



HM Revenue
& Customs

Compliance Perceptions Survey

Small and Medium Sized Enterprises and Individuals 2013

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HM Revenue and Customs Research Report 345

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Glossary

For the purposes of this research report the following definitions have been used:

Corporation tax	A tax that must be paid by a corporation based on the amount of profit generated.
Employee	A person who is hired to work for another in return for payment. The employer is responsible for deducting and paying tax and National Insurance contributions on behalf of employees.
Income tax	A charge levied on income, subject to certain deductions, at a rate usually determined by the size of the income.
Individuals	Employees, self-employed and economically inactive persons.
Self-employed	Any individual who runs their own business and takes responsibility for its success or failure. Self employed individuals are responsible for their own tax and National Insurance contributions.
SMEs	Small and Medium-sized enterprises. A business or company with less than 250 employees and a turnover equal to or less than €50million or a balance sheet total equal to or less than €43million.
Tax evasion	Illegally avoiding paying taxes, failing to report, or reporting inaccurately. Tax evasion is different from tax avoidance.
Tax avoidance	Involves manipulating tax law to gain an advantage that parliament did not intend.
VAT	Value Added Tax. A type of consumption tax that is placed on a product whenever value is added at a stage of production and at final sale.

1. Key findings

These key findings are grouped together by the different themes explored in the Compliance Perceptions Surveys (CPS) and reports the surveys conducted in 2013-14.

Fairness and the burden of complying

These questions allow HMRC to monitor the perceived fairness of the administration of the tax system.

- Most **SMEs** and **individuals** said that HMRC treats them fairly in their dealings with them, with respectively 80 per cent and 60 per cent of respondents holding this opinion.
- The majority of both **SMEs** (70 per cent) and **individuals** (76 per cent) felt that the burden of complying with tax obligations was reasonable. The proportion of **individuals** holding this opinion has increased by 14 percentage points since 2010. This is a significant change.

Attitudes towards compliance

This section describes respondents' perceptions of the acceptability of tax evasion, and tests the associations between taxpayers' views of their own behaviour, and their perception of the behaviour of others.

- The vast majority of **SMEs** (95 per cent) and **individuals** (88 per cent) considered tax evasion unacceptable.
- There is an association between the perceived behaviour of others and respondents' personal views on the acceptability of tax evasion. **SMEs and individuals** that thought a lot of other businesses/individuals consider it okay not to declare all tax owed, were themselves more likely to state that under-declaration of revenue to avoid paying tax is acceptable. However, it should be noted that even amongst those respondents most did not think it was acceptable to evade tax.

Perceived chances of detection

Individuals and **SMEs** were asked how likely they thought it was that individuals and businesses regularly evading tax would be caught. **Individuals** were also asked about the likelihood of detection for regularly not declaring cash in hand work.

- Two-thirds of **SMEs** (68 per cent) thought it was likely other businesses would be caught for regular income or corporation tax evasion. Four-fifths of SMEs (82 per cent) thought it was likely that other businesses would be caught if they regularly evaded paying VAT.

- Nearly half of **individuals** (46 per cent) felt it was unlikely a person would be caught for regular income tax evasion. This has significantly decreased since 2012. Furthermore, in the same time period, there has been a significant increase in people feeling it is likely that someone would be caught (44 per cent).
- Almost half (48 per cent) of **individuals** thought it was not likely that they would be caught for non-payment of tax on cash in hand earnings. The proportion of **individuals** who said that they consider it *likely* that they would be caught was 40 per cent. This is a long-term decrease compared to the 2008 results.

Attitudes towards HMRC sanctions

These questions were asked to gauge **SMEs** and **individuals** views on the range and efficacy of HMRC's compliance activities.

HMRC effort

- Approximately a third of **SMEs** (36 per cent) and **individuals** (40 per cent) stated that HMRC was dealing more firmly now with taxpayers who did not pay the correct amount of tax than it did a few years ago. This represents a year-on-year increase for SMEs. For individuals this has increased significantly since 2012 and returned to a similar level found in 2011.
- For both **SMEs** and **individuals**, those who thought HMRC deals more firmly with those not paying the correct amount of tax now than it used to, were more likely to think regular tax evaders would be caught. For **individuals**, this group were also more likely to think the chances of prosecution were enough to deter them from regularly evading tax.
- Over half of **SMEs** (52 per cent) and a quarter of **individuals** (26 per cent) said that HMRC is putting about the right amount of effort into reducing tax evasion. This is a significant increase since 2011 for SMEs.

Prosecutions

- The vast majority of **SMEs** (94 per cent) and **individuals** (88 per cent) were aware that tax evasion is a criminal offence that could lead to a criminal record or a prison sentence.
- In 2013, 35 per cent of **SMEs** and 33 percent of **individuals** were aware of a prosecution for tax evasion. For both groups, this figure marks a significant increase since 2011.
- Seventy-four per cent of **SME** respondents considered it likely that SMEs that regularly evade tax would be prosecuted, a decrease on previous years. Fewer **individuals** felt this way (58 per cent).

- Approximately three quarters of **SMEs** (69 per cent) and just over a third of **individuals** (35 per cent) said that the chances of prosecution were sufficient to deter businesses/individuals from regularly evading tax. For **individuals**, this figure marks a significant increase from 2012.

Consequences

- In 2013, 56 per cent of **SMEs**, and 59 per cent of **individuals** cited that a financial penalty was the most common consequence for a business or individual caught evading income or corporation tax.

2. Introduction & Background

The Compliance Perceptions Survey (CPS) is an annual survey undertaken on behalf of Her Majesty's Revenue & Customs (HMRC) to measure perceptions of, and attitudes towards, tax compliance. The CPS consists of two separate surveys covering small and medium-sized employers (SMEs), and individuals. This report is the fourth in the series and presents results for SMEs and individuals for 2013. Previous reports covering 2008-10, 2011 and 2012 were published in 2011, 2012 and 2013 respectively.

The CPS asks SMEs and individuals about the fairness and burden of compliance; the prevalence and acceptability of evasion; and the consequences where evasion is detected. The survey is used by HMRC to inform the design of customer strategy and is part of the evidence base to assess performance of activities established following the 2010 Spending Review. The survey is used by HMRC to inform the design and evaluation of customer strategy. For example, the survey evidence is used at test awareness and attitudes towards increased compliance effort following re-investment from the 2010 spending review settlement.

The 2013 report focuses on how attitudes to compliance have changed since 2012. It also revisits data from the earlier years and shows trend lines of change across the questions.

3. Sampling and Methodology

The survey questions were initially cognitively tested by the Personal Finance Research Centre (PFRC) at the University of Bristol. Further testing of questions added to the 2011, 2012 and 2013 surveys was carried out by TNS-BMRB after they were commissioned to carry out the 2011 SME survey. The full questionnaires are presented in **Appendix A**. The survey with individuals was carried out by the Office of National Statistics (ONS). Both surveys use a random probability design.

SME respondents were asked about the behaviour of other small businesses in relation to income tax, corporation tax, and VAT. Respondents on the Individuals survey were asked about the behaviour of other individuals with regards to income tax.

Fieldwork for the CPS was undertaken throughout the 2013/14 financial year but is referred to as the 2013 survey in this report.

A detailed account of the methodology is provided in **Appendix B**.

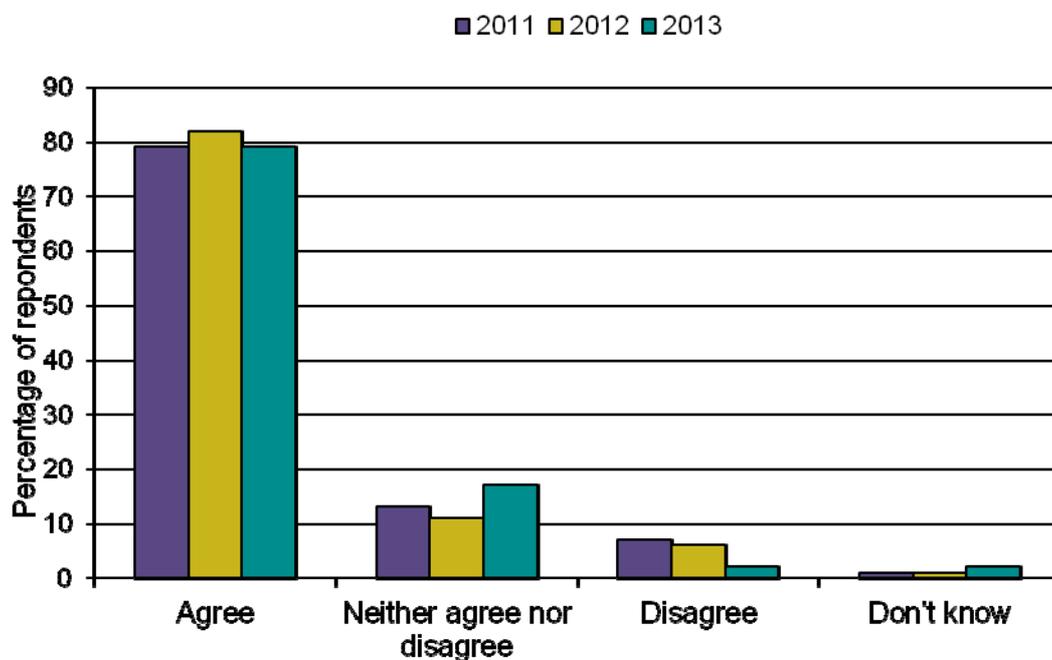
4. Fairness and Burden of Complying

This section reports on questions from the CPS focusing on SMEs' and Individuals' perceptions of the tax regime and HMRC. Academic literature suggests that these are amongst the factors which contribute towards the perceived 'fairness' of the tax system and that perceptions of fairness may influence levels of compliance.¹

4.1 Fair treatment by HMRC

In 2013, four out of every five SMEs (79 per cent) agreed that HMRC treated their business fairly in its dealings with them, two per cent disagreed, and 17 per cent neither agreed nor disagreed (**Figure 4.1**).

Figure 4.1 Whether SMEs agree that HMRC treats them fairly, 2011-2013

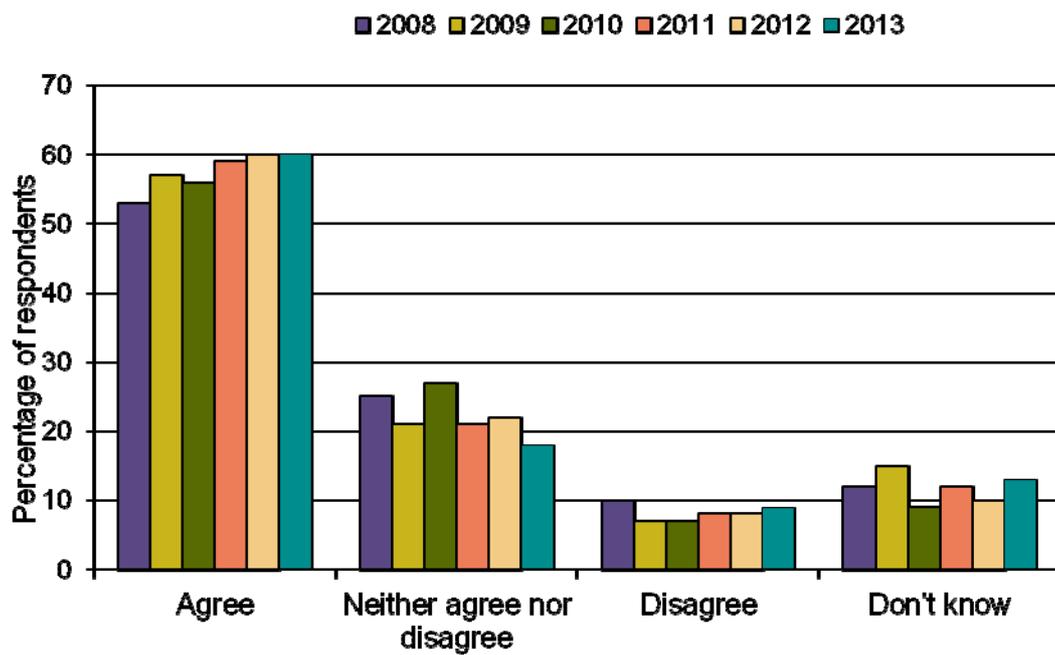


Unweighted base: 1,005 in 2011; 960 in 2012; 1,107 in 2013

¹ Cummings, R. et al, 'Effects of Tax Morale on Tax Compliance: Experimental and Survey Evidence', Berkeley Program in Law and Economics Working Paper Series, 2006.

With reference to **individuals**, 60 per cent agreed that HMRC treats them fairly. This figure has increased significantly by seven percentage points since 2008. Nine per cent of individuals disagreed, while a further 18 per cent neither agreed nor disagreed (**Figure 4.2**). The decrease in the percentage of respondents who neither agree nor disagree suggests that respondents over time seem more confident in being able to make a judgement.

Figure 4.2: Whether Individuals agree that HMRC treats them fairly, 2008-2013

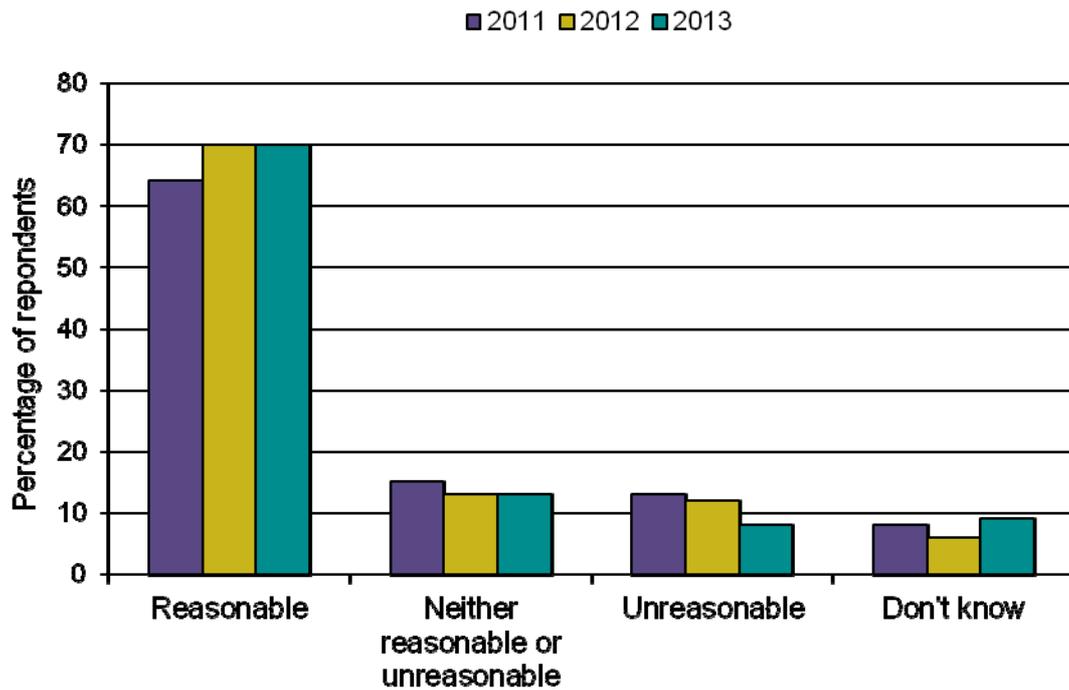


Unweighted base: 2,166 in 2008; 2,055 in 2009; 2,072 in 2010; 2,149 in 2011; 960 in 2012; 1,000 in 2013

4.2 Burden of Complying

Seventy per cent of **SMEs** who submitted SA returns felt that the amount of time and effort they personally spent completing their return was reasonable. This is a significant increase of six percentage points compared to 2011 results. Thirteen per cent felt it was neither reasonable nor unreasonable and only eight per cent felt it was unreasonable. **(Figure 4.3)**

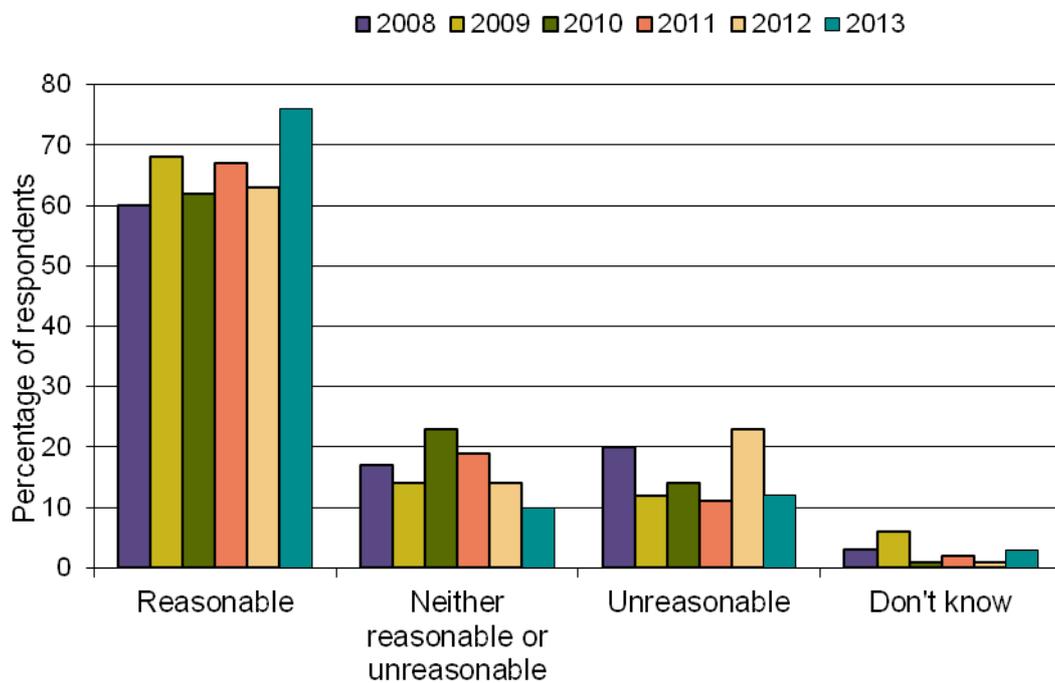
Figure 4.3: Whether SMEs thought time spent completing business tax return was reasonable, 2011-2013



Unweighted base: 1,005 in 2011; 960 in 2012; 1,107 in 2013

Similar to the SME responses, the majority of **individuals** who submitted their own SA form felt that the amount of time and effort they personally spent completing their return was reasonable (76 per cent). This is a significant increase of 12 percentage points since 2012. In addition, only 10 per cent stated it was neither reasonable nor unreasonable and 12 per cent felt it was unreasonable. **(Figure 4.4).**

Figure 4.4: Whether time spent by individuals completing income tax or self-assessment form was reasonable, 2008-2013 (Individuals who submitted their tax return themselves).



Unweighted base: 217 in 2008; 230 in 2009; 201 in 2010; 248 in 2011; 102 in 2012; 89 in 2013

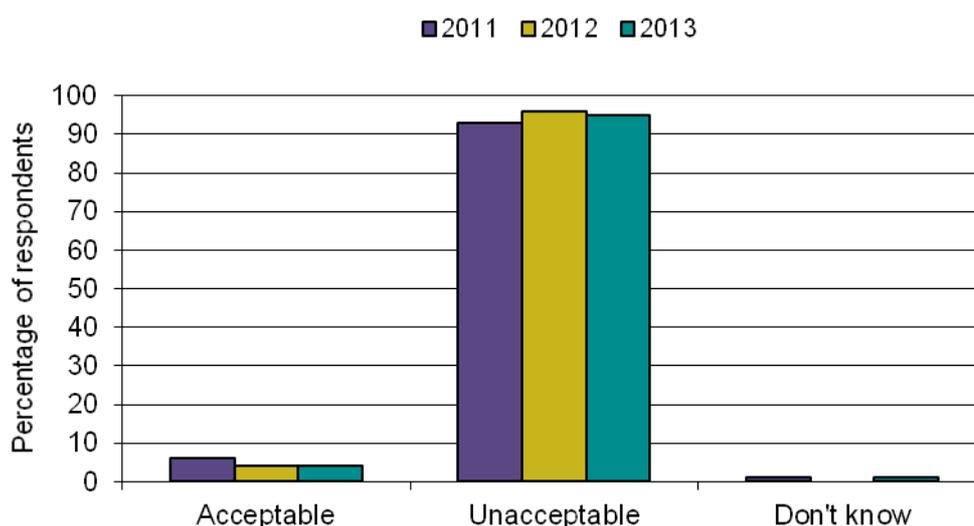
5. Attitudes towards Compliance

This section details respondents' attitudes towards compliance and evasion in terms of prevalence and acceptability. It also discusses circumstances in which tax evasion is seen to be acceptable or unacceptable.

5.1 Acceptability of income and corporation tax evasion

The proportion of **SMEs** who considered income or corporation tax evasion to be unacceptable was 95 per cent. The proportion who considered it to be acceptable was four per cent and has significantly decreased since 2011 (**Figure 5.1**).

Figure 5.1: Perceived acceptability of income tax evasion, 2011-2013 (SMEs)



Unweighted base: 1005 in 2011; 961 in 2012; 1107 in 2013.

From the small subset of **SME** respondents that stated that evasion is acceptable, the key reasons they gave were:

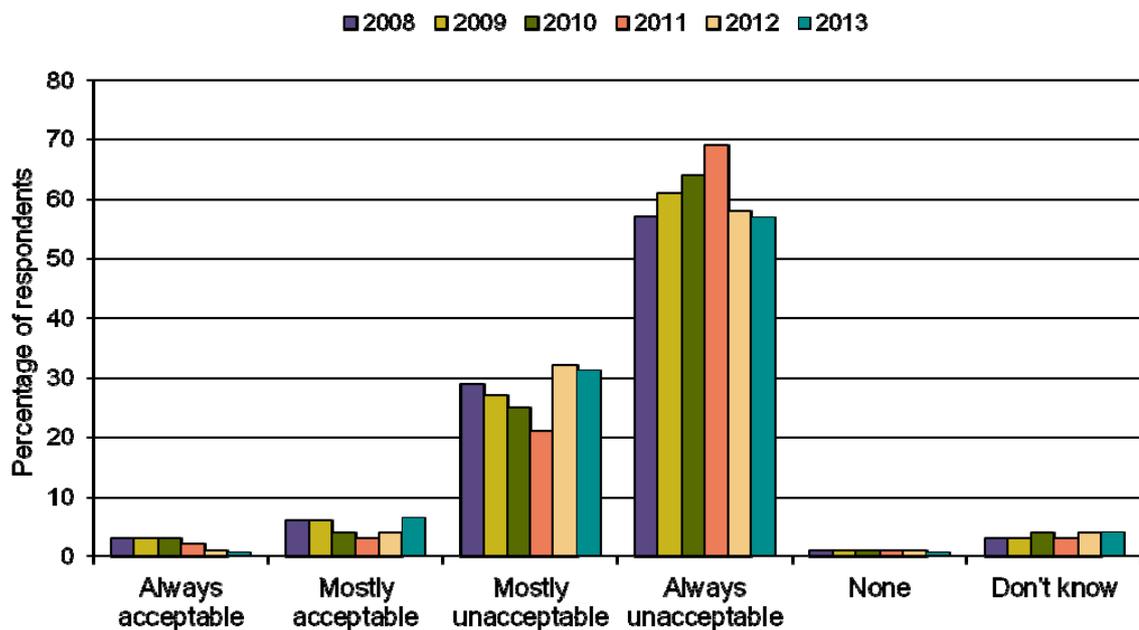
- Companies who have financial problems (15 per cent)
- When small amounts of money are involved (9 per cent)

As with SMEs, the overwhelming majority of **individuals** considered income tax evasion to be unacceptable, with 88 per cent holding this opinion which is a significant increase from 2008. Of these 88 per cent, 57 per cent considered tax evasion to be always unacceptable while 31 per cent considered it to be mostly unacceptable depending on the circumstances. **(Figure 5.2).**

Seven per cent of individuals considered income tax evasion to be acceptable. Of these, one per cent considered tax evasion to be always acceptable while seven per cent stated that it was mostly acceptable depending on the circumstances (rounded to the nearest whole number). **(Figure 5.2).**

There has been a notable change in the breakdown of responses for those who regarded tax evasion to be unacceptable since 2011. Those thinking it is ‘always unacceptable’ has significantly decreased by 12 percentage points, while ‘mostly unacceptable’ significantly increase of 10 percentage points. The longer term trend shows that the levels have fluctuated and after an increase between 2008 and 2011 levels have returned to similar levels seen in 2008 **(Figure 5.2).**

Figure 5.2: Perceived acceptability of income tax evasion, 2008-2013 (Individuals)



Unweighted base: 2,163 in 2008; 2,056 in 2009; 2,069 in 2010; 2,149 in 2011; 960 in 2012; 998 in 2013

5.2 The role of social norms in shaping taxpayer attitudes

SMEs who stated that “*other SMEs*” think it is okay to under-declare their revenue in order to avoid paying taxes were more likely than those who didn’t share this view to agree that *they* themselves think it is okay for SMEs to do this (12 per cent compared with 1 per cent respectively). However, even amongst those respondents who agreed that a lot of businesses think that under declaring revenue was ok, most did not agree that it was okay to avoid taxes. **(Table 5.1).**

Table 5.1: Acceptability of under-declaring revenue to avoid paying taxes, 2013 (SMEs)²

% SMEs	A lot of businesses think it's okay to under-declare revenue	A lot of businesses don't think it's okay to under-declare revenue	Neither	Total
I think it's okay to avoid taxes	12	1	2	4
I don't think it's okay to avoid taxes	83	96	85	90
Neither	5	3	12	5
Total	100	100	100	100

Unweighted base: 219 SMEs agree that a lot of businesses think it's okay to under-declare revenue; 502 SMEs disagree; 249 SMEs did not express an opinion.

² Chi-square = 89.718 (p<0.000);

Individuals stating “*they knew a lot of other people*” who thought it was okay not to pay tax on cash earnings were more likely than those who didn’t share this view to state that “*they themselves thought*” being paid in cash and not declaring it was okay (23 per cent compared with 3 per cent respectively). However, overall a majority of the sample thought it was not okay to under-declare revenue. (**Table 5.2**).

Table 5.2: Acceptability of under-declaring revenue to avoid paying taxes, 2013 (Individuals)³

% Individuals	A lot of people I know think it’s okay to under-declare revenue	A lot of people I know don’t think it’s okay to under-declare revenue	Neither	Total
I think it’s okay to under-declare revenue	23	3	9	10
I don’t think it’s okay to under-declare revenue	63	89	59	74
Neither	14	8	33	16
Total	100	100	100	100

Unweighted base: 272 individuals agree that a lot of businesses think it’s okay to under-declare revenue; 406 individuals disagree; 206 did not express an opinion.

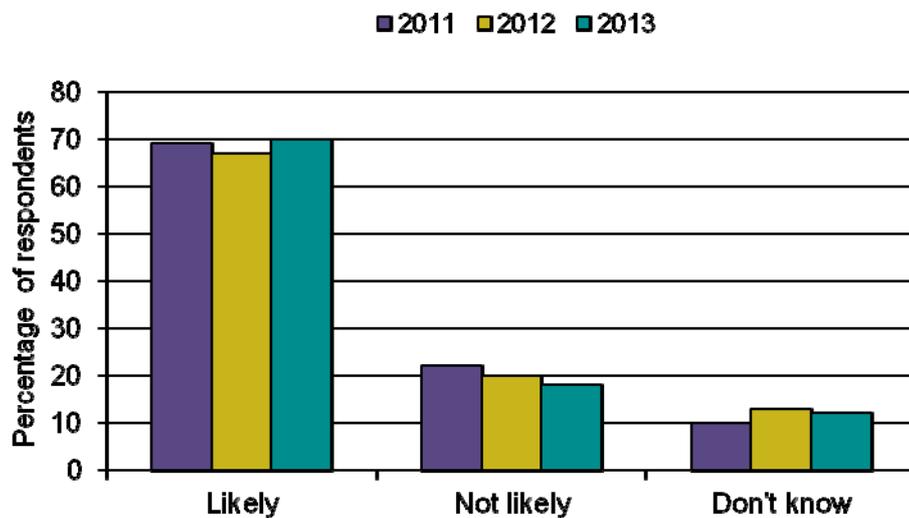
³ Chi-square = 140.928 (p<0.000);

6. Perceived chances of Detection

SMEs and individuals were asked what they perceived to be the chance of being detected for evading tax.

In 2013, 70 per cent of **SMEs** thought it was likely that SMEs that regularly evade paying income/corporation tax will get caught. The results have not changed significantly between the three years that this question has been asked (**Figure 6.1**).

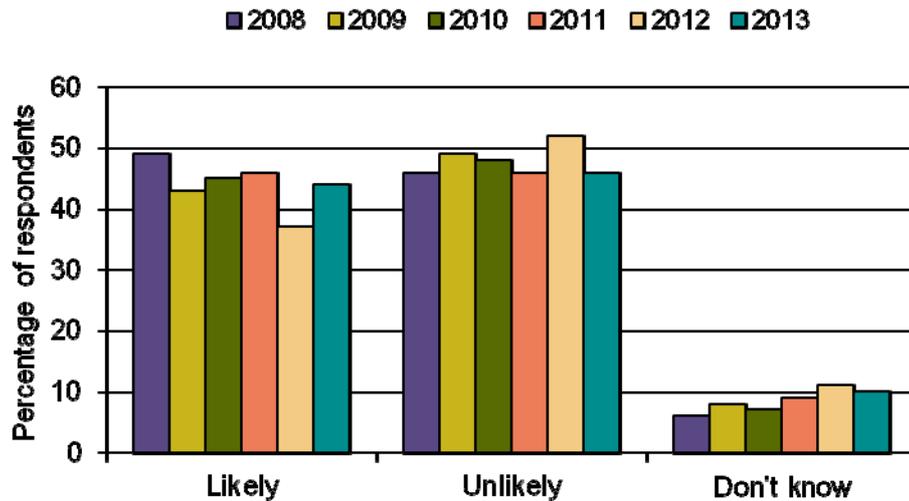
Figure 6.1 How likely SME that regularly evade paying income/corporation tax will get caught (2011-2013)



Unweighted base: 1,005 in 2011; 960 in 2012; 1,107 in 2013

Individuals were more mixed in their views. Similar numbers of **individuals** considered it unlikely (46 per cent) and likely (44 per cent) that people who regularly evade income tax would be caught. The proportion stating it is likely has significantly increased and the proportion that stated it unlikely has significantly decreased since last year returning to levels seen in 2011 (**Figure 6.2**).

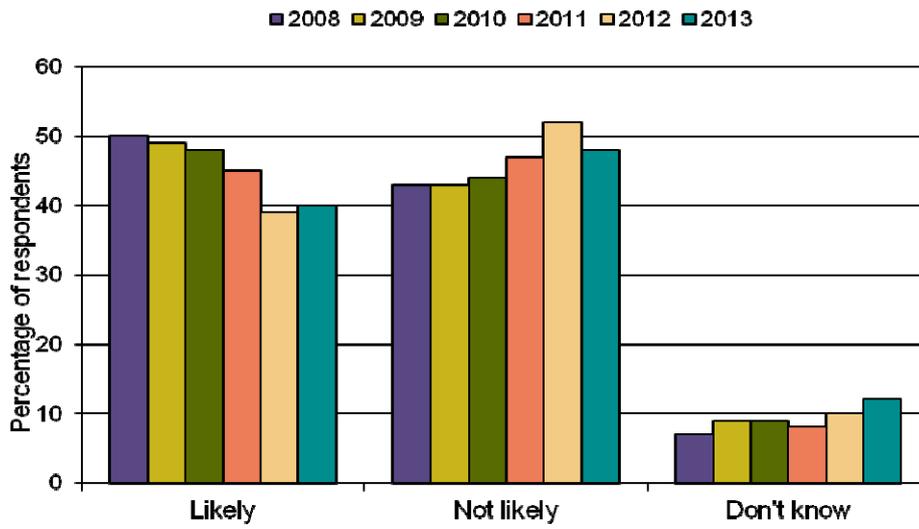
Figure 6.2: Perceived chances of detection for people regularly evading income tax, 2008-2013 (Individuals)



Unweighted base: 2,167 in 2008; 2,054 in 2009; 2,076 in 2010; 2,149 in 2011; 960 in 2012; 958 in 2013

Individuals were asked how likely it was that HMRC would find out if they regularly undertook some cash-in-hand work without declaring this money for tax purposes. The proportion of individuals who said that they consider it *likely* that they would be caught was 40 per cent. This is a long-term decrease compared to the 2008 results (Figure 6.3).

Figure 6.3: Perceived likelihood of being caught for non-declaration of tax on cash, 2008-2013 (Individuals)



Unweighted base: 2167 in 2008; 2054 in 2009; 2076 in 2010; 2149 in 2011; 968 in 2012; 1002 in 2013

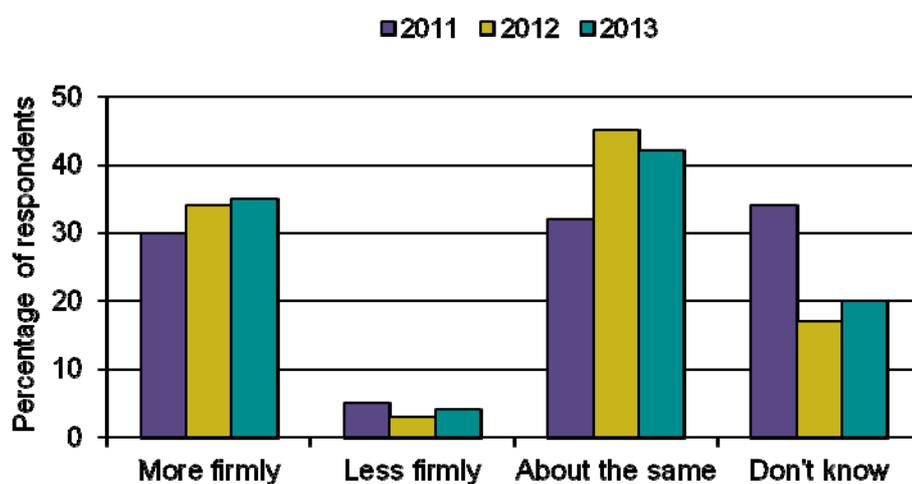
7. Attitudes towards HMRC sanctions

7.1 Firmness of HMRC Activity

In 2013, 35 per cent of **SMEs** stated they felt HMRC was dealing more firmly with SMEs that do not pay the correct amount of tax than it did a few years ago. Four per cent felt that HMRC deals less firmly. Forty-one per cent of SMEs think HMRC deals as firmly as it did a few years ago, while 20 per cent do not know.

The proportion of SMEs who considered HMRC to be dealing more firmly now, has significantly increased since 2011. The proportion of respondents who said that HMRC deals 'about the same' with SMEs that do not pay the correct amount of tax as it did a few years ago represents a significant increase of ten percentage points since 2011. The proportion who said they did not know has seen a significant decrease, since 2011. **(Figure 7.1)**

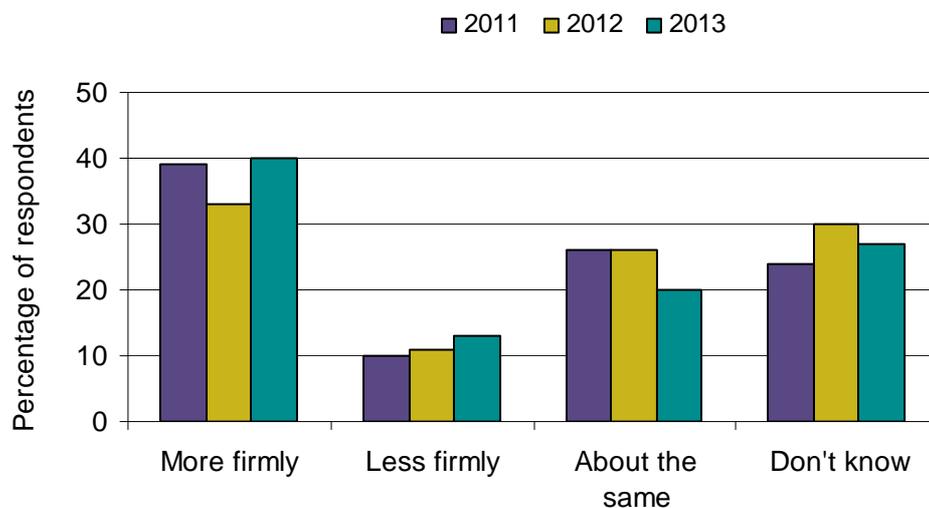
Figure 7.1: Whether HMRC deals more firmly or less firmly with SMEs that don't pay the correct amount of tax than it did a few years ago, 2011-2013 (SMEs)



Unweighted base: 1004 in 2011; 960 in 2012; 998 in 2013

Forty per cent of **individuals** stated that they think HMRC deals more firmly now with taxpayers that do not pay the correct amount of tax than it did a few years ago. This is a significant increase of seven percentage points since 2012, returning to similar levels seen in 2011. Thirteen per cent thought HMRC was dealing less firmly. Twenty per cent responded about the same which is a significant decrease of six percentage points compared to 2012. Twenty-seven per cent did not know (**Figure 7.2**).

Figure 7.2: Whether HMRC deals more firmly or less firmly with individuals that don't pay the correct amount of tax than it did a few years ago, 2011-2013 (Individuals)



Unweighted base: 1048 in 2011; 960 in 2012; 998 in 2013

We hypothesised that those who thought HMRC was dealing more firmly with businesses/individuals that did not pay the correct amount of tax now than it used to would be **more likely** to think that businesses/individuals who regularly evaded income tax would be caught.

For **SMEs**, there was no evidence of an association between these two questions. (**Table 7.1**) However, overall a greater proportion still feel that regular evaders would get caught.

Table 7.1: Likelihood of being caught for regular tax evasion, 2013 (SMEs)⁴

% SMEs	HMRC deals more firmly	HMRC deals less firmly	HMRC deals about the same	Total
Likely that regular evaders would be caught	83	74	79	80
Unlikely that regular evaders would be caught	17	26	21	20
Total	100	100	100	100

Unweighted base: 360 SMEs think HMRC is dealing more firmly; 39 SMEs think HMRC deals less firmly; 409 SMEs think HMRC deals about the same.

The results for **Individuals** support the hypothesis that those who thought HMRC was dealing more firmly with people that did not pay the correct amount of tax now than it used to would be **more likely** to think that individuals who regularly evaded income tax would be caught (58 per cent compared with 35 per cent who think HMRC deals less firmly and 42 per cent who think HMRC deals about the same). (Table 7.2).

Table 7.2: Likelihood of being caught for regular tax evasion, 2013 (Individuals)⁵

% Individuals	HMRC deals more firmly	HMRC deals less firmly	HMRC deals about the same	Total
Likely that regular evaders would be caught	58	35	42	49
Unlikely that regular evaders would be caught	42	65	58	51
Total	100	100	100	100

Unweighted base: 363 Individuals think HMRC is dealing more firmly; 136 Individuals think HMRC deals less firmly; 206 Individuals think HMRC deals about the same.

We hypothesised that those who thought HMRC is dealing more firmly with businesses/individuals that did not pay the correct amount of tax now than it used to, would be **more likely** to agree with the statement ‘the chances of being prosecuted for tax evasion are sufficient to deter people from regularly evading tax’.

⁴ Chi-square = 4.173 (p<0.124);

⁵ Chi-square = 26.094 (p<0.000);

For **SMEs (Table 7.3)** and **individuals (Table 7.4)** there was evidence to support the hypothesis, with those that thought HMRC was dealing more firmly being more likely to think the chances of prosecution was enough to deter (for SMEs this was 81 per cent compared with 66 per cent who think HMRC deals less firmly and 72 per cent who think HMRC deals about the same; for individuals this was 47 per cent compared with 32 per cent who think HMRC deals less firmly and 30 per cent who think HMRC deals about the same)

Table 7.3: The chances of being prosecuted are sufficient to deter people from regular tax evasion, 2013 (SMEs)⁶

% SME	HMRC deals more firmly	HMRC deals less firmly	HMRC deals about the same	Total
Chances of prosecution is enough to deter	81	66	72	76
Chances of prosecution is not enough to deter	8	20	13	11
Neither	11	15	15	13
Total	100	100	100	100

Unweighted base: 365 Individuals think HMRC is dealing more firmly; 41 Individuals think HMRC deals less firmly; 451 Individuals think HMRC deals about the same.

Table 7.4: The chances of being prosecuted are sufficient to deter people from regular tax evasion, 2013 (Individuals)⁷

% Individuals	HMRC deals more firmly	HMRC deals less firmly	HMRC deals about the same	Total
Chances of prosecution is enough to deter	47	32	30	39
Chances of prosecution is not enough to deter	38	53	48	44
Neither	15	15	22	17
Total	100	100	100	100

Unweighted base: 362 Individuals think HMRC is dealing more firmly; 129 Individuals think HMRC deals less firmly; 202 Individuals think HMRC deals about the same.

⁶ Chi-square = 13.396 (p<0.009);

⁷ Chi-square = 35.919 (p<0.000);

We hypothesised that those who think HMRC was dealing more firmly with businesses/individuals that did not pay the correct amount of tax now than it used to would be **less likely** to think tax evasion was widespread.

For **SMEs**, there is a significant association with those who think HMRC was dealing more firmly with businesses/individuals that did not pay the correct amount of tax now than it used to would be **less likely** to think tax evasion was widespread (32 per cent compared with 42 per cent who think HMRC deals less firmly and 40 per cent who think HMRC deals about the same). This is an encouraging finding as it demonstrates that HMRC's sanctions towards evaders form a deterrent effect (**Table 7.5**). For **individuals**, there was no evidence of an association between these questions. (**Table 7.6**)

Table 7.5: The extent to which evasion is widespread, 2013 (SME)⁸

% SME	HMRC deals more firmly	HMRC deals less firmly	HMRC deals about the same	Total
Evasion widespread	32	42	40	37
Evasion not widespread	68	58	60	63
Total	100	100	100	100

Unweighted base: 344 SMEs think HMRC is dealing more firmly; 36 SMEs think HMRC deals less firmly; 401 SMEs think HMRC deals about the same.

Table 7.6: The extent to which evasion is widespread, 2013 (Individuals)⁹

% Individuals	HMRC deals more firmly	HMRC deals less firmly	HMRC deals about the same	Total
Evasion widespread	89	93	90	90
Evasion not widespread	11	7	10	10
Total	100	100	100	100

Unweighted base: 366 Individuals think HMRC is dealing more firmly; 137 Individuals think HMRC deals less firmly; 204 Individuals think HMRC deals about the same.

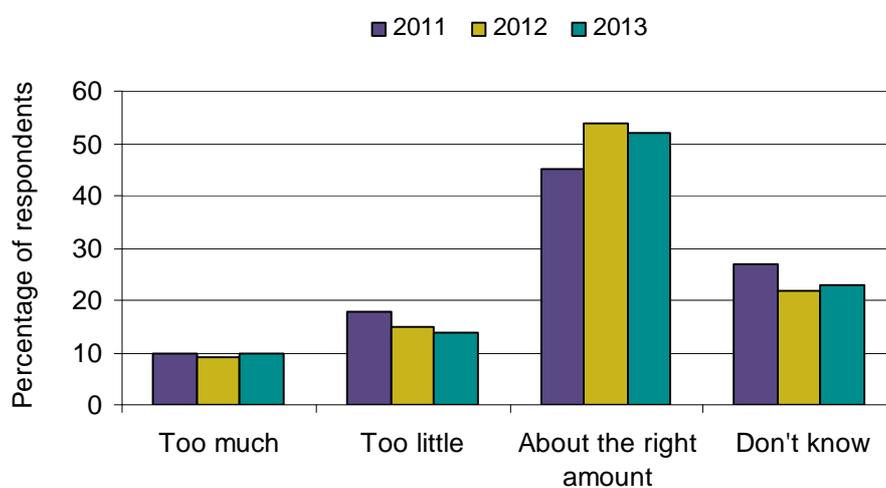
⁸ Chi-square = 6.354 (p<0.042);

⁹ Chi-square = 1.474 (p<0.479);

7.2 HMRC Effort

Just over half of **SMEs** (52 per cent) thought that HMRC was putting about the right amount of effort into reducing income and corporation tax evasion among small and medium sized businesses. This is a significant increase of seven percentage points since 2011. Ten per cent felt HMRC was putting in too much effort, 14 per cent think too little (a significant decrease of four percentage points since 2011), and 22 per cent stated that they did not know (**Figure 7.3**).

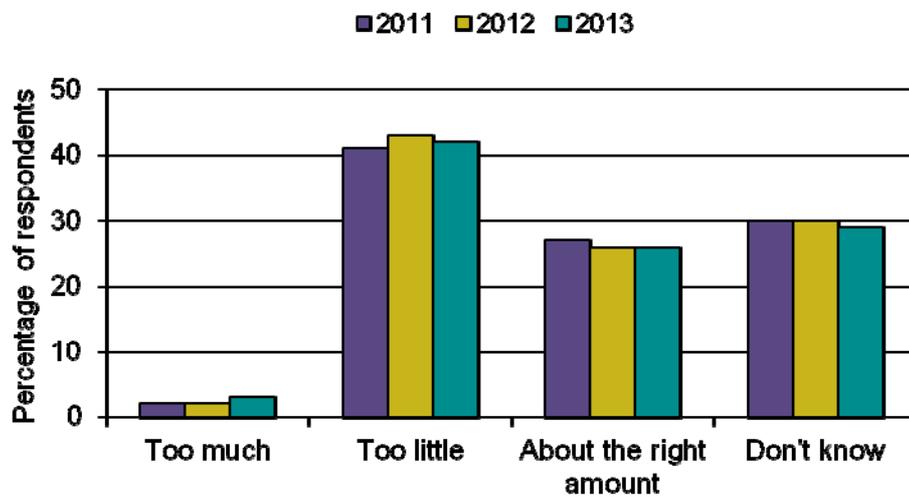
Figure 7.3: How much effort HMRC is putting into reducing income / tax evasion, 2011-2013 (SMEs)



Unweighted base: 1001 in 2011; 959 in 2012; 1107 in 2013

Opinion amongst **individuals** was more divided than that of SMEs on whether HMRC was putting the right amount of effort into reducing income tax evasion. While 42 per cent thought that HMRC was putting in too little effort, 26 per cent felt HMRC was putting in about the right amount of effort, and a further 30 per cent did not know. Only three per cent of individuals thought HMRC was putting in too much effort. The large proportion of respondents who did not express an opinion could reflect the lower level of interaction that some individuals have with the tax system (**Figure 7.4**).

Figure 7.4: How much effort HMRC is putting into reducing income / tax evasion, 2011-2013 (Individuals)

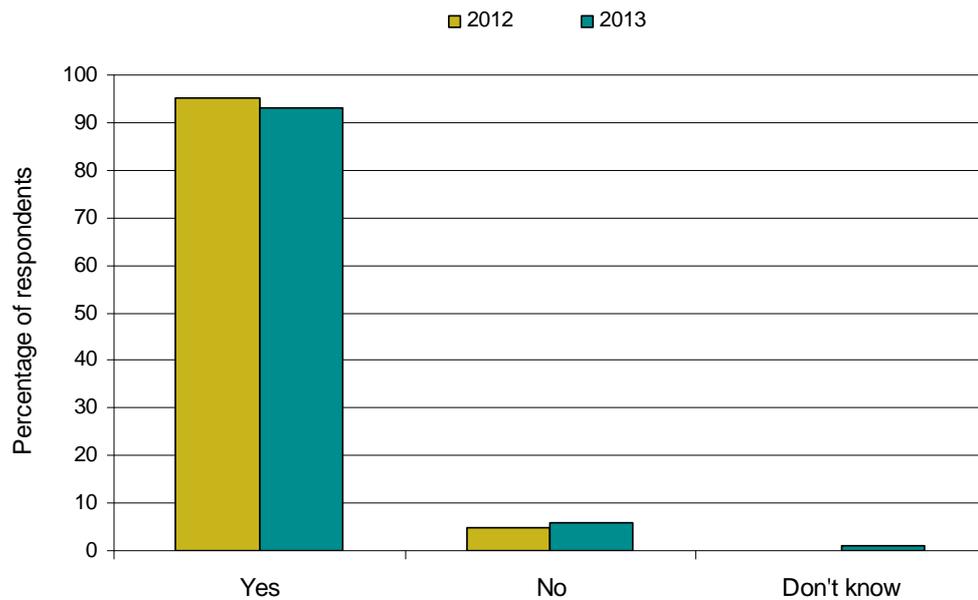


Unweighted base: 1048 in 2011; 960 in 2012; 998 in 2013

7.3 Awareness that tax evasion is a crime

This question was asked of SMEs for the first time in 2012. Ninety-three per cent of SMEs were aware that tax evasion is a criminal offence whilst six percent were not aware. One per cent did not know if it was a criminal offence (Figure 7.5).

Figure 7.5: Whether aware that tax evasion is a criminal offense, 2012-2013 (SMEs)

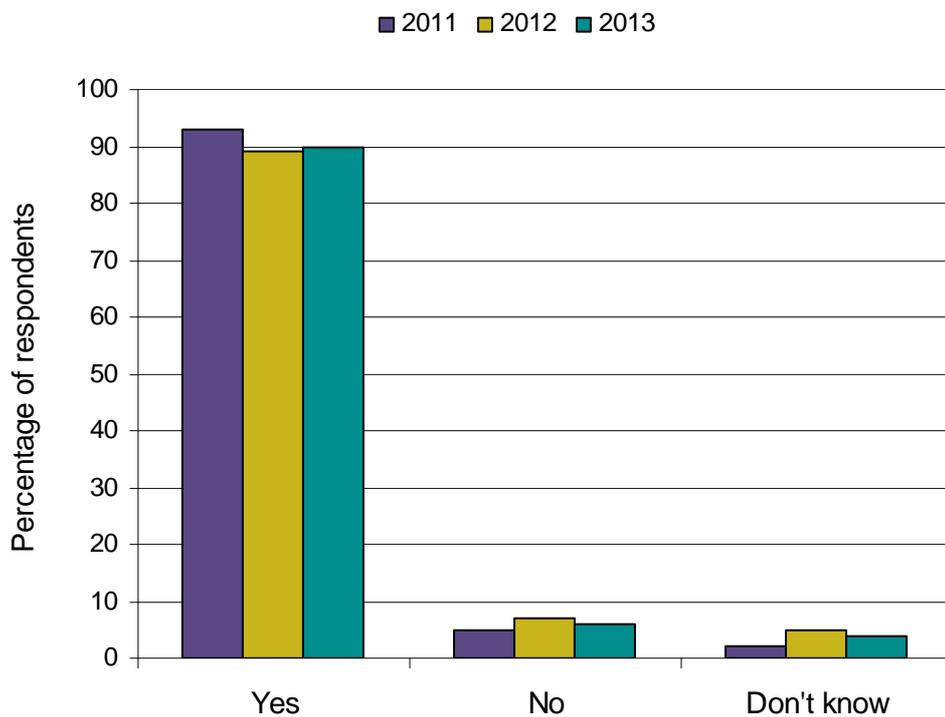


Unweighted base: 961 in 2012, 1,107 in 2013

Ninety per cent of **individuals** were aware that tax evasion is a crime. Six per cent were not aware, and four per cent did not know (**Figure 7.6**).

These results are statistically significant when compared to 2011 figures with a three percentage point decrease for those that were aware, a two percentage point increase for those who were not aware and a two percentage point increase for those who did not know. (**Figure 7.6**).

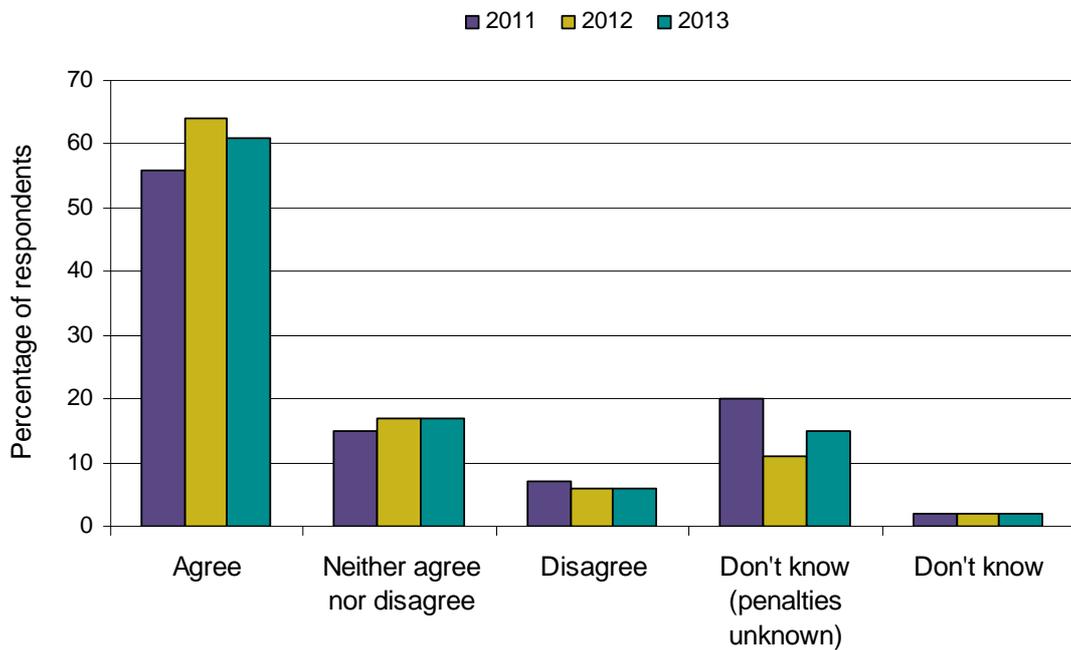
Figure 7.6: Whether tax evasion is a criminal offence which could result in a criminal record or going to prison, 2011-2013 (Individuals)



Unweighted base: 1054 in 2011; 971 in 2012, 1004 in 2013

The majority (61 per cent) of SMEs agreed that the financial penalties HMRC can impose are sufficient to deter other businesses from regularly evading income or corporation tax. Only six per cent of SMEs disagreed with this statement. Thirty-four per cent of respondents were less sure; 15 per cent stated they did not know because they didn't know what the penalties were, two per cent didn't know for another reason, while 17 per cent neither agreed nor disagreed (Figure 7.7).

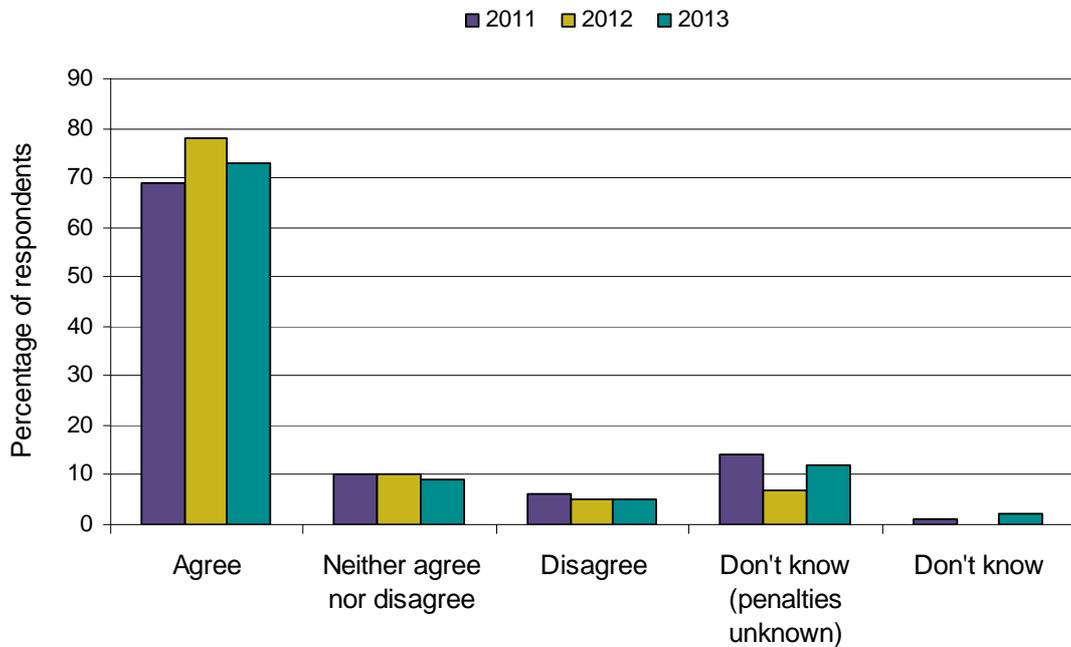
Figure 7.7: Whether SMEs perceive the financial penalties as sufficient to deter businesses from regular corporation or income tax evasion, 2011-2013



Unweighted base: 1005 in 2011; 961 in 2012; 1107 in 2013

Compared to the opinions of the SME population as a whole regarding income and corporation tax, a greater proportion of VAT registered businesses agreed that the financial penalties HMRC can impose are sufficient to deter other businesses from regularly evading VAT. Seventy-three per cent agreed with this statement and only five per cent disagreed. Nine per cent neither agreed nor disagreed, 12 per cent stated they did not know because they didn't know what the penalties were, and two per cent didn't know for any other reason (**Figure 7.8**). The differences in results between the VAT-registered and non-VAT-registered SMEs may be a result of the greater interaction with the tax system that VAT-registered businesses are likely to have.

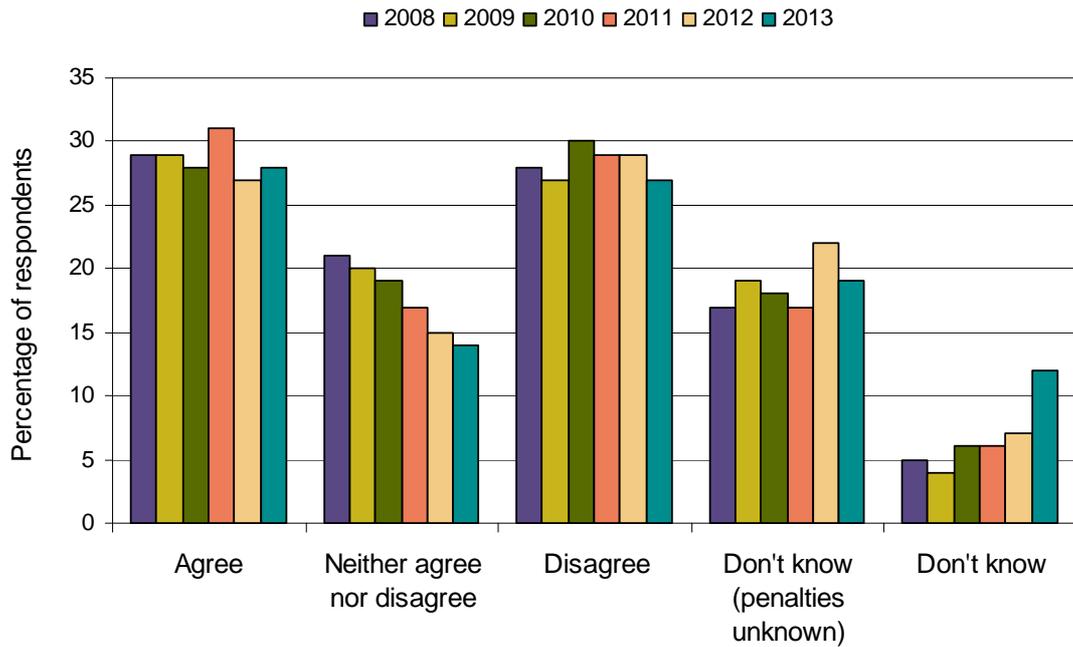
Figure 7.8: Whether SMEs perceive the financial penalties as sufficient to deter businesses from regular VAT evasion, 2011-2013



Unweighted base: 648 in 2011; 674 in 2012; 1107 in 2013

Opinion amongst **individuals** regarding the deterrent impact of financial penalties is divided. Twenty-eight per cent agreed that the financial penalties HMRC can impose are sufficient to deter people from regularly evading income tax. A similar amount (27 per cent) disagreed with this statement, while a further 31 per cent did not know (for any reason). Fourteen per cent neither agreed nor disagreed (**Figure 7.9**).

Figure 7.9: Whether individuals perceive the financial penalties are sufficient to deter tax evasion, 2008-2013

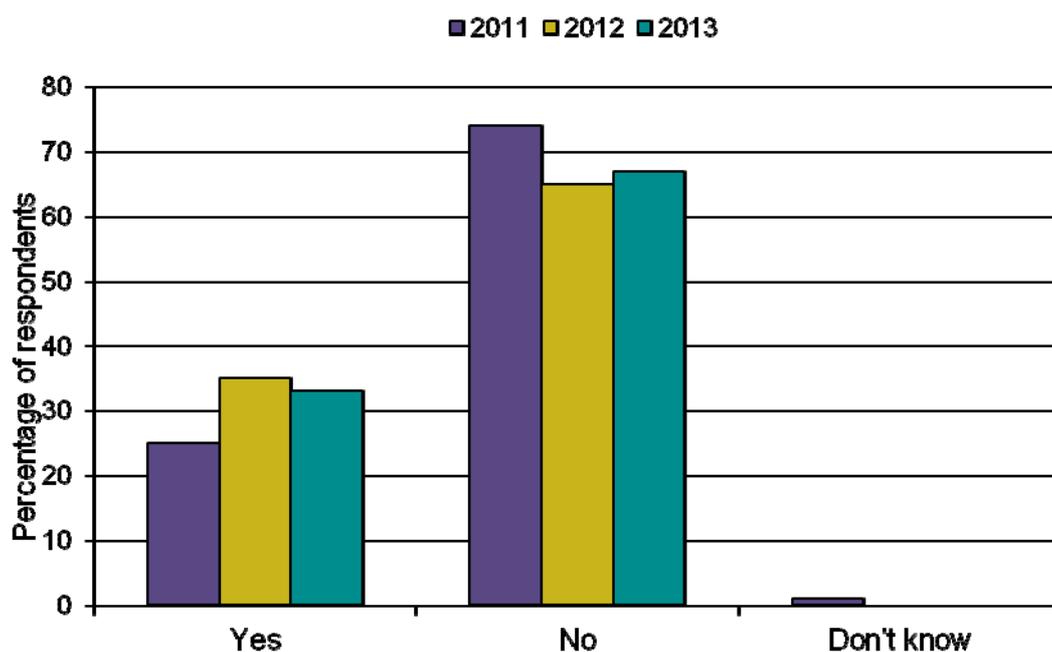


Unweighted base: 2167 in 2008; 2056 in 2009; 2071 in 2010; 2149 in 2011; 960 in 2012; 1022 in 2013

7.4 Prosecutions

A third of **SMEs** (33 per cent) responded that they had heard of a business being prosecuted by HMRC for evading tax. This has increased significantly by nine percentage points since 2011. The remaining two thirds of respondents (67 per cent) had not heard of any business being prosecuted for evading tax (**Figure 7.10**).

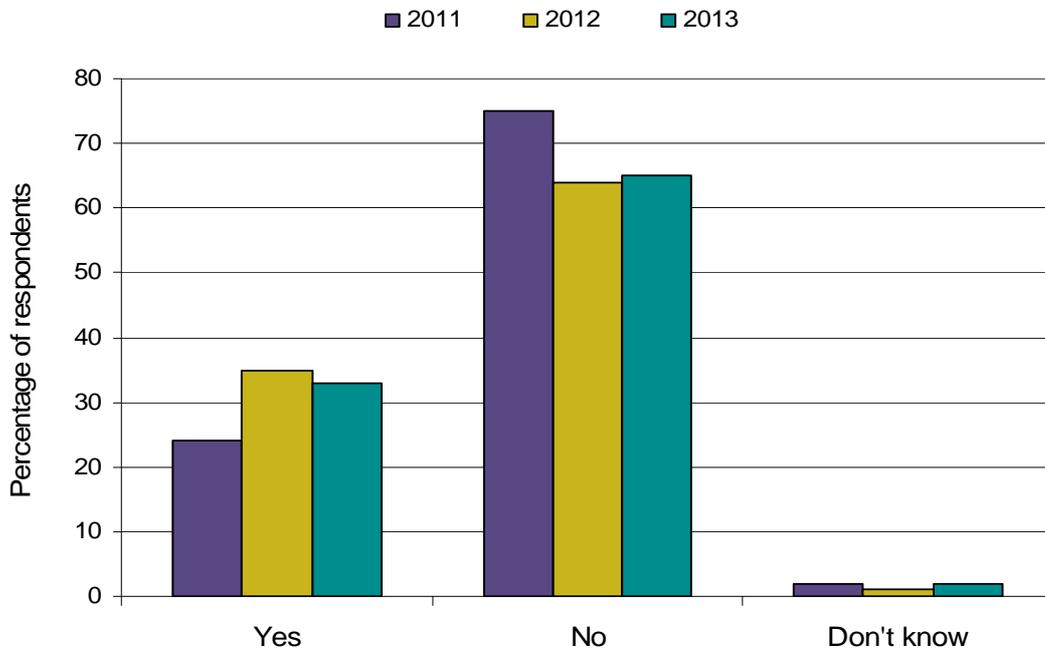
Figure 7.10: Awareness of prosecutions, 2011-2013 (SMEs)



Unweighted base: 1005 in 2011; 961 in 2012, 1107 in 2013

In 2013 the proportion of **individuals** that had heard of someone who had been prosecuted for evading tax was 33 per cent. This is a significant increase of nine percentage points from 2011. The proportion whom had not heard of someone that had been prosecuted was 65 per cent. **(Figure 7.11).**

Figure 7.11: Awareness of prosecutions, 2011-2013 (individuals)



Unweighted base: 1054 in 2011; 971 in 2012; 1006 in 2013

7.4.1 Awareness of prosecutions

For both **SMEs** and **individuals**, the main source for hearing about prosecutions was television or newspapers (68 and 75 per cent, respectively) followed by family, friends or word of mouth (23 and 11 per cent). Four per cent of SMEs and six per cent of individuals stated they had known someone personally who had been prosecuted; and four per cent of SMEs and seven per cent of individuals stated they knew someone through work or their job. (**Table 7.7**).

Table 7.7: Sources for hearing about prosecutions, 2012 (SMEs and individuals)¹⁰

Source	Percent of SMEs	Percent of individuals
TV/papers	68	75
Family/friends/word-of-mouth	23	11
Know someone personally	4	9
Through work/job	4	7
Internet	1	*
Aware people can be prosecuted, can't think of a specific case	*	2
Social networking sites	1	1
Others	3	1

Unweighted Base: SMEs 283, Individuals 324

¹⁰ Respondents could give multiple answers to this question. Percentages therefore do not sum to 100 and should not be combined. Responses exclude those answering don't know, can't think of any, and refusals. An * denotes less than 1% of respondents gave this reply.

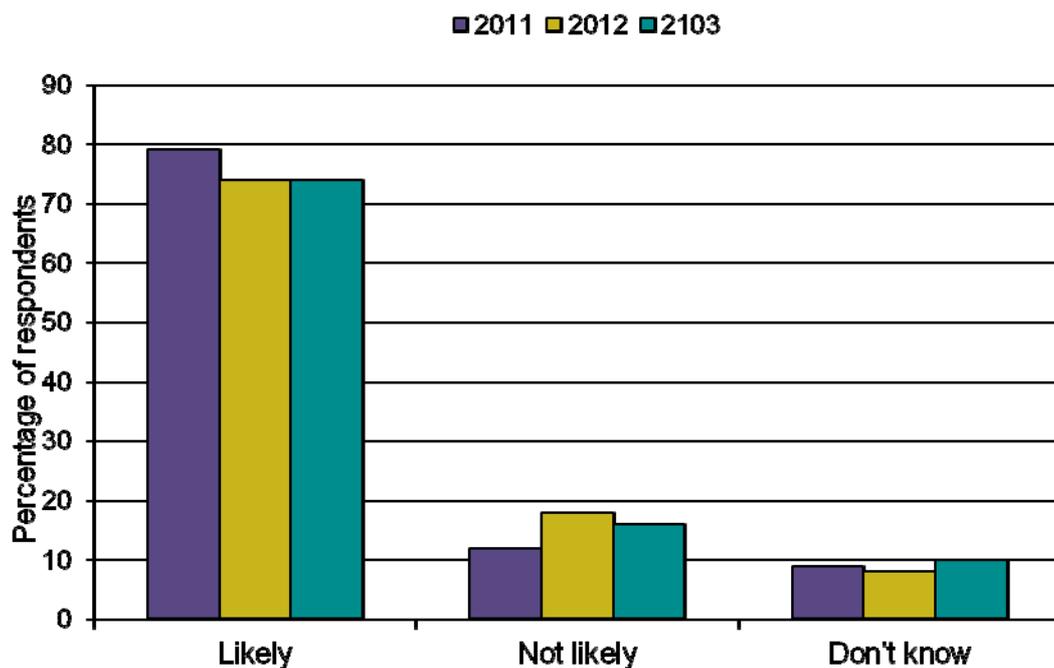
7.4.2 Perceived likelihood of being prosecuted for regular tax evasion

SMEs and individuals were asked how likely they think it is that those who regularly evade paying income (and corporation) tax will be prosecuted.

Seventy-four per cent of SMEs felt it was likely, and 16 per cent unlikely, that a small and medium sized business that regularly evaded paying income or corporation tax would be prosecuted. Ten per cent did not know (Figure 7.12).

The proportion of SMEs who said that it was likely has remained consistent with 2012, however it is a significant decrease of five percentage points since 2011. (Figure 7.12).

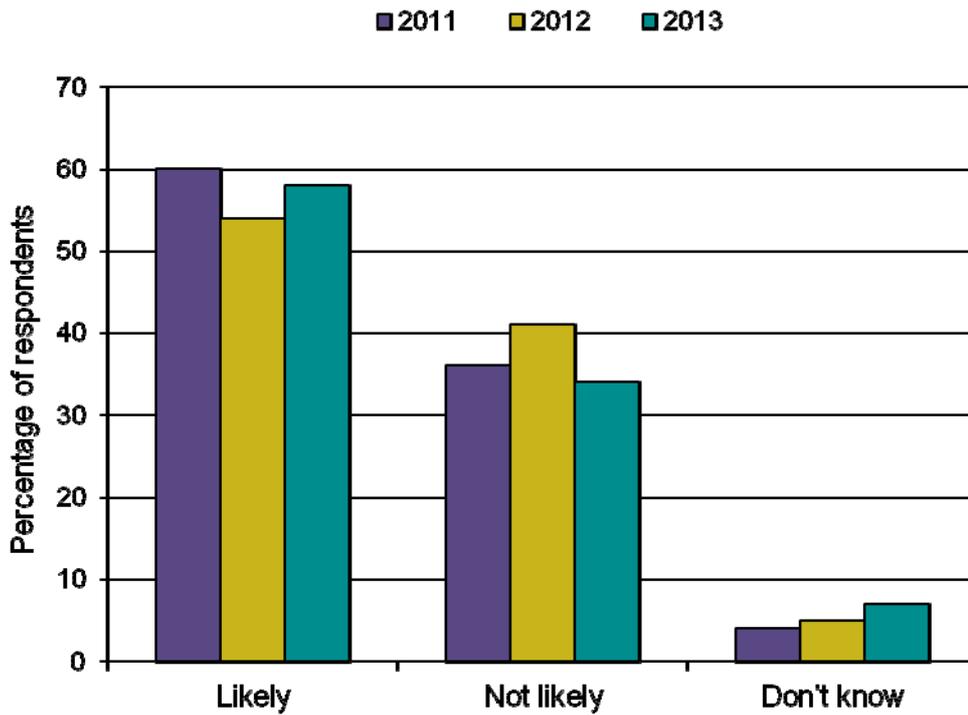
Figure 7.12: the perceived likelihood of being prosecuted for regularly evading income or corporation tax, 2011-2013 (SMEs)



Unweighted base: 1005 in 2011; 907 in 2012; 1107 in 2013

Over half of **individuals** (58 per cent) thought it was likely that people who regularly evaded paying income tax would be prosecuted. Thirty-four per cent thought it was unlikely. This is a significant decrease of eight percentage points when compared to 2012 results (**Figure 7.13**).

Figure 7.13: the perceived likelihood of being prosecuted for regularly evading income tax, 2011-2013 (Individuals)

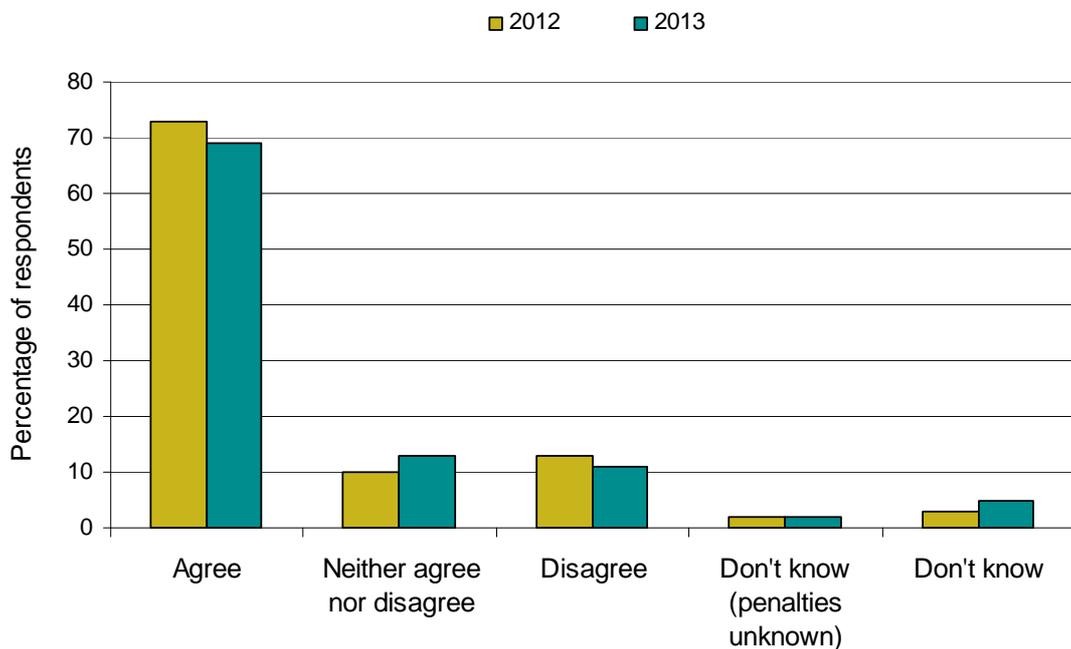


Unweighted base: 975 in 2011; 850 in 2012; 907 in 2013

Respondents were also asked whether the chances of being prosecuted by HMRC are sufficient to deter people/businesses from regularly evading tax.

The proportion of **SMEs** who agreed that the chances of being prosecuted by HMRC were sufficient to deter people from regularly evading tax is 69 per cent. The proportion who disagree that the perceived chances of prosecution are enough to deter tax evasion is 11 per cent. **(Figure 7.14).**

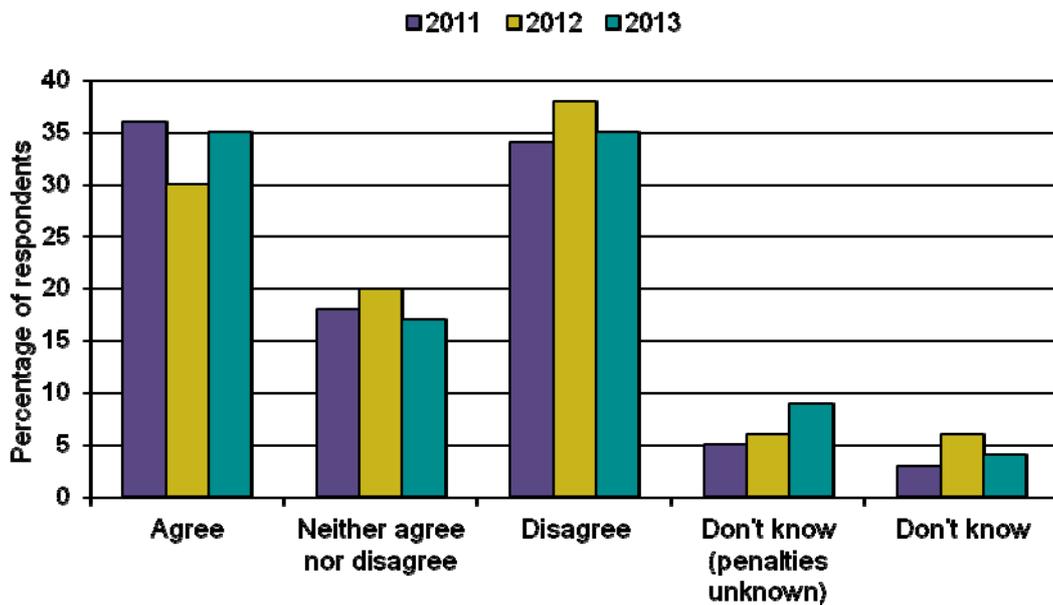
Figure 7.14: the perceived chances of prosecution are sufficient to deter tax evasion, 2012-2013 (SMEs)



Unweighted base: 961 in 2012; 1107 in 2013

The proportion of **individuals** who agreed that the chances of being prosecuted by HMRC were sufficient to deter people from regularly evading tax is 35 per cent. The proportion who agreed with the statement increased significantly by five percentage points since 2012, returning to levels consistent with 2011. The proportion disagreeing with this statement is also 35 per cent. Nine per cent stated that they did not know because penalties were unknown, which demonstrated a significant increase when compared to 2012 levels by two percentage points (**Figure 7.15**).

Figure 7.15: the perceived chances of prosecution are sufficient to deter tax evasion, 2011-2013 (Individuals)



Unweighted base: 1048 in 2011; 960 in 2012; 996 in 2013

7.5 Consequences of tax evasion

SMEs and individuals were asked what consequences could result if they were caught evading income or corporation tax. This question was asked to gauge awareness of different HMRC sanctions, as well as factors outside of HMRC's control that influence taxpayer decision making. Respondents could give more than one answer to this question.

As with previous years, the most commonly sighted consequence by **SMEs** was financial penalties (cited by 56 per cent of respondents). A third of all respondents cited prison sentences as a consequence (29 per cent).

These findings were also echoed by the **individuals** survey, with 59 per cent of respondents stating financial penalties as a consequence and 29 per cent stating prison sentence as a consequence.

7.6 Reasons for complying with tax obligations

SMEs and individuals were asked the main reason they would not evade income or corporation tax. As in 2012 the most commonly cited reason for **SMEs** was the penalties or consequences that could be faced, whereas for **individuals** it was because evading tax is illegal (**Table 7.8**).

Table 7.8: Reasons why you would not evade income/corporation tax, 2013 (SME and individuals)

Consequence	Percentage of SMEs	Percentage of Individuals
Because it is illegal	15	26
Because of the penalties or consequences I could face	22	9
Because it is unfair to other taxpayers	13	14
Honesty/ an ethical organisation	11	13
Because it is immoral	9	10
The probability or likelihood of being caught	12	6
No opportunity to/cannot evade tax	1	11
No reason why I wouldn't regularly evade tax	3	3
Paying tax benefits everyone/ the whole economy	2	-
Others ¹¹	7	5

Base: SMEs 1107; Individuals 998.

¹¹ 'Others' includes all responses which were mentioned by less than 2 per cent of the sample.

8. Conclusion

Overall, perceptions of the unacceptability of evasion have been maintained at very high levels. This is important because these perceptions are influenced by social norms. The findings reinforce that overall people are generally compliant.

It should be noted that the individuals data is hard to interpret due to fluctuations in the trends. This is particularly the case for many results in 2012 where results changed but have now largely returned to similar levels seen in 2011. As a whole, this group is more likely to have less contact with tax administration and therefore is more likely to be influenced by other sources such as media coverage. HMRC has not had any interventions in the survey period that would explain the fluctuations in results for individuals. Despite the fluctuating results year on year, the overall time series for individuals since 2008 appear not to portray a negative or positive trend.

The SME findings demonstrate that HMRC is generally getting things right in terms of dealing with non-compliance. There is recognition from SME respondents that HMRC is putting in the right amount of effort into reducing evasion. In addition, whilst majority of SME respondents still think that HMRC deals with evasion about the same as it used to before, we are seeing that proportion who feel HMRC now deals more firmly is also increasing. The findings demonstrate that HMRC has been successful at balancing the increase in the effort made by HMRC to reduce tax evasion, whilst still being seen to be proportionate, treating taxpayers fairly and imposing a reasonable burden on tax payers.

HMRC's effort in dealing more firmly with tax evaders is associated with higher perceptions that evaders will be caught and prosecutions are enough to deter evasion and decreased perceptions that evasion is widely spread. These demonstrate that the public still has confidence in HMRC and its ability to both help people comply, but also make it harder to not comply.

The questions on tax evasion and prosecution continue to provide a strong message. Over the Spending Review 2010 period, there has been an increase in the general awareness of prosecutions. The threat of prosecution and financial penalties is still seen to be a significant deterrent to not complying with tax obligations. However; there has been some decline in the perceived likelihood of prosecution.

9. Appendices

Appendix A: Survey Questions 2013

A.1 Introduction

This appendix presents the main CPS questions for 2013 for individuals and SMEs. Not all questions were asked in both surveys. There are also some question wording differences between the individuals and SME survey.

Some question wording was changed for both surveys compared to previous years, along with the addition of new questions. Where question wording has changed from previous years, this has been indicated in bold.

The data collected are presented in Appendix B.

Open questions

Five CPS questions are open questions where respondents volunteer an answer rather than choose from a series of available options. These questions use 'pre-codes' where interviewers classify participants' statements into a predefined list of codes or categories rather than record verbatim what has been said. If respondents' answers did not fit into one of these 'pre-codes', their full responses to the questions were recorded.

These questions asked:

- What consequences individuals / businesses who are caught for income (or corporation) tax evasion may face;
- Why the respondent does not evade income (or corporation) tax;
- In which circumstances would tax evasion be acceptable;
- In which circumstances would tax evasion be unacceptable;
- Where the respondent heard about prosecutions for tax evasion.

For these questions, the open responses were checked. Where answers could appropriately be classified into one of the predefined lists of categories, this correction was made.

A.2 Survey Format and Questions – Individuals

Introduction 1

The next set of questions is about tax compliance. The questions are being asked on behalf of HM Revenue and Customs.

I would like to remind you that all of your responses will be treated as confidential and not attributed to you.

Question 1 (MBQ_8)

As you may know, HM Revenue and Customs (formed by the merger of the Inland Revenue and HM Customs and Excise) is the government agency that is responsible for collecting taxes. Please tell me whether you agree or disagree with the following statement:

HM Revenue and Customs treats me fairly in my dealings with them.

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know (Spontaneous only)

Question 2 (MBQ_9)

Can I check, did you submit a self assessment tax return (an income tax return) in the last year?

Please prompt.

- (1) Yes, I submitted a tax return myself
- (2) Yes, but an accountant/adviser/agent submitted it on my behalf
- (3) No, I did not submit a tax return, but I should have
- (4) No, I did not submit a tax return as I didn't need to

Question 3 (MBQ_10) – asked if respondent answered (1) to Question 2

Thinking about the amount of time and effort you personally spent completing your income tax return or self assessment form, would you say this was...

Running prompt

- (1) reasonable,
- (2) neither reasonable nor unreasonable,
- (3) or unreasonable?
- (4) Don't know (Spontaneous only)

Question 4 (MBQ_11) – asked if respondent answered (2) to Question 2

Thinking about the amount of time and effort you personally spent providing the information required by the person who completed your income tax return or self assessment form, would you say this was...

Running prompt

- (1) reasonable,
- (2) neither reasonable nor unreasonable,
- (3) or unreasonable?
- (4) Don't know (Spontaneous only)

Introduction 2

The next questions are about income tax evasion. By income tax evasion, we mean deliberately not declaring all the income that should be declared for tax purposes. For example, if someone works cash-in-hand and does not declare this money for tax purposes.

Question 5 (MBQ_12)

In your view, do you think that income tax evasion is...

Running prompt

- (1) a major problem,
- (2) a moderate problem,
- (3) a minor problem,
- (4) or not a problem at all?
- (5) Don't know (Spontaneous only)

Question 6 (MBQ_21)

In your view, how widespread do you think income tax evasion is...

Running prompt

- (1) Very widespread,
- (2) Fairly widespread,
- (3) Not very widespread,
- (4) Not widespread at all?
- (5) Don't know (Spontaneous only)
- (6) Refused (Spontaneous only)

Question 7 (MBQ_N1)

In your view, do you think HM Revenue and Customs is currently putting too much, too little or about the right amount of effort into reducing income tax evasion?

Running prompt

- (1) Too much
- (2) Too little
- (3) About the right amount
- (4) Don't know (Spontaneous only)

Question 8 (MBQ_13)

How likely would you say it is for people who regularly evade paying income tax to get caught?

- (1) Very likely
- (2) Quite likely
- (3) Not likely
- (4) Not at all likely
- (5) Don't know (Spontaneous only)

Question 9 (MBQ_14)

Suppose you regularly did some cash-in-hand work and did not declare this money for tax purposes. How likely do you think it is that HM Revenue and Customs would find out about this?

- (1) Very likely
- (2) Quite likely
- (3) Not likely
- (4) Not at all likely
- (5) Don't know (Spontaneous only)

Question 10 (MBQ_N2)

Please tell me to what extent you agree or disagree with the following statement.

A lot of people I know think its okay not to pay tax on cash earnings

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know (Spontaneous only)

Question 11 (MBQ_N3)

Please tell me to what extent you agree or disagree with the following statement.

I think it's okay being paid in cash for a job and then not declaring all of it on you tax return

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know (Spontaneous only)

Question 12 (MBQ_N4)

Do you think that HM revenue and Customs deals more firmly **or less firmly** now with taxpayers who do not pay the correct amount of tax than it did **a few years ago**?

- (1) More firmly
- (2) Less firmly
- (3) About the same
- (4) Don't know (Spontaneous only)

Question 13 (MBQ_16)

I'm going to read out a statement and I would like you to tell me whether you agree or disagree with it.

The financial penalties HM Revenue and Customs can impose are sufficient to deter people from regularly evading income tax?

If the respondent just states that they do not know, clarify whether they do not know because they don't know the penalties or do not know for any other reason and then code the right option.

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know - other reason (Spontaneous only)
- (7) Don't know because don't know penalties (Spontaneous only)

Question 14 (MBQ_17M)

What are the possible consequences for people caught evading income tax, especially where it becomes public knowledge?

Do not prompt on response options. Record spontaneous answers against response options.

Code all that apply

- (1) Social stigma
- (2) Embarrassment
- (3) Negative impact on job prospects
- (4) Negative impact on credit record
- (5) Negative impact on ability to start up in business
- (6) Financial penalties
- (7) Financial problems
- (8) Criminal record
- (9) Prison sentence
- (10) No consequences
- (11) Other (Please Specify)
- (12) Don't know/ Can't think of any

Question 15 Specify (MBQ_Spec1)

Please specify other consequence(s) for people caught evading income tax

Please write in all other responses.
Collected as text data.

Question 16 (MBQ_19)

Please tell me which of the four statements comes closest to your own views about income tax evasion.

Please record respondent's own view rather than what they think the society believes.

- (1) It is always acceptable
- (2) It is mostly acceptable (but depends on the circumstances)
- (3) It is mostly unacceptable (but depends on the circumstances)
- (4) It is always unacceptable
- (5) None of these (**Spontaneous only**)
- (6) Don't know (Spontaneous only)

Question 17 (MBQ_19bM)

Can you tell me about the circumstances when you think income tax evasion would be acceptable? – *asked if respondent answers (2) to Question 16*

Please note tax evasion is defined by HMRC as a deliberate activity; therefore it cannot be coded as accidental.

Do not prompt on response options. Record spontaneous answers against response options.

Code all that apply

- (1) When a person cannot afford to pay tax/financial hardship
- (2) When small amounts of money are involved
- (3) When the evasion activity is short term/a one off
- (4) Depends on a person's occupation
- (5) When a person is disadvantaged or vulnerable (e.g. elderly or disabled)
- (6) When taxes are unfair or unreasonable
- (7) Other (please specify)

Question 18 (MBQ_19cM)

Can you tell me about the circumstances when you think income tax evasion would be unacceptable? – asked if respondent answers (3) to Question 16

Please note tax evasion is defined by HMRC as a deliberate activity; therefore it cannot be coded as accidental.

Do not prompt on response options. Record spontaneous answers against response options.

Code all that apply

- (1) When a person can afford to pay tax/is wealthy
- (2) When the amount of money is large
- (3) When the evasion activity is long term/regular
- (4) Depends on a person's occupation
- (5) Depends on the type of evasion
- (6) Other (please specify)

Question 19 Specify (MBQ_19Spec)

Can you tell me about the other circumstances when you think income tax evasion would be acceptable? – asked if respondent answers (2) to Question 16

OR

Can you tell me about the other circumstances when you think income tax evasion would be unacceptable? – asked if respondent answers (3) to Question 16

Collected as text data

Question 20 (MBQ_20)

And can you tell me the main reason why you wouldn't regularly evade income tax?

Do not read out but prompt for one main reason if necessary.

- (1) Because it's illegal
- (2) Because of the penalties/consequences I could face
- (3) Because it is unfair to other taxpayers
- (4) Because it is immoral
- (5) The probability/likelihood of being caught
- (6) Because I'm honest
- (7) There is no reason why I wouldn't regularly evade tax
- (8) Other (Please specify)
- (9) Don't know

Question 21 Specify (MBQ_Spec2) – asked if respondent answered (8) to Question 20

Please specify other reason(s) why you wouldn't regularly evade income tax
Collected as text data.

Introduction 3

The next questions are about penalties for tax evasion.

Question 22 (MBQc_1)

Are you aware that people who evade paying tax are committing a criminal offence, and could get a criminal record or go to prison?

A criminal offence is defined as breaking UK law.

Tax relates to the tax paid to HMRC, such as income tax, corporation tax and VAT. Not council tax or car tax.

- (1) Yes
- (2) No
- (3) Don't know
- (4) Refusal

Question 23 (MBQc_2b) – asked if respondent answered (1) to Question 22

How likely would you say it is for people who regularly evade paying income tax to be prosecuted.

- (1) Very likely
- (2) Quite likely
- (3) Not very likely
- (4) Not at all likely
- (5) Don't know (spontaneous only)

Question 24 (MBQc_3)

How far do you agree with the following statement 'the chances of being prosecuted by HM Revenue and Customs are sufficient to deter people from regularly evading tax'?

If the respondent just states that they do not know, clarify whether they do not know because they don't know what the criminal penalties are or they do not know for any other reason.

- (1) Strongly agree
- (2) Agree
- (3) Neither agree or disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know because I don't know the criminal penalties (spontaneous only)
- (7) Don't know, for any other reason (spontaneous only)

Question 25 (MBQc_4a)

Have you heard of anyone who has been prosecuted by HM Revenue and Customs for evading tax?

- (1) Yes
- (2) No
- (3) Don't know
- (4) Refusal

Question 26 (MBQc_4b) - asked if respondent answered (1) to Question 25

Where did you hear about people being prosecuted for evading tax?

Sources can be all forms of communication, whether media or friend/family. Do not prompt on response options. Record spontaneous answers against response options.

Code all that apply.

- (1) On TV/papers
- (2) Social networking sites
- (3) I know them personally
- (4) From family/friends/word-of-mouth
- (5) Through work/job
- (6) I am aware that people can be prosecuted for tax evasion but do not know about a specific case
- (7) Other (please specify)
- (8) Don't know/can't remember
- (9) Refuse

Question 27 (MBQc_4bSpec) - asked if respondent answered (1) to Question 25 and (7) to question 26.

Please specify where you heard about people being prosecuted for evading tax.

A.3 Survey Format and Questions – SMEs

Introduction 1

I would now like to ask you about your views on taxation. I would like to stress once more that all of your responses will be treated as confidential and not attributed to you.

Question 1 (FAIR1)

As you may know, HM Revenue and Customs is the government agency that is responsible for collecting taxes. Please tell me whether and to what extent you agree or disagree that HM Revenue and Customs treats your business fairly in your dealings with them.

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know (Spontaneous only)
- (7) Refused

Question 2 (FAIR3)

Thinking about the amount of time and effort your business spends completing its business tax return, would you say this was...

If asked, a business tax return could be a corporation tax return, partnership return or the self-employed pages of an income tax return.

Running prompt

- (1) reasonable,
- (2) neither reasonable nor unreasonable,
- (3) or unreasonable?
- (4) Don't know (Spontaneous only)
- (5) Refused (Spontaneous only)

Introduction 2

The next questions are about your views on tax evasion. By tax evasion, we mean deliberately not declaring all the business income tax that should be declared for tax purposes or deliberately overstating costs for income or corporation tax.

Please keep in mind we are interested in your opinions and there are no right or wrong answers. Please also remember that your responses will be kept in the strictest confidence and it will not be possible to identify you or your business in the results that we report to HM revenue and Customs.

Question 3 (CTEV1)

In your view, do you think that income or corporation tax evasion among small and medium sized businesses is...

Running prompt

- (1) a major problem,
- (2) a moderate problem,
- (3) a minor problem,
- (4) or not a problem at all?
- (5) Don't know (Spontaneous only)

Question 4 (CTEV1b)

In your view, how widespread do you think income or corporation tax evasion is among small and medium sized businesses? Is that...

Running prompt

- (1) Very widespread
- (2) Fairly widespread
- (3) Not very widespread
- (4) Not widespread at all
- (5) Don't know (Spontaneous only)

Question 5 (CTEV2)

Do you think HM Revenue and Customs is currently putting too much, too little or about the right amount of effort into reducing income and corporation tax evasion among the small and medium sized businesses?

Running prompt

- (1) Too much
- (2) Too little
- (3) About the right amount
- (4) Don't know (Spontaneous only)

Question 6 (CTEV3)

How likely would you say it is for small and medium sized businesses that regularly evade paying income or corporation tax to get caught? Would you say it is...

Running prompt

- (1) Very likely
- (2) Quite likely
- (3) Not likely
- (4) Not at all likely
- (5) Don't know (Spontaneous only)

Question 7 (CTEV4)

Suppose your business regularly under-declared its income or corporation tax liability. How likely do you think it is that HM Revenue and Customs would find out about this? Would you say it was...

Running prompt

- (1) Very likely
- (2) Quite likely
- (3) Not likely
- (4) Not at all likely
- (5) Don't know (Spontaneous only)

Question 8 (CTEV10)

Do you think that HM revenue and Customs deals more firmly or less firmly now with small and medium businesses that do not pay the correct amount of tax than it did a few years ago? Is that...

Running prompt

- (1) More firmly
- (2) Less firmly
- (3) About the same
- (4) Don't know (Spontaneous only)

Question 9 (CTEV6a)

I'm going to read out a statement and I would like you to tell me whether you agree or disagree with it.

The financial penalties HM Revenue and Customs can impose are sufficient to deter small and medium sized businesses from regularly evading income or corporation tax? Do you...

Running prompt

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know - other reason (Spontaneous only)
- (7) Don't know because don't know penalties (Spontaneous only)

Question 10 (CTEV6b)

What are the possible consequences for businesses caught evading income or corporation tax, especially where it becomes public knowledge?

Do not read out. Probe fully.

Code all that apply

- (1) Difficult to find suppliers
- (2) Bad publicity
- (3) Loss of reputation among customers, suppliers, other businesses
- (4) Negative impact on credit record
- (5) Negative impact on ability to expand business start up another business
- (6) Financial penalties
- (7) Kept under scrutiny by HMRC
- (9) Prison sentence
- (10) Would go out of business/cease to trade
- (11) No consequences
- (12) Can't think of any
- (10) Other (Please Specify)
- (11) Don't know

Question 11 (CTEV7)

I am going to read out four statements. Please tell me which of them comes closest to your own views about income or corporation tax evasion.

Running prompt

- (1) It is always acceptable
- (2) It is mostly acceptable (but depends on the circumstances)
- (3) It is mostly unacceptable (but depends on the circumstances)
- (4) It is always unacceptable
- (5) None of these
- (6) Don't know (Spontaneous only)

Question 12 (CTEV8a) – asked if respondent answers (2) to Question 11

Can you tell me about the circumstances when you think income tax evasion would be acceptable?

Probe fully

- (1) Fully open ended
- (2) Don't know

Question 13 (CTEV8b) – asked if respondent answers (3) to Question 11

Can you tell me about the circumstances when you think income tax evasion would be unacceptable?

Probe fully

- (1) Fully open ended
- (2) Don't know

Question 14 (CTEV9)

And can you tell me the main reason why you wouldn't regularly evade income or corporation tax?

If say it's because it's wrong probe for clarity: In what way is it wrong?

- (1) Because it's illegal
- (2) Because of the penalties/consequences I could face
- (3) Because it is unfair to other taxpayers
- (4) Because it is immoral
- (5) The probability/likelihood of being caught
- (6) Because I'm honest
- (7) There is no reason why I wouldn't regularly evade tax
- (8) Other (specify)
- (9) Don't know

Question 15 (MBQ_N2)

Please tell me to what extent you agree or disagree with the following statement.

A lot of small and medium businesses think it is okay to under-declare their revenue in order to avoid paying taxes. Do you ...

Running prompt

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know (Spontaneous only)

Question 16 (MBQ_N3)

Please tell me to what extent you agree or disagree with the following statement.

I think it is okay for small and medium businesses to under-declare their revenue in order to avoid paying taxes. Do you ...

Running prompt

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know (Spontaneous only)

Question 17 (CTEV13)

Are you aware that businesses who evade paying tax are committing a criminal offence, and could get a criminal record or go to prison?

- (1) Yes
- (2) No
- (3) Don't know
- (4) Refusal

Question 18 (CTEV11) asked if respondent answered (1) to Question 17

How likely would you say it is for small and medium sized businesses that regularly evade paying income tax **or corporation tax** to be prosecuted?

Running prompt

- (1) Very likely
- (2) Quite likely
- (3) Not very likely
- (4) Not at all likely
- (5) Don't know (spontaneous only)

Question 19 (CTEV14)

How far do you agree with the following statement 'The chances of being prosecuted by HM Revenue and Customs are sufficient to deter businesses from regularly evading tax'?

If the respondent just states that they do not know, clarify whether they do not know because they don't know what the criminal penalties are or they do not know for any other reason.

- (1) Strongly agree
- (2) Agree
- (3) Neither agree or disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know because I don't know the criminal penalties (Spontaneous only)
- (7) Don't know, for any other reason (Spontaneous only)

Question 20 (CTEV12)

Have you heard of any businesses that have been prosecuted by HM Revenue and Customs for evading tax?

- (1) Yes
- (2) No
- (3) Don't know

Question 21 (CTEV15) – ask if respondent answered (1) to Question 20

Where did you hear about businesses being prosecuted for evading tax?

Sources can be all forms of communication, whether media or friend/family. Do not prompt on response options. Record spontaneous answers against response options. Code all that apply.

- (1) On TV/ papers

- (2) Social networking sites
- (3) I know them personally
- (4) From a family/ friends/ word-of-mouth
- (5) Through work/ job
- (6) I am aware that businesses can be prosecuted for tax evasion but do not know about a specific case
- (7) Other (Please specify)
- (8) Don't know/can't remember
- (9) Refuse

Question 22 (VAT1)

Can I check, is your business registered for VAT?

- (1) Yes
- (2) No
- (3) Don't know

Question 23 (VAT2) – asked if respondent answers (1) to Question 22

Thinking about the amount of time and effort your business spends completing its VAT returns, would you say this was...

Running prompt

- (1) Reasonable
- (2) Neither reasonable nor unreasonable
- (3) Unreasonable
- (4) Don't know (spontaneous only)

Question 24 (VAT3) – asked if respondent answers (1) to Question 22

How likely would you say it is for small and medium sized businesses that regularly evade paying VAT to get caught? Would you say it is...

Running prompt

- (1) Very likely
- (2) Quite likely
- (3) Not very likely
- (4) Not at all likely
- (5) Don't know (spontaneous only)

Question 25 (VAT4) – asked if respondent answers (1) to Question 22

Suppose your business regularly under-declared its VAT liability. How likely do you think it is that HM Revenue and Customs would find out about this? Would you say it was...

Running prompt

- (1) Very likely
- (2) Quite likely
- (3) Not likely
- (4) Not at all likely
- (5) Don't know (spontaneous only)

Question 26 (VAT6) – asked if respondent answers (1) to Question 22

I'm going to read out a statement and I would like you to tell me whether you agree or disagree with it.

The financial penalties HM Revenue and Customs can impose are sufficient to deter small and medium sized businesses from regularly evading paying VAT? Do you...

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know because don't know penalties (Spontaneous only)
- (7) Don't know - other reason (Spontaneous only)

Question 27 (VAT7) – asked if respondent answers (1) to Question 22

How likely would you say it is for small and medium sized businesses that regularly evade paying VAT to be prosecuted? Is that...

Running prompt

- (1) Very likely
- (2) Quite likely
- (3) Not likely
- (4) Not at all likely
- (5) Don't know (spontaneous only)

Appendix B. Methodology

This section provides an overview of the methodology used for the SME and individuals surveys.

B.1 Survey design and sample

SME

HMRC commissioned the research agency TNS-BMRB to collect survey data from SMEs. Data were collected from a random probability sample of businesses in Great Britain. Businesses were selected at the enterprise level so that the same business was not included more than once in the sample. The 2013 data cannot be compared with the data collected prior to 2011 due to a change in the sample design in that year.

SMEs were included in the survey if they satisfied the European Commission's definition of a small and medium sized enterprise. These are businesses with turnover which is less than or equal to €50 million per annum, or a balance sheet which is less than or equal to €43 million. The total number of employees cannot exceed 250.

The sample of businesses was selected from HMRC's self assessment database, NPS database (businesses who registered for class 2 liabilities after 06/04/2011) and the Inter-Departmental Business Register (IDBR) maintained by the Office for National Statistics (ONS). Businesses from the IDBR were selected on the basis of enterprise size, region and industry. SMEs with a turnover of less than £15,000 per annum were not included. Tax agents were also excluded as HMRC has alternative research projects designed to gather their views.

SMEs were not asked if they had ever had contact with HMRC and were thus not excluded from the survey on account of having little or no experience with paying tax. The survey findings may therefore include responses from some SMEs which have had little or no interaction with HMRC. These respondents are included in the survey in order to measure attitudes across all SMEs, as this may provide information about social norms within this population group.

Respondents were interviewed by telephone. If the respondent indicated that key business decisions were theirs alone, mainly theirs or shared equally with someone else, then they were asked to provide answers to the survey questions on behalf of their business. Respondents may still have different levels of decision-making responsibilities. This is likely to influence the extent to which their responses reflect the business perspective as opposed to their personal views.

Responses were passed to HMRC at the aggregate level only to avoid any possibility that HMRC could identify the respondent from the answers given. The achieved response rate for the 2013 CPS of SME was 40% per cent.

Individuals

HMRC commissioned the ONS to collect data from individuals using the Opinions and Lifestyle Survey.¹² Interviews were carried out face to face. The individuals included in the survey were drawn at random from the general population and included employees, self-employed and those that were economically inactive. This is consistent with the approach used since 2008, making it possible to detect statistically significant changes between any two years of the survey.

The main fieldwork period, where data was collected from individuals in all employment categories, took place in September 2013. In order to achieve a larger number of self-employed respondents to facilitate sub-group analysis, additional booster samples of self-employed individuals were procured by HMRC. The boosters were run on a monthly basis from April 2013 to March 2014 inclusive.

The fieldwork period for the Individuals CPS has varied throughout the time series. **Table B.1** shows the fieldwork timetable since 2008.

Table B.1: Data Collection for the Individuals Survey

Year	Fieldwork period by respondent type (with sample size)	
	Individuals	Self-employed booster samples
2008	July and August (2,172)	September to November (340)
2009	July and August (2,058)	September to November (322)
2010	August and September (2,093)	October to December (327)
2011-12	September and October (2,180)	November to March (530)
2012-13	September (974)	May to March (1,033)
2013-14	September (1,000)	April to March (1,137)

The 2013 survey includes a much larger proportion of self-employed respondents. The decision to change the proportion of interviews undertaken with each employment category was taken following analysis of the results from 2008 to 2011.

The sampling frame used was the Royal Mail's Postcode Address File. Each month 67 postal sectors were selected, with the probability of selection proportionate to size. Within each sector 30 addresses were then chosen at random, giving an initial sample of 2,010 addresses each month. Only households which received fewer than 50 items of mail per day were included in the survey. This could include small businesses, so in order to achieve a sample of private individuals only, the ONS screened out enterprises during interviews. One person aged 16 or over was selected at random per household and asked to provide response to the survey questions, based on their personal views alone. The data was collected from a representative sample of individuals from across Great Britain.¹³

¹² Further information about the Opinions and Lifestyle Survey can be found at <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/opinions-and-lifestyle-survey/opinions-and-lifestyle-survey--opn-.html>

¹³ Excluding the Isles of Scilly and the Scottish Highlands and Islands

In 2013, the achieved sample of respondents comprised 1811 individuals. The 1000 completed interviews for the 'full' individuals wave represents a response rate for that wave of 55%. As the research only gathered employment status for those respondents who completed the interview it is not possible to calculate a response rate for the self-employed booster sample.

Individuals were not asked if they had ever had contact with HMRC and were therefore not excluded from the survey if they had little or no experience with paying tax. The survey findings therefore include responses from a significant proportion of individuals who may have limited personal experience of the tax system and little or no interaction with HMRC. These respondents are included in the survey in order to measure attitudes across society and which may give information about social norms.

Individuals who were in employment and who paid income tax are included in the survey alongside economically inactive and unemployed individuals. No analysis is undertaken using the full dataset by ONS, therefore the ILO employment status breakdown is that of the full 'fieldwork wave only'. **Table B.2** below provides this breakdown for all years of the survey:

Table B.2: Sample composition (excluding boosters) – Employment Status

Year	Employment Status (International Labour Organisation Definition) % ¹⁴			Total (n)
	In Employment	Unemployed	Economically Inactive and Unpaid Family Workers	
2008	54	3	43	2,172
2009	54	5	41	2,058
2010	52	5	43	2,093
2011	53	5	43	2,180
2012	54	4	42	974
2013	54	4	42	1000

The employment status breakdown for the 'full' individuals wave of the 2013 CPS is therefore consistent with that seen in previous years.

B.2 Question design

The Personal Finance Research Centre (PFRC) at Bristol University worked with HMRC on question design and testing to assess and improve the survey questions during the development stages of the survey. New questions added for the SME survey (2011-2013) were cognitively tested by TNS-BMRB.

¹⁴ Rounded to the nearest whole number

SME

The reported SME results use weighted data, adjusted for survey design and non-response. As the 2011 SME survey was the first to be undertaken using a random probability sample method, data collected prior to 2011 cannot be tested for statistical significance.

Unweighted base sizes are provided with each table or figure where the data are presented. Percentages are rounded to the nearest whole per cent. As a result, numbers shown in tables may not sum to 100 per cent.

Respondents who refused to answer questions are excluded from the analysis.

Individuals

When data in this report refers to 'individuals', this is data collected during the full September wave of fieldwork. The respondents in this wave consist of employees, self employed, unemployed and economically inactive individuals. The analysis of individuals data in this report begins by reporting the results of these individuals respondents for each question for the 2013 data. Comparisons are then drawn with the data from previous years to look for statistically significant changes, starting with 2012 and going back to 2008 if significant changes are apparent.

As with SMEs, percentages are calculated using weights that adjust for survey design and non-response, ensuring the sample is representative of the population based on age, sex and region. The ONS supplied HMRC with separate weights for the individuals and self-employed booster samples.

Differences over time and between groups of taxpayers are considered to exist only if they are statistically significant. Where these differences are found to be significant, we can be 95 per cent confident that the apparent dissimilarity is due to real change and difference rather than chance.¹⁵

Unweighted base sizes are provided with each table or figure where the data are presented. Percentages are rounded to the nearest whole per cent. As a result numbers shown in tables may not sum to 100 per cent due to rounding.

Respondents who refused to answer questions are excluded from the analysis.

Open questions

¹⁵ Tests for statistical significance and association were produced by data analysis software SPSS. Confidence intervals around proportions, both for comparisons across years and between the self-employed and employees, were manually calculated. These were initially calculated with a standard error of 1 to explore the data. Where statistically significant differences were found at this stage, confidence intervals were re-calculated to incorporate standard errors supplied by ONS. Using the correct standard errors increased the width of the confidence intervals, allowing for a more accurate test for statistical significance. This approach is in line with ONS guidance.

Up to five questions on the CPS (depending on questionnaire routing) are open questions where respondents volunteer an answer rather than choose from a series of available options. These questions use 'pre-codes' where interviewers classify participants' statements into a predefined list of codes or categories. If respondents' answers did not fit into one of these 'pre-codes', their full responses to the questions were recorded.

B.4 Hypothesis testing

The hypotheses developed by HMRC when analysing the results of the CPS were tested using cross tabulations in SPSS. The results of this analysis have been presented in the report where they offer further insight into the results of the basic descriptive statistics.

For the SME survey, tests for statistical significance and association were carried out using weighted data as the weighted base is set to be the same as the unweighted base. Weighted data is reported. For the individual's survey, weighted data are reported but tests for statistical significance and association are calculated using unweighted data. Because of the complexity of the individuals' survey sample design, it was considered impractical to use weighted data to test for statistical significance.

In addition to refusals, 'don't know' responses are excluded from the hypothesis testing.

Appendix C. Survey Data

This appendix presents responses to the main CPS questions asked in 2012 for the SME and individuals survey. Responses from 2008-11 are also presented where appropriate. A complete set of responses for 2008-11 can be found in the previous 2008-10 and 2011 reports¹⁶.

Percentages are based on weighted data to correct for sample design and non-response. Respondents who refused to answer the question are excluded from the analyses. Information about the unweighted number of respondents who refused to answer each question is given in each table.

Weighted bases are rounded to the nearest 10,000. Weighted percentages are rounded to the nearest whole per cent. Numbers may sum to 99 or 101 per cent due to rounding.

C.1 Survey Output - Individuals

Table C.1: Whether agree HMRC treat me fairly in their dealings with me (Question 1)

Response	Percentage of Individuals					
	2008	2009	2010	2011	2012	2013
Strongly agree	5	6	10	8	13	14
Agree	48	50	45	51	47	46
Neither agree nor disagree	25	21	27	21	22	18
Disagree	7	6	5	6	6	6
Strongly disagree	3	2	2	2	2	3
Don't know (spontaneous)	12	15	9	12	10	13
Weighted base (millions)	47.64	48.11	47.76	48.03	47.95	48.01
Unweighted base	2,166	2,055	2,072	2,149	960	1000
Number of refusals	6	3	21	31	14	22

¹⁶ <http://www.hmrc.gov.uk/research/cps-sme-report156.pdf>;
<http://www.hmrc.gov.uk/research/cps-ind-report156.pdf>;
<http://www.hmrc.gov.uk/research/report195.pdf>;

Table C.2: Whether effort spent completing own self assessment return was reasonable (Question 3)

Response	Percentage of Individuals					
	2008	2009	2010	2011	2012	2013
Reasonable	60	68	62	67	63	76
Neither reasonable nor unreasonable	17	14	23	19	13	10
Unreasonable	20	12	14	11	23	12
Don't know (spontaneous)	3	6	1	2	1	3
Weighted base (millions)	4.75	5.80	4.89	5.55	4.85	4.24
Unweighted base	217	230	201	248	102	89
Number of refusals	0	0	3	1	0	1

Table C.3: Perceived effort HMRC puts into reducing income tax evasion (Question 7)

Response	Percentage of Individuals		
	2011	2012	2013
Too much	2	2	3
Too little	41	43	42
About the right amount	27	26	26
Don't know (spontaneous)	30	30	29
Weighted base (millions)	48.15	47.95	47.86
Unweighted base	1,048	960	998
Number of refusals	15	14	24

Table C.4: Perceived likelihood of being caught for regular income tax evasion (Question 8)

Response	Percentage of Individuals					
	2008	2009	2010	2011	2012	2013
Very likely	10	9	10	10	6	8
Quite likely	39	34	35	36	31	36
Not likely	39	41	39	37	43	39
Not likely at all	7	8	8	8	9	7
Don't know (spontaneous)	6	8	7	9	11	10
Weighted base (millions)	47.65	48.08	47.90	48.03	47.95	47.86
Unweighted base	2,167	2,053	2,076	2,149	960	998
Number of refusals	5	5	17	31	14	24

Table C.5: Perceived likelihood I would be caught for not declaring cash-in-hand work (Question 9)

Response	Percentage of Individuals					
	2008	2009	2010	2011	2012	2013
Very likely	21	22	19	15	15	16
Quite likely	29	26	29	30	24	25
Not likely	33	33	32	33	37	35
Not likely at all	11	10	12	14	15	12
Don't know (spontaneous)	7	9	9	8	10	12
Weighted base (millions)	47.65	48.11	47.90	48.03	47.95	47.86
Unweighted base	2,167	2,054	2,076	2,149	960	998
Number of refusals	5	4	17	31	14	24

Table C.6: Perception of how firmly HMRC deals with taxpayers who evade compared to the past (Question 12)

Response	Percentage of Individuals		
	2011	2012	2013
More firmly	39	33	40
Less firmly	10	11	13
About the same	26	26	20
Don't know (spontaneous)	24	30	27
Weighted base (millions)	48.15	47.95	47.86
Unweighted base	1,048	960	998
Number of refusals	15	14	24

Table C.7: Whether agree the financial penalties are sufficient to deter regular evasion (Question 13)

Response	Percentage of Individuals					
	2008	2009	2010	2011	2012	2013
Strongly agree	5	6	6	4	3	5
Agree	24	24	22	26	24	24
Neither agree nor disagree	21	20	19	17	15	14
Disagree	21	21	22	23	23	22
Strongly disagree	7	6	8	6	6	5
Don't know because I don't know the penalties (spontaneous)	17	19	18	17	7	10
Don't know – other reason (spontaneous)	5	4	6	6	22	20
Weighted base (millions)	47.65	48.13	47.74	48.03	47.95	47.81
Unweighted base	2,167	2,056	2,071	2,149	960	997
Number of refusals	5	2	22	31	14	25

Table C.8: Perceived acceptability of tax evasion (Question 16)

Response	Percentage of Individuals					
	2008	2009	2010	2011	2012	2013
It is always acceptable	3	2	3	2	1	1
It is mostly acceptable (but depends on the circumstances)	6	6	4	3	4	7
It is mostly unacceptable (but depends on the circumstances)	29	27	25	21	32	31
It is always unacceptable	57	61	64	69	58	57
None of these	1	1	1	1	1	1
Don't know (spontaneous)	3	3	4	3	4	4
Weighted base (millions)	47.58	48.13	47.63	48.03	47.95	47.86
Unweighted base	2,163	2,056	2,069	2,149	960	998
Number of refusals	9	2	24	31	14	24

Table C.9: Are you aware evading tax is a criminal offence for which you can get a criminal record or go to prison (Question 22)

Response	Percentage of Individuals		
	2011	2012	2013
Yes	93	90	90
No	4	7	6
Don't know (spontaneous)	2	4	4
Weighted base (millions)	48.50	48.78	48.29
Unweighted base	1,054	971	1004
Number of refusals	9	3	18

C.10: Perceived likelihood of being prosecuted for regular income tax evasion (Question 23)

Response	Percentage of Individuals		
	2011	2012	2013
Very likely	18	15	18
Quite likely	42	39	40
Not likely	32	36	29
Not likely at all	4	4	6
Don't know (spontaneous)	4	5	7
Weighted base (millions)	44.75	42.96	42.98
Unweighted base	975	850	907
Number of refusals	7	9	4

Table C.11: Whether agree the chances of being prosecuted are sufficient to deter regular evasion (Question 24)

Response	Percentage of Individuals		
	2011	2012	2013
Strongly agree	6	4	7
Agree	30	26	28
Neither agree nor disagree	18	20	17
Disagree	32	30	29
Strongly disagree	5	8	6
Don't know because I don't know the criminal penalties (spontaneous)	5	6	9
Don't know – other reason (spontaneous)	3	6	4
Weighted base (millions)	48.15	47.95	47.77
Unweighted base	1,048	960	996
Number of refusals	15	14	26

Table C.12: Have you heard of anyone who has been prosecuted by HMRC for evading tax (Question 25)

Response	Percentage of Individuals		
	2011	2012	2013
Yes	24	35	33
No	75	64	65
Don't know (spontaneous)	2	1	2
Weighted base (millions)	48.50	48.81	48.33
Unweighted base	1,054	971	1006
Number of refusals	9	3	26

C.2 Survey Output - SME

Table C.13: Whether agree HMRC treats the business fairly. (Question 1)

Response	Percentage of SMEs		
	2011	2012	2013
Strongly Agree	16	13	16
Agree	63	68	63
Neither Agree nor Disagree	13	11	13
Disagree	4	5	4
Strongly Disagree	2	1	2
Don't Know	1	1	2
Unweighted base	1,005	960	1107
Number of refusals	0	1	0

Table C.14: Effort SME spends completing corporation tax return. (Question 2)

Response	Percentage of SMEs		
	2011	2012	2013
Reasonable	64	70	70
Neither Reasonable Nor Unreasonable	15	13	13
Unreasonable	13	12	8
Don't Know	8	6	9
Unweighted base	1,003	961	1107
Number of refusals	2	0	0

Table C.15: Perceived effort HMRC puts into reducing income/corporation tax evasion, (Question 5)

Response	Percentage of SMEs		
	2011	2012	2013
Too much	10	9	10
Too little	18	15	14
About the right amount	45	54	52
Don't know	27	22	23
Unweighted base	1,001	959	1107
Number of refusals	4	2	0

Table C.16: Perceived likelihood of detection for regular corporation/income tax evasion, (Question 6)

Response	Percentage of SMEs		
	2011	2012	2013
Very Likely	19	22	20
Quite Likely	49	46	51
Not Likely	20	18	16
Not Likely at all	2	3	3
Don't Know	10	11	12
Unweighted base	1,005	960	1107
Number of refusals	0	1	0

Table C.17: Does HMRC deal more or less firmly with evaders than a few years ago, (Question 8)

Response	Percentage of SMEs		
	2011	2012	2013
More firmly	29	34	35
Less firmly	5	3	4
About the same	32	45	42
Don't Know	34	17	20
Unweighted base	1,004	960	1107
Number of refusals	1	1	0

Table C.18: Whether agree the financial penalties are sufficient to deter corporation/income tax evasion, (Question 9)

Response	Percentage of SMEs		
	2011	2012	2013
Strongly Agree	11	16	13
Agree	45	48	47
Neither Agree nor Disagree	15	17	17
Disagree	5	5	4
Strongly Disagree	2	1	1
Don't know because I don't know the penalties	20	11	15
Don't know	2	2	2
Unweighted base	1,005	961	1106
Number of refusals	0	0	1

Table C.19: Perceived acceptability of corporation tax evasion, (Question 11)

Response	Percentage of SMEs		
	2011	2012	2013
It is always acceptable	2	1	1
It is mostly acceptable (but depends on the circumstances)	4	3	3
It is mostly unacceptable (but depends on the circumstances)	22	22	16
It is always unacceptable	71	74	79
None of these	*	0	
Don't know	1	1	1
Unweighted base	1,005	961	1106
Number of refusals	0	0	1

Table C.20: Are you aware evading tax is a criminal offence for which you can get a criminal record or go to prison (Question 17)

Response	Percentage of SMEs	
	2012	2013
Yes	95	93
No	5	6
Don't know (spontaneous)	*	*
Unweighted base	961	1107
Number of refusals	0	0

Table C.21: Likelihood SME evading tax would be prosecuted, (Question 18)

Response	Percentage of SMEs		
	2011	2012	2013
Very Likely	32	31	28
Quite Likely	47	43	46
Not Likely	11	16	13
Not Likely at all	1	2	3
Don't Know	9	8	10
Unweighted base	1,005	907	1039
Number of refusals	0	2	0

Table C.22: Chances of prosecution are sufficient to deter businesses from tax evasion, (Question 19)

Response	Percentage of SMEs		
	2011	2012	2013
Strongly Agree	-	20	20
Agree	-	53	48
Neither Agree nor Disagree	-	10	13
Disagree	-	11	9
Strongly Disagree	-	3	3
Don't know because I don't know the penalties	-	2	2
Don't know	-	3	5
Unweighted base	-	961	1107
Number of refusals	-	0	0

Table C.23: Heard of any businesses prosecuted by HMRC, (Question 20)

Response	Percentage of SMEs		
	2011	2012	2013
Yes	25	35	34
No	74	65	66
Don't Know	1	*	*
Unweighted base	991	961	1107
Number of refusals	14	0	0

Table C.24: Whether agree financial penalties are sufficient to deter VAT evasion, (Question 26)

Response	Percentage of SMEs		
	2011	2012	2013
Strongly Agree	19	26	25
Agree	50	51	48
Neither Agree nor Disagree	10	10	9
Disagree	5	4	4
Strongly Disagree	1	1	1
Don't know because I don't know the penalties	14	7	12
Don't know	1	*	2
Unweighted base	677	674	751
Number of refusals	0	0	1