



The Short Tax Return : Evaluating Customer Experience and Compliance Burden

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Content



- Background to the research
- Methodological issues
- Research design
- Evaluation results
 - Measures of customer satisfaction
 - Compliance

HMRC Self Assessment Review



- During 2003 an ongoing review of the Self Assessment system was being undertaken by HMRC
- Principle objectives of the review were:
 - To simplify Self Assessment for taxpayers
 - To improve the quality of HMRC outputs
 - To find ways of making Self Assessment simpler, quicker and more efficient
- Various research projects commissioned to help make recommendations about improving Self Assessment system

Piloting the Short Tax Return



- The pilot Short Tax Return was 4 pages long (compared to the 16 page Main Tax Return)
- Short Tax Return accompanied by a 16 page Guide (compared to the 35 page Main Guide) and a flyer
- Piloted on 50,000 taxpayers covering the 2002/3 tax year
- Taxpayers with relatively simple tax affairs were eligible to use the Short Return
- Tax calculated by HMRC if returned before 30th September
- All taxpayers in the pilot had the option to complete a standard Return or use an other filing method

A new Short Tax Return – and new ways to file!

We've designed a new 4 page Tax Return that we think is easier to fill in. We're trying out the new form in some areas this year, and we think you'll be able to use it. But you do have to fill in a paper form anymore...

...you can now file the Short Tax Return by telephone

It's a new service that's confidential and secure. You'll get

- a service that's easy to use - you'll be guided through the form
- help as you go along
- the chance to check what you've done, change it or save it, and come back another time if you want
- a filing reference number at the end of your call - so you know that we've received your Return safely
- your Return processed quickly.

Interested? Get your tax records together, look through the form and guide, do any calculations you need and then ring 0845 302 1419 (calls charged at local rate).

...or, why not file on-line, if you've got Internet access?

You'll get

- a secure service that gives you an instant acknowledgement that we've received your Return safely
- your tax bill worked out for you
- a quick repayment if we owe you money.

Go to www.inlandrevenue.gov.uk to find out more.

If you do want to fill in the paper Short Tax Return

Read pages 1 and 2 of the guide, first. Then fill it in and send it back by 30 September. If it's not the form for you, please phone the Short Tax Return Helpline on 0845 302 (calls charged at local rate).

We want to know what you think

We've commissioned an independent market research company to find out. They may contact you - but if you don't want to talk to them just say so. If you'd like to tell us do please phone or write.

6 April 2002 – 5 April 2003

Short Tax Return 2003

09230

UTR
Tax Reference
Employer Reference

Date 7 April 2003

Tax Office Address

Officer in Charge
Anytown Tax Office
Anytown
12/16 High Street
Anytown
AN2 4ZE

Telephone 0102 468789

1111

001

P Smith
1 Main Street
Anytown
AN1 2BP

YOUR TAX RETURN

I require a return of your taxable income and capital gains for the year from 6 April 2002 to 5 April 2003.

From the records I have for you, I think you'll be able to use the Short Tax Return to do this. But, you must use the right form for your circumstances. So before you start filling it in, please read pages 1 and 2 of the enclosed guide to check.

Although I've sent you this paper form, I'd prefer you to file on-line - it's secure, accurate, and automatically calculates your tax. You'll get immediate acknowledgment, and faster repayment if we owe you money. To find out more go to www.inlandrevenue.gov.uk.

Time limits
If you fill in this form, I'd like it back by 30 September 2003 please. I can then tell you if you have any tax to pay before 31 January 2004. I charge interest on tax paid late.

Whichever way you file your Tax Return, it has to be back to me by 31 January 2004. Otherwise, there's an automatic penalty of £100.

Capital gains
If you have taxable capital gains please read page 1 in the enclosed guide.

HOW TO FILL IN THIS FORM

- Write inside the boxes - use black ink and CAPITAL letters.
- If you make a mistake, please cross it out and write the correct information below.
- Leave blank any boxes that don't apply to you - please don't strike through them.
- If you like, you can just include whole pounds: ignore the pence in your income; round up your tax and expenses. I've given you two boxes for pence, in case you prefer to include them.

1111

001

P Smith
1 Main Street
Anytown
AN1 2BP

round up tax if you were to
£4,700.21 would be £4,701

ABOUT YOU

PERSONAL DETAILS

1 Your date of birth

2 If your name and address differs from what's on the top of this page, please write the correct details underneath the wrong ones, and put 'X' in the box

3 Your National Insurance number, if it's not already on this form

4 Your contact phone number

guide to the Short Tax Return

use the Short Tax Return? on page 1
use the Short Tax Return? on page 2

Large print or Braille version of the guide

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Previous research findings



- HMRC had already commissioned research to find out about the general attitudes of Self Assessment taxpayers
- Most unrepresented taxpayers did not think of Self Assessment in terms of financial costs to themselves
- However, taxpayers did see other 'costs' involved in Self Assessment:
 - Personal time taken
 - Emotional costs (anxiety)

Aims and objectives of research



Aim

- To evaluate to what extent the introduction of the Short Tax Return made the whole Self Assessment process simpler for the taxpayer from start to finish

Objectives

- To assess awareness of and general attitudes to the Tax Return and the accompanying Guide
- To assess overall satisfaction with the Self Assessment process and how this compared with previous years
- To identify any suggestions for improvements to the content and format of the short return and the accompanying literature
- To estimate the compliance burden of those completing Self Assessment

Methodological Issues



- Multiple objectives of evaluation could not necessarily be met through a single methodology
 - Need for both quantitative and qualitative research to cover all objectives
- Survey design limited by the information available on the population of SA taxpayers
 - HMRC records not set up for research purposes
- Need for high quality research and good response rate
 - Danger of bias if only interview certain types of taxpayers
- Potential difficulty with respondents understanding and recall of events

Respondent understanding and recall



- Respondents may have only sketchy details of events and so can recall events or actions inaccurately
- Respondent recall depends largely on the salience of the event in question which is affected by factors such as:
 - Frequency or unusualness
 - Costs or benefits
 - Potential consequences
- Respondent may recall events/actions but encode terms used differently from what intended
- Events/actions can become distorted over time
- Respondents may be guided by social desirability
- Respondents will apply various estimation strategies

Research Design



- Basic matched group design with pilot (Short Return) and control groups (Main Return)
- Sample of taxpayers randomly selected from 50,000 pilot population and 6,200 control population
- Sample frame stratified by:
 - Segment within Self Assessment (Employed, Self-employed, Pensioners, Others)
 - Represented v Unrepresented
- Some over and under sampling of particular groups to ensure adequate numbers for sub-group analysis
- All results were weighted to take account of the survey design and reflect the total population

Data collection and response

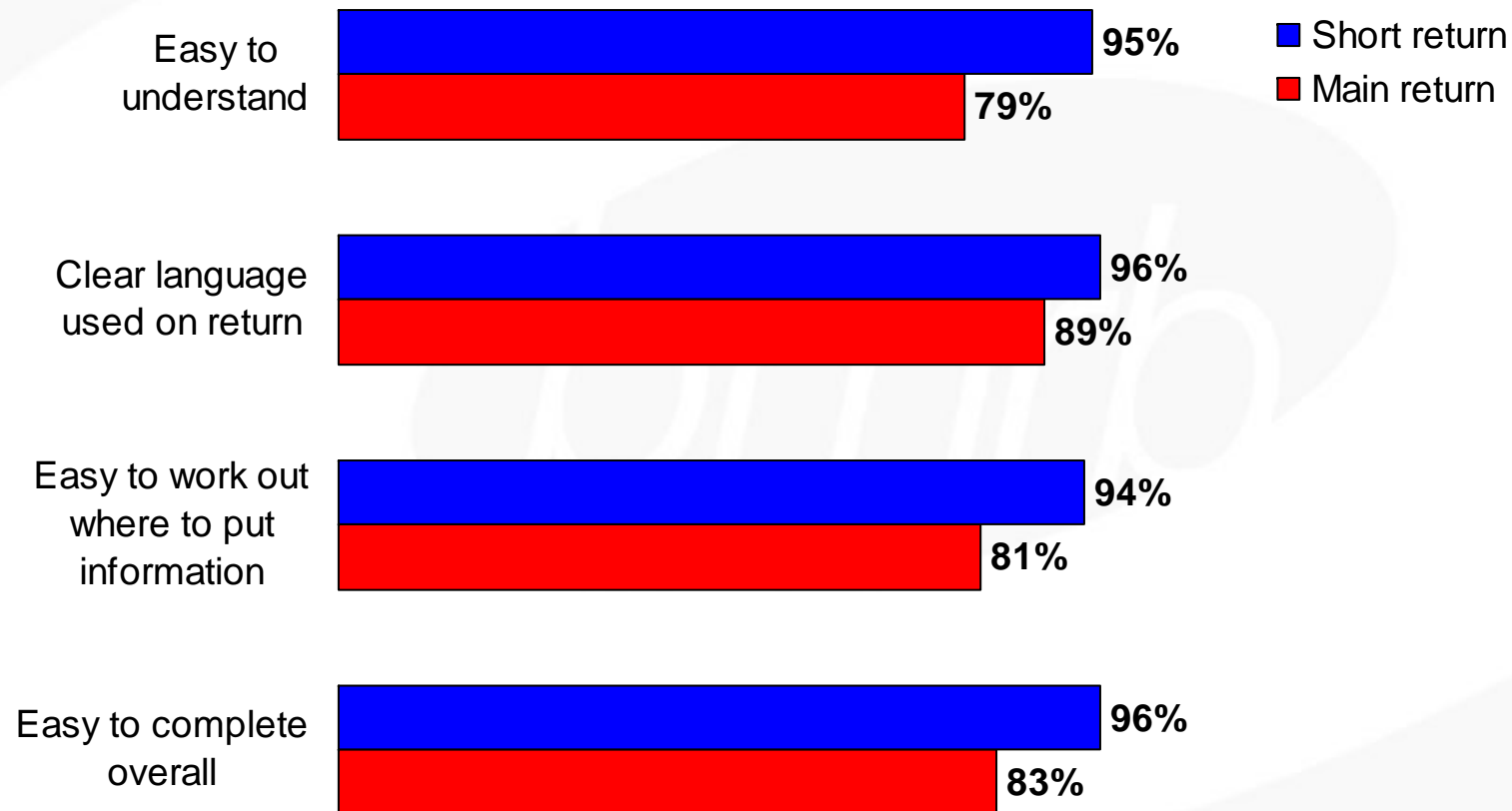


- Fieldwork carried out by telephone (CATI)
- Questionnaire piloted prior to main survey
- All selected taxpayers sent an advance letter to give them the opportunity to opt out
- Fieldwork staggered from August 2003 through until March 2004 –with the aim of interviewing within 2 months of filing
- A total of 1,309 pilot interviews and 964 control interviews achieved which represented:
 - A response rate of 47% for pilot group and 40% for control group
 - A co-operation rate of 68% for pilot group and 65% for control group



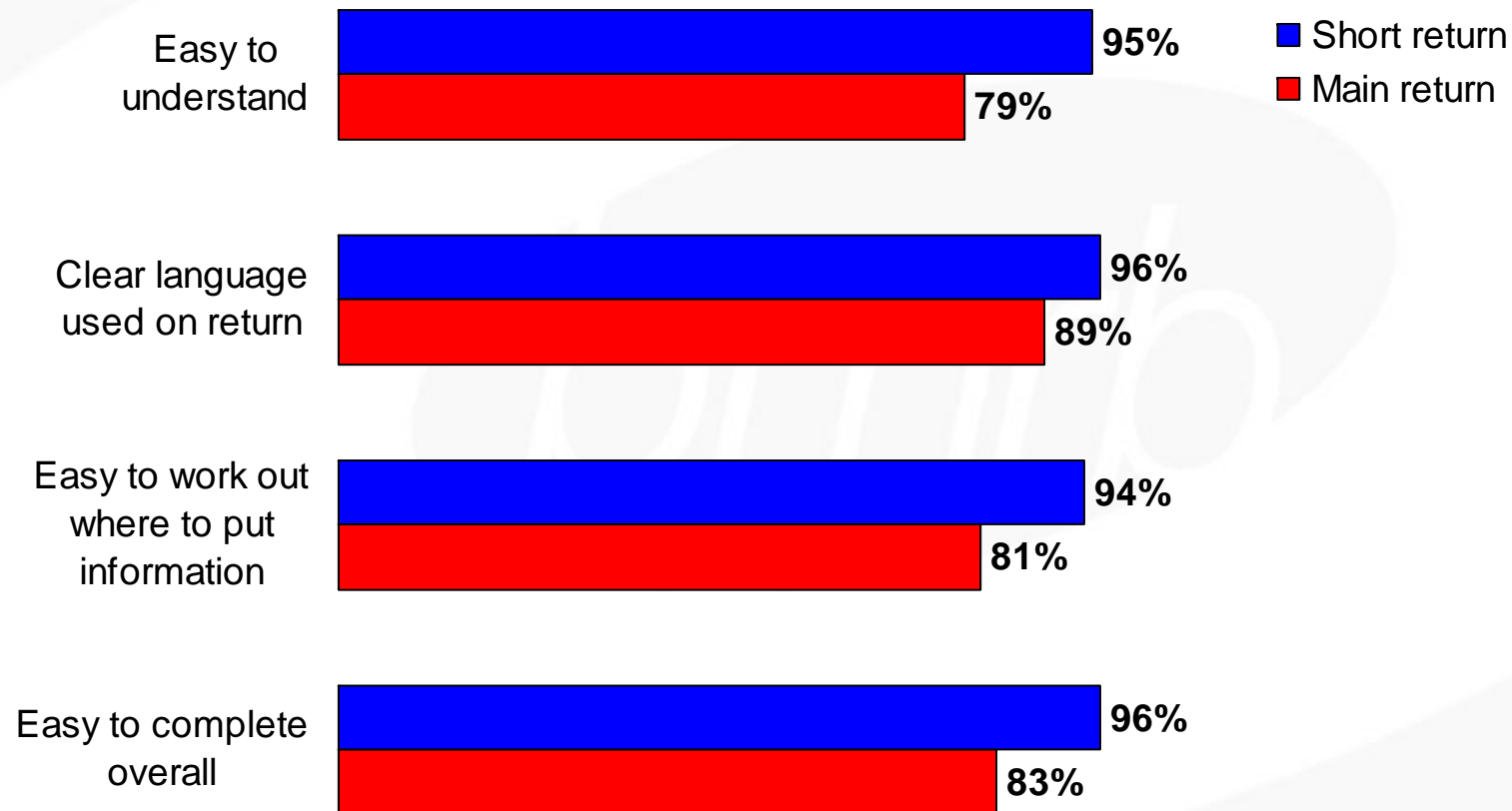
Satisfaction with the Tax Return and the Self Assessment process

Taxpayers' assessment of the Short Tax Return and the Main Tax Return



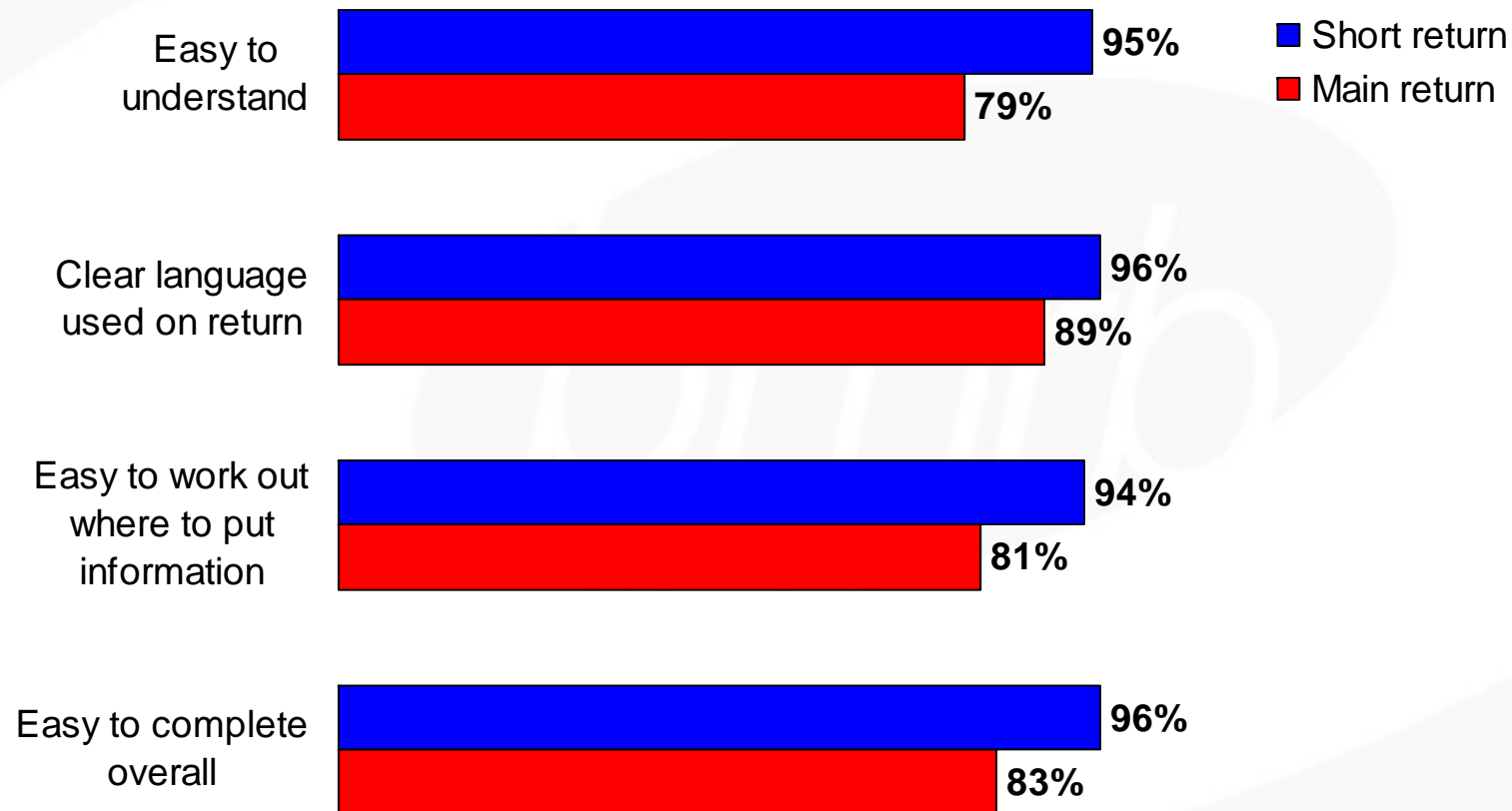
Base: All who completed Short Return (1,024); all who completed Main Return (737)

Taxpayers' assessment of the Short Tax Return and the Main Tax Return



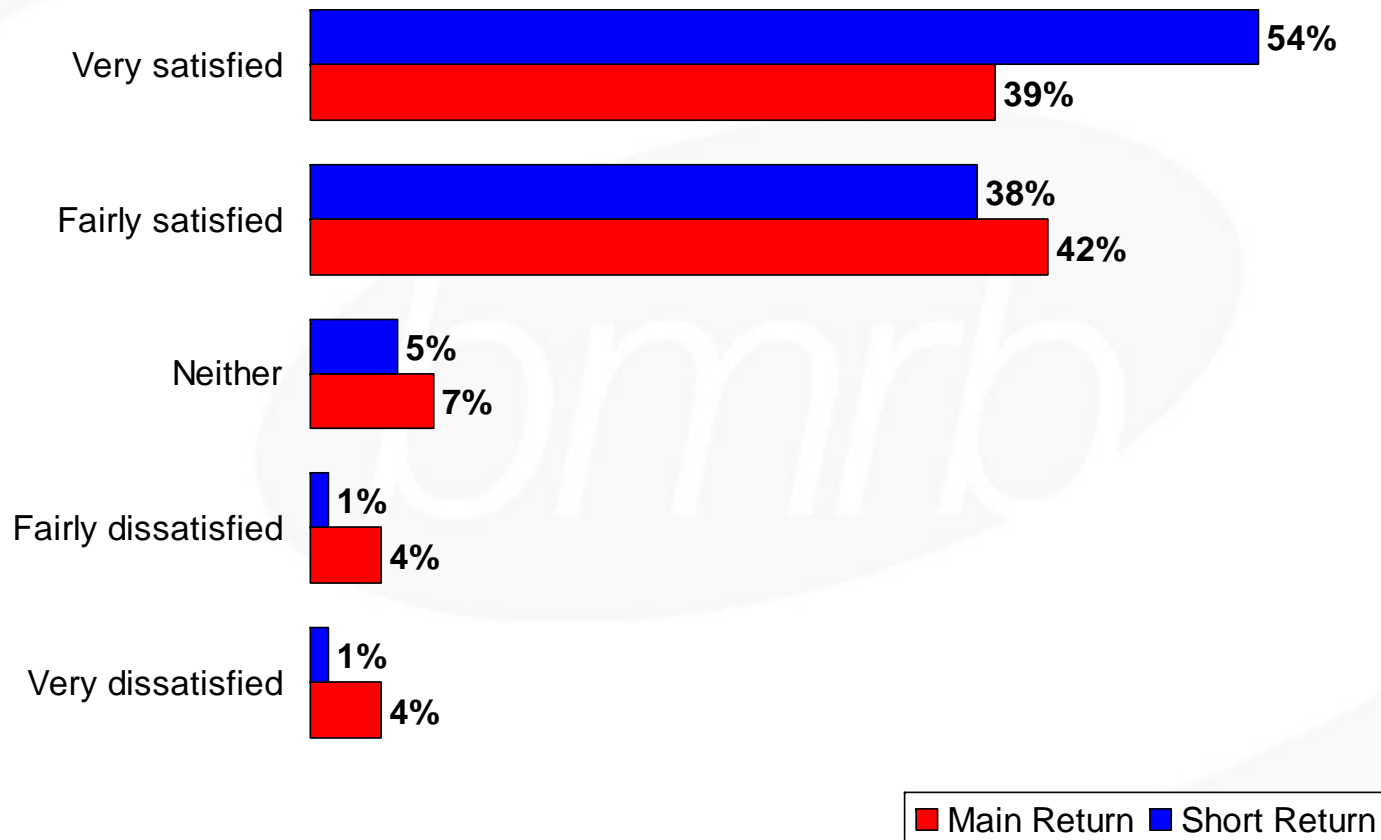
Base: All who completed Short Return (1,024); all who completed Main Return (737)

Taxpayers' assessment of the Short Tax Return and the Main Tax Return



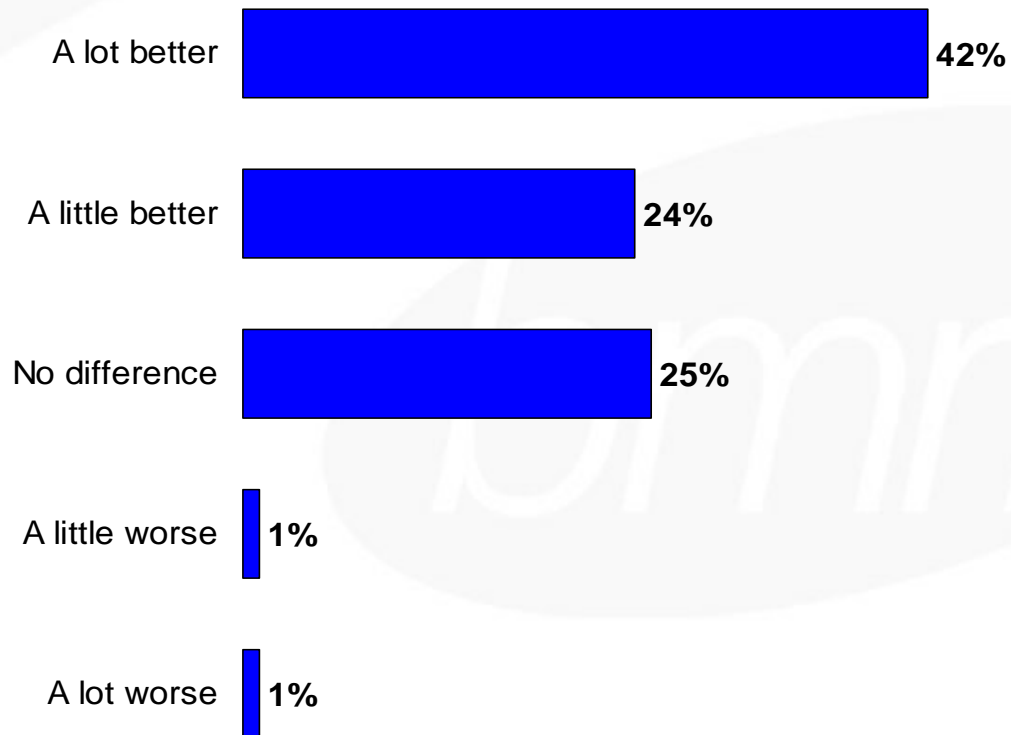
Base: All who completed Short Return (1,024); all who completed Main Return (737)

Overall satisfaction with the Self Assessment process



Base: All eligible taxpayers for Short Return (1,198); Main Return (873)

Overall satisfaction compared to last year (Short Return group only)



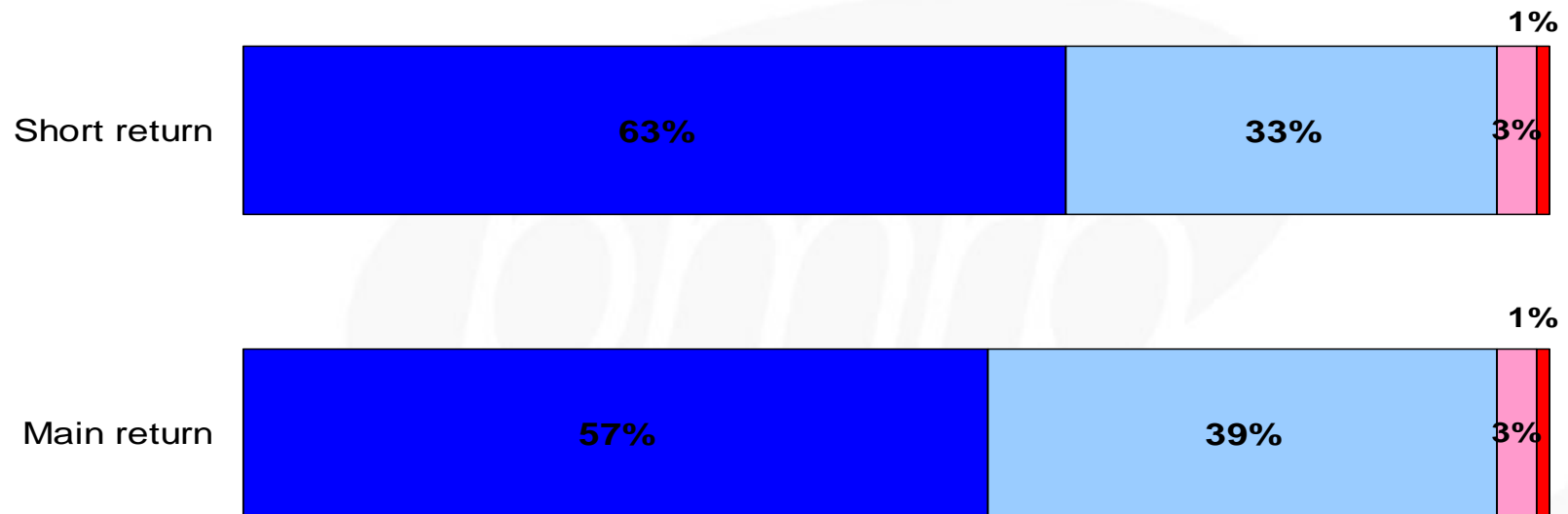
Base: All who completed their tax return themselves this year and last year (971)

Base: All who were self-completers in both years (971)



Confidence in the accuracy of the Tax Return

Taxpayers' confidence that their Tax Return was completed correctly



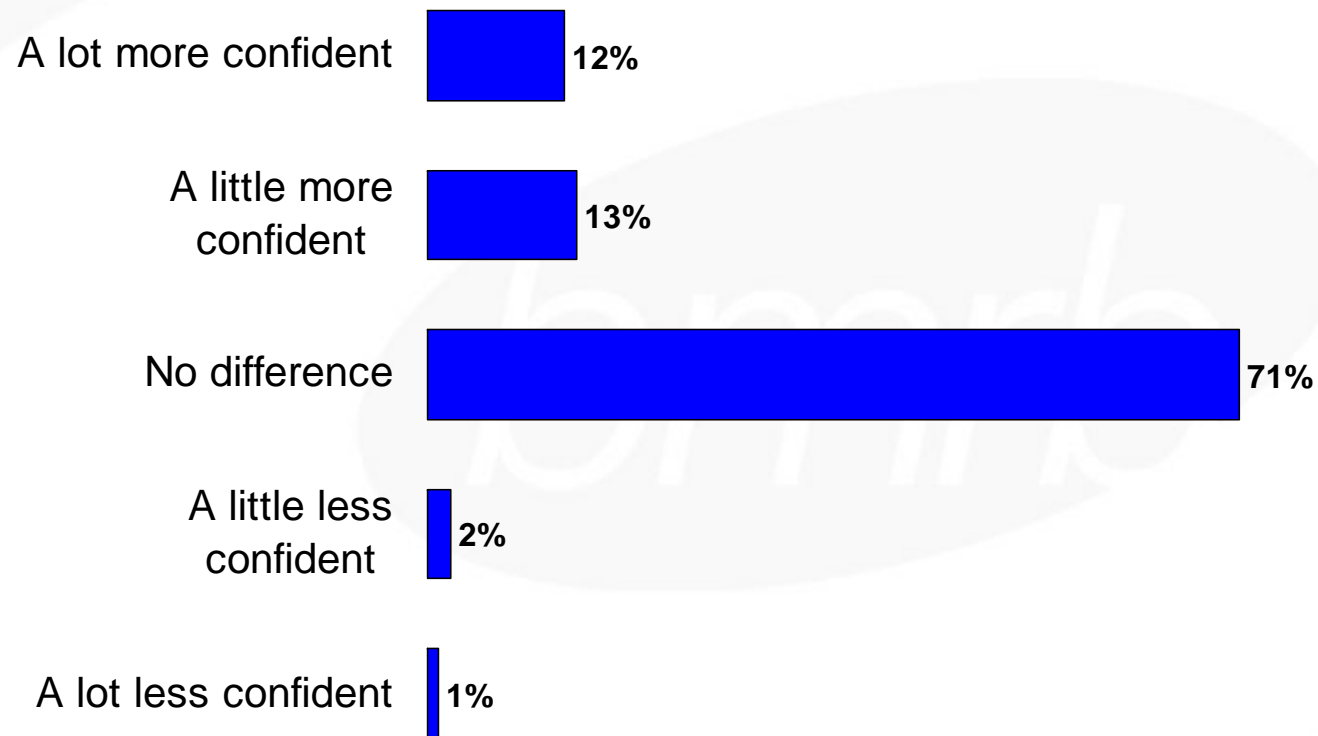
■ Very confident ■ Fairly confident ■ Not very confident ■ Not at all confident

Base: All self-completers (short return – 1024 / main return – 737)



A BMRB Social Research presentation to HMRC Taxation Research Conference, 29th June 2006

Confidence compared to last year (Short Return group only)



Base: All who completed their tax return themselves this year and last year (811)

Base: All those who were self-completers in both years (971)

Taxpayers might feel less confident about completing the Short Return because...



- No 'white space' to add additional or extra information
 - Only 9% wanted to add additional information and they added a note/letter with the Tax Return or contacted HMRC
- No calculation guide provided
 - Only 11% said they would have liked a calculation guide
- No box provided on the Return to show own tax calculation
 - 83% of taxpayers said they didn't mind not being able to show their own calculation

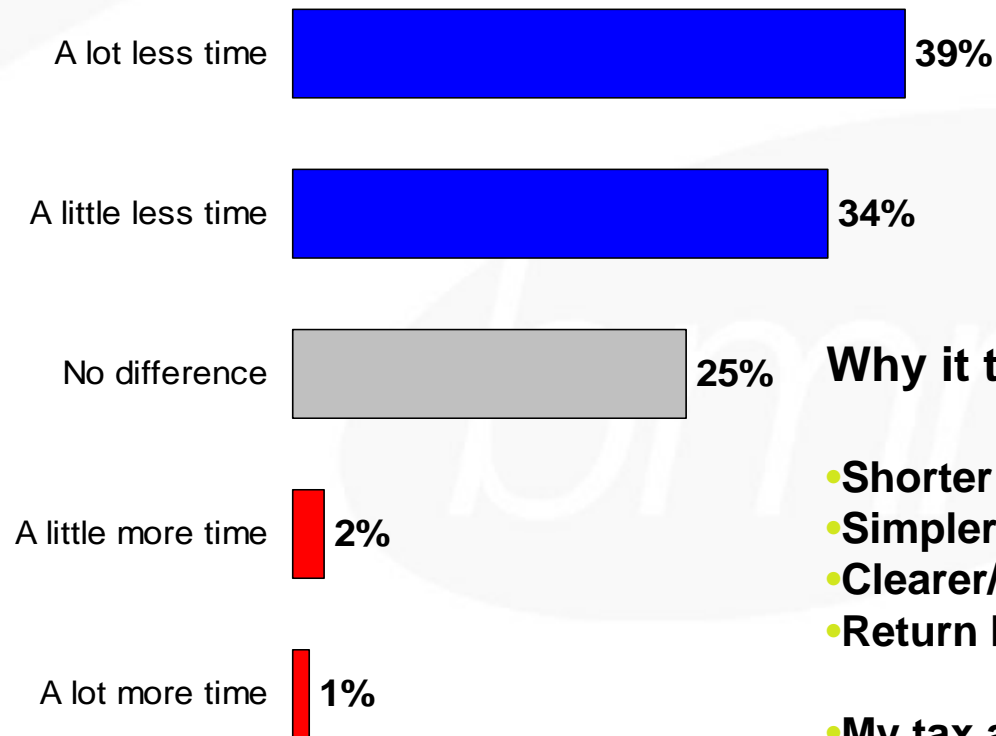
Compliance time

Defining compliance



- Compliance broken down for respondent into different tasks:
 - Time taken to gather documents together
 - Time taking looking at Guide and finding information needed
 - Contact time with HMRC (if any)
 - Time taken to complete the Tax Return
 - Time spent dealing with advisor/agent (if any)
 - Any other additional tasks
- Respondents asked to estimate the time taken for each task
- If unsure, interviewers instructed to get 'best estimate'
- Total time calculated and respondent asked to confirm as a reasonable estimate

Perceptions of time taken to complete Tax Return compared to last year



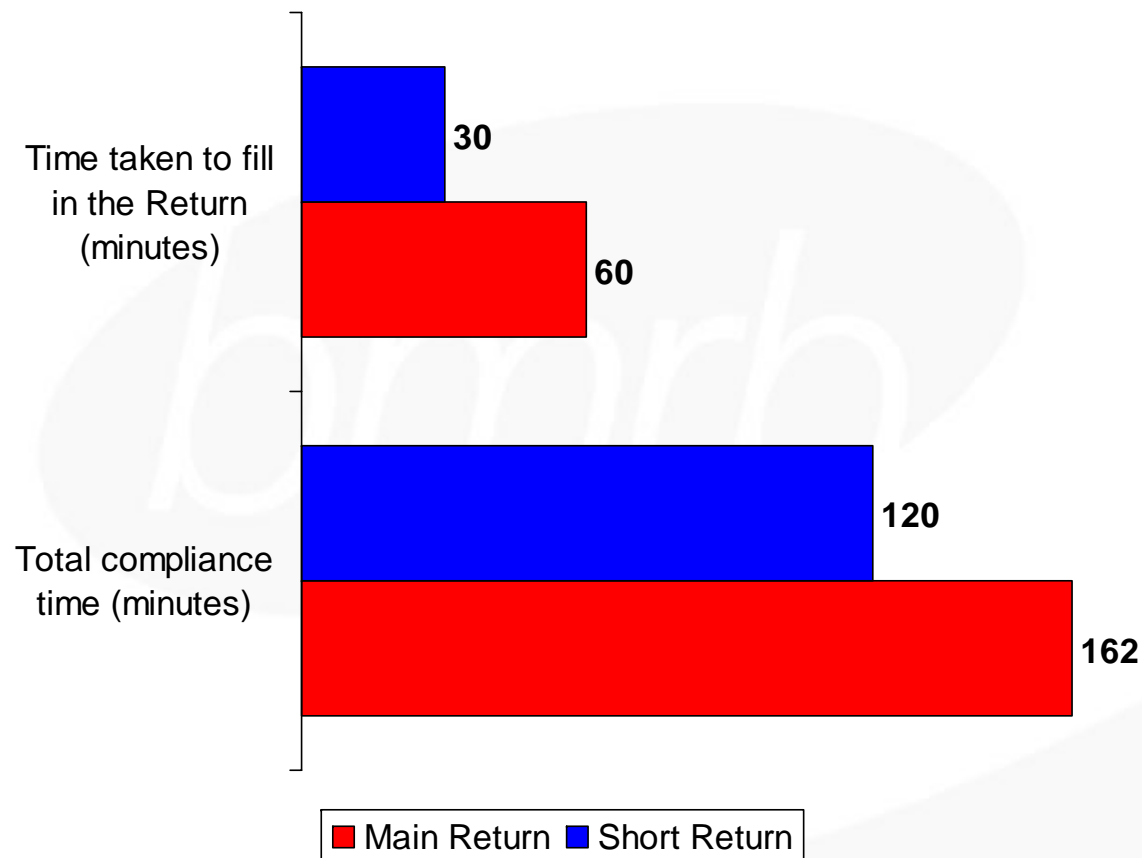
Why it took less time:

- Shorter form (62%)
- Simpler form/easier to understand (40%)
- Clearer/better instructions (9%)
- Return better organised (4%)

- My tax affairs are simpler (7%)
- More experienced at SA (9%)
- Better organised this year (6%)

Base: All who completed their tax return themselves this year and last year (971)

Compliance time of taxpayers in pilot and control groups (median time)



Base: All with a valid compliance time to complete Short Return (1,118); Main Return (802)

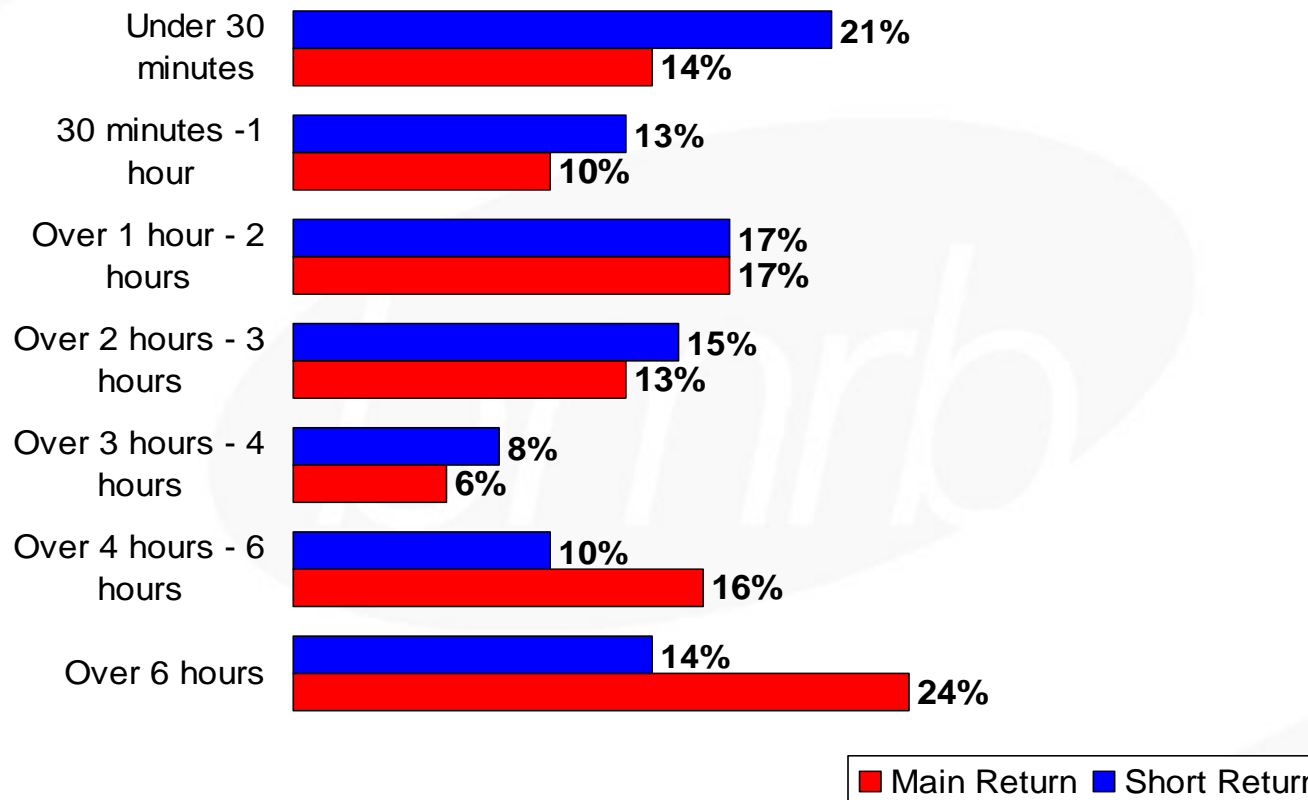
Time taken to complete Tax Return by individual task (median time)



	Short Return ¹ minutes	Long Return ¹ minutes
Time taken to gather documents	30	60
Time taken to read Guide	30	30
Time taken contacting HMRC	10	20
Time taken with agents/advisors	30	30
Time taken to complete Tax Return	30	60
Any other miscellaneous time	30	60
TOTAL COMPLIANCE TIME	120	162

¹ Median times are based only on taxpayers who spent any time on each task

Distribution of compliance time by taxpayers in pilot and control groups



Base: All with a valid compliance time to complete Short Return (1,118); Main Return (802)

Total compliance time by type of taxpayer (median time)



	Short Return minutes	Main Return minutes	Difference minutes
Employees	96	130	+34
Self-employed	130	150	+20
Unrepresented	120	181	+61
Represented	90	120	+30



Summary



Summary of research findings



- Reaction to the Short Return (and associated Guide) was overwhelmingly positive amongst taxpayers
- Taxpayers were confident they had completed their Tax Return correctly and did not feel they had 'lost' anything with the new Return
- Taxpayers completing the new Return had a shorter total compliance time compared with the control group
- Taxpayers completing the Short Return did it in half the time of those completing the Main Return (30 minutes v 60 minutes)

Summary of future research approaches



- Respondent recall and estimation always likely to be an issue with this type of research
- No perfect solution but can be tackled through a variety of strategies related to survey design and timing of research
- Development of both research methodologies (online surveys) and HMRC systems (SA Online) may open up new approaches for similar type evaluations in the future
- Methodology adopted here because of its strengths:
 - Representative sample allows generalisations about the population as whole
 - Results have statistical validity
- Other research designs and methods can complement survey results