HM Revenue & Customs

Research report

Putting Inheritance Tax (IHT) Online

Understanding the customer journey for Inheritance Tax

Prepared by Carat UK for Her Majesty's Revenue and Customs

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Customer Insight & Knowledge Team

About Personal Tax Customer, Product & Process (PT CP&P)

Personal Tax Customer, Product & Process works with colleagues in Personal Tax and across HMRC to help develop our approach to implementing the customer centric business strategy. We use customer insight to help PT design, deliver and improve services for individual customers which:

- improve customer experience
- maximise tax yield
- ensure that those who need help get the support they need, when they need it

PT CP&P also has a corporate role, to manage the relationship with the voluntary and community sector on behalf of HMRC.

PT CP&P are working with the Trusts and Estates (T&E) team to help them redesign the Inheritance Tax business process around the customer. T&E are responsible for the delivery of Inheritance Tax, Trusts, Settlements, and Heritage work including related Income Tax, Capital Gains Tax, non-resident trusts, transfer of assets legislation and deceased people's estates in administration.

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Research requirement:

The Inheritance Tax (IHT) process is currently an almost entirely paper-based process. This involves the Trusts & Estates (T&E) team receiving c. 300k forms per year, and dealing with c. 12k telephone enquiries regarding the progress of probate applications alone. As part of the Government's progress towards "digital by default" T&E are working to create a new, online process which will provide customers with the facility to submit IHT forms digitally and check progress through an online system.

Moving the process online provides T&E with the opportunity to undertake a full review of the IHT business process, and to redesign it around the customer.

The purpose of this research was to understand the current IHT process from a customer perspective and to help inform the new digital process, including an estimation of potential take up and assumptions around the customer requirements for assisted digital. The research focused on unrepresented customers completing the three IHT forms (IHT100, 400 and 205).

When the research took place:

This was a 4 stage process:

Stage 1: Workshop: Sept 2014
Stage 2: Qualitative Research: 5th Nov – 20 Nov
Stage 3: Data Profiling: Jan 2015
Stage 4: Quantitative Research: Jan 2015

Who did the work:

Carat UK

Method, Data and Tools used, Sample:

This was a 4 stage process:

Stage 1: Workshop to create hypotheses for research, including key stakeholders from the T&E team.

Stage 2: Qualitative Research. 27 interviews with unrepresented customers across the three forms. Sample provided by HMRC. Cases closed in financial year 2013 /2014. Hypotheses established in workshop were refined, customers mind-set segments identified and distinguished.

Stage 3: Data Profiling from the IHT customer database. CCS[1] audience profiling to reveal differences in the lifestyle, attitudes and behaviours when compared to the average in the UK, including current digital engagement. 7 key Mosaic groups[2] were identified and profiled to help target the design of the IHT online service, support and communications to better meet customer needs.

Stage 4: Quantitative Research. 1013 telephone interviews (n=17 IHT100, n=517 IHT205, n=479 IHT400) Sample was provided by HMRC and recruited without any quotas, but monitored to ensure a good geographical representation/gender mix. Evaluation of the IHT Process, based on findings from the Qualitative Research. Quantification of likely take up and barriers amongst the IHT population.

Main Findings

Overview:

This research looked at the current approach to the IHT process, the factors currently affecting completion of this process and identified key areas or barriers to those completing the IHT process, if it were available online, in the future.

Current approach:

The qualitative research found that participants felt that this was a process they just had to get through, and they adopted various coping strategies.

Set time aside to work on the forms
• Treating it as a second job, some set aside specific times every week to complete the process.

Checklists
• Compiled checklists of contacts and information to seek to ensure nothing was missed.

Physically printing off all IHT forms
• Printed off IHT forms (and supplementary IHT400 forms).
• Preferred physicality of working through paper forms (having a "done", "to do" pile.).

File management
• Compiled a file of communications so everything kept together. In the case of IHT100 specifically this can be a huge amount of paperwork.

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[1] CCS is a unique research database covering behaviours, attitudes and media consumption, bespoke to Carat.
[2] To the CCS data we added MOSAIC profiling from Experian, based on customer data provided by HMRC, to further aid context and facilitate targeting of specific groups. **Mosaic** UK is Experian's system for classifying UK households based on their geo-demographic characteristics.

- People spent a long time filing the records of the deceased.

All those interviewed in the qualitative research took their time filling in the forms and had an overwhelming desire to complete the forms to the best of their ability and get it right first time.

The key frustrations felt, irrespective of the customer's mind-set at the time or form being completed, were:
- Time taken to source information from third parties
- Complex terminology used on some of the documents or information sources (particularly in Scotland or in relation to trusts)
- Number of irrelevant sections on forms
- Lack of contact from HMRC post submission

These frustrations were borne out in the quantitative research.

<u>Factors influencing approach</u>

The qualitative research found that **four key factors** determined how participants approached the current IHT process: prior experience or expectation, demographic profile, psychological state of mind (e.g. the effect of grief) and the complexity of the forms and process. These factors can be interrelated or independent influences:

Prior experience or expectation:
- This related to familiarisation, whether there is an expectation, (this can lead to a more confident / methodical mind-set) and awareness of or previous participation in the IHT process.

Demographic profile:
- Ability to have accessed information sources and experience is affected by age and digital awareness.

Psychological state of mind:
Whilst most participants in the qualitative research found the documentation daunting, the research identified three mind-set themes which influenced their approach to the process, irrespective of the forms they completed.
- **Confident:** I knew I already had the skills to do this. Confident approach, not marred by emotions or grief. They are often in-laws or have a relevant professional competency and take on this task to allow others to continue grieving.
- **Methodical:** I knew I would be able to work it out and do it to the <u>best of my ability</u>. Someone who puts their mind to the task, works through methodically and is confident they are compiling something to the best of their ability.
- **Apprehensive:** I felt it was my <u>duty</u> to do, but expected to be out of my depth and sometimes found it <u>overwhelming</u>. Someone who takes on the task as a duty, often

knowing it is outside their comfort zone. They are reluctant to share or pass on the task, but are more fearful or mistakes or repercussion.

The predominant mind-set seen at the quantitative stage was a methodical one – around two-thirds of participants.

- o Most participants approached it in earnest, to the best of their ability. The process conveys a sense of duty being fulfilled for the deceased.
- o Some, particularly close relatives, were more affected emotionally and required more support.

Complexity of the forms and process:
While nearly 40% of participants in the quantitative research found the current process straightforward, over a quarter (27%) found the current process complex and there are some clear pinch points, which corresponded with the frustrations described in the qualitative research.

- Overall, around half of participants in the quantitative research needed some level of support during the process, regardless of their mind-set. Those filling in the more complex IHT100 and 400 forms were more likely to have issues and seek help.

- Filling in the forms was the biggest hurdle and many (40% of participants) sought help at this stage of the process. Other key pinch points, particularly for the IHT400 customers, were identifying and sourcing the information required and some participants also sought help at these stages (17% and 10% respectively).

- Additionally, the language used in the forms and the number of irrelevant sections in the forms were clear frustrations (for 14% and 10% of participants respectively).

Information and support

In the qualitative research, some participants mentioned that the HMRC website was an invaluable asset – the guidance notes were helpful to them and the content was felt to be comprehensive without being confusing. Specifically, the more Determined and Removed mind-sets wanted information that allowed them to work through the process in an autonomous way.

Most of those interviewed in the qualitative research did not contact the HMRC helpline. There was an image of the HMRC as a bureaucratic and formal organisation, so contacting them was often seen as a last resort for those in the Determined or Removed mind-sets

However, those with a resigned mind set, (who need more emotional support and reassurance) or at an earlier stage of process and marred by grief, were more likely to call. Those who were unconfident with the internet were also more likely to call.

The quantitative research found that the key sources of help were the HMRC helpline (30% of participants) and the website (19%). Other key sources of support were family, unpaid professionals and friends.

Those who struggled with the IHT400 were more likely to need telephone support (39%). Older participants (over 65) were more reliant on family members and the helpline.

At the quantitative stage, a minority (6%) voiced concern about the lack of contact from HMRC post submission.

Future digital online IHT process:

Most participants in the qualitative research did not expect to be able to complete the forms online. Several referred to their expectation that something as formal and serious as IHT documentation should have the gravitas of paper.

Despite the fact that most people interviewed at the qualitative stage were digitally confident, most of these still claimed that they would prefer not to fill in the forms online if given a choice. The ability to print off, keep a paper trail, make notes to themselves and make amendments on paper was very comforting to people, and their preferences were very much focused on their past experiences of the process and the approaches they had used to help them manage it.

However, this apparent resistance to a move to online was not borne out in the larger quantitative sample – over half expected the forms to be available for completion online and the majority (60%) were willing and comfortable with the idea of doing this.

This contradiction is not uncommon. For the qualitative research 17 in-depth interviews were conducted to deep dive into opinions and when thinking about a future online service, their views were focused on participants' past experiences of the process and the approaches they had used to help them manage it. Whilst this is too small a sample size to represent the full opinions of the UK population, it enabled the creation of hypotheses that were then tested in the quantitative research, which was conducted amongst a large robust sample.

Overall, the likelihood of someone adopting the IHT online process is affected by their willingness and capabilities, as these affect their ability to overcome the barriers in completing this process. Past experience with the IHT process and with tax processes can also aid willingness and capability, although poor experiences can detract.

Willingness:
• Those who are younger (under 65) and in the family life-stages are more familiar with digital technology and were more willing to complete online administration.

- 11% of participants in the quantitative research said they were unwilling and a further 18% were willing, but had some reservations to complete the forms online.
- Some believed that the matter of inheritance is so serious that it requires completion on paper.
- Nevertheless, the qualitative research showed a desire amongst most participants to complete this process and do so to their best of their ability 'due diligence to the deceased.'

Capability:
- Advanced age (65+) and a lack of technological savviness affect the ability to complete forms online. Urban/rural and social grade demographics are also contributory factors.
- 9% said they would be willing to complete the IHT process online, but thought they would need help and support from others to enable them to do so. A further 2% said they would have been unable to complete the forms online, with or without help from others.
- Around 5% don't use the internet at all and a further 5% use the internet less than once a week.
    - the age of these respondents is higher than those that do use and use regularly. Average: 71 vs. 60.
    - these participants are likely to need support from friends and the HMRC telephone helplines.
    - Of the minority that said that they would be unable to complete the forms, some said that they would need to use professional support to complete the forms for them.

Potential barriers:
- Capabilities can determine barriers (i.e. Inability to use technology).
- Some prefer to use older technology (paper processes because of the gravity of the situation, whilst others just believe it will be easier to manage the process on paper (e.g. being able to track, trace and check the form).
- Some have concerns about privacy and data security.
- For some, an online process may compound the existing barriers there are to the process (e.g. finding the process complex or confusing) and the effect of grief may impair their capabilities, even if they do usually use the internet.