

**HM Revenue and Customs
Evaluation of the redesigned
main tax return**

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Executive summary

This summary provides an overview of the main findings from research carried out on behalf of HMRC in 2006/7 to evaluate the impact of the redesigned main tax return piloted in 2006. Detailed findings are discussed in subsequent chapters in the main body of the report.

The overall aim of the survey was to evaluate the impact of the redesigned Self Assessment main tax return on customer experience and completion time. Within this broad aim the research had a number of more specific objectives:

- To explore the impact of the redesigned tax return on customer experience;
- To understand customers' views and satisfaction with the redesigned tax return;
- To estimate the completion time and other costs associated with the redesigned tax return;
- To understand customers' views on, and preferences relating to, self calculation;
- To identify any potential improvements to the redesigned tax return and its accompanying literature;
- To identify the types of taxpayer who benefit most from the redesigned tax return.

The evaluation consisted of interviewing a group of taxpayers who had received the redesigned tax return in 2006 (the pilot group) and another group of taxpayers who had received the standard tax return in 2006 (the control group). Interviews were conducted by telephone and were carried out as soon as possible after taxpayers had submitted their tax returns for the year. A total of 1,518 taxpayers were interviewed in the pilot group and 798 taxpayers were interviewed in the control group.

Taxpayers who are required to complete a tax return are sent either a main tax return or, if their tax affairs are relatively simple, a short tax return. All SA taxpayers also have the option of completing their tax return online, as an alternative to a paper return. This research is concerned with the redesign of the paper main tax return.

The redesign of the tax return was intended to make the process of completion easier for taxpayers. Changes included: reducing the number of questions on the tax return where possible; simplifying the language used by reducing the level of jargon and aiming for a 'plain English' written style; improving the overall look of the return

and; providing guidance which is easier to understand. A full description of the changes is provided in Section 1.1.

Overall the research findings are very positive. Most taxpayers and (to a lesser degree) agents who had completed the redesigned tax return appreciated the changes that had been made.

Completing and returning the main tax return

Awareness of the changes to the return was high among those who had completed the redesigned tax return and reactions to the return were positive. Taxpayers with income from self-employment were particularly positive about the redesigned tax return suggesting that self-employed taxpayers benefited more than taxpayers with income from employment or pensions.

Overall the whole process of completing and returning was also seen as better this year. The redesigned tax return was seen as:

- easier to complete
- easier to understand
- more relevant than the standard tax return
- having a clear and simple style
- having a more logical layout with fewer irrelevant sections to read
- using clear and straightforward language

Taxpayers appreciated that by moving less common types of information to the Additional Information pages, the tax return had been made more concise and relevant. However, few taxpayers had used the Additional Information pages. Taxpayers who had completed a section on the Additional Information pages generally found them easy to use although there was some concern that they could be mislaid.

The guidance notes which accompanied the redesigned tax return were considered easy to understand and useful by most taxpayers who had used them. However there were some issues with cross-referencing between the redesigned tax return and guidance notes. This was because the consecutive numbering on the tax return was no longer unique to a particular section

Changes affecting self-employment

Taxpayers with income from self-employment were sent a version of the redesigned tax return on which the self-employment pages had been moved to the start of the main form. The self-employment pages on the redesigned tax return were also shorter (just two pages long) and required less detailed information.

Awareness of the changes affecting self-employment was high among taxpayers with income from self-employment. Taxpayers who had completed the short self-employment pages tended to think they were easier to complete than the standard

pages. However, some taxpayers felt uncomfortable about providing less information on the short pages than had been required on the standard self-employment pages.

Most taxpayers with income from self-employment thought it was 'clear' that not everyone was eligible to use the short pages; there was no evidence of ineligible taxpayers using the short pages in error.

Changes affecting self-calculation

The redesigned tax return was sent without a tax calculation guide as a reflection that most unrepresented taxpayers do not calculate their own tax. The guide was available on request. If taxpayers wanted to report the result of their calculation to HMRC they also needed to request a separate Calculation page. The page came with the tax calculation guide if taxpayers requested this from HMRC. Taxpayers' reactions to the changes were mixed:

- The majority of taxpayers who had completed the redesigned tax return said they did not mind that no tax calculation guide had been sent. A third however, said they would have liked a calculation guide to have been sent automatically.
- The changes to self-calculation were more of an issue for taxpayers who filed later in the tax year (i.e. in the run up to the January deadline). Taxpayers filing later tended to want the tax calculation guide and Calculation pages to be sent automatically.
- Removing the tax calculation guide and the Calculation pages had no impact on the number of taxpayers who self-calculated. Taxpayers in the pilot group were just as likely to make a calculation as they had been in the previous year.

Compliance burden

Completing an annual tax return creates a compliance burden in two respects: taxpayers have to spend time completing and returning the tax return ('compliance time') and; some taxpayers incur financial costs when completing and returning the tax return. It was hoped that the re-design would decrease the compliance burden on taxpayers but, from the results of this study, it is unclear whether the redesign made a difference:

- Taxpayers who completed the redesigned tax return tended to think it had taken less time to complete compared to last year.
- Estimates of the time taken to complete the tax return were however no different for the pilot and control groups. Most taxpayers completed their tax return in an hour or less.
- Some taxpayers noted that although the redesigned tax return was shorter they had spent time adjusting to the changes. These taxpayers assumed it would take less time to complete in future.

- There is no evidence that the redesigned tax return affected the financial costs associated with completing and returning.

Agents

Agents considered the redesigned tax return easier to complete than the standard tax return. Although agents felt that the redesigned return would take them slightly less time to complete, they felt the time saving would not be significant enough for them to pass any cost savings on to their clients.

Conclusions

The redesigned tax return has been received positively by taxpayers and agents. The research suggests there would be no major problems if the redesigned tax return was implemented nationally. However, there are a number of ways the return could be improved further before its potential launch. Recommendations for further improvements are provided in Chapter 10.

Further research would be beneficial - specifically to evaluate the impact of the changes once taxpayers have become used to the redesigned tax return, supplementary pages and accompanying literature.

1 Introduction

Dealing with millions of customers each year HMRC remains committed to improving customer service and the efficiency of how the Department deals with these customers.

Over the last few years, HMRC have been undertaking a review of the whole Self Assessment (SA) taxation system. The key objectives underpinning this Review are:

- To simplify the Self Assessment process for taxpayers;
- To improve the quality of HMRC outputs in relation to Self Assessment, such as the Tax Return itself and the associated documentation; and
- To find ways of making Self Assessment quicker, simpler and more efficient, both for individual taxpayers and for HMRC itself.

As part of this ongoing Review, HMRC have commissioned a range of research projects to look at the general attitudes and experiences of taxpayers in relation to the Self Assessment process. This research has highlighted a number of key themes in terms of taxpayers' attitudes and perceptions towards Self Assessment. These themes include:

- That most (unrepresented) taxpayers did not think of Self Assessment in terms of a financial cost to themselves. However, taxpayers did perceive 'costs' in terms of the personal time taken and in terms of anxiety or emotional costs.
- Anxiety was generated by a number of factors, including not fully understanding the whole process (i.e. why am I being asked to fill in a tax return), finding the layout of the forms difficult or the language used confusing and overly jargonistic, and being anxious about making mistakes or errors, and what the consequences of this might be

As well as general attitudes to Self Assessment this early research also found a variety of opinions amongst taxpayers on the actual outputs, such as the tax return or guide. Among those who had a negative view of SA outputs, criticisms included:

- the use of complex language and jargon;
- poor signposting;
- difficulty with particular sections (such as the interest and dividends section or the capital gains section);
- incomprehensible calculation pages, which offered little insight into the way in which tax was calculated; and

- guidance notes that were difficult to use.

Additionally, research has been commissioned as part of the Self Assessment Review to evaluate specific trials and pilots. For example, research has already been undertaken to evaluate the Short Tax Return (STR), designed to simplify the SA process for taxpayers with relatively simple tax affairs. Other research has focused on simplifying things for taxpayers by taking them out of Self Assessment (refinement), and encouraging alternative means of filing (principally, online filing, but also experiments with tele-filing). Evaluating the redesign of the main tax return is the latest pilot in this wider review process.

1.1 The redesigned tax return

As with the Short Tax Return, the redesign set out to make the process of completion easier for taxpayers by: reducing the number of questions on the tax return where possible; simplifying the language used by reducing the level of jargon and aiming for a 'plain English' written style; improving the overall look of the return and; providing guidance which is easier to understand.

Changes to the main tax return

A number of key changes had been made to the main tax return including:

- The number of questions in the return had been reduced to a minimum while maintaining sufficient detail for HMRC's data requirements;
- Less common types of income and tax relief had been moved to separate 'Additional information' pages to make the main part of the return shorter and more relevant to most people;
- The redesigned tax return was designed in a format similar to the Short Tax Return which makes the form look more spacious and less cluttered;
- Colour had been added to each of the sections of the redesigned tax return to aid navigation and identification of sections;
- The pages relating to the taxpayer's main source of income (e.g. employment or self-employment) had been moved to the beginning of the tax return. On the standard return these were covered on supplementary pages at the end of the tax return;
- A new two-sided short self-employment page was introduced, removing some of the additional information that HMRC does not require from small businesses (with an annual turnover of less than £40,000);

- The standard return included a number of questions asking for details of tax, and other amounts, due or repayable. On the redesigned tax return these questions were moved to a separate Calculation page. Taxpayers who received the redesigned tax return were able to request this separate Calculation page if they wanted to report the result of their own tax calculation. In addition, the tax calculation guide, which was sent out automatically with all standard returns and which could be used to help people calculate their tax if they wanted to, was available to the pilot population but only on request;
- A short two-page capital gains form along with the requirement to submit capital gains computations had already been piloted with the short tax return and was included with the redesigned tax return;
- A separate flyer highlighting that taxpayers can donate part or all of a tax repayment to a nominated charity was included with the redesigned tax return. The flyer contained questions about donating tax repayments to charity which were previously found on the main form. The flyer was designed to be eye-catching with a view to encouraging taxpayers to consider donating in this way;
- To complement the redesigned tax return, shorter and simpler guidance notes were included in the tax return package. The new guidance was written with the intention of being easy to comprehend rather than covering all technical points and eventualities.

The redesigned tax return was issued to around 7,500 taxpayers in April 2006. These taxpayers were all selected from the West Yorkshire and Craven area. Around 2,500 taxpayers from the same area were sent the standard main tax return, acting as a control group to make comparisons against. This report covers the main findings from research carried out with these taxpayers between September 2006 and February 2007.

1.2 Objectives of the research

BMRB Social Research was commissioned by HMRC to carry out research among taxpayers dealt with by the West Yorkshire and Craven area. The overall aim of the survey was to *'...evaluate the impact of the redesigned Self Assessment main tax return on customer experience and completion time'*.

Within this there were a number of more specific objectives:

- To explore the impact of the redesigned tax return on customer experience;
- To understand customers' views and satisfaction with the redesigned tax return;

- To estimate the completion time and other costs associated with the redesigned tax return;
- To understand customers' views on, and preferences relating to, self calculation;
- To identify any potential improvements to the redesigned tax return and its accompanying literature;
- To identify the types of taxpayer who benefit most from the redesigned tax return.

1.3 Definitions and key terms

For short-hand, a number of terms are used throughout this report to define specific taxpayers and concepts relating to Self Assessment:

- 'Pilot' – the group of 7,500 taxpayers who were sent the redesigned tax return in April 2006
- 'Control' – the group of 2,500 taxpayers who were sent the standard main tax return as usual in April 2006
- 'Self-completers' - taxpayers who personally completed their own tax return this year (rather than using an agent to complete their return)
- 'Represented' - taxpayers who used an agent or other representative to complete their tax return. This group typically employed an accountant or similar professional. Represented taxpayers' experiences of completing a tax return are quite varied: Some represented taxpayers complete some or all of their return before sending it to an agent to be checked; Others chose not to open the tax return package, preferring to send it straight to their agent to complete in full
- 'This year' – Refers to the period between April 2006 and January 2007 in which taxpayers could complete their tax return for the 2005/6 tax year
- 'Last year' – Refers to the period between April 2005 and January 2006 in which taxpayers could complete their tax return for the 2004/5 tax year.

1.4 Overview of the research

The research used a combination of quantitative and qualitative methodologies.

Quantitative research

As several of the objectives for the research involved measuring a number of factors (e.g. time to complete the redesigned tax return) a quantitative approach was used. Whenever there is a need to know how many people behave in a certain way or hold a particular attitude, quantitative research is the most suitable methodology. A quantitative approach enables us to measure taxpayers' behaviours and the numerical data it produces can be used to profile respondents. Qualitative research is generally more suited to finding out the reasons underlying behaviours or attitudes.

A quantitative telephone survey was carried out to measure the impact of the redesigned tax return on taxpayers. Taxpayers from both the pilot and control groups were included in this survey (1518 and 798 taxpayers respectively). Interviews lasted on average 20 minutes and were carried out by interviewers at BMRB's Ealing telephone centre. To encourage response all taxpayers in the survey were sent a letter about the research two weeks before the survey started. Interviews consisted of structured questions covering all aspects of the process of completing and returning the tax return this year. A breakdown of the sample of taxpayers interviewed is provided in the Technical Appendix.

Data was weighted to ensure the samples were representative of the population of taxpayers who were selected for the pilot. Details of the weighting are provided in the Technical Appendix.

Agent research

A separate telephone survey of agents was originally commissioned by HMRC but this was abandoned after trialling the survey with a small number of agents in January 2006. The trial identified a number of issues which made the survey unfeasible, details can be found in the technical report. Agents' views were instead captured through in-depth qualitative interviews.

Qualitative research

A piece of qualitative research was carried out to gain a more in-depth understanding of taxpayers' and agents' experiences and views of completing the redesigned tax return. Qualitative research explores the reasons underlying behaviours or beliefs (i.e. addressing questions such as 'why?'). Whenever you want to explore and understand (as opposed to measure) beliefs, feelings, priorities and

motivations for behaviour, qualitative research is usually the most suitable methodology. Qualitative research can give an understanding of a target audience and insight into their behaviour. For example, it can help explain how people are using a particular procedure when dealing with a government agency, and how it could be improved.

As is usual in qualitative research, the sample was designed to ensure coverage of the key sub-groups within the target population, in order to identify and explain variation in their experiences and views. Face to face interviews with taxpayers lasted approximately 60 minutes and interviews with agents lasted around 20 minutes. Fieldwork was conducted during October 2006 and April 2007. Taxpayers were interviewed in their home, or in an alternative venue of their choice. Copies of the standard and redesigned tax returns were shown to respondents to aid the discussion. All interviews were digitally recorded and transcribed verbatim to allow detailed analysis.

1.5 Notes on analysis and interpretation

A total of 2,316 taxpayers were interviewed for the survey (1518 pilot / 798 control). This is a respectable number and we can be confident that survey results are representative of the population. As part of the quantitative analysis, key results have been summarised in tables and charts, and followed up with detailed observations. In some cases a full analysis is not viable because the number of respondents giving a certain response is not high enough to be robust. Generally percentages are only quoted where 50 or more taxpayers gave the same response.

Qualitative data was analysed using the technique of 'Matrix Mapping'. This process begins by systematically sifting, summarising and sorting verbatim responses according to key issues and themes. Classificatory and interpretative analyses are then derived from the analytic charts. These form the basis of the evidence reported in the following chapters. Further details of the qualitative data analysis may be found in the Technical Appendix.

1.6 Sampling error

When HMRC selected the pilot and control groups the two samples should have been selected randomly to ensure that the pilot and control groups were directly comparable. An error in the process meant that taxpayers in the pilot group had been receiving tax returns for a greater number of years than the control group.

This means taxpayers in the pilot group were more experienced at completing and returning tax returns. It is unclear what impact (if any) the number of tax returns completed should have on a taxpayer's experience of the redesigned return. However, it is feasible that greater levels of experience with the standard tax return may influence taxpayers' opinions of the redesigned tax return.

To correct the bias introduced by this sampling error, the survey data was weighted to the profile of the Self Assessment population. Details of the weighting can be found in the Technical Appendix. On all other key survey variables the pilot and control groups were comparable.

1.7 Structure of the report

The report is divided into eight main chapters:

- Chapter 2 – The process of completing the redesigned tax return
- Chapter 3 – Changes affecting self-employment
- Chapter 4 – The additional information and capital gains pages
- Chapter 5 – The charity flyer and donating to charity via the tax return
- Chapter 6 – Changes affecting self-calculation
- Chapter 7 – Changes to the guidance notes
- Chapter 8 – The compliance burden: compliance time and financial costs
- Chapter 9 – Agents: experience of professionals who represent taxpayers

The main conclusions and recommendations from these eight chapters are presented in Chapter 10.

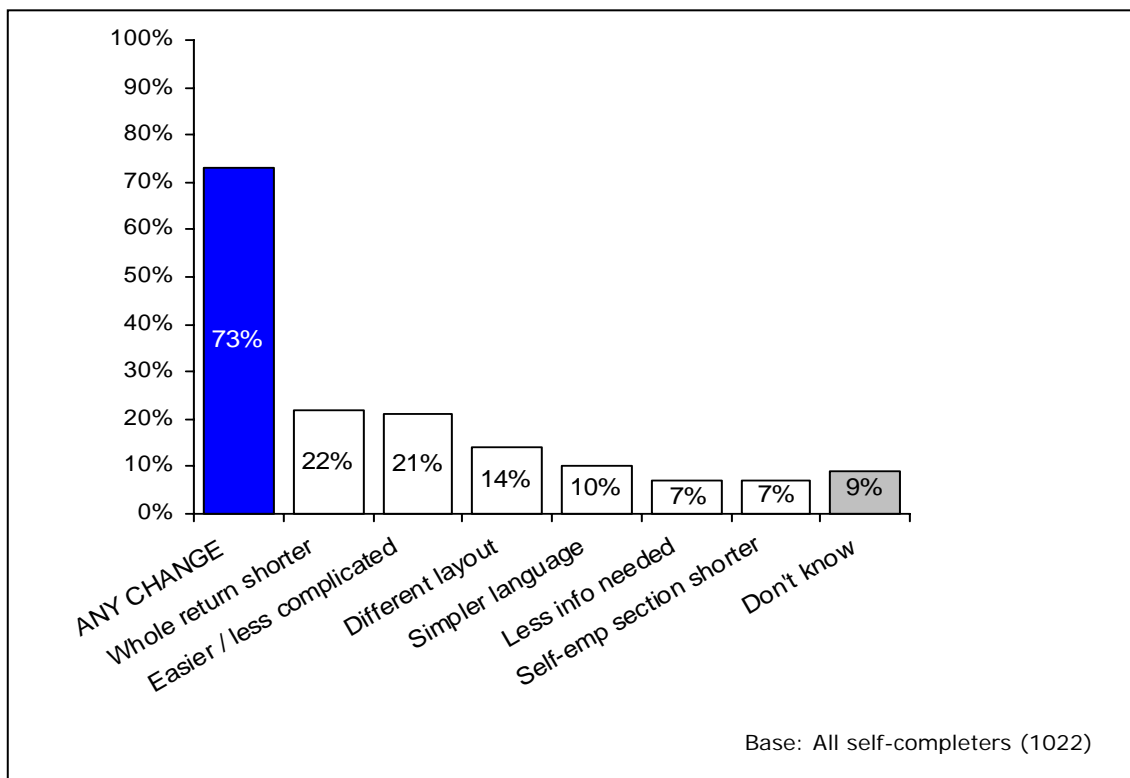
2 Completing and returning the main tax return

This chapter explores taxpayers' experiences of using the redesigned tax return compared with the standard return. The chapter focuses on general views of the return, looking at how easy it was to complete and reasons why. Subsequent chapters focus on specific sections of the redesigned tax return.

2.1 Awareness of changes to the tax return

As discussed in Chapter 1, the redesigned tax return had been changed in a number of ways. All taxpayers in the pilot group were asked what changes, if any, they had noticed. This question was asked unprompted so taxpayers' answers were spontaneous, top-of-mind responses. Taxpayers' responses are summarised in Figure 2.1.

Figure 2.1 Unprompted awareness of changes to the redesigned tax return



The analysis in this figure is limited to self-completers, i.e. taxpayers who had personally completed the redesigned tax return. Although around a quarter (27%) had not noticed a change in the redesigned return, three-quarters (73%) of self-completers in the pilot group said they had noticed some kind of change. Taxpayers commonly described the whole tax return as shorter and easier or less complicated to complete. Other common responses included the tax return having a different

layout or using simpler language. Around one in ten self-completers said that they had noticed a change but did not know or could not remember what this was.

Initial impressions of the redesigned tax return varied among taxpayers in the qualitative research. While some taxpayers noticed the overall reduction in the size of the tax return package when they received it, others said they had not been aware of any reduction in size. However, once the package was opened and the process of reading and completing the tax return begun, awareness of changes was more pronounced.

A covering letter notifying taxpayers they had been sent a redesigned tax return was included in the package. Recall of having received and read this letter was limited, although taxpayers who remembered looking at the letter thought it was clear and easy to understand.

Specific changes affecting self-employment, self-calculation and the additional information pages are discussed in subsequent chapters.

2.2 Comparing the process of completing and returning this year with last year

Taxpayers in the quantitative research who completed their own tax return both this year and last year were asked to compare the process of completing and returning between the two years. Table 2.1 summarises taxpayers' responses to four key questions. As elsewhere in the report the results for both the pilot and control groups are presented to allow comparisons. Taxpayers who had received the redesigned tax return were significantly more positive than taxpayers who had received the standard tax return.

Table 2.1 Summary of comparisons between tax return this and last year

	Pilot (%)	Control (%)
Tax return easier to <i>complete</i> this year	56	11
Tax return easier to <i>understand</i> this year	56	14
Whole process of completing and returning the tax return was better this year	47	11
More confident had completed tax return correctly this year	20	12

Base: All who completed themselves this and last year (pilot – 992 / control – 407)

The majority of self-completers in the pilot group thought that the redesigned tax return was both easier to complete and easier to understand compared to last year.

Less than one in ten thought that the redesigned tax return was more difficult to complete (8%) or more difficult to understand (7%). Around half also thought that the whole process of completing and returning the redesigned tax return was better this year. Only 5% of self-completers in the pilot group described the whole process as 'worse' compared to last year.

Despite a lack of familiarity with the redesigned tax return one in five self-completers in the pilot group also said they felt more confident that they had completed their tax return correctly this year. This was nearly double the proportion of taxpayers in the control group who expressed this view¹.

Taxpayers who thought it was easier to complete their tax return this year were asked why this was. The most common reasons given were: the redesigned return being shorter / having fewer pages (47% of taxpayers who thought it was easier to complete); it being simpler and easier to complete (39%); it being more relevant (16%); the use of clearer / simpler language (15%) and the better layout / design of the form (15%). These responses are consistent with taxpayers' awareness of the changes to the redesigned tax return previously discussed in Section 2.1.

Taxpayers in the qualitative research expressed similarly positive opinions, describing the redesigned tax return as easier and more straightforward to complete. This improvement was attributed to the shorter length and simpler format of the redesigned tax return.

'it is more direct, the old one was just unbelievably full ... there was so much crammed in there, and I think they've really trimmed it down and made it a lot easier'

(Female, 42, core form + self employment pages, represented)

The reduction in the length of the tax return was reported to have made the task of completing the return seem less daunting, which helped to remove the psychological barrier taxpayers often felt they faced when completing their tax return.

Taxpayers who took part in the qualitative study noted a reduction in the amount of information requested as part of the redesigned tax return. The need to provide less information was thought to make the process of completing the tax return easier overall.

'Less to fill in, that's the thing, it was more straight to the point, you know, unlike the first one'

(Male, 45, core form + employment)

¹ Due to an error in the selection of the control sample, taxpayers in the control group had less experience of completing tax returns compared with those in the pilot group (see section 1.1.3 of the Technical Report for an explanation). Although the data were weighted to minimise the impact of this error, this difference in experience may help explain some of the differences between the two groups throughout the report.

The proportion of self-completers in the quantitative pilot group who described the redesigned tax return as 'more difficult' to complete this year was very small (8% who self-completed this and last year). The majority of self-completers who found it more difficult to complete said this was because they were unfamiliar with the redesigned return (61% of taxpayers who found it more difficult gave this response). Lack of familiarity was also raised as an issue by taxpayers in the qualitative study.

2.3 Comparing the redesigned and standard tax returns

This section deals with taxpayers' perceptions of the redesigned tax return compared to the standard tax return. Comparisons relate to the language used, the relevance of the redesigned return, the layout and the look and feel of the form. Taxpayers in the quantitative survey were asked a number of questions relating to how clear the language was on the tax return this year and how relevant the tax return was perceived to be. These questions were only asked of self-completers, who had direct experience of completing the tax return this year. Responses are summarised in Table 2.2.

Table 2.2 Summary of comparisons between pilot and control groups

	Pilot (%)	Control (%)
Clear language used on the tax return	31	22
Easy to work out what information needs to go into sections & boxes	35	21
'Some, most or all' of the sections were relevant	54	29
Easy to work out which sections were relevant	46	42

Base: All who completed themselves this year (pilot - 1022 / control - 435)

Taxpayers in the pilot group were significantly more positive than taxpayers in the control group on three out of four measures. This indicates that the language used on the redesigned tax return was perceived as clearer, it was easier to work out what information needed to go into the sections and boxes and that more of the sections were thought to be relevant. There was no significant difference in the perception of how easy it was to work out which sections were relevant.

Clarity of language and ease of understanding

A third (31%) of self-completers in the pilot group said that the language used on the redesigned tax return was 'clear'. This compared with 22% of self-completers in the control group. Just 6% in the pilot group described the language used as 'unclear' compared with 14% in the control group.

Views on the style of the language used were mixed among taxpayers in the qualitative research. Generally the style of the language was thought to be straightforward and direct.

'The questions are more ... put straight to you, direct you more, you know the questions that we have to fill in seem to be not as confusing'

(Female, 37, core form + self-employment)

It was noted that the redesigned tax return used headings, such as 'Gift payments made' rather than the question format used on the standard tax return (for example: 'have you made any gifts to charity? Answer yes if...'). The shorter headings used in the redesigned return were thought to have reduced the amount of text as well as the overall length of the form.

In contrast, the longer style of questioning used in the standard tax return was considered more directive. Longer questions were perceived as helpful in guiding the taxpayer through the completion process and providing an explicit explanation of the purpose of each section. The question style headings were particularly helpful for taxpayers who were less confident completing the tax return, as they aided navigation through the form.

'It is about the flow. It would be nice to cut those questions out to save space but sometimes I think they help people to say 'OK am I in this situation? yes or no? if yes fill in this box, if no ignore it' and that kind of helps you flow your way through. If you are on top of what you are doing then you can just answer it but I think the flow is very important for people to actually just get to grips with where they are in the form and follow it logically.'

(Male, 41, core form + self-employment)

Some taxpayers also found the repetition of key terms confusing. In a number of places on the redesigned tax return similar terms had been used to describe more than one section. For example, the tax return contained more than one section entitled 'Additional Information', and the difference between the headings 'Gift Payments made' and 'Sending your repayment to charity' was perceived as unclear by some.

Relevance, layout and navigation

Results from the quantitative survey suggest the redesigned tax return was perceived as more relevant and that it was easier to navigate around the tax return. Less than one in ten (9%) self-completers in the pilot group thought it was 'difficult' to work out what information needed to go into which sections of boxes compared with 20% in the control group. Self-completers in the pilot group also tended to think the redesigned tax return was relevant to them. Just one in ten (10%) said

that 'hardly any' of the sections were relevant to them compared with 20% of the control group. Less than one in ten (6%) said that it was difficult to work out which sections were relevant to them compared with 10% in the control group.

The qualitative research suggested that changes to the layout of the redesigned tax return were thought to have made the return easier to navigate through and more relevant in a number of ways. These included:

- The removal of less common sources of income to separate 'Additional Information' pages - this was thought to have increased the relevance of the main form;

'[with the standard return] you are kind of scanning around to try and find the information and the boxes that are relevant to you. I'd say that the biggest difference would be the fact that there are less options on [the redesigned return], less ways of going wrong.'

(Male, 38, core form + self-employment)

- The layout of the redesigned tax return was said to follow a more logical order, as a result of the main source of income being located at the beginning of the tax return with less significant income sources at the back of the tax return or on separate pages;

'[in the standard form] employment was at the back. You would talk about dividends first and then employment at the back. Well I have always been employed since I was 21 and so that has always been the main concern as that is where my main income is. 99.9% of my income comes from the employment. So having that at the front makes a lot of sense to me. Then it goes on to other income like interest and dividends and that makes sense to me as well.'

(Male, 47, core form + employment)

- The layout of shorter sections across two columns - while the standard return used a format of page-long columns, information in the redesigned tax return was set out in shorter sections over two columns across the page. The redesigned format was said to present information in a single section neatly and clearly and as each section looked shorter, the information was not only thought to be easier to read through but it made the task of completing each section appear less daunting;
- Section-specific numbering system - the numbering system of the redesigned return began at the start of each section, which made the distinction between sections clear. The use of whole numbers was also thought to have made the numbering simpler and easier to follow. In contrast, the numbering system of

the standard tax return ran through the entire form and included decimal points, which was considered more difficult to follow.

'[the numbering on the standard form] just looks so much more complicated, whereas [the numbering on the redesigned form] is simpler, you just think hang on you've got all these, it's these sort of dashes and 1.1, 1.2... it's much clearer if you've just got simple numbers.'

(Female, 40, employment and self-employment)

Although the qualitative research primarily suggested that navigation through the tax return had been made easier as a result of the redesign, a number of specific problems were mentioned, including:

- The requirement to read through sections which tended to be irrelevant, such as the 'Student loans' or 'Blind person's allowance' sections. It was suggested these sections could be added to other less common income sources included in the Additional Information pages;
- The need to give details of your pension provider in a different section of the tax return (away from the main pension pages). It was thought that it would be easier to have all pension-related information in the same section to minimise the need to move between pages;
- The layout over two columns which was felt to disrupt the flow of reading down the page. This was thought to be particularly relevant for the 'What makes up your tax return' page. It was thought that this checklist would be easier to use if it appeared on one column rather than two. However, as taxpayers did appreciate that a two column layout helped reduce the overall size of each section

Style and format of the redesigned return

Overall the style of the redesigned tax return was described as simple and clear by taxpayers in the qualitative research. Changes to the style were felt to have made the tax return easier to read and less intimidating overall. Consequently, taxpayers felt encouraged to complete their return and the experience of completing the form was perceived as being more straightforward.

'I much prefer [the redesigned] form. It is bigger, it is more open, it is not as cluttered. It's that tiny little writing on the old one...It's off putting... [the redesigned form] looks, more like a Noddy book you know when you are learning to cook or something you can go for basic children's books and they teach you to boil an egg you know...so it gives you more confidence, I think

[the standard form] looks more formal, more technical, more accountable and it is a bit frightening.'

(Female, 59, core form + employment + self-employment)

A number of specific changes were said to make the tax return easier and more straightforward to complete and these included:

- The density of the text used in the standard tax return - taxpayers explained that they no longer had to 'wade through' the text as it was 'more spacey' and 'calmer';
- The larger font size meant the form was easier to read for taxpayers with poor eyesight, for example;
- Different coloured backgrounds for the employment and self employment sections were thought to highlight the distinction between these sections more clearly;
- Zeros placed in pence boxes were thought to reinforce the need to 'round up' figures to the nearest pound;

'I know it tells you not to put any pence in but you very easily can on the old one, whereas [on the redesigned form] obviously, you can't'

(Male, 59, core form + employment + self employment)

- The colour scheme was generally preferred as a result of being 'calmer' and 'lighter'. In contrast the colour scheme of the standard tax return, particularly the grey background, was considered to be too dark.

2.4 Differences in experience by type of taxpayer

Experiences of completing the redesigned return were found to vary depending on taxpayers' sources of income. The quantitative research found that taxpayers with income from self-employment were most positive about the redesign changes. Taxpayers in the qualitative research who had less experience of dealing with finances also noticed more of a difference in overall ease of completion.

Taxpayers can be divided into groups according the types of income they have. The three most common sources of income in the Self Assessment population are: self-employment, employment and pensions. Table 2.3 shows the differences in response between these three main groups in the quantitative survey. For the purposes of this analysis the groups are not mutually exclusive. For example, some taxpayers had income from both self-employment and employment.

Table 2.3 Summary of comparisons split by source of income

	Source of income		
	Self-employment (%)	Employment (%)	Pension(s) (%)
Tax return easier to complete this year	64	57	50
Whole process of completing and returning the tax return was better this year	56	46	42

Base: All who completed themselves this and last year (477 / 342 / 555)

Taxpayers with income from self-employment were more positive about the redesigned tax return than taxpayers with income from employment or pensions. As discussed in Section 2.2 a very small proportion of taxpayers described either the redesigned tax return as more difficult to complete or the process of completing and returning as worse this year.

This difference in opinion may be a reflection of the specific changes affecting self-employment. Many of the changes to the redesigned tax return had been made specifically to benefit self-employed taxpayers. These changes are dealt with in Chapter 3.

Taxpayers in the qualitative research with less experience of dealing with financial affairs tended to find the tax return easier to complete. In contrast, those who had more experience of dealing with financial affairs (for example, taxpayers who had worked in financial careers) tended to notice less of a difference. These taxpayers tended to be confident with their financial affairs. They often carried out detailed calculations on their own worksheets before completing their tax return. Simplification of the tax return did not therefore have a significant impact on this type of taxpayer.

'There were less bits to fill in ... it didn't necessarily help me because I still have to go through the same amount of my own accounts to fill them in so I don't think it was a great help in truth ... but yes it was less to actually write'

(Male, 41, core form + employment + self employment pages)

3 Changes affecting self-employment

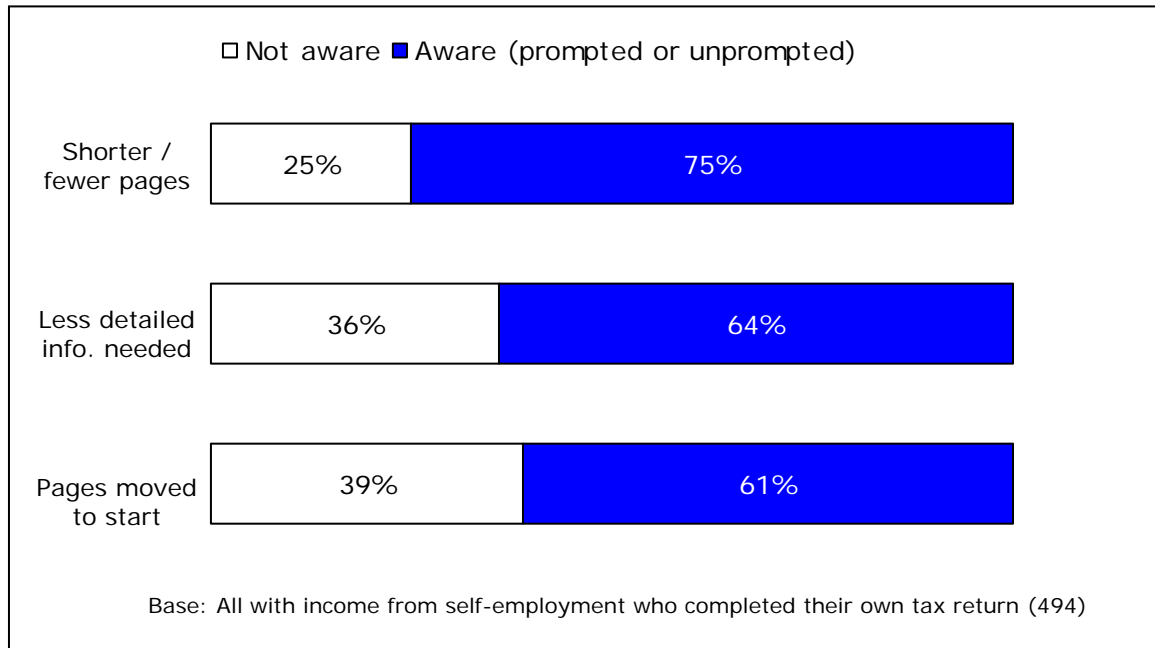
Chapter 3 deals specifically with changes that affected the self-employment pages of the redesigned tax return. Throughout this chapter the analysis is limited to taxpayers with income from self-employment who self-completed. The three main changes to the self-employment section were:

- *Layout*: the self-employment pages had been moved to the start of the tax return
- *Length*: the short self-employment pages used in the pilot were two pages long compared with four pages on the standard tax return
- *Detail*: taxpayers were required to provide less detailed information on the short pages

3.1 Changes affecting self-employment

Taxpayers with income from self-employment were asked whether they had noticed any changes to the self-employment pages. Taxpayers were asked unprompted and then prompted (i.e. the changes were described to them and they were asked whether they had noticed them). Awareness of the changes is summarised in Figure 3.1.

Figure 3.1 Awareness of changes affecting self-employment



Unprompted awareness of the changes was low with less than 10% of self-employed taxpayers having noticed any of the changes affecting self-employment. Further discussion of unprompted awareness of the changes to the tax return is provided in

Chapter 2. When prompted the majority of self-employed taxpayers were aware of each of the changes.

3.2 Eligibility for the short self-employment pages

Although all self-employed taxpayers in the pilot group had been sent the short pages automatically, some may not have been eligible to use them. Taxpayers were ineligible if their annual turnover was £40,000 or more, if they claimed certain types of relief, had changed their accounting date, or had experienced some other circumstances which would not apply to most self-employed taxpayers. The redesigned tax return and guidance notes explained these eligibility criteria. Taxpayers who were ineligible were instructed to request the full self-employment pages from HMRC.

Self-employed taxpayers in the quantitative survey were asked whether the eligibility criteria for using the short self-employment pages were clear. Three quarters (77%) said that it was clear that not all self-employed taxpayers were eligible; with a half (49%) saying it was 'very' clear. Around one in ten said it was either 'very' or 'fairly' unclear.

Self-employed taxpayers in the qualitative sample reported annual turnovers of less than £40,000 and were all eligible to complete the short self-employment pages. They had all received and completed the short self-employment pages. Awareness of the eligibility threshold however was varied. Some taxpayers suggested the eligibility criteria could be highlighted more clearly, for example by printing the £40,000 threshold in bold print at the top of the page.

Although all taxpayers in the qualitative sample were eligible to use the short self-employment pages, it was suggested that details of how to request the full self-employment pages could be made clearer. For example, it was thought that by putting the telephone number for the order line next to the eligibility criteria it would be easier to find out how to request the separate pages.

3.3 Use of the short self-employment pages

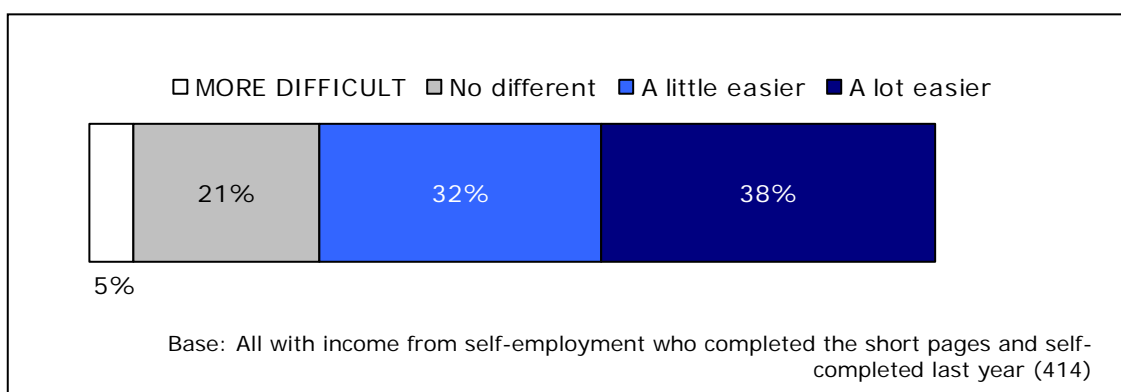
While self-employed taxpayers in the pilot group had been sent the short self-employment pages, they were able to request the full pages if they wanted or needed to complete them because they were ineligible to use the short pages (see Section 3.2). The majority (81%) of self-employed taxpayers who self-completed had used the short pages. Less than one in ten (8%) had definitely requested the full self-employment pages with a similar proportion (11%) saying they did not know which pages they had used. We can probably assume that taxpayers who said they did not know had in fact used the short pages. Taxpayers who had requested the full

pages would have been likely to remember this. We can conclude that potentially more than 90% of the self-employed self-completers used the short pages.

3.4 Ease of completion

Taxpayers who remembered completing the short self-employment pages on the redesigned tax return were asked to rate how easy or difficult they were to complete compared to the pages they had completed last year.

Figure 3.2 Whether short self-employment pages were easier to complete



As Figure 3.2 shows, the majority of taxpayers who had used the short self-employment pages thought they were a little or a lot easier to complete than the pages they had completed last year (69%). More than a third (38%) described them as 'a lot' easier to complete. Taxpayers in the qualitative research also felt the short pages were easier to complete overall. Reasons given for this included:

- The shorter length of the self-employment pages - with fewer sections to read through, the pages were considered more straightforward to navigate through and to complete;
- The description of expense categories – descriptions were said to be more explicit and therefore more self-explanatory than on the standard self-employment pages. For example, the title 'Wages, salaries and other staff costs' was thought to be clearer than the standard heading of 'Employee costs';
- The requirement to provide a business description rather than a business name – this was seen as an improvement, especially by those who did not have a business name

'One year I think I put down my own name, I haven't a company name, I am just me and that's it. And description of business, it is outworker basically so...it's better I would say. Because I can actually put a description'

(Female, core form + self-employment)

A small proportion (5%) of taxpayers in the quantitative survey said the short pages were 'a lot' or 'a little' more difficult to complete. The proportion saying 'more difficult' was too small for us to comment on what types of taxpayers were most likely to say this. However some specific issues were raised by taxpayers in the qualitative research regarding difficulties experienced, these included:

- The requirement to familiarise themselves with changes to the expense categories - the new categories meant taxpayers had to re-learn the headings which had changed from the previous year;
- A lack of confidence providing less information than had previously been requested on the standard tax return – there were concerns that the redesigned expense categories did not allow taxpayers to provide sufficient detail to HMRC.

4 Additional information pages and capital gains supplementary sheet

As part of the redesign process, less common types of income and tax relief had been moved to the separate 'Additional information' pages. Items which had been moved included stock dividends, lump sums, gilt-edged securities, life insurance gains, pension tax charges and age related married couple's allowance. This made the main redesigned tax return shorter and more relevant for most taxpayers, making it easier for them to disregard sections which did not apply to them.

4.1 Use of the additional information pages

Half (49%) of taxpayers who received the redesigned tax return were aware that some of the information on the core return had been moved to the separate 'Additional Information' pages. Awareness was higher among taxpayers who had completed their return themselves (63%).

Taxpayers who had noticed the existence of the Additional information pages were asked whether they had looked at them to see if they needed to complete them and, if so, whether they had actually used them. Three-quarters (77%) of taxpayers who noticed the Additional information pages said they had looked at them, while the remaining quarter (23%) said that although they had noticed the pages they had not actually looked at them.

Of those who had looked at the Additional information pages, 15% said they had actually completed them, while 85% either said they had not or could not remember. Completion of the Additional information pages was more common among older taxpayers and those with a higher personal income. Thus, 26% of taxpayers aged 65 or over who had looked at the Additional information pages had actually completed them compared with 13% of those aged under 65. Similarly, 22% of those with an annual personal income of £60,000 or more and who had looked at the pages had actually completed them compared with 14% of those with an annual personal income of less than £60,000.

The fact that these groups of taxpayers were more likely to complete the Additional information pages is almost certainly due to the fact that the types of income covered on the Additional information pages are more relevant to these groups of taxpayers (for example, the age related married couple's allowance, stock dividends, gilt-edged securities, etc).

4.2 Attitudes towards the additional information pages

Taxpayers generally approved of the new 'Additional Information' pages. The pages were thought to have made the main tax return form shorter and more relevant.

'It is easier because you look at it and think "I haven't got any of that" so I don't need it, thank you very much.'

(Male, 60, core form + self employment)

Even taxpayers who were required to complete sections of the 'Additional Information' pages thought that separating these from the core return was a good idea. Overall, taxpayers who used the pages found them easy to use. They also appreciated that the main tax return had been streamlined to suit the majority of taxpayers.

Some taxpayers expressed concern that the separate Additional Information pages could be mislaid once sent to HMRC. This prompted some taxpayers to staple the Additional Information pages to the main tax return. It was suggested that the inclusion of a check list on the main form would be helpful so that HMRC could see which of the separate sheets had been completed. It was thought that a check list would have two potential functions: Firstly, it would help taxpayers summarise or 'audit' what they had completed; Secondly, it would reassure taxpayers that HMRC would be aware if any separate pages had been mislaid.

The purpose of the Additional Information pages was not thought to be immediately clear, as a consequence of labelling the pages 'Additional Information'. Taxpayers had assumed on first glance that the pages contained extra background or guidance information to read, rather than sections to be completed as part of the tax return.

For taxpayers who had no income from employment or self-employment the 'Age related married couples allowance' section was located in both the main tax return form and the 'Additional Information' pages. This gave these taxpayers the choice of where to complete the section. Taxpayers who were eligible to complete the section had generally chosen to do this on the main tax return form rather than on the 'Additional Information' pages.

Some taxpayers thought that the Age related married couples allowance section should be on the main tax return. It was felt that pensioners completing the section were unlikely to have any other reason to use the Additional Information pages. It was also perceived as easier for taxpayers to find the section on the main tax return.

'I think here they have put the age related married couples allowance on a separate page whereas before it used to be on the main body... I imagine as people get older and have more difficulty filling in forms and struggling they

are more likely not to claim it. ... And therefore putting them on a separate form is again just making it more difficult for people to claim.'

(Male, 56, core form + employment)

For taxpayers who received a pension but also had income from employment or self employment, the Age related married couples allowance section was only located in the Additional Information pages. These taxpayers also thought that it would be more appropriate to include this section on the main tax return form. Again, this was because other parts of the 'Additional Information' pages tended to not to be relevant.

4.3 Capital gains pages

As with other sections of the redesigned return, the redesigned Capital Gains pages were considered easier to complete due to their shorter length and clearer format and style. The requirement to request Capital Gains supplementary pages was generally not a concern for taxpayers. They recognised that the supplementary pages were not relevant to most taxpayers and therefore should only be available on request. Taxpayers who had ordered the Capital Gains pages had found the ordering process to be quick and straightforward.

However, taxpayers did criticise the amount of working space provided on the Capital Gains pages. They did not believe the pages offered sufficient space to show their workings. As a result, one taxpayer who wanted to provide more detailed information had attached additional calculation details to the tax return.

'I felt I had to compose my own working sheet, and then I was a bit nervous because it said don't enclose anything other than kind of official paperwork but in order to show the working out, the form just didn't seem to support me being able to do that, so I cheated, and kind of mimicked in an excel spreadsheet, the exact layout of their working summary, but inserted a couple of extra rows to allow me to show the breakdown

(Male, 43, core form + employment)

Awareness of the working space on the back of the redesigned pages was limited. Some taxpayers suggested the working space could be signposted more clearly.

'I don't think I even noticed that there was something on the back, there's nothing intuitive to suggest you should turn over, there's [no] notes or instructions as to what the whole of that page is about'

(Male, 52, core form + self-employment)

In addition, it was suggested that signposting from the boxes on the working sheet to the summary sheet would aid navigation between the two sheets making the task of completing the summary sheet easier.

Although the Capital Gains pages were generally perceived as straightforward, the nature and complexity of the Capital Gains tax system was seen as a barrier to simplifying the pages.

[The Capital Gains pages] were fine. I think that the problem the revenue have got is that the tax system is way too complicated and so they are trying to make it easy for a taxpayer to complete a form by papering over the underlying problem which is that the system is ridiculous. Capital gains, in particular, has mushroomed out of all proportion. The underlying machine is too complicated. So it doesn't matter how good the instruction booklet is it is the machine that causes the trouble.'

(Male, 45, core form+ employment)

5 The charity flyer

All Self-Assessment taxpayers are offered the option to donate all or part of any tax rebate they receive from HMRC to a nominated charity. As in previous years, taxpayers in the control group were able to request this facility by completing a set of questions on the standard main tax return. Taxpayers in the pilot group were instead provided with a separate 'charity flyer' to complete. The flyer had been designed to draw attention to the facility to donate all or part of a repayment to charity.

5.1 Awareness of facility to donate tax repayments to charity

Inclusion of the charity flyer appears to have increased awareness of the facility to donate through the tax return. Seven in ten taxpayers (70%) in the pilot group were aware of the facility compared to just under a half (47%) of those in the control group.

Awareness of the charity flyer itself was higher among self-completers in the pilot group. Six in ten (59%) self-completers had noticed the flyer compared to three in ten (31%) represented taxpayers. Very few taxpayers had read the charity flyer in detail (3% of all self-completers). Taxpayers who had noticed the charity flyer tended to have 'just glanced at it' or 'not really looked at it at all'.

Recollection of receiving the charity flyer was mixed among taxpayers in the qualitative study. When shown the charity flyer however, taxpayers in the qualitative research generally described it as being more eye-catching than the boxes on the standard tax return. It was felt the flyer would be more likely to draw taxpayers' attention and raise awareness of the facility.

'I know which one I feel sort of drawn to, if somebody decided they wanted their tax money to go to charity, they are more likely to fill that [the flyer] in'

(Female, 37, core form + self employment pages)

Taxpayers in the quantitative survey were presented with three statements relating to the charity flyer and their perceptions of donating repayments. They were asked to say how much they agreed or disagreed with each. Taxpayers in the pilot group were less likely to agree that HMRC does not do enough to promote the facility to donate (30% compared to 44% of taxpayers in the control group). This suggests, taxpayers appreciated HMRC's efforts to promote the facility.

Taxpayers in the pilot group were also *more* likely to agree that donating to charity via the tax return was simple and straightforward (52% compared with 47% in the

control group). Similarly, although no one had completed the charity flyer, taxpayers in the qualitative research speculated that the flyer would be easier to complete than the charity section on the standard tax return. This was due to the simpler layout, clearer style and use of bright colours and pictures on the flyer.

5.2 Likelihood of donating in future

The inclusion of the flyer had not increased taxpayers' likelihood of donating in the future. There was no significant difference in intention to donate between the pilot and control groups. Less than one in five of the pilot group (17%) said they were 'likely' to donate in future compared with 15% of the control group.

No taxpayers in the qualitative research had completed the charity flyer. Several reasons were given for choosing not to donate all or part of a potential repayment to charity. These included: a general preference to keep their tax return and charity donations separate, the desire to keep the completion process as straightforward as possible, the unknown value of a repayment at the time of completion, a history of owing HMRC money rather than receiving repayments and because the task of finding the details of a nominated charity was seen as a burden. To reduce this burden and encourage taxpayers to donate, it was suggested that a list of the main UK charities could be included on the flyer to allow taxpayers to nominate one by ticking a box.

6 Changes to self-calculation

In previous years all unrepresented taxpayers were sent a tax calculation guide explaining how they could calculate the amount of tax due or repayable for that tax year. Taxpayers who wanted to self-calculate could use the tax calculation guide or choose to use their own calculation method. There was no requirement to report their tax calculation to HMRC, although there was a section on the standard tax return which they could use for this purpose. The redesigned tax return was sent without a tax calculation guide as a reflection that most unrepresented taxpayers do not calculate their own tax (i.e. self-calculate). The tax calculation guide was available on request.

The standard return also has a section within the main return where taxpayers can report their tax calculation to HMRC. In the redesigned tax return this section had been moved to a separate Calculation page, which was not included in the tax return package. The Calculation page was available on request coming with the tax calculation guide if taxpayers requested this from HMRC. If taxpayers wanted to report their tax calculation to HMRC they could do so on the Calculation page.

Taxpayers in the pilot survey were asked whether they had noticed that no calculation guide had been sent, whether they would have liked to have received one automatically, whether they realised they could have requested a guide from HMRC and whether they had calculated their own tax this year. Analysis in this chapter is restricted to the pilot group since these questions were only relevant to this group.

6.1 Awareness of the changes / requests for a guide

Removing the tax calculation guide from the tax return package had a limited impact. When asked unprompted, less than one per cent of self-completers said they had noticed that no tax calculation guide had been sent with the redesigned tax return. When prompted this rose to three in ten (28%) self-completers. This indicates that the majority of taxpayers who received the redesigned tax return did not notice this change.

Three in ten (31%) self-completers said they would have liked to have been sent a tax calculation guide automatically. This suggests the majority of self-completers did not mind that they had not been sent a tax calculation guide.

Although three in ten self-completers said they would have like a tax calculation guide to be sent automatically, only two per cent had actually requested a guide from HMRC. This suggests the number of requests for tax calculation guides would be minimal if the changes to self-calculation were rolled out to a wider group of taxpayers.

6.2 Impact on levels of self-calculation

The absence of the tax calculation guide in the redesigned tax return package did not prevent taxpayers making their own calculations. There was no difference between the proportion of taxpayers in the pilot group who made a calculation *this year* (35%) and the proportion that made a calculation *last year* (36%).

6.3 Differences in self-calculation pre and post 30 September

Views on the changes affecting self-calculation varied depending on whether taxpayers had filed before or after 30 September (the 'early deadline').

Taxpayers in the qualitative study who filed their tax return on or before 30 September, tended not to have noticed the absence of the tax calculation guide and Calculation pages. Some taxpayers had purposely filed before 30 September so that they would not have to calculate their own tax liability. Consequently, they preferred that the tax return package had not included the tax calculation guide and Calculation page. Supplying the tax calculation guide and Calculation pages on request was seen as having the additional advantages of reducing the amount of paper used and HMRC's internal costs. The change was seen as environmentally-friendly and as an improvement to HMRC's efficiency.

In contrast, taxpayers who filed for the January deadline (after 30 September) felt the tax calculation guide and Calculation pages should be sent automatically with the redesigned tax return package. These taxpayers assumed that everyone filing in the run up to 31 January would want to calculate their own tax liability. This difference in opinion was also observed in the quantitative survey. Self-completers who returned their tax return on or before 30 September were less likely to say they would have liked a tax calculation guide to have been sent automatically (24%) compared with taxpayers who returned after 30 September (40%).

Taxpayers in the qualitative research had not requested the tax calculation guide or Calculation page from HMRC. Taxpayers who had made calculations had preferred to use their own methods:

- The HMRC Calculation page included details that were not considered relevant to most taxpayers (e.g. 'Class 4 NICs' and Student Loan Repayments). For taxpayers with simple tax affairs, such sections were felt to make the Calculation page unnecessarily complicated to read and complete;
- Having to order the Calculation page and tax calculation guide caused a delay to the completion process. It was suggested that taxpayers would be more likely to use the page and guide if they did not have to order them and wait to receive them. Taxpayers who filed close to the 31 January deadline had used

alternative methods to calculate their tax, as they felt they did not have enough time to wait for the Calculation page;

- Using the Calculation page required taxpayers to cross-reference between the redesigned tax return and the tax calculation guide. Taxpayers thought this made the process inconvenient;
- Taxpayers tended to use the 'rough guide to your tax bill' at the back of the general guidance notes instead of the tax calculation guide. The rough guide was seen as immediately accessible within the tax return package, in contrast to the calculation guide which had to be ordered;
- Taxpayers were reluctant to change from using their own 'tried and tested' methods (e.g. excel spreadsheets). Taxpayers could not see a reason to change from a method that they were comfortable using

7 The guidance notes

To accompany the redesigned tax return the guidance notes were also redesigned. The same design principles which had been applied to the redesigned tax return were applied to the guidance notes: they were generally shorter than the standard guidance notes; the language used was simpler (in 'plain English') and; they were less detailed. The redesigned notes focused on information which taxpayers commonly need to complete their tax returns and signposted taxpayers to where they could find more detailed information should they need it.

7.1 Use of the guidance notes

Self-completers were asked to what extent they had referred to the guidance notes that had been sent in the tax return package. In both the pilot and control groups the majority of self-completers had used the notes to some extent.

Table 7.1 Use of the guidance notes this year

Referred to...	Pilot (%)	Control (%)
A lot	20	26
A little	59	52
Not at all	19	20

Base: All who completed themselves this year (pilot – 1022 / control – 435)

As Table 7.1 shows, there was very little difference in the level of use of the guidance notes between the pilot and control groups. Around three-quarters had used the redesigned guidance notes to some extent (79%); this was comparable to the proportion that had used the standard notes (78%). In both groups around one in five self-completers had not used the guidance notes at all.

Taxpayers in the qualitative research however, tended to think they had used the redesigned guidance notes less than standard notes in previous years. This was seen by some taxpayers as an indication that the redesigned tax return had been easier to complete. The guidance notes were used by taxpayers on an ad-hoc basis only when the need arose. As the experience of completing the redesigned tax return had generally been straightforward, use of the guidance notes was reported to have been limited:

'If I did use it I think I used [the notes] less than previous years, because under the older [form] I can remember always having them side by side and

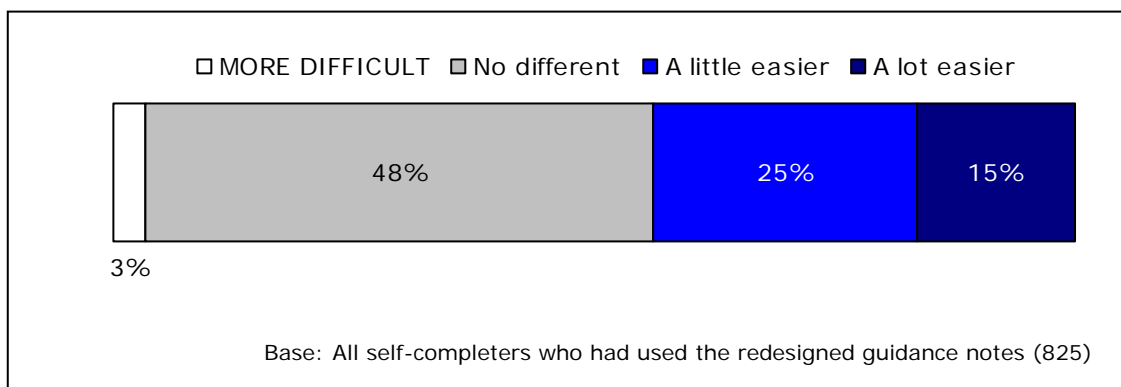
following it through and trying to understand the jargon and whatever. This year I don't recall needing it as much...It all seemed far more straightforward'

(Male, 58, core form + self-employment)

7.2 Comparing the redesigned and standard guidance notes

Around half (47%) of taxpayers who had used the redesigned guidance notes said they had noticed a difference compared with the notes they had received last year. Taxpayers who had used the redesigned notes were asked whether they thought they were easier or more difficult to understand compared to the notes they had received last year. Four in ten (40%) said that the notes were easier to understand, just 3% said they were more difficult, with a half (48%) saying there was no difference. So on balance the redesigned guidance notes were seen as easier to understand.

Figure 7.1 How easy the redesigned guidance notes were to understand



7.3 Perceptions of the guidance notes

Taxpayers who had used the guidance notes were asked to rate the notes on a number of different factors. The results for both the pilot and control groups are summarised in Table 7.2:

Table 7.2 Perceptions of the guidance notes

	Pilot (%)	Control (%)
Guidance notes were easy to understand	83	76
Guidance notes were useful in helping to complete the return	85	80
Language used in guidance notes was clear	86	75
Easy to find all the information needed to complete the tax return	81	75

Base: All who used the guidance notes to some extent (pilot – 825 / control – 340)

Taxpayers who had used the redesigned guidance notes expressed more positive views than taxpayers who had used the standard notes. They were more likely to say the guidance notes were: easy to understand; useful in helping them to complete their tax return and; written in clear language. They were also more likely to say it was easy to find all the information that they needed in the redesigned notes. The majority of taxpayers in the control group who had used the standard notes also expressed positive opinions. This suggests the redesigned guidance notes were seen as further improvement on the already useful standard notes.

Taxpayers in the qualitative research who had used the redesigned guidance notes had found them to be clear and easy to read. The simple colour scheme and the reduction in the amount of text on each page were thought to have made the notes easier to use.

'[on the standard notes] all the headings are on a coloured background which makes it harder. There's just so much stuff there to read...It's too much information... you've got to wade through so much to get to the bit you need that by then you've given up. You've put it down to do something else.'

(Female, 47, core form + employment + self-employment)

The content of the redesigned guidance notes was considered to provide sufficient information to answer taxpayers' queries. Taxpayers were also appreciative of the helpline number displayed in the margin of the notes.

Some taxpayers mentioned that they had difficulty navigating between the redesigned tax return and the guidance notes. Although this view was not held universally, the difficulty was related to the lack of unique numbering within each section of the redesigned tax return. This meant taxpayers either had to search through the guidance notes in full or refer to the contents page of the guidance notes in order to locate the relevant information. This made the process of using the guidance notes more convoluted than for the standard tax return. The contents page in the notes was also considered difficult to use as it did not reference the relevant sections on the tax return. One respondent explained that the numbering

on the redesigned tax return no longer corresponded with the relevant section of the guidance notes:

'it doesn't tell you what box in the notes to go to. To find it I skip through every page until I accidentally found it. Using the old form where you actually had a section number if you like followed by dot, followed by question number that tells me exactly where to go.

(Male, 47, core form + employment)

'What the contents don't do is cross-reference with a page on [the form]...So the only way to find out whether it's included in the notes is to read right through the contents. It would be a lot easier if it was actually referenced to [the form], you could find where it was.'

(Male, 64, core form + employment + self-employment)

7.4 Worked examples

Both the standard and redesigned guidance notes contained worked examples to illustrate how taxpayers should complete particular questions on the tax return. Around half of taxpayers who had used the redesigned or standard guidance notes said that they had looked at these worked examples (52% and 55% respectively). The majority who had looked at the worked examples in the redesigned or standard notes said that these examples were 'useful' (81% and 86% respectively). In this respect there was no significant difference between the redesigned and standard guidance notes.

8 Compliance burden

The compliance burden can be measured in two ways: the time spent completing and returning the tax return (the 'compliance time') and; the financial costs associated with completing and returning the tax return. Financial costs include general administrative costs and the costs associated with paying an agent. It was hoped that the re-design would decrease the compliance burden on taxpayers who used it. This chapter deals with both the compliance time and financial costs associated with the redesigned tax return.

8.1 Compliance time

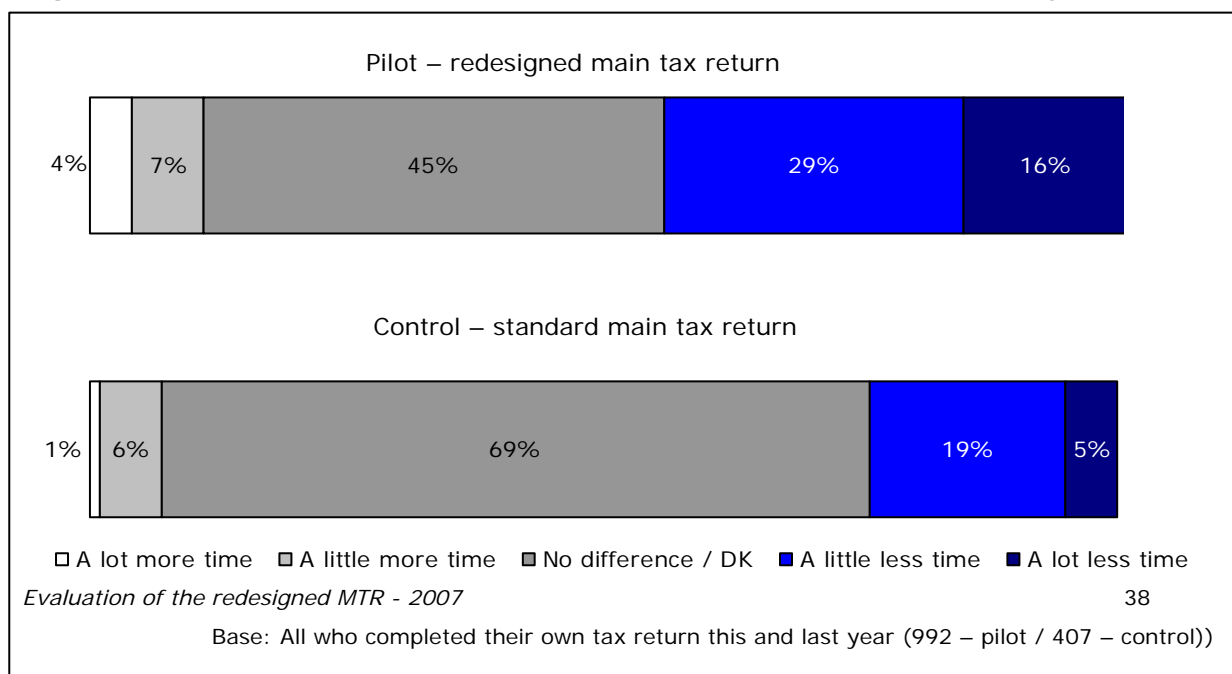
In the quantitative survey, compliance time was assessed in two ways:

- *Perceived* compliance time (whether taxpayers *thought* the redesigned tax return took more or less time to complete compared to the standard tax return)
- *Estimated* compliance time (how long in hours and minutes taxpayers thought it took to complete and return their tax return)

8.2 Perceived compliance time

Taxpayers in both the pilot and control groups were asked whether they thought it took more or less time to complete the tax return they received this year compared with the one they received last year. This measure relied on taxpayers' recall of the tax return from the previous year but still provides a good indication of the perceived compliance time. Taxpayers who were represented by an agent either this year or last year were excluded from these questions.

Figure 8.1 Perceptions of time taken to complete the tax return this year



As shown in Figure 8.1, around half (45%) of self-completers who used the redesigned tax return said that it took them less time to complete compared to the standard tax return they had completed last year. This compares to around a quarter (24%) of the control group who said that it had taken less time to complete the standard return compared to last year. It is important to make this comparison between the pilot and control groups; we might expect taxpayers to become quicker at completing tax returns year-on-year as they become more familiar with the process. While there does seem to be an experience effect in the control group, even taking this into account, the pilot group were more likely to say it had taken less time.

The qualitative research found that taxpayers generally thought the redesigned tax return had taken less time or approximately the same time to complete. Taxpayers who thought it had taken the same time noted that although the redesigned tax return was shorter they had spent time adjusting to the changes. It was assumed this would be less of an issue in subsequent years and consequently the redesigned tax return would take less time complete in future. HMRC may wish to consider further research to assess the compliance time in later years once taxpayers have adjusted to the redesigned tax return.

Taxpayers with income from self-employment were more likely to think that the redesigned tax return had taken less time to complete than taxpayers with income from employment or pensions (51% compared with 44% and 43% respectively). This suggests the redesigned tax return had a greater impact on self-employed taxpayers than on taxpayers with other common sources of income. This is consistent with the findings in Section 2.1 which suggest self-employed taxpayers found the redesigned tax return easier to complete.

There was little variation in perceived compliance time by other survey variables. For instance there was no difference between taxpayers who filed before and after 30 September.

8.3 Estimated compliance time

Taxpayers were asked to estimate how long (in hours and minutes) they had spent on each of the tasks which make up the process of completing and returning their tax return. The tasks they were asked to provide estimates for were time spent:

- gathering together the documents they needed;
- preparing annual accounts or profit and loss statements;
- looking at the guidance notes;
- contacting HMRC about the tax return;
- looking at the HMRC website;
- actually completing the tax return;
- making a tax calculation;

- dealing with their agent / advisor;
- spent on any other aspects not included in the above

Taxpayers were only asked to estimate the time spent on tasks which applied to them personally. For instance, taxpayers were only asked to estimate the time spent making a tax calculation if they had already indicated they had self-calculated. The total estimated compliance time was calculated as the sum total of each task. For tasks that did not apply taxpayers were assigned a time of zero.

This calculation process was complicated by taxpayers who said they did not know or could not remember how much time they had spent on a task. This response may have indicated one of two things: they could not remember how much time they had spent on the task or; they had spent so long on the task they were unable to estimate the length of time. Because of this ambiguity any respondent who gave a don't know answer for any of the tasks was excluded from the computation of the total times. In total, 27% of respondents in the pilot group (n=405) and 31% of respondents in the control group (n=243) were excluded from the analysis because of incomplete information.

Compliance time calculations were further complicated by a number of exceptionally high estimates given by a small number of taxpayers. These 'outliers' included taxpayers who estimated total compliance time at around 100 hours. Such extreme estimates could have introduced bias to the survey results. To ensure these outlying values did not have a disproportionate effect on the average compliance time, average times are presented as medians rather than means.

A median value is the middle or central answer given by respondents. In this instance, if the times given by each taxpayer were listed in numerical order the median value would be the time in the middle. This indicates the time in which at least a half of taxpayers managed to complete the task. Median values have been used because of the variation in the answers given by taxpayers, with a few taxpayers having spent many hours on a particular task compared with the majority who might have spent less than half an hour. In such cases, the very large estimates tended to skew the standard 'mean' average and the median is therefore a useful alternative measure

Time spent completing the tax return

Among taxpayers who completed their own tax returns, the overall median time spent completing the return was 60 minutes. This indicates that at least half of all taxpayers in both the pilot and control groups completed their tax return in one hour or less. In fact, there was no difference in the estimated time to complete between the pilot and control groups.

Similarly there were no differences in completion time between taxpayers with income from self-employment, employment or pensions (all took one hour on average).

This fact that the redesigned return did not seem to take any less time to complete than the main return is slightly at odds with the findings from section 8.2 which found that taxpayers in the pilot group perceived that the redesigned return had taken them less time to complete compared to last year.

Total compliance time

Total compliance time did vary between the pilot and control groups. Taxpayers' estimates of total compliance time are summarised in Table 8.1. It should be noted that the times given by taxpayers are likely to be subject to a high degree of estimation and rounding. Some taxpayers were providing estimates for tasks they had completed several months ago and, therefore, accurate recall would have been difficult. As the total compliance time is the sum of a number of estimates, the overall time is likely to be subject to an even greater degree of inaccuracy compared with the individual estimates.

Table 8.1 Estimated compliance time – time spent on all aspects

	Pilot (median)	Control (median)
Total	240 mins	204 mins
Self-completers	225 mins	185 mins
Represented	240 mins	210 mins

Base: All with a valid estimate (Pilot - 1113 / Control - 555)

Total compliance time was actually higher for the pilot group than the control group. The median compliance time for taxpayers in the pilot group was four hours compared with three hours and 24 minutes in the control group. Estimated total compliance time was higher for both self-completers and represented taxpayers in the pilot group.

This difference between the pilot and control groups is difficult to explain but may be due to taxpayers' lack of familiarity with the redesigned tax return or it may be explained by differences in the circumstances of the two groups. For example, if taxpayers in the pilot group had more complex tax affairs than those in the control group this might explain why their total compliance time was greater. Alternatively the difference could simply be a discrepancy caused by inaccuracies in taxpayers' estimates (see above).

In conclusion, the results would suggest that the redesigned tax return did not actually reduce overall compliance time for taxpayers. In particular, the time taken

to complete the redesigned return was no different compared with the main return. This lack of difference might not be entirely unexpected since taxpayers in both the pilot and control groups had to carry out broadly similar tasks and supply the same sort of information. However, the fact that taxpayers in the pilot group thought that the redesigned return had taken them less time to complete compared with the previous year does suggest that redesigning and simplifying the return did influence taxpayers' perceptions

8.4 Financial costs

As well as representing a burden on taxpayers' time, the process of completing the tax return can involve financial costs. Costs can include paying an agent to complete the tax return and/or administrative costs such as postage. Taxpayers in both the pilot and control groups were asked whether they had incurred any direct financial costs connected with completing their tax return. Those who had incurred costs were asked to say what these were and to estimate the total cost incurred.

In total, four in ten taxpayers (40%) who had received the redesigned tax return had incurred some kind of direct financial cost. Represented taxpayers who had received the redesigned return were more likely to have incurred financial costs than self-completers (68% and 22% respectively). This difference is explained by the need for represented taxpayers to pay agents to complete their tax returns.

The proportion of taxpayers who incurred direct financial costs are summarised in Table 8.2. There were no significant differences between the pilot and control groups. The redesigned tax return, in its first year, appears to have had no effect on the financial costs incurred by taxpayers.

Table 8.2 Proportion of taxpayers who incurred financial costs

	Pilot (%)	Control (%)
Total	40	40
Represented	68	63
Self-completers	22	16

Base: All respondents (Pilot – 1518 / Control – 798)

In both pilot and control groups, the type of costs incurred consisted almost exclusively of paying an agent and/or administrative costs (such as postage, stationery and photocopying). The type of costs incurred was strongly associated with representation; represented taxpayers tended to have incurred costs as a result of paying an agent; self-completers tended to have incurred administrative costs.

In the pilot group, 94% of represented taxpayers who had incurred some kind of financial cost said this was the cost of paying an agent; just 14% said they had incurred administrative costs. In contrast, one in ten (11%) self-completers who had incurred costs said this was because they had paid an agent; three-quarters (74%) said they had incurred administrative costs.

Size of cost incurred

Taxpayers were asked to estimate the size of the financial cost they had incurred this year. The question was asked in two parts: taxpayers who had incurred costs from an agent were asked how much they had paid for these services; all other taxpayers who had incurred costs were asked to estimate the total cost associated with completing their return.

Taxpayers who had not used an agent tended to incur relatively low costs. In the pilot group 70% of these taxpayers said that the total cost was less than £10. As previously discussed, the most common costs incurred by unrepresented taxpayers were administrative costs (postage, stationery and photocopying). Taxpayers who had used an agent tended to incur higher costs. The median cost of using an agent was however the same for both the pilot and control groups.

This suggests that the redesigned tax return had no effect on the financial burden for taxpayers. Agents in the qualitative research seemed to confirm this, suggesting that even if the redesigned tax return did save them time and money, they would not pass savings on to their clients.

9 Agents

This chapter looks at the experiences and views of agents who had completed a redesigned tax return on behalf of one or more of their clients. The results in this chapter are taken exclusively from the qualitative research.

9.1 Awareness of changes and ease of completion

Awareness of the changes to the redesigned tax return was high among agents. The key difference noticed was the shorter length of the tax return, with fewer sections to complete.

Overall, agents considered the redesigned tax return easier to complete than the standard tax return. This was due to improvements such as the shorter length of the tax return and the requirement to provide less information. The shorter tax returns were also said to be easier to manage and store as a result of having fewer pages to photocopy and file.

The language and style of the redesigned tax return were considered clear and easy to understand. Agents were relatively familiar with tax-related language and so any changes to the language used were considered to be of less consequence to them than they might be to taxpayers.

Agents did raise some specific points regarding the content of the redesigned tax return:

- Despite the creation of the 'Additional Information' pages, it was felt that the main form still contained sections that tended not to be relevant to most taxpayers. In order to make the tax return even more relevant to clients, it was suggested that additional sections could be moved to the separate pages, such as 'Student loans' or 'Blind person's allowance' sections;
- It was considered more difficult to request that a rebate be paid by cheque. Agents said their clients often preferred not to provide bank account details to have the rebate transferred to a bank account, as account details may change from year to year.

9.2 Completion time

Shorter completion time was considered to be a key benefit of the redesigned tax return for agents. Initially, the redesigned tax return had taken longer to complete as they had to adapt to the changes

'I can rattle through a tax return fairly quickly on the old format whereas on this form you're having to be more careful in what you're having to do.'

(Agent)

'The other one you've got used to, and you knew your client, so you knew you could pass over all the pages that weren't relevant anyway. In that sense you could do them quicker.'

(Agent)

However once they had adjusted to the changes agents had found the redesigned tax return quicker to complete:

'Once I got my head around it they were a wee bit faster. The delay was remembering what the turnover level was and the £40,000 or if it is a new form, what do I do, I just have to think a bit longer. But that's because it is new this year'

(Agent)

Although completion time was reported to be shorter for the redesigned tax return, it was not considered to be sufficiently short to have a significant impact on costs. Consequently agents said they would not pass on any reduction in costs to their clients.

9.3 Self-employment

The redesigned self-employment pages were considered easier to complete as they were shorter in length and required less information. The income threshold for these pages was considered to be sufficiently clear.

The expenses section was generally considered to be straightforward to complete, as the headings explained what information needed to be inserted under each category. However agents had to adjust to the new categories which caused an initial delay in the completion process. There was also some concern that the 'other' category was the only appropriate category for a wide range of expenses. If the total for 'other' expenses was too high, it was thought that HMRC would request further detail

'you sweep everything up into the 'other' one ... you just bung it all in there and if you wanted any differentiation, or if there was a very large figure then they are going to have to come back and ask us for an analysis, aren't they?'

(Agent)

9.4 The additional information pages

The purpose of the 'Additional Information' pages was felt to be clearly explained and agents approved of the less common sources of income being moved to separate pages. The main tax return was considered to be 'less cluttered' as a result, and so less likely to confuse taxpayers who did not use an agent.

'A lot of people who do a simple tax return wouldn't need to use those would they. And it's not going to confuse them - sometimes people without agents are confused by things that don't concern them, they start wondering'

(Agent)

9.5 Tax calculation

The absence of the tax calculation guide and Calculation page in the tax return package was not seen as a problem by agents. Agents used their own methods of calculating tax and had not need for these items. However, like taxpayers, agents did express a preference for having a box on the main tax return in which to enter a final tax calculation.

9.6 The charity flyer and donating to charity via the tax return

No agents had been asked by a client to complete the charity flyer on their behalf. Agents were under the impression that clients did not always look through the contents of the tax return package before passing it on to their agent. Consequently not all taxpayers would be aware of the charity flyer. Even if they were aware of the facility to donate, agents felt their clients would prefer to donate to charity by other methods.

9.7 Guidance notes

Agents used their own guidance notes and had no experience of using the redesigned notes. When prompted however, the redesigned notes were considered easier for taxpayers to use than the standard guidance notes due to the clearer layout and style. Despite this, agents did not anticipate that clients would stop using an agent as a result of the simplification of the guidance notes.

10 Conclusions and recommendations

This chapter pulls together the main findings from the research and where appropriate makes recommendations based on taxpayers' and agents' responses. Overall the research findings are very positive. Most taxpayers who had been sent the redesigned tax return appreciated the changes that had been made. Specific conclusions are presented in relation to the six core objectives of the research which were discussed in the introduction in Chapter 1.

10.1 Impact of the redesigned tax return on customer experience

The redesigned tax return has had a very positive impact on customer experience overall. Taxpayers found the process of completing and returning the redesigned tax return easier overall. There were a number of reasons for this, most importantly:

- The shorter length and simpler style of the redesigned tax return made the task of completing the return less daunting. The redesign has helped to remove the psychological barrier taxpayers often feel when completing their tax return.
- The need to provide less information and the simpler style and format of the return encouraged taxpayers to complete their return.
- The language used on the redesigned return was seen as easy to understand, providing straightforward and succinct explanations.

10.2 Understand customers' views and satisfaction with the redesigned tax return

Taxpayers who used the redesigned tax return were very positive about the redesign. The majority described the redesigned tax return as:

- easier to complete;
- easier to understand and;
- more relevant.

The redesigned tax return was seen as more relevant as a result of removing less common types of information to the 'Additional Information' pages and reordering the structure so that pages relating to the taxpayer's main source of income were found at the start of the return.

Agents who had used the redesigned tax return saw the redesign positively. Generally agents found it quicker to complete once they had completed the first few returns.

10.3 Estimate the completion time and other costs associated with the redesigned tax return

Completing an annual tax return creates a compliance burden in two respects: taxpayers have to spend time completing and returning the tax return ('compliance time') and; some taxpayers incur financial when completing and returning the tax return. It was hoped that the re-design would decrease the compliance burden on taxpayers but it is unclear whether the redesign made a difference:

- Most taxpayers who completed the redesigned tax return thought that it was quicker to complete than the standard tax return.
- While taxpayers thought it was quicker to complete, taxpayers estimates of the time to complete the tax return were the same for both the pilot and control groups. Most taxpayers completed their tax return in one hour or less.
- Taxpayers acknowledged that while the redesigned tax return was shorter they had to adapt to the changes to the return. It is probable that the redesigned tax return will save taxpayers more time in subsequent years once they have become used to the redesigned tax return. HMRC may wish to consider further research to substantiate this.
- The redesigned tax return had no impact on the financial costs incurred by taxpayers.

10.4 Understand customers' views on, and preferences relating to, self calculation

The redesigned tax return was sent without a tax calculation guide and taxpayers wishing to report the result of a calculation needed to request a separate Calculation page from HMRC. Taxpayers' reactions to the changes were mixed:

- The majority of taxpayers who completed the redesigned tax return had not noticed that the tax calculation guide and Calculation pages were not included in their tax return package.
- The removal of the tax calculation guide and Calculation pages had no impact on the proportion of taxpayers who chose to calculate their own tax liability.
- Although the Calculation pages were available on request, taxpayers suggested that there should be a section on the main tax return where they could report their tax calculation to HMRC.
- Not including the tax calculation guide or Calculation pages was more of an issue for taxpayers who filed later in the year. Taxpayers filing after 30 September tended to think the guide and pages should be included automatically in the tax return package.

10.5 Identify any potential improvements to the redesigned tax return and its accompanying literature

While the results of the research are very positive, a number of suggestions to improve the redesigned tax return have emerged:

- The covering letter which accompanied the redesigned tax return could provide more detailed information on the redesign changes. This could, for example, reassure taxpayers that although the redesigned tax return is shorter it still covers all the information that HMRC require from taxpayers
- Taxpayers liked the new 'Additional Information' pages and suggested that more sections which are applicable to a minority of taxpayers could be moved here. Suggestions for sections to move included Student Loans, and Blind Persons Allowance
- The use of similar terms for different section headings was seen as confusing. For example 'Additional Information' had been used to describe the white space section at the end of the main return as well as the supplementary Additional Information pages. HMRC may wish to avoid this type of duplication in future
- The £40,000 eligibility threshold for the short self-employment should be highlighted more clearly. This could be done by using a bold font, or placing the text in a more prominent position on the relevant pages
- It could also be made clearer how taxpayers could request the full self-employment pages, for example by putting the telephone number for the order line next to the eligibility criteria
- The cross-referencing between the redesigned tax return and guidance notes could be improved. The same colours used in the redesigned tax return should be used to highlight the equivalent sections of the guidance notes. The numbering system in the guidance notes could also be made less section-specific
- HMRC may wish to consider sending the tax calculation guide and Calculation pages to taxpayers who have a history of filing after 30 September
- Finally the charity flyer could be improved by adding a list of charities which taxpayers could choose to donate to. This might make the process easier for taxpayers. This suggestion should be viewed with caution as it could be seen as HMRC favouring larger more popular charities

10.6 Identify the types of taxpayer who benefit most from the redesigned tax return

Taxpayers with income from self-employment benefited most from the redesigned tax return. They were more positive about the redesign than taxpayers with income from employment and/or pensions. They were more likely to think:

- The redesigned tax return had taken less time to complete compared with last year's standard return
- The redesigned tax return was easier to complete
- The whole process of completing and returning the redesigned tax return was better

Taxpayers with less experience of dealing with financial affairs were also particularly appreciative of the simplification of the tax return.

10.7 Summary

In conclusion, the redesigned tax return has been received positively by taxpayers and agents. The research suggests there would be no major problems if the redesigned tax return was implemented nationally. However, there are a number of ways the return could be improved further before its potential launch. Further research would be beneficial - specifically to evaluate the impact of the changes once taxpayers have become used to redesigned tax return, supplementary pages and accompanying literature.