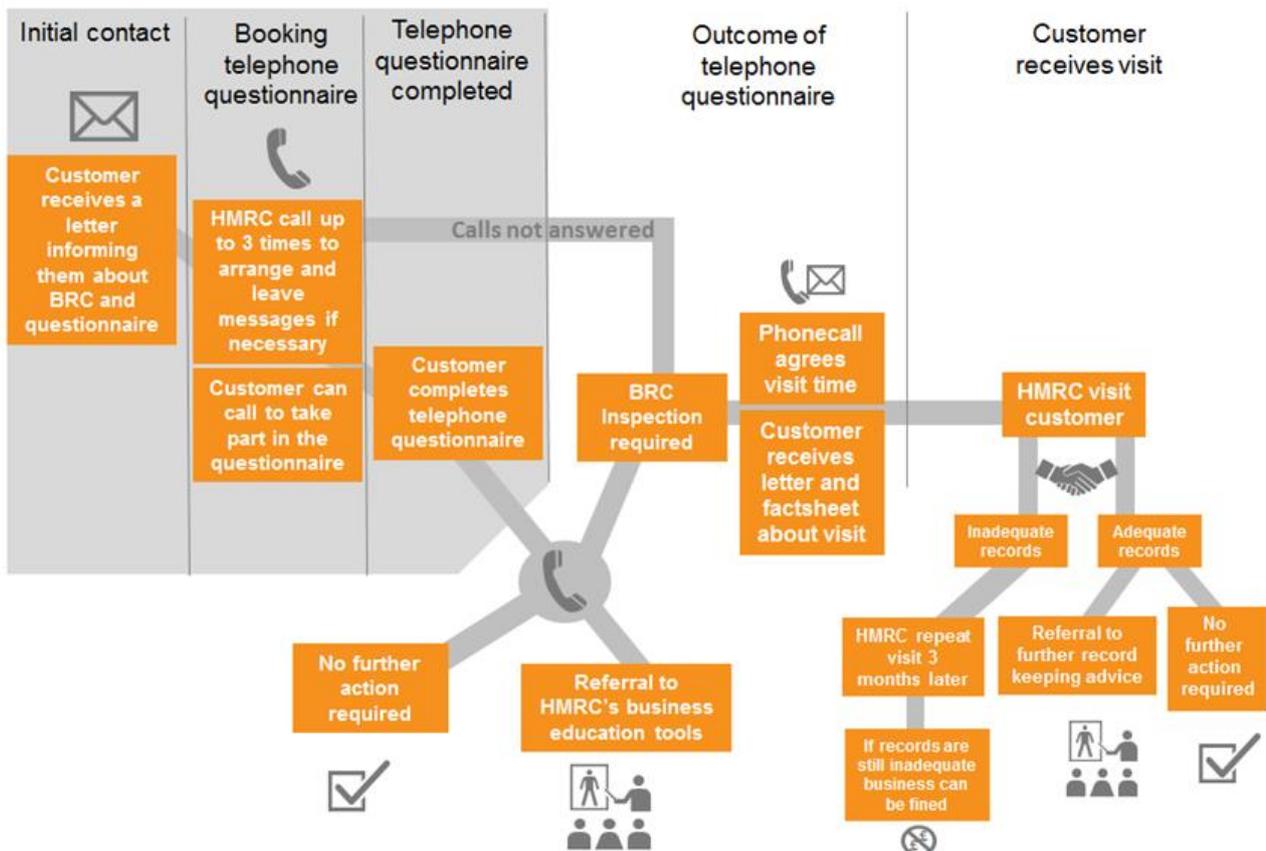
### 3. Customer experiences of the BRC process

This section explores SMEs’ experiences of the BRC process, from the first contact from HMRC through to the outcome of the check. This includes customer awareness of BRC, their expectations and experiences of the process, and any changes to knowledge, attitudes and behaviours resulting from the process.

#### 3.1 The customer journey

The customer journey for the BRC process is relatively linear as illustrated in Figure One. However not all customers go through all steps, as detailed below.

Figure One



Customers first receive a letter which informs them that their business has been selected for BRC. The letter explains that this will involve them completing a short telephone questionnaire

to provide information which will be used to decide whether (i) HMRC needs to visit them to check the adequacy of their statutory records, (ii) whether they are referred to HMRC's business education tools, or (iii) whether no further action is needed. Should a visit be undertaken and customers are found to have inadequate records then a repeat visit is arranged for 3 months later. Where customers have adequate records they may either be referred to business education tools for additional support or no further action is required – this is the case for the majority of customers subject to a BRC. While the process is relatively straightforward it is possible for customers to go through the customer journey in different ways. For reasons unclear in this research, some customers do not receive the initial letter which can lead to their first contact with HMRC being the telephone questionnaire, or if this contact was missed, the visit from HMRC to the business's registered address. In some cases therefore there are businesses that receive a BRC visit without having undergone the risk assessment questionnaire over the telephone.

Within this research we have captured feedback from customers who have experienced all the various routes through the BRC customer journey.

## **3.2 Initial reactions to selection for BRC process**

### **Awareness of BRC**

The vast majority of research participants were first made aware of BRC when they received a letter from HMRC. Two participants had heard about it from others who had gone through it, though awareness was reportedly limited. It was unclear whether they were actually aware of the BRC process before their selection or whether they conflated BRC with alternative compliance inspection processes.

*"I kind of knew about it because I had other friends who had a business, a sandwich bar, before. So they do get picked on every now and then."* [In business over 5 years; represented; visit adequate]

### **Receiving the initial letter**

All participants felt that letters received from HMRC get their full and immediate attention and the BRC letter was no different. Given their lack of awareness of BRC, this letter informing people of their selection for the BRC check came as a surprise to most people. For some people just receiving an unexpected letter from HMRC can raise concerns.

*"you get a rush of adrenalin. Any tax business is stressful. It's unwelcome, it can become extremely complex and you never know if you're going to be the one who gets singled out for investigation. Which again- I'm going to be getting a £2,000 or £3,000 minimum accountants bill ... so it's massively stressful."* [In business over 5 years; represented; visit adequate]

*"[HMRC] seem to have this persona, don't they? You feel guilty as soon as you get the letter."* [In business over 5 years; represented; visit adequate]

Recall of the initial letter varied considerably – possibly compounded by the length of time since the BRC process started for customers. Most could not recall the specifics of the letter, but a small number recalled some specifics, mainly that the language (tone and content) was

legal, technical and officious. Consequently they were concerned about the seriousness of the BRC and the potential outcomes of the check.

*"When I first read it, I thought, 'have I done something wrong?', as you do, you think, 'why would they be writing to me to come and check'. I thought, 'maybe I'm getting an inspection'... I've heard that happens."* [In business over 5 years; represented; visit adequate]

A small number of participants did not recall receiving the letter and the first contact with HMRC about the BRC came in the form of the telephone questionnaire or through a BRC visit; this caused shock and surprise.

*"Well, first of all, I was notified by my accountant because although I notified [HMRC of] my change of address, they sent the letter that I was going to get this business record check to my previous address. So, I only got notified by my accountant like a couple of weeks before it was due, and that made me unhappy with the Inland Revenue because I notified my change of address and they did not track it."* [In business over 5 years; represented; visit adequate]

### **Views on why their business had been selected**

Participants were slightly split as to how they were selected for the BRC – i.e. whether it was random or targeted - this influenced their subsequent views about BRC.

Most customers felt that it was a random selection process. This was either because their accountant had told them this, or recall of the letter suggesting that it was a random selection process. Customers recognised that HMRC has a role in ensuring people are completing accurate returns and were accepting of having been randomly selected for a BRC.

*"I wasn't very worried about it, but I was confused as to why. But then, as it said in the letter, you know, it's just randomly done it's not [based on] a particular issue."* [In business over 5 years; represented; visit adequate]

Those who believed they had been targeted assumed it was for varying reasons (with differing feelings about it):

- New businesses: felt that they may be less likely to understand the processes
- Cash businesses: felt that they had greater potential for bending the rules in recording each and every transaction
- Submitted incorrect returns in past or may have done something wrong without being aware of it: felt more anxious and less confident that their processes were adequate
- Personal / Sector demographics: Two participants mentioned this – they felt unfairly targeted and held negative perceptions of the BRC process from the beginning. They ended up being found to have inadequate records, but still felt aggrieved about the process and outcome as felt that others were evading tax whilst they had made a minor mistake.

### **Communicating with HMRC and trusted others**

Customers in this research were attitudinally compliant and largely confident in the adequacy of their record keeping processes. Customers also reported wanting to resolve any business or financial related matters as soon as possible. Shortly after receiving the letter (i.e. within 5 days) the vast majority of customers either called HMRC to book a date for the phone

questionnaire (or to conduct this interview) or they spoke with their accountants or friends/family members for clarity/reassurance that. Only two customers reported asking HMRC for more information on the BRC process and the types of questions they would be asked during the telephone questionnaire. These customers were given a limited amount of information on the broad areas and format of the telephone questionnaire; this was felt to be useful.

Several of those customers who received a visit without a phone questionnaire reported that they had tried calling HMRC multiple times but calls were unanswered or they got through to voicemails which were then not responded to. This resulted in a sense of frustration that they had to take part in a lengthy process because HMRC call lines were too busy.

*"It didn't bother me when he came because like I say I keep them clean. It wasn't an issue, [but] I thought it's a pain ... because the guys coming to my house because I couldn't get through to them."* [In business less than 5 years; self-represented; phone questionnaire adequate]

The large majority of customers felt confident that their record keeping practices were adequate and this belief was reinforced through communications with trusted others (accountants, friends and family). For this reason most customers were not concerned about their selection for a BRC. The only customers who did express some mild anxiety were those who were generally more nervous and those who had some doubts over the adequacy of their practices.

Very few customers spoke to anyone apart from HMRC, accountants or trusted friends and family. There was a strong sense among customers in this research that business matters are kept private and that it would not be appropriate to discuss these with other businesses. Self-employed individuals working in particular industries (e.g. taxi drivers) were the notable exception, with several participants talking to others to see whether anyone else had heard of or experienced BRC.

### **3.3 Expectations of the BRC process**

At the start of the process, customers had mixed expectations of what the BRC process would involve; these expectations became more concrete and consistent as people went through the customer journey. Participants were all agreed (at the start of the process) that the BRC was a compliance check - a mechanism through which HMRC check whether businesses are complying with their obligations in relation to record keeping. This belief was based on customer views of HMRC as a compliance and enforcement department, views reinforced by the impersonal, legal, technical and officious tone of both written communications and the telephone questionnaire later.

*"I suppose they're trying to prevent any unwanted activity or fraudulent activity by making sure records are kept properly, but also to stop people making a mistake with their records, and having a massive issue if it got discovered, you know, five years down the line."* [In business over 5 years; represented; visit adequate]

*"I'm not sure 100%, but I assume the record check is to make sure that I don't do any dodgy things, or whether I'm hiding anything, so that, you know, all my records are true rather than, you know, not what I claim to be."* [In business over 5 years; represented; visit adequate]

### **3.4 Preparations taken during the BRC process**

On the whole, customers undertook relatively little preparation for the BRC process until they were subject to a visit. This is understandable in the context of participants feeling record keeping was a fairly simple and straightforward process, that their record keeping processes were adequate (as confirmed with trusted others by many), and without detailed information on what the BRC process would involve. However, this lack of preparation may help to explain the high number of businesses that 'failed' the phone questionnaire but were then found (at visit) as having adequate records.

A small minority of customers reviewed their records before the telephone questionnaire and brought these up-to-date where needed. Of the two customers who called HMRC to discuss the process prior to the BRC telephone questionnaire one prepared some written notes against each of the broad areas that he expected to be covered, based on the information received from HMRC.

For those customers who were then subject to a BRC visit there was an increase in the level of preparation undertaken, typically informed by contact with accountants, friends and family. However, it is important to note that they mainly talked about preparing records, e.g. making it easier to find certain records, rather than changing practices. Customers wanted to both ensure that their record keeping was indeed adequate and that their records were up-to-date and in a form sharable with HMRC. All customers updated their records to include the last four months of income and expenses.

### **3.5 Experience of the BRC process**

#### **Experience of the BRC telephone questionnaire**

Given the small amount of information provided on the BRC process in initial communications customers speculated about the differing levels of information and detail that might be requested during the telephone questionnaire.

The majority of customers found the process to be straightforward and easy. Those customers who expected the questions to be relatively generic tended to feel their expectations had been met. For others who had expected more detailed questions about their accounting and record keeping processes the telephone questionnaire was felt to be surprisingly straightforward. These experiences were the same regardless of outcome (i.e. whether or not businesses were subsequently found to have adequate record keeping processes).

*"Whatever I thought they might ask, which is quite simple, what's my sales, what's my turnover... how much do I spend, how much do I do, how much tax do I pay...? Stuff like that. It was all pretty routine."* [In business over 5 years; self-represented; telephone questionnaire adequate]

However, some customers found it difficult to answer questions on the spot (e.g. the average number of customers seen in a week) – this was presumably compounded by their lack of preparation. Customers felt pressurised into giving an immediate response, and felt that they were unable to go and look for information during the telephone questionnaire or to go away and come back with an answer. This pressure was intensified by some of the language used (e.g. 'answer questions honestly and to best of your knowledge'), and the 'robotic' tone of the HMRC staff member, and a few being called at work. Where customers felt that they had dealt with a "warm" member of staff this had helped reduce concern among those who had any anxieties about process.

*"I just couldn't keep up with her, one was coming after the other. She asked me how many customers. How the hell do I know how many customers I have a month? Monday I probably had 50, today I probably had 20. So 'Im thinking - God I think I said something stupid, and then when I put the phone down I'm thinking I've told her wrong."* [In business over 5 years; represented; visit adequate]

A few customers were irritated by some of the questions asked – this stemmed either from an impression that HMRC staff did not know much about the sector or that they felt their 'integrity' was being questioned.

*"Absolutely ridiculous. Silly questions. The people asking these questions don't even know anything about our business. The questions [were] like, 'how many receipts do you keep in a month?'; 'how often do you keep a record?' - what has it got to do with anything? Is it relevant?"* [[In business over 5 years; represented; visit inadequate]

### **Experience of the HMRC education materials**

A minority of the participants completing the telephone questionnaire in this research were referred to educational self-help tools. These participants saw this referral as a suggestion rather than a formal request. Given their processes were deemed adequate by HMRC, customers did not expect that the educational materials on the HMRC website would be of great value to them and there did not appear to be clear direction as to which resources they should access or why the referral had been made.

Of those customers referred to education materials only one looked at materials in any detail (accessing recorded webinars). For those participants who did not follow up on the referral to education materials, or who browsed the resources out of curiosity but did not access any of the content, there was a feeling that these materials were likely to be too generic or basic for their business or level of experience. One customer took offence at the suggestion that they might benefit from the education materials.

*"I haven't got time to do training and I don't need training ... So I thought the whole thing was pathetic, patronising, a waste of time."* [In business over 5 years; represented; visit adequate]

For the one customer who did access the education materials this was a webinar on record keeping for 'cash basis' businesses which contained some small amount of new information directly relevant to his business: *"it was very clear and simple and concise and I think that's a good thing."* [In business over 5 years; self-represented; visit adequate]

## Experience of the BRC visit/s

For those customers where a BRC visit was required, again customers did not know exactly what to expect. A minority recalled a sense of what the visit might involve based on the content of the letter received confirming the visit but for the majority, their expectations were influenced by their perception HMRC as a compliance department, of BRC as a compliance check and their experience of the (process-related) phone questions. For some customers, particular expectations were raised about the process through details in the letter communications (e.g. in relation to the length of records to be reviewed or the types of records to be reviewed) that ran contrary to their experience of the process itself – a mismatch which led to dissatisfaction with the process.

*"I just thought he would come down, ask me some questions and look at what we were doing and that was it. I didn't think it was going to be like an interrogation or anything like that, I was quite calm with it."* [In business over 5 years; represented; visit adequate]

The vast majority of customers receiving a visit, regardless of the final outcome, found the process to be pleasant and supportive – much more akin to an education intervention than a compliance check. The actual process itself in terms of the way in which record keeping was reviewed was the same across the customers visited, with visits lasting approximately 1.5-3 hours. The majority of customers prepared their records for this visit (as highlighted in Section 3.4) and did not find the content and form of check itself surprising. What did come as a pleasant surprise was the manner of the HMRC Visiting Officer. Almost every customer actively commented how the friendly and open manner of the HMRC staff immediately put them at ease and made the visit pain-free. At this point BRC felt less like a compliance check and more about HMRC supporting the business, albeit accompanied by a level of scrutiny.

*"I wasn't relieved; I was annoyed about the phone thing, slightly miffed about my book – you do everything- that you think you do everything right in the first place...but I've got to say, honestly, they were lovely. All the way through they were dead nice."* [In business over 5 years; represented; visit adequate]

*"I soon realised that it was nothing to do with tax, although obviously how I keep my business record reflects on my tax returns. So that was quite reassuring, there was something about the way she put it which made me realise that this really was separate and it was helpful. I moved away from just the compliance feeling to the sense that I could actually get something useful out of it".* [In business over 5 years; represented; visit adequate]

For two customers, the visit was felt to have been conducted in a way that was incongruous with what they had expected – this seems to be to do with it being more thorough than expected based on the information received (e.g. the inspection of records outside of the four month period requested, calculating figures, requesting personal information). In both these cases the customer was found to have inadequate record keeping processes which may have influenced their responses in this research.

*"She looked through the records. She questioned me thoroughly. Wrote down my income, my exact incomes, the dates, and then even checked out some calculations that I did to make sure it's right. What I was told when she was coming was that she was coming to see if I needed any help or advice for keeping records. It turns into a tax check, in my opinion."* [In business over 5 years; represented; visit inadequate]

*"[The Visiting Officer requested to look at my personal bank statement]... Well no this is what I spend my money on, it's really nothing to do with you." [In business over 5 years; represented; visit inadequate]*

Issues identified during the BRC visit are detailed in section 3.6 below, but there was consistent feedback that these issues were considered by participants to be relatively minor. This may have been post-rationalisation on the part of participants because their practices were largely adequate, the issues identified seemingly easy to rectify, and possibly because of the way in which feedback was provided by the Visiting Officer. While participants did not suggest that Visiting Officer's downplayed the seriousness of issues identified during the check, there is the potential for the seemingly friendly nature of the visit to have influenced customers' perceptions of the seriousness of issues picked up.

In contrast to the tone of the first BRC visit, the letter received by customers confirming the need for a revisit was felt to be overly officious and punitive in the language that was used, incongruous with their interactions with the BRC Visiting Officer – i.e. it went back to being a compliance intervention.

*"There was one sentence in there that basically said I wasn't doing something right and what I wasn't doing right was recording the mileage and it was sort of a sledgehammer to crack a walnut sort of sentence." [In business over 5 years; represented; visit inadequate]*

Customers receiving a follow-up visit<sup>4</sup> because particular aspects of their record keeping were found to be inadequate were able to draw on their experience of the previous visit to frame expectations. The revisit itself lasted a relatively short period of time, customers understood what to expect and what changes were needed to their records, and had made these changes before the visit. While customers understood why HMRC were undertaking the visit, there was a feeling that this was possibly an unnecessary use of HMRC's resources given the nature of the changes that were made to records.

### **3.6 Attitudes towards outcomes of BRC**

Customer confidence in their record keeping processes influenced their reaction to the outcomes of the BRC. Those who were told no further action would be needed following the phone questionnaire were reassured but expected this to be the case. Those who were told that they would receive a visit were surprised but unconcerned as they were confident that no issues would be found.

*"I had a good feeling that everything was okay anyway so it was just a confirmation. It was a relief obviously that I am doing it correctly but I sort of assumed that was going to be the case anyway." [In business over 5 years; represented; visit adequate]*

For those customers who were found to have adequate record keeping processes on the BRC visit there was a sense of reassurance that the processes they had felt to be adequate were indeed adequate. Some felt slightly more informed about what they could do to further improve their records for the benefit of their business. Among a small minority of customers there was a sense that the visit would have been more valuable if the HMRC Visiting Officer

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<sup>4</sup> Note that, in this research, customers receiving a follow-up visit were deliberately oversampled for the purposes of gathering sufficient insight into their experience of the process. Only a small minority of customers who experience BRC are subject to visits.

was able to provide more advice and guidance. For these customers the visit, while still a compliance check, had been seen as an opportunity to gain bespoke guidance from HMRC.

Most customers were accepting of the outcome as the Visiting Officer was clear on what needed addressing in order to meet compliance with HMRC. In one case a customer who had been less confident in their record keeping activity and therefore anxious about the BRC expressed some relief that, although their processes were deemed not to be adequate, that the issues identified were easily addressed and not a serious breach of obligations. Customers receiving a repeat visit typically felt this to be unnecessary, feeling that the issues identified were minor and that their record keeping processes were largely adequate.

### **3.7 Impact of BRC**

Of those customers participating in this research, the only notable impact of the BRC process was on those customers receiving a visit, and in particular on those customers who were found to have inadequate record keeping practices. For all other customers the experience was a relatively neutral one; they were reassured their practices were in line with HMRC's expectations and no changes were reported in terms of their knowledge or behaviour.

*"There's no impact, but I think it's to confirm that I'm doing the correct thing to do, the proper way to do it – I'm doing it right – so kind of to give me more confirmation of that, you know?"*  
[In business over 5 years; represented; visit adequate]

For customers who received a BRC visit that resulted in no further action, there were minor changes reported to some elements of their record keeping practices in line with recommendations from the Visiting Officer. These included:

- Updating their records more regularly
- Changing addresses from personal to business on services which could be claimed for
- Distinguishing personal and business mileage

For customers who were visited and for whom a revisit was necessary, a number of different actions were taken to improve the accuracy of their record keeping. These included:

- Creating a back-up record of accounts
- Recording tips from customers (or separating tips from other income)
- Accurately recording /separating business and personal expenses

Customers were accepting of the need to make changes to ensure they met their record keeping obligations but tended not to see these changes (with the exception of keeping back-up records) as being of benefit to their business or of leading to the submission of more accurate returns to HMRC. In most cases this was because the differences to figures returned to HMRC were, in their view, so minor that they felt inconsequential. For example a taxi driver asked to record his tips claimed that in the 3 months previous to the visit he had received none, and that over the course of a year the amount would have been very small.

*"I think for someone my size and the amount of time I've been in business it's overkill it's not particularly relevant, I can see why they do it but I would have thought somebody who'd only been in business a couple of years you know somebody who'd left employment and set up like many are doing their own business would have found it very useful."* [In business over 5 years; represented; visit inadequate]

In terms of wider dissemination, as highlighted previously the vast majority of customers did not discuss any of their involvement in BRC with other businesses or peers. The one exception in this research being taxi drivers<sup>5</sup> who did communicate with others that they had been subject to a BRC, what it involved and, in some cases, advocating the importance of keeping accurate records.

### **3.8 Implications for the BRC programme**

Interviews with customers identified an uncertainty as to what the core purpose of the BRC programme is. The content of the initial written communications, while officious and legalistic, was seen to lack clarity as to the process resulting in customers interpreting this in different ways and creating a level of unease among some. At all stages except for the actual BRC visit, the intervention is seen as a formal compliance check. Customers tend to be accepting (and even reassured in some cases) that HMRC are a compliance department with a role to undertake such checks, though there is some confusion as to whether their business has been specifically targeted or not.

Only at the point at which customers are receiving a BRC visit do the majority feel that the process is actually more around offering guidance and support and that, on a related finding, where issues are identified that these are relatively minor. This is entirely down to the manner of the HMRC Visiting Officer and suggests that Visiting Officers may not be conveying the seriousness of the issues identified, or that their general positive demeanour may influence customers' perceptions of the seriousness of issues identified. This is supported by the perceived incongruity of the subsequent letter outlining the issues identified, with the customer's experience of the visit itself. The lack of consistency in the communication received from HMRC could, in part, contribute to customers insisting their processes were adequate even where issues were identified. Greater consistency in the tone of communications (both in person and in written form), and being more explicit about the targeting of checks, may lead to a more consistent and impactful experience for customers.

A related but distinct issue is customers' lack of preparation for the BRC. Among all participants there was a belief that record keeping was a relatively simple process, and most felt very confident that their processes were adequate. As such most customers felt there was little preparation needed or possible for the BRC telephone questionnaire. The lack of information that they felt they were provided by HMRC about the BRC process compounds this, leaving customers with very mixed expectations about what it may involve and little opportunity to prepare effectively. In undertaking the phone questionnaire, it is clear that many customers, especially those with more variable income, can struggle to answer the questions immediately. The result of this is that some customers whose processes are adequate fail the telephone questionnaire and then receive an unnecessary visit. HMRC may want to consider providing more information on the types of questions to expect during the telephone questionnaire in order to encourage people to prepare the information that will be necessary, balancing this with not providing too much information, which might allow people to answer dishonestly. An alternative would be to allow people greater time on the telephone questionnaire in order to think about their answers or gather information to answer questions in a manner which is less pressurised.

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<sup>5</sup> A total of 6 taxi drivers were involved in this research

## 4. Supporting accurate record keeping

This section explores SME's broader views on HMRC's role in supporting accurate record keeping: assessing what lessons can be learned from BRC, which might be applied in better supporting SMEs more widely in this area; identifying current barriers to engagement with HMRC education and other supportive measures and ways in which these might be overcome; and, exploring responses to HMRC propositions designed to support businesses in submitting accurate returns.

### 4.1 Lessons learned from BRC and implications for wider support

While this research considered SMEs' experience of the BRC and its impact on them, the research was more widely looking at how businesses can be supported by HMRC. There are a number of issues posed by the populations' behaviour / attitudes that have wider implications for HMRC.

#### **Compliance attitudes pose a substantial barrier to support**

Customers involved in this research were confident that their record keeping processes were adequate. Even in those cases where record keeping was deemed inadequate most customers still remained confident in the accuracy of their current practices. In cases where these went on to be rectified through the BRC process, there were doubts shed over the value of the changes made in some instances, where SMEs perceived them to be minor or insignificant. This is a major barrier to overcome in achieving behaviour change as customers may not see any need to access information, advice or guidance around record keeping.

The research undertaken by TNS BMRB around RTI mentioned previously, highlighted a similar issue faced by HMRC in regard to PAYE: beliefs about what types of behaviour constituted compliance and non-compliance with PAYE varied considerably. Here the introduction of RTI removed any ambiguity around what constituted compliant behaviour. With record keeping there is not the same systems change which will prompt customers to engage with their processes however lessons can be learnt in the way in which RTI was implemented. For example the importance of HMRC being seen to differentiate between serial non-compliers and businesses who 'slip up'. Adopting a combination of rigidity (through greater awareness raising and clarity of adequate record keeping) and responsiveness (through offers of support) may help encourage/enforce adequate record keeping and enable those who struggle.

While HMRC is not currently seen as an obvious source of support, there is a sense that HMRC can provide people with accurate information on adequate record keeping practices. HMRC, though not seen as a support service, is seen as a compliance department, and one which would provide guidance on businesses responsibilities. The challenge is that customers may not be aware that they need this support, may feel that they already receive this through other

channels (e.g. accountants), and may also be reluctant to approach HMRC in a way which identifies their business (i.e. they may be wary about being caught out).

The opportunities to address this may lie in communications which more explicitly challenge customers' assumptions and get them to reflect in more detail on their current understanding and practices. These communications could emphasise what constitutes compliance (as opposed to 'adequate' record keeping), the business benefits and the potential consequences of non-compliance, as well as providing clear links to relevant information and support available from HMRC.

A proactive approach, in which businesses are actively targeted based on the nature of their business (e.g. focusing more actively on service sector businesses) may help to both challenge assumptions and counteract the lack of awareness of information and advice provided by HMRC. Participants in this research felt regular updates of changes to record keeping obligations and any informative communications would be useful (and customers reported that HMRC correspondence tended not to be ignored).

*"Since HMRC have got our email addresses, they could notify us if there's any change in the literature they have online."* [In business less than 5 years; represented; visit adequate]

This proactive engagement could be furthered by explicitly communicating the potential benefits and losses that might result from accurate record keeping - in relation to time and money in particular, which SMEs were most likely to take notice of. Signposting businesses to tips and tools to make record keeping easier could provide 'quick wins' and would help encourage SMEs see HMRC as a helpful and trusted source of information and support.

### **The age of a business is a key factor to consider in how and when to target communications and support**

The longer a business has been in operation, the more likely it is that the individual responsible for record keeping will be habituated to keeping records in the way they do and the more likely it will be that they feel their processes are adequate. If their processes were not adequate someone (i.e. HMRC or their accountant) would surely have said something already? Customers that have been operating for a number of years are less likely to question their record keeping practices and less likely to engage with any offers of support. Indeed some may find such offers patronising or offensive (by calling their ability to run a business into question). This makes engaging older businesses a key challenge.

More recently established businesses, on the other hand, are recognised as much more appropriate targets for support interventions. Record keeping practices tended to be established in the early years of a business, and then remained largely unchanged. Customers in newly formed businesses (i.e. within the first year or two of business) may therefore pay more heed to HMRC communications and be much more receptive to offers of information, advice and guidance from HMRC.

While there is a need for a degree of realism around the likelihood of people accessing support from HMRC directly, especially where an accountant is used to complete returns, HMRC should look to target newer and older businesses differently. Newer businesses are likely to be more attentive to HMRC communications around support, and to engage with education interventions. Older businesses on the other hand, will need to be pressed to access support, potentially through the threat of a compliance check but possibly also through awareness raising communications directed via trusted sources of support such as accountants.

## The Digital Strategy is a big opportunity to engage businesses

Virtually all of the customers in this research were confident in using the internet and comfortable in accessing support through information or training online, if this was felt to be appropriate. Where customers did not have adequate record keeping processes, or there was a suggestion that they may benefit from additional guidance around record keeping, there was an assumption that the support on offer from HMRC would be too basic or generic for their business. On the whole, businesses saw themselves as different to others', even within their own sector, and did not see HMRC as providing advice tailored to them. This was especially the case among more established businesses, where customers were already confident in their practices.

The real opportunity here is to provide people with access to more bespoke advice and guidance, tailored to their business. A particularly positive element of the BRC emerging from this research was in receiving information and advice during the BRC visit. While part of this positivity was attributed the manner of the HMRC representative and face to face nature of this interaction, even among those who were initially concerned about the visit, one of the key aspects of this perceived benefit was the opportunity to have an expert provide bespoke advice which could benefit their business.

The Government Digital Strategy supports the Governments 'digital by default' agenda, whereby digital services are made so straightforward and convenient that all who can use them will choose to do so and those who cannot will not be excluded. This agenda provides HMRC with an opportunity to revisit the information and support that is available to businesses online. By targeting the communications and support available to businesses, accounting for their sector and the length of time in operation, HMRC could increase the uptake of this support and increase adequate record keeping.

As highlighted in a report last year from the National Audit Office<sup>6</sup>, awareness of HMRCs online transactional services is relatively high, though this may not translate into awareness of support services. In its current form the HMRC website is perceived to be hard to navigate to find relevant information, with additional complexity in the difficult terminology used, though only a small proportion of customers in this research had used the website recently to try and access information or guidance. One challenge for HMRC is to ensure that information is accessible and well sign-posted, and that ease of use (where this is a reality) is communicated to customers to prompt engagement. The other key challenge to overcome here will be convincing people that the support on offer will meet their needs, both in terms of relevance and accessibility. DirectGov, though now subsumed into GOV.UK, was highlighted as a website which was easy to navigate to find information and guidance by a number of participants.

*"I think sometimes it's just possibly the terminology that's used. And because every business is different as well, you know sometimes you go on [to website] and you expect it to be relevant to your business only and of course it's not because businesses are very, very different and quite complex, aren't they, and so it's very difficult I suppose to have something that covers every aspect and that's what makes it difficult when you go on to look up something."* [In business over 5 years; self-represented; visit inadequate]

Visual information was suggested as a way of engaging with SMEs for whom written communications was not easily understood; and also challenging perceptions of HMRC as providing overly complex information. Given HMRC do provide information in different forms,

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<sup>6</sup> National Audit Office (2013) Digital Britain 2: Putting users at the heart of the government's digital service.

including using more visual forms of communication, customer suggestions further demonstrates a lack of awareness of current HMRC guidance and an assumption that HMRC wouldn't yet provide support in this manner.

*"They could put YouTube inductions...just small lessons you know today we're going to cover this so we're covering what you need to know, we've wrote the spread sheet, this is how to do this, it would be nice you know to have something visual, I mean I don't read well so visual would be better for me."* [In business over 5 years; represented; visit adequate]

### **The differing nature of SME networks may have varying implications for dissemination strategies**

This research also highlighted the different levels and natures of communications and interactions between SMEs and those around them. The discussion of tax affairs was seen as a largely private affair among SMEs in this research; with only taxi drivers being clearly proactive in communicating with others in their sector about their involvement in the BRC and in some cases, advocating the importance of keeping accurate records. There was otherwise, very little inter-sector communication (i.e. businesses discussing business affairs with other local or similar businesses).

There was, however, more active communication and interaction between SMEs and their closer networks:

- Informed friends and family who also ran their own and/or similar businesses
- Their own accountants / family or friends who were accountants (especially regarding obligations)

They tended to go to these people regarding both record keeping (especially when first established) and more general business advice – as they were perceived as trusted advisors who were able to provide relevant advice for their business. HMRC was not typically a source of support in these respects.

The use of support networks (formal and informal) may have implications for HMRC in considering the dissemination of information regarding record keeping, and opportunities for increasing reach through the use of trusted others. While it is not clear to what degree network effects can be relied on either for encouraging adequate record keeping (e.g. through communicating involvement in a check like BRC) or through disseminating information, HMRC should consider how to leverage both accountants and more closed business sectors.

Given that accountants are often the first port of call for businesses for getting trusted advice on record keeping obligations, it suggests an opportunity for HMRC to target communications at accountants themselves. This could also potentially improve the accuracy of record keeping practices overall, given that even among represented businesses in this research, there were those who had BRCs resulting in inadequate outcomes - suggesting that accountants themselves may not hold entirely accurate information. Therefore, targeting education at this level could ensure the filtering of correct information down to SME themselves.

Secondly, where there is increased likelihood of inter-sector communication on business matters (e.g. taxi drivers and perhaps builders/tradespeople), HMRC could leverage this to increase the reach of key messages and education materials.

## 4.2 Responses to propositions

During the research, participants were also presented with three propositions of potential ways in which services could better support businesses to submit accurate returns:

- *Pre-populating returns: HMRC populate boxes on your SA return for you using information that they already hold about your business, e.g. capital gains, income from bank and building society interest, or credit card sales.*
- *Providing information on how other businesses have submitted returns – e.g. providing information on the profit to turnover ratios that similar businesses have, which could help you understand whether your records are correct or not*
- *Approved accounting software that updates HMRC’s records on an ongoing basis which means that at the end of the year there is no need to fill out a return as the value of the tax has been known accurately throughout the year; it can even be paid in instalments as the year progresses.*

We have provided an overview of the feedback to each of the propositions below, and then discuss, across these propositions, what the key implications are for HMRC.

Pre-populating returns	Information on similar businesses	Approved accounting software
<ul style="list-style-type: none"> <li>• Potentially time saving</li> <li>• However, concerns around accuracy leading to need to double check</li> <li>• Intrusive</li> </ul>	<ul style="list-style-type: none"> <li>• Could help benchmark against others which may be particularly useful for new businesses</li> <li>• However, unclear how this information could usefully be used and consensus that businesses too dissimilar for comparisons to be useful</li> </ul>	<ul style="list-style-type: none"> <li>• Could save time and reduce surprises at the end of the year</li> <li>• Could spread payments across the year, so more predictable</li> <li>• Potentially removes the need for an accountant</li> <li>• However, the system may be inflexible and it is not appealing for those who are not digitally literate</li> </ul>

### The need for reassurance

Framing participants’ responses to the propositions were their experience of the current system which was felt to work - for established businesses in particular, there was no desire to alter a process they were accustomed with, or that accountants dealt with effectively). As a result of both their familiarity with the current process and the lack of detailed information on the propositions, customers were quick to dismiss those propositions which felt unsafe as compared to the current process. Customers were conscious of the need to submit accurate returns and the potential negative repercussions of doing this inaccurately. As such the pre-

population of information on self-assessment returns by HMRC using HMRC-held or third-party held information was felt to be potentially dangerous.

The concern about inaccuracy was driven by perceptions that the information might be outdated or based on estimates. For those whose business information was connected with other accounts (e.g. personal account / partners' account), there were doubts raised about how HMRC would be able to identify the correct and relevant information with which to pre-populate their returns. Customers would not be comfortable doing this without first double checking all the information entered, which negates the primary benefit of that particular form of support: time saving.

On the other hand, approved accounting software was more positively received by customers because it offered a degree of assurance that you would be collecting and entering all the necessary information to ensure your record keeping processes were compliant. Removing the need for an end of year return appealed particularly to SMEs' desire to save time, and the positive reaction to this idea of breaking up the time taken throughout the year also extended financially to spreading payments. It also provides the added reassurance that customers are in a position of knowing in advance what their tax liabilities will be, helping them to plan ahead for this.

*"That would be a good idea yes, because I got a big shock this year. I went from last January paying £560 to this January paying £2,340."* [In business over 5 years; self-represented; visit inadequate]

Customers are familiar with the current system and feel in control over what is currently recorded on their tax returns. Where any new system or support offering is put in place, customers will need to be reassured that this offers benefits over the existing system and that it won't inadvertently lead to them submitting inaccurate returns.

### **Customers are cautious about sharing too much information with HMRC (or Government)**

There was an underlying current of discomfort among the majority of participants about providing HMRC with access to more financial information than was absolutely necessary. In the current system customers felt in control of what information HMRC did and did not see, and as highlighted previously, customers tended to be very guarded over business and financial matters. Any suggestion that HMRC (and therefore the Government) had access to customers' financial accounts - which potentially includes personal accounts - prompted negative reactions among most participants. It is not that customers feel that they have anything to hide but more a feeling of encroachment into a space which most felt should remain private. Customers are likely to be resistant to any transition to a system where financial information is harvested from third-parties (e.g. customers banks) and will need reassurance around how this information is to be used by HMRC. An opt-in process may be a way to test the efficacy of any such system and begin to normalise this system should HMRC decide to explore this further.

### **Businesses see themselves as unique**

Customers in this research operated a wide variety of different businesses across different sectors. They all saw their business as unique and that there was little to no value in

comparing and contrasting their business with that of others. Even businesses offering the same services were felt to be sufficiently different that any comparison would be of limited value. Customers felt that the businesses location, size, clientele, stock/goods, business model and personnel all had an impact on the business, meaning that you would never be comparing like for like.

*"I don't think you should have to mould yourself to any particular profit, you know gross profit or whatever, you are what you are, you do what you do, everyone's different."* [In business over 5 years; represented; telephone questionnaire adequate, education referral]

The largely negative reaction to the proposition around providing people with information on similar businesses, coupled with the desire already expressed for more personalised information, illustrates the challenge facing HMRC to persuade people of the value/relevance of this information to their tax returns. It is possible that engaging new businesses and showing them how any comparator information could be used may be the primary way in which customers begin to use this information to inform their returns.

### **The need for flexibility**

Customers managed their record keeping processes in a wide variety of ways, ranging from updating records daily or weekly right through to biannually/annually, and from using primarily paper books to accounting software packages. As such, customers are cautious about propositions which may require them to have to alter practices which they believe serve them well. For example, while the proposition of approved accounting software is relatively appealing to people due to the reassurance it will offer, there were questions raised about what flexibility a more frequent reporting system might allow. Whilst time-saving at the year-end was perceived as a key benefit, there were concerns about whether there would be allowances made in the timing and frequency of providing information to HMRC; some felt that the system might be inflexible and this raised concerns if there was a need to submit information at particularly busy times of year, for example. To encourage take up there would need to be some flex built into any such system to enable customers to update their records over different time periods. With newer businesses, a system such as this may not need to be so flexible and could encourage positive, regular record keeping habits from an early stage.

For those who saw themselves as unable to use accounting software (predominantly those record keeping on paper, who were non-digital in mind-set and behaviour) any system which would require them to engage with technology directly was a major barrier. For these (older) customers it is unlikely that HMRC will be able to encourage them to alter their practices without first addressing digital literacy and access to the internet.

*"I was brought up in a pen and paper age...I will keep doing it until I retire and as far as computers go I don't trust them with all these Trojans , the infections...cyber criminals. I wouldn't want any records going astray."* [In business over 5 years; represented; outcome adequate]

## 5. Conclusions

The BRC programme aims to identify small and medium-size business which may be at risk of failing to keep adequate records, to check whether this is the case and to provide them with the support needed to comply with their record keeping responsibilities. This current research involved interviews with customers who experienced various stages of the BRC process, including those for whom no visit was required, those who received a referral to education support and those who received a visit (with adequate and inadequate BRC outcomes). While each of the customers involved in this research differed considerably - in relation to their level of business experience, the sector in which they worked, their business's size - these factors had little impact on their record keeping practices or their compliance with HMRC requirements.

The customers we spoke to in this research, regardless of their BRC journey or outcome, were attitudinally compliant and largely confident that their record keeping processes had been adequate. Even among those customers who were not found to have adequate record keeping practices, many (especially those more experienced customers) felt that they still had been adequate, in principle if not in practice, and that changes made to their practices were relatively inconsequential in terms of the accuracy of returns submitted. The context to their record keeping practices and their experience of the BRC process provide a variety of useful insights to HMRC in regard to supporting SMEs more generally with their record keeping practices.

- Record keeping is perceived to be a relatively simple practice of recording incomings and outgoings, however there are grey areas where customers are either unsure or unaware of what is correct practice. Customers with businesses that have been operating for a number of years assume that their experience, and the lack of any prior issues with their returns, equates to their practices being correct. Customers with accountants who undertake their returns, and provide guidance on what can and cannot be claimed for, assume they are in the right as they have a professional guiding their record keeping, or at the very least converting their accounts into accurate returns figures for HMRC. Many customers are therefore habituated to maintain their records in a set way, often informed by friends, family, peers or accountants, until they are told otherwise. Clarity around what constitutes 'adequate' record keeping (and potentially compliance) is key.
- Customers vary in the extent to which they used HMRC as a source of information, but the majority did not see HMRC – a compliance and enforcement department - as a source of support and guidance. Record keeping - perceived to be a simple process of recording your incomings and outgoings for the purposes of submitting accurate returns at the end of the year – was informed by trusted friends, family, accountants and, to a smaller extent, peers in similar businesses/trades. These sources were felt to offer bespoke support, tailored to their needs as individuals and businesses. HMRC on the other hand was assumed to offer generic support that would lack relevance to their

particular business, and record keeping was not an area where customers felt that any such support was necessary. The exception to this was for newer businesses who were less confident in their processes and more open to the opportunity to learn. I.e. customers who were not yet in a habit of keeping records in a set format and who had not yet managed their processes in this way for many years without recourse from HMRC.

- Where customers are made aware of issues with their record keeping, or receive recommendations on ways in which their record keeping could improve that will result in direct benefits for their business, they are quick to make adjustments. Targeting higher risk and newer businesses with advice (ideally tailored to their type of business/sector), or involving them in a process such as BRC, is likely to result in more accurate record keeping and therefore more accurate returns. This advice may include information on what is required to meet their record keeping obligations, tips on best practice, and recommendations on templates or software for organising their records.

The implications of customers' experience of the BRC process were further clarified through wider discussions that took place around ways in which HMRC could better support businesses. These discussions highlighted that customers (especially those in more established businesses) are accustomed to the current process and are highly risk adverse when it comes to their tax returns, therefore introducing any new services which may increase the risk of incorrect tax returns (e.g. through pre-populating returns) are unappealing without sufficient detail to allay concerns. Services which actually reduce the likelihood of error (e.g. approved accounting software) are likely to be more appealing as these may help ensure that customers are collecting the right information in the right way. Nevertheless there is still a need for flexibility in any such service to accommodate current differences in the way in which customers currently manage their records. There also needs to be recognition that customers want to maintain an arms-length relationship with HMRC and that services which require them to provide access to information over and above what is currently provided are likely to be met with resistance.

Businesses would benefit from more pro-active information, advice and guidance on their record keeping processes, tailored to their particular business or sector. The process of keeping accurate records is seen to be simpler than it actually is in reality and habits are soon formed which are reinforced by experience. The BRC process is a valuable tool for HMRC in identifying businesses with inadequate record keeping practices, if appropriately targeted, though earlier intervention in the form of educating newer businesses would have greater impact and develop good habits early on, reducing the likelihood of inadequate record keeping. Looking to the future, developments in digital capabilities provide a key opportunity for HMRC to tailor communications and support to the needs of businesses, therefore providing a way to engage both new businesses and those older businesses who may be less likely to actively seek record keeping support.

# APPENDIX A: Discussion guide

## HMRC Business Record Checks

### Discussion guide for depth interviews

#### Note to researcher

##### Background

- HM Revenue and Customs (HMRC) carry out checks on how businesses keep their records. Businesses need to keep records to complete their tax returns correctly, and pay the right amount of tax at the right time to avoid interest and penalties. This is known as the Business Record Checks programme.
- A pilot programme of Business Records Checks (BRC) began in April 2011. This involved checks by HMRC on the adequacy of Small and Medium-sized Enterprises' (SMEs) statutory business records. SMEs are businesses with an annual turnover below £30 million who employ less than 250 people.
- Following a review, HMRC announced a fresh approach to its pilot BRC programme on 3 February 2012. A new approach to BRC started on 1 November 2012. Customers who were more likely to be at risk of having inadequate records were contacted by letter to arrange for HMRC to call them to go through a short questionnaire.
- Depending on the outcome of this call, HMRC confirmed to some customers that no further action is required. Where some issues were identified, customers have been offered targeted self-help education options. Customers who were assessed as being at risk of keeping inadequate records were referred for a BRC visit.
- On the visit, the HMRC officer:
  - Asks the business to explain how they run it
  - Notes how they keep their business records
  - Checks a sample of their current business records
- There are a number of possible outcomes of a check:
  - If there are no problems with the records, this will be the end of the BRC
  - If they need to improve their record keeping – there will be a follow up visit to check if the necessary improvements have been made.

##### Research aims

- **Identify SMEs' record keeping practices** – how records are kept, standard and level of consistency, who is involved and barriers to record keeping
- **Understand SMEs' attitudes towards record keeping** – how valuable or burdensome this is in terms of helping them run their business and compliance with regulations
- **Explore SMEs' experience of each stage of the intervention** - their understanding of HMRC's aims and the potential outcomes, how they felt about it, what they learnt and who was involved
- **Understand the impact of the BRC process** – whether each stage of intervention met HMRC's aims in terms of the influence on attitudes and behaviour in keeping accurate records and any impacts on the business
- **Identify any additional adjustments required to the intervention programme** – increasing effectiveness in producing positive behaviour change.

### Stimuli needed

- Journey map – blank
- Full journey maps

## Introduction (3 mins)

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- Introduce yourself
- Explain the purpose of the interview – to explore the customer experience of the Business Record Check process and to understand what impact the process may have had on them and their business.
- Explain that although we will be talking about their business and accounts, this is for research purposes only and will not be fed back to HMRC at an individual level. The interview does not form part of any record check or audit by HMRC.
- (*Face to face only*) Explain that (as it should have been explained to them at the time of recruitment) at the end of the interview you would like to ask them to summarise some of the points covered in the interview on film (a short 1 minute 'vox pop') as a 'message for HMRC' about their experience; this is **not** obligatory and we can audio record this instead if they would prefer not to be filmed. Explain that additionally, if they are willing, we would also like to take some photos of the office/home office environment (where their business record keeping happens); this is to provide some additional context about business' record keeping.
- Recording equipment and confidentiality
- Length: 60 minutes / 45 minutes for telephone interviews
- Ground rules

## Context / Business Records management (10 mins)

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- Respondent to give some background about their business – sector, how long it has been in business, number of staff, annual turnover
- Ask respondents for some contextual information about how their business manages its finances:
  - Who is responsible for keeping financial records
    - Use of a bookkeeper/accountant

- What do they see as financial record keeping?
  - What type of financial records are needed
  - What's its purpose – is it for tax purposes / general business management
- Process they use for keeping financial records – frequency of recording payments/receipts, paper based/computerised, how they separate business and personal records
  - have they always done it like this / any changes over time / key influences
- What are their sources of information/ advice/ training for:
  - What kind of financial records they need to keep
  - General matters relating to business / financial obligations
- What are your obligations for record keeping / reporting?
  - Why? / Where have you found out about this?
  - Any difficulties in fulfilling these?
- Level of confidence that their processes are adequate to comply with HMRC
- Ask how they feel about keeping financial records
  - Perception of benefits of good record keeping for them / their business
  - Perceptions of how others (e.g. in their sector, other SMEs) keep their records; influence on their own practices
  - What prompts them towards 'responsible' record keeping / reporting?
  - What are the consequences of not keeping / reporting accurate records?
    - Why? How do you feel about that?
    - Prompt for: making inaccurate tax returns (i.e., either under or over payment); incurring fines for late returns; contact with HMRC to correct errors.
  - Whether their feelings have changed over time; any influences e.g. media
- Is there any support that you need currently on record keeping?
  - Type and how it should be provided?
  - Is this something that you think HMRC could provide?
- Explore any previous engagement/communications with HMRC
  - Information / support received regarding record keeping
  - Perceptions of HMRC and drivers behind perceptions

## Customer journey - unprompted (30 mins)

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- Using the blank journey map, respondent to describe what they recall from the BRC process from start to finish and researcher to annotate the map
- Researcher to begin by first exploring context of first interactions with HMRC for the BRC - use questions flexibly; could include for example:
  - What time of year was it
  - What was going on at the time; how were things (busy, stressful, relaxed, etc.); within the business / personally
  - Ask if they can recall the day they first received the contact/ talk through and help fill in the context (what were they doing that day; were they meeting people / alone; what time of day was it, etc.) before probing for any specific details
- Talk through the various stages

- What happened at each stage
- What they expected to happen at the next stage and any difference to reality
- Any problems encountered
- Thoughts and feelings at each stage
  - Feelings towards HMRC – purpose of the BRC, expertise of the BRC staff (phone assessment and visit)
  - Feelings about keeping financial records
  - Feelings towards the cost of the BRC
  - Willingness to provide information to HMRC
- What action they took at each stage and why

**Questions for specific stages: see above for general probes to use throughout**

*Researcher to tailor guide to the stages to the respondent's specific intervention type*

Initial letter

- Had they heard about BRCs before;
  - If so, what had they heard; where from
- Thoughts/feelings (see above for general probes)
  - How did they feel when they received the letter? (Initial reactions – positive / negative)
  - Initial perceptions of what BRC was about (what drove these perceptions; distinguish whether from letter or fact sheet)
    - PROBE: compliance/penalties, education, advice
    - What did they expect it would involve?
    - What did you think HMRC were trying to achieve by doing this? Why? What's this based on?
    - How did you feel about this?
  - Initial perceptions of the likely usefulness of BRC
    - Did they think it would be helpful? Why?
    - How did it link in with general tax obligations / record keeping responsibilities?
  - How they felt about being selected for a BRC
    - Why did they think they had been selected
- What did they do next (if anything); what prompted this
  - What did they do with the letter (e.g. file it, leave it out, put away)
  - What were their expectations of what would happen next
    - Did they need to do anything?
    - Did they phone themselves or wait for phone call or ignore; reasons for this
  - Whether they looked for more information about BRC (on HMRC website (given in letter/fact sheet) or elsewhere)?
  - Whether they did anything else (external/internal) e.g. talk to someone, look at business records, preparation, any changes

- How quickly, slowly did they act; reasons

#### Customers who did phone questionnaire

- How long after initial letter did they receive a phone call / make a phone call themselves  
(for those who made phone call)
  - why did they decide to make the call rather than wait
  - whether there were any issues getting through / making the call
- Thoughts / feelings in advance of phone call
- Expectations of what the phone call and questionnaire would be like
  - Perceptions of its purpose
  - Whether they had seen the questions before the interview – how and what impact this had
  - What did they expect to happen to them as a result of the call / questionnaire; what did they expect the outcome to be
- How did they find the questionnaire
  - Confusion about any of the questions
  - How did it compare to the expectations of what it would be like
  - Did they ask you anything you weren't expecting?
  - Anything that you thought they would cover that they didn't?
- What was the outcome
  - What was that conversation like;
    - interaction with HMRC staff; perception of his/her expertise
  - What was their reaction/feelings to the outcome that was given ;
    - How did it compare vs. expectations
- What happened after the call
  - Did they do anything afterwards;
  - External actions (PROMPT: searching online, talking to colleagues, friends / family, peers / other SMEs, accountants / professionals, communicating with HMRC)
  - Internal actions within their business (e.g. changing their record keeping system, changes in staff responsibility for record keeping)
    - If not, why not
    - If so, when, how quickly / slowly did they act and why
  - Did it have any impact (PROBE IN DEPTH)
    - On their record keeping practices
    - On their attitudes towards record keeping
    - Why / Why not?
  - If changes made
    - What was the nature of the changes
    - What time scale were the changes made / happen over
    - Any facilitators or barriers to making these changes

- What (if any) support did they need to make the changes
- Any knock on effect on their general business or financial procedures
- Any knock on costs as a result of the changes

Customers who were referred to education tools

- Reactions to education tools offered (webinar, fact sheets, signposting to website information)
  - Perception of what the educational tools were designed to do
  - Expectations and perceptions of usefulness / appropriateness to them when offered
  - Perception about whether the education tools were compulsory or not
  - Perceptions of HMRC as a result of educational tools offered
  - Did they expect to be offered something else? (Would something else have been more helpful?)
    - Explore what (both content and format)
- What happened after educational tools offered
  - Reasons for taking, or not taking up tools
- Experience of any the tools offered (if applicable)
  - How it compared to their expectations
  - Whether live or pre-recorded versions
  - Reasons for choices of tools taken up / not
  - Differences in the experience of different tools they took up (if applicable)
  - How useful they found the tools; reasons
  - Perceptions of HMRC as a result of experience of educational tools taken up
- Impact of educational tools used
  - Did they do anything / act on anything with the information from the educational tools
    - if not, why not
    - If so, what did they do, when, how quickly / slowly did they act and why
      - Did they talk to anyone or share these educational tools with anyone
  - Did the educational tools offered/ taken up have any impact
    - On their record keeping practices
    - On their attitudes towards record keeping
    - Why / Why not?
  - If changes made
    - What was the nature of the changes
    - What time scale were the changes made / happen over
    - Any facilitators or barriers to making these changes
  - What (if any) support did they need to make the changes
    - Any knock on effect on their general business or financial procedures
    - Any knock on costs as a result of the changes

- Expectations of further interaction with HMRC following this
- Perceptions overall on what they were offered?
- Any perceived benefits to business

Customers who received a site visit

- Letter confirming visit
  - How they felt about getting a visit

(For those who did not take part in phone questionnaire)

  - whether this / the information in the letter was a surprise; any reasons for not taking part in phone questionnaire
  - Expectations of what the visit would be like and its purpose; feelings prompted
    - Reactions to the letter
    - Reactions to the fact sheet
  - What happened next
  - Did they do anything; if so, what did they do (internal / external actions) ; Whether they prepared anything in advance of the visit; talked to anyone about it
    - what prompted this
    - explore time / cost burden

Researcher to begin by first exploring context of HMRC visit for the BRC - use questions flexibly; could include:

- What time of year was it ; how long after initial contact from HMRC
- What was going on at the time; how were things generally (busy, stressful, relaxed, etc.) ; within the business / personally
- Ask if they can recall the day of the visit and help them fill in the context: what time of day was it, who was around that day; what was the atmosphere like just before arrival of HMRC representative; moment of introduction etc.
- Experience of various stages of visit: introduction, identification and purpose of visit; background information; establishing record keeping process; reviewing sample of records; decision; advice of decision/ provisional decision
  - Expectations vs actual experience
  - Duration of visit
  - Interaction with HMRC representative;
    - Perceived nature of interaction (PROBE: compliance / penalty , education / advice)
    - willingness to give him / her information
    - perceptions about the information / advice given by HMRC representative; how useful, helpful
    - perceived expertise of representative

- Thoughts and feelings throughout visit
  - Expectation of the outcome of the visit
- Outcome of visit: what happened next
  - How they felt about the ‘outcome’ given by HMRC representative at end of visit; any surprises
    - If another visit required: did they feel this was justified (why/why not)
  - Did they do anything / act on anything as a result of the visit
    - if not, why not
    - If so, what did they do, when, how quickly / slowly did they act and why
  - Did the visit have any impact (if so; in what way)
    - On their record keeping practices
    - On their attitudes towards record keeping
    - Why? / Why not?
  - If changes made
    - What was the nature of the changes
    - What time scale were the changes made / happen over
    - Any facilitators or barriers to making these changes
  - What (if any) support did they need to make the changes
    - Any knock on effect on their general business or financial procedures
    - Any knock on costs as a result of the changes
    - Perception of whether this should be from HMRC or elsewhere
- Expectations of further interaction with HMRC following this
- For those with second visit
  - What were their expectations of this visit (vs. reality)
  - How was it different (if at all) to the first visit

## Customer journey - prompted (5 mins)

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- In this section, moderator should:
  - 1. Use HMRC journey map to prompt recall of any missing steps. Add to original journey map with additional feedback using prompts in previous section.
  - 2. Focus on the particularly salient aspects of the journey for the respondent based on the respondent’s recall (i.e. the aspects that had most impact on participant’s attitudes, experience, behaviours) by
    - Talking through these in more detail (use relevant letters, questionnaire, education materials etc.) to identify and explore specific aspects
    - Probing what was it about these aspects that resonated / made an impact

- Understanding more fully the reasons for their actions and feelings and any changes in behaviour, including what they took from each stage
  - Benefits to them (e.g. improved knowledge and understanding of required records, peace of mind, confidence in their record keeping, reassurance)
  - Benefits to their business (e.g. financially, avoiding fines, better financial planning)

## Reflections (15 min)

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- Why do you think HMRC has provided the support around record keeping?
  - Public service / support to business?
  - Improved tax collection? (E.g. Helping people to pay the right amount of tax? Reducing the errors the people make on their returns? Making it more difficult to evade tax? Increasing likelihood of prompt payment?)
  - Did you see it as support?
  - Did you feel it was proportionate / appropriate?
- If you have changed your practices at all, has this had made any difference to the accuracy of your return?
  - Why? (Probe for specific differences – why errors avoided or return more timely, e.g., Better understanding of what can be deducted? Information more readily available? Process was quicker to submitted on time?)
- If you have changed your practices at all, has this made any difference to your levels of contact with HMRC?
  - Probe: whether respondent more or less likely to contact HMRC now and why.
  - Probe: whether HMRC more or less likely to contact respondent and why.
  - Probe: whether makes it more or less likely that HMRC will inspect their business.
  - Businesses with good records have more certainty that their return is accurate and are viewed as lower risk by HMRC. How important was this to your decision to improve your records?
  - Was this clear as a benefit of BRC?
- What level of support and guidance do they think SMEs like them should receive from HMRC regarding good record keeping practices
  - How far does the current BRC programme meet these needs
  - What about other support they receive from HMRC?
  - Are there barriers that need to be overcome better?
- Was there anything that you were expecting from BRC that you didn't get?
  - What / Why?
  - Explore benefits of this / what did they need to do as a result / what's the impact of this been
- HMRC are considering a number of new areas to better support businesses to submit accurate returns.
  - Pre-populating your returns – e.g. HMRC populate boxes on your SA return for you using information that they already hold about your business, e.g. capital gains, income from bank and building society interest, or credit card sales.

- What benefits would this provide to your business?
  - What problems would this create for your business?
  - Would the additional certainty be worth any disadvantages?
- Providing information on how other businesses have submitted returns – e.g. providing information on the profit to turnover ratios that similar businesses have, which could help you understand whether your records are correct or not?
  - What benefits would this provide to your business?
  - What problems would this create for your business?
  - Would the additional certainty be worth any disadvantages?
- Approved accounting software that updates HMRC's records on an ongoing basis which means that at the end of the year there is no need to fill out a return as the value of the tax has been known accurately throughout the year; it can even be paid in instalments as the year progresses.
  - What benefits would this provide to your business?
  - What problems would this create for your business?
  - Would the additional certainty be worth any disadvantages?
- How do they think they could be encouraged towards better record keeping; anything they would have wanted differently in retrospect / they would change about the BRC process or experience
- How could other SMEs be encouraged towards better record keeping; probe specifically on those whose records are not in good order; how could they be better encouraged to improve their practices
- How to improve uptake/access of education materials
  - In relation to record keeping (e.g. targeted communications raising awareness of specific record keeping resources – how/when would be best to send)
  - In relation to wider education – what form of educational support and guidance are you most likely to access; when; why
  - What barriers might exist for companies such as yours to accessing online education

## Close (1 min)

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- Anything else they would like to add

## Film/photo (5 min) – Face to face only

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(If willing -otherwise audio-record)

Capture a short (1 minute) summary of:

- How would they describe their overall experience of BRC; what was it like for them
- What impact would they say the BRC had on
  - their record keeping practices; if so, in what way
  - their views on record keeping
  - their feelings towards HMRC
  - their knowledge and understanding of their record keeping responsibilities
- Any additional 'message to HMRC' about BRC

Additionally capture any photos of office/home office environment where record keeping takes place

## APPENDIX B: Analysis methodology

All interviews were recorded and transcribed. Following a researcher brainstorm, an analytical matrix was produced based on the emerging themes and research objectives. Perceptions of compliance and the factors underpinning views were then mapped onto the matrix for each interview to provide granular analysis of individual interviews, and to facilitate thematic comparisons between interviews.

# APPENDIX C: Sample breakdown

.	Interview Type	How long ago was BRC check?	Representation	Type of Contact	Industry/Business type	Turnover	How long has business been operating?
1	Face to Face	6 months +	Accountant	Letter and phone questionnaire - visit – visit outcome adequate (i.e. no further action or referred to education)	Catering-Restaurant	65-85k	5+
2	Face to Face	1-3 months	Self-represented	Letter and phone questionnaire - visit – visit outcome inadequate (i.e. further visit required)	Pre-school education - Professional	65-85k	5+
3	Face to Face	1-3 months	Accountant	Letter and phone questionnaire - visit – visit outcome adequate (i.e. no further action or referred to education)	Retail - market stall	65-85k	5+
4	Face to Face	1-3 months	Accountant	Received a letter and a phone interview followed by a referral to HMRC business education	Car dealership-Motor trade	65-85k	5+
5	Face to Face	6 months +	Self-represented	Letter and phone questionnaire - visit – visit outcome adequate (i.e. no further action or referred to education)	Motor bike shop-Motor trade	85k	5+
6	Face to Face	3-6 months	Accountant	Letter and phone questionnaire - visit – visit outcome adequate (i.e. no further action or referred to education)	Black cab driver - Transport	under 20k	5+
7	Face to Face	1-3 months	Accountant	Letter and phone questionnaire - visit – visit outcome inadequate (i.e. further visit required)	Landscape gardner-Professional/business	45-65k	5+

8	Face to Face	3-6 months	Accountant	Letter - visit (NO phone questionnaire) – visit outcome adequate (i.e. no further action or referred to education)	Musician - other	20-45k	5+
9	Face to Face	1-3 months	Accountant	Letter and phone questionnaire - visit – visit outcome adequate (i.e. no further action or referred to education)	Builder - Construction	20-45K	5+
10	Face to Face	6 months +	Accountant	Letter- visit (NO phone questionnaire) – visit outcome inadequate (i.e. further visit required)	Taxi driver - Transport	under 20k	1-5 years
11	Face to Face	3-6 months	Accountant	Letter- visit (NO phone questionnaire) – visit outcome inadequate (i.e. further visit required)	Orchid horticulture- Retail	85k	5+
12	Face to Face	3-6 months	Accountant	Letter and phone questionnaire - visit – visit outcome inadequate (i.e. further visit required)	Sandwich shop- catering	45-65k	1-5 years
13	Face to Face	6 months +	Self-represented	Letter - visit (NO phone questionnaire) – visit outcome adequate (i.e. no further action or referred to education)	Training consultant- Professional/B usiness	20-45K	5+
14	Face to Face	6 months +	Accountant	Letter and phone questionnaire - visit – visit outcome adequate (i.e. no further action or referred to education)	Taxi driver - Transport	under 20k	1-5 years
15	Face to Face	6 months +	Accountant	Letter - visit (NO phone questionnaire) – visit outcome adequate (i.e. no further action or referred to education)	Hairdresser - Professional/b usiness	45-65k	5+
16	Face to Face	6 months +	Accountant	Letter and phone questionnaire - visit – visit outcome inadequate (i.e. further visit required)	Taxi driver - Transport	20-45k	1-5 years
17	Face to Face	6 months +	Self-represented	Letter- visit (NO phone questionnaire) – visit outcome inadequate (i.e. further visit required)	Psychotherapist - Professional/b usiness	20-45k	5+
18	Face to Face	6 months +	Accountant	Letter- visit (NO phone questionnaire) – visit outcome inadequate (i.e. further visit required)	Taxi driver - Transport	20-45k	5+
19	Face to Face	6 months +	Self-represented	Letter and phone questionnaire - visit – visit outcome adequate (i.e. no further action or referred to education)	Tea Room - catering	20-45K	1-5 years
20	Face to Face	3-6 months	Accountant	Letter - visit (NO phone questionnaire) – visit outcome adequate (i.e. no further action or referred to education)	Pizza delivery - Catering	45-65k	5+

21	Face to Face	6 months +	Accountant	Letter and phone questionnaire - visit – visit outcome adequate (i.e. no further action or referred to education)	Hairdresser	20-45k	5+
22	Teleddepth	3-6 months	Self-represented	Received a letter and a phone interview followed by a referral to HMRC business education	Toymaker/sculptor - other	20-45k	5+
23	Teleddepth	3-6 months	Self-represented	Received a letter and a phone interview only- no further action required	Specialist garage- Motor trade	65-85k	1-5 years
24	Teleddepth	3-6 months	Self-represented	Received a letter and a phone interview followed by a referral to HMRC business education	Antique dealer-Retail	under 20k	1-5 years
25	Teleddepth	3-6 months	Self-represented	Received a letter and a phone interview only- no further action required	Printing - Retail	under 20k	1-5 years
26	Teleddepth	1-3 months	Self-represented	Received a letter and a phone interview followed by a referral to HMRC business education	Production Assistant in Music - Business services	20-45k	1-5 years
27	Teleddepth	1-3 months	Accountant	Received a letter and a phone interview only- no further action required	Airport taxi - transport	65-85k	5+
28	Teleddepth	1-3 months	Accountant	Received a letter and a phone interview followed by a referral to HMRC business education	DJ- Leisure	under 20k	1-5 years
29	Teleddepth	1-3 months	Self-represented	Received a letter and a phone interview only- no further action required	Valeting services-Transport	20-45k	5+
30	Teleddepth	3-6 months	Accountant	Received a letter and a phone interview only- no further action required	Cameraman - Professional/business	20-45k	5+