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HM Revenue & Customs

**Agents and HM Revenue & Customs Online
Services**

Qualitative Research Report

20 January 2006

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Glossary of terms

Term / description	Abbreviation
HM Revenue & Customs	HMRC
PAYE	Pay As You Earn
CT	Corporation Tax
VAT	Value Added Tax
SA	Self-assessment
ELS	Electronic Lodgement Service

Executive Summary

1. Background

The Customer Contact Online Services Team supports HM Revenue & Customs' (HMRC) efforts to encourage as many individuals, businesses and intermediaries as possible to receive information and do business with government electronically.

In 2005, Opinion Leader Research was commissioned by HM Revenue & Customs (HMRC) to undertake qualitative research amongst agents who had used online filing and those who had not. By understanding the barriers that prevent agents from online filing and using HMRC Online Services generally, HMRC can act to increase uptake of internet filing services to meet the HMRC PSA3 targets. This will contribute to wider governmental objectives of delivering high quality public services, and making these services available electronically.

2. Aims and objectives

The research aims were:

- To explore agents' awareness and overall attitude to HMRC Online Services and especially online filing
- To explore behaviour and attitudes of agents who had adopted online filing and other HMRC Online Services
- To explore barriers to online filing and use of other HMRC Online Services
- To determine the likelihood of agents who submit returns by paper switching to online filing
- To explore the factors that would most likely encourage agents to switch to online filing (HMRC incentives/improvements to current online services)

A qualitative research methodology was chosen as it provides the best tool for exploring and understanding attitudes and behaviours in detail. The findings are based on 90 one-to-one qualitative interviews with agents (accountants, lawyers, tax advisors and in-house tax experts), including:

- Senior decision-makers (to explore the decision making process in deciding whether to move to online filing)
- Frontline members of staff responsible for completing and filing returns (to explore the process of online filing)

3. Key research findings

3.1 To explore agents' awareness and overall attitude to HM Revenue & Customs Online Services and especially online filing

Agents knew that **online filing** was available for at least some tax strands and that HMRC was keen to migrate customers to online filing. Agents' levels of awareness of specific Online Services differed. Agents were less aware of the amount of information offered through HMRC Online Viewing Services, such as viewing real time payments and liabilities for corporation tax, or viewing and downloading client lists (i.e. list of clients registered with each agent). HMRC was the primary information source about online filing, but word-of-mouth, software vendors and the trade press were also widely used.

Agents' knowledge had built up over time incrementally. They could not identify one decisive announcement or moment when awareness had suddenly increased. Word-of-mouth played a central role in forming agents' opinions about online filing.

Only some agents had used the Electronic Lodgement Service (ELS) which was the previous method of sending tax returns to HMRC electronically, before the introduction of online filing. Agents that had used ELS were generally quite positive about it. ELS users were aware that HMRC was looking to phase out ELS and only offer online filing. They generally accepted this, and said that they would be happy to switch to online filing as long as the benefits of online filing had been 'proved' or explained to them and HMRC resolved its technical problems with the website crashing or refusing access.

Agents had often used more than one channel of information, both for actively gathering information (e.g. going to the HMRC website) as well as passively receiving information (e.g. via literature through the post). Agent usage of HMRC's website had raised their awareness cumulatively. Those using it as an information source (e.g. looking up tax tables or legislation), became more aware of online filing through this usage.

Overall, agents were becoming more aware of HMRC Online Services in general. However, they were less certain about how these services could help them with their business. They needed HMRC to communicate the benefits to them more clearly before they would devote time to investigating them further.

3.2 To explore behaviour and attitudes of agents who had adopted online filing and other HM Revenue & Customs Online Services

During the research and analysis process it became clear that agents differed greatly in terms of their attitudes and behaviour towards HMRC Online Services and online filing. To reflect this, Opinion Leader Research developed six **typologies** to describe these differences: three types of users and three types of non-users. The typologies are not based on a statistical analysis; they provide a qualitative overview of the attitudes of agents which can then subsequently be tested and quantified by HMRC in subsequent research if it should wish.

The three user typologies were:

- **'Pro-technology' users** were the most positive about online filing. They were early IT adopters and were keen to file tax returns online where possible across the PAYE, SA, CT and VAT tax strands because it fitted their technology focused ethos
- **'Accepting but cautious' users** accepted that online filing was the way HMRC was heading. They had filed PAYE online, and were thinking about filing other tax strands, but wanted to wait and see how PAYE online filing turned out before committing themselves further because they remained to be completely

convinced about the benefits and the ease of online filing (independent of the PAYE financial incentive¹)

- **'Reluctant users'** were more negative about online filing. They had filed PAYE returns online but were not planning to file other tax strands online because their clients only received a financial incentive from HMRC for PAYE online filing

The three non-user typologies were:

- **'We'll get round to it' non-users** who were interested in filing online, but did not do sufficient PAYE returns to make it worthwhile migrating to online filing at present
- **'Not really relevant to us' non-users** (e.g. law firms) who had small numbers of tax clients and who filed insufficient numbers of returns to invest in system change internally, but had few barriers to filing online in principle
- **'No intention' non-users** who were generally older (approaching retirement) working in small firms or single-handed practices, and could see no benefit to changing to online filing (at this late stage in their career).

To file online, agents had to:

- Firstly, have the necessary IT capacity and skills
- Secondly, be aware that online filing was available
- Thirdly, perceive it to be beneficial (on balance)

'Pro-technology' users saw the adoption of Online Services as a logical next-step, with time savings, and increased accuracy. For the other users, financial incentives to file PAYE online had been the primary trigger. They thought they would be failing in their professional duty if they did not obtain the financial incentive for their client. 'Reluctant' users and some 'Accepting but cautious' users had then charged clients one-off fees for the time and costs involved of implementing online filing. The PAYE

¹ All employers with 250 or more employees were required to file End of Year forms online by May 2005. HMRC has also made available financial incentives for employers with fewer than 50 employees to encourage them to make the transition from paper to online filing earlier. £825 is available to each employer spread over five years from 2005 to 2010.

financial incentive meant that these users did not necessarily have to reach the third level in perceiving that online filing was beneficial in itself, to file online.

There was also a widespread belief that online filing would soon be mandatory and it might be better to switch now and get used to it than delay. Generally, the decision to file online was 'top down' and determined by senior management, but there were some instances of junior staff driving change within their firm. Some agents had been prompted by requests by clients to file online (to take advantage of financial incentives).

The benefits to online filing were perceived to be:

- **Cost savings:** in terms of saving paper, photocopying and postage as well as time taken to file
- **Greater control over the process:** receiving automatic acknowledgement from HMRC, agents directly inputting data themselves
- **Quicker HMRC processing:** resulting in quicker repayment

However, some agents encountered difficulties when trying to file online. They criticised HMRC online services for their:

- **Slow and confusing registration procedure** i.e. having to produce two types of client authorisation forms (64.8 and FBI2); needing to register separately for different tax strands and waiting to receive activation PINs; HMRC losing forms
- **HMRC server capacity** which historically had not always coped with the volume of traffic and refused agents' access or threw them out when they tried to file online
- **Software incompatibility** between agents' software and HMRC online services which led to difficulties filing online

3.3 To explore barriers to online filing and use of other HM Revenue & Customs Online Services

Barriers among non-users differed by typology grouping:

- **Dislike and distrust of IT** was an issue among 'No intention' non-users, but not for 'Not really relevant to us' or 'We'll get round to it' non-users who were more positive about technology
- **Filing a low volume of tax returns** discouraged 'No intention' and 'Not really relevant non-users' from online filing, but this was not the case for 'We'll get round to it' non-users who generally filed larger volumes of tax returns
- **Financial cost:** if technology and software were not in place and/or if staff had to set up and use a new system, then it put all non-users off online filing

Other common barriers among non-users were that:

- They were too busy and did not see online filing as a priority
- They did not see clear benefits for them and their firm if they were to file online
- They had heard reports of technical problems with online filing
- They knew little about online filing and how it worked

There were also barriers to **users** extending their usage of online filing:

- **Lack of access to the correct software:** agents might be using software for compiling tax returns for certain tax strands but did not have the software 'add on' to file these online
- **Gaps in their knowledge:** agents did not always know what they could file online or how to do it, e.g. some thought it was not possible to file Company tax returns online because they needed to attach the company accounts

'Accepting but cautious' users and 'Reluctant' users shared the following barriers:

- **No financial incentives** were offered for other tax strands; this meant there was no client pressure to file online and they could not pass on the costs of online filing to the client, by charging for this service

- **No clear benefits** for them for online filing other tax strands

'Reluctant' users also had the following barriers:

- **Negative attitudes to the HMRC:** they can feel that it is only the HMRC that really benefits from online filing because as agents they had to spend time learning how to do it and resolving technical problems
- **Technical problems with the system:** they did not persist if they experienced technical problems with previous filings, and were much more cautious about moving to other strands

3.4 To determine the likelihood of agents who submit returns by paper switching to online filing

There were differences between non-users in terms of their propensity to file online in the future. 'We'll get round to it' non-users were likely to file online, but in their own time. They generally felt positive about the prospect but needed reassurance from HMRC about how little investment (time and money) would be needed for online filing to encourage them to move in this direction.

'Not really relevant to us' non-users were unlikely to file online because of the low volume of tax returns that they were processing. They needed a compelling case from HMRC to persuade them to consider it, as well as peer group testimony as to the benefits of making the effort to file online.

'No intention' non-users were unlikely to file online because they were content with filing paper returns or they believed they would have retired before online filing became mandatory. Only the legal requirement to file online would persuade them to change their practices.

3.5 To explore the factors that would most likely encourage agents to switch to online filing

The findings suggest that HMRC could potentially increase uptake of online filing by:

- Raising awareness of the availability of online filing (i.e. for which tax strands online filing is available)
- Raising awareness of the benefits of online filing, e.g.
 - It is easy to learn (with minimal time and financial costs involved)
 - It is faster and safer than paper-based filing, i.e. it reduces the risks of human error, and therefore worthwhile doing even for less frequent activities (e.g. CT returns)
 - AND is secure
- Removing HMRC technical problems so that the benefits of online filing become more apparent

Overall, there was less support for the introduction of **specific incentives** than for **improvements in guidance and support**. Most incentives were not thought to address agents' concerns directly. Only **financial incentives** were thought to provide a strong inducement for uptake of online filing and presented a clear benefit to both the agent and the client.

Suggested developments in guidance and support were widely welcomed as addressing agents' issues and concerns.

- Non-users wanted more **'hands-on' support** such as face-to-face, individual help and seminars to meet their needs to get started with online filing systems
- Users wanted more **personalised communications** (especially 'Pro-technology' users) to meet their perceived idiosyncratic information and support needs
- **Better helpline support** was universally welcomed as the primary point of contact with the HMRC to resolve online filing queries
- Developing the current seminars programme was preferred to the suggested **roadshow idea**, as a more personal 'hands-on' approach

- **Engaging with professional bodies** was not considered worthwhile as they were not perceived to be the appropriate source of practical advice on IT usage

4. Conclusions

The existing uptake of the financial incentives for PAYE Online Filing suggests that the social context is in place for more widespread adoption of online filing, but that some agents will be easier to migrate than others.

- Non-users are aware of the benefits of online filing, but also see barriers, in terms of the time and financial costs of uptake; HMRC needs to persuade them that the benefits outweigh the costs
- Improving guidance and support also has the potential to increase uptake in the long-term
- Financial incentives and publicised compliance deadlines will be more effective at increasing it in the short-term
- Making online filing mandatory is the only way some agents will change their behaviour

Overall, HMRC needs to ensure its online filing systems are both customer-friendly and effective (i.e. they work) to ensure more widespread adoption. The better the system is, the greater use agents will make of it. Technical problems with HMRC systems can be off-putting, hence encouraging non-use.

5. Recommendations

We recommend that as a priority HMRC should continue to:

- **Improve its systems:** smoothing out the technical problems and expanding the system to encompass all tax returns and strands
- **Develop a closer relationship with software vendors** to ensure that HMRC and commercial software systems integrate effectively

In addition HMRC should continue to educate agents about Online Services by:

- **Ensuring that its communications with agents** carry the same basic messages about the improvements made, and articulate the benefits of the system in terms of:
 - Cost savings
 - Greater control
 - Quicker HMRC processing
- **Providing agents with:**
 - Information quantifying the costs and benefits online filing
 - Information about which other tax strands can be filed online
 - Agent-specific help, such as an agent page on the HMRC website
 - Tax strand specific communications recognising agents' issues and concerns about that strand and addressing these
- **Developing tailored guidance and hands-on support** designed to appeal to the varying needs of different types of agents

Chapter 1 – Research introduction

1.1 Introduction

Opinion Leader Research was commissioned by HM Revenue & Customs (HMRC) to undertake qualitative research amongst agents who use or could potentially use HMRC online filing and Online Services on behalf of clients.

For the purpose of this research study, agents were defined as those agents providing a paid service. This included agents who completed and submitted tax returns for their clients, made payments on behalf of their clients and those who offered tax advice on the self-assessment (SA), Pay As You Earn (PAYE), Corporation Tax (CT) and Value Added Tax (VAT) regimes. Primarily the research focused on agents with a 'client facing' role (i.e. they had regular interactions with clients) and excluded very small agents dealing primarily with SA (agents with a client base of less than six). Agents included accountants, lawyers, tax advisors and in-house tax experts.

Agents using online filing were defined as those agents who had registered and received an activation PIN from HMRC and had then subsequently gone on to file tax returns online. Agents not currently using online filing had not filed tax returns online, however, they may have occasionally used other HMRC Online Services such as the website for information.

Wherever possible or relevant researchers interviewed the following:

- A senior decision-maker who was able to discuss the firm's use of and attitudes towards online services, and
- A frontline member of staff responsible for completing and filing returns, who would have first hand knowledge of the processes involved

Fieldwork was conducted between 16 and 30 March 2005 (pilot interviews), and 16 May and 22 July 2005.

1.2 Research background

The Customer Contact Online Services Team supports HMRC's efforts to encourage as many individuals, businesses and intermediaries as possible to receive information and do business with government electronically. By understanding the barriers that prevent agents from online filing and using HMRC Online Services generally, HMRC can drive uptake of online filing services to meet the HMRC PSA3 (Public Service Agreement) target that by 2005/6 25% of SA returns will be filed electronically (i.e. 2.2m of 8.8m returns). The research will also contribute to wider governmental objectives of delivering high quality public services, and making public services available electronically.

Agents are currently able to carry out a number of tasks through HMRC Online Services. **Agents dealing with self-assessment clients can:**

- View: the ability to view a statement of account detailing taxpayer liabilities and payments made
- File: the ability to file a tax return online, using an electronic version of the HMRC return form or through the use of a third party software package
- Pay: the ability to make payments against tax liabilities online

Agents dealing with Corporation Tax can:

- File CT returns over the Internet
- View up to date position on payments and liabilities

Agents dealing with PAYE for employers can:

- File end of year returns
- Submit in-year forms
- Receive notifications
- View statutory notices and reminders
- Make payments.

Agents can also access from HMRC Online Services information on tax legislation, tax manuals and guides and tax tools in relation to SA, PAYE, CT and VAT.

1.3 Aims and objectives

The overall purpose of the project was to generate research findings to help understand the needs, interests and behaviours of agents representing a range of taxpayers including SA, PAYE, CT and VAT and their propensity to take up HMRC Online Services. HMRC wanted to understand the needs of agents in more depth to help inform the development and promotion of online services, and ensure in the case of SA the effective migration of agents away from the Electronic Lodgement Service (which was being phased out by HMRC).

A thorough exploration of agents was important in terms of gaining an understanding of the levers to pull to influence behavioural shifts towards the adoption of HMRC Online Services (i.e. switching from paper to online filing). HMRC's ultimate information need was for robust statistical information generated by a representative survey of agents to track awareness, attitudes, behaviour, and levels of preparation for online filing and HMRC Online Services. This initial research project was intended to inform the development and design of that survey. Specific objectives related to this aim were to:

- Explore agents' awareness and overall attitude to HMRC Online Services and especially online filing
- Explore behaviour and attitudes of agents who had adopted online filing and other HMRC Online Services
- Explore barriers to online filing and use of other HMRC Online Services
- Explore the likelihood of agents who submit returns by paper switching to online filing
- Explore the factors that would most likely encourage agents to switch to online filing (HMRC incentives/improvements to current Online Services)

The full detailed objectives are appended.

1.4 Methodology

A qualitative approach was adopted for the study, so as to allow for an in-depth understanding of agents' attitudes, and to give agents the freedom to define the

parameters and range of the issues. A total of 90 firms were interviewed for the research.

1.5 Analysis process

All fieldwork was audio-taped and the tapes transcribed verbatim. Grid analysis was used to collect and analyse data. This method of analysis helped Opinion Leader Research to collate a large amount of information and systematically compare and contrast themes.

1.6 Structure of the report

The structure of this report is as follows:

- Chapter 1 – Research introduction
- Chapter 2 – Agents' awareness of HMRC Online Services
- Chapter 3 – Behaviour and attitudes towards HMRC Online Services
- Chapter 4 – Reasons and motivations for usage of HMRC online filing and Online Services and experiences of online filing
- Chapter 5 – Barriers that prevent agents from doing (more) online filing
- Chapter 6 – Likelihood of agents switching to doing (more) online filing
- Chapter 7 – Conclusions and recommendations

The discussion guide used in the interviews is appended at the end of the report.

Quotes are attributed in terms of the typology of agent, which is explained in Chapter 3 (e.g. 'Pro-technology' user, 'No intention' non-user) followed by the size of the firm (e.g. small, medium, large) and the unique number given to each interview, to ensure anonymity of respondents.

Chapter 2 – Agents’ awareness of HM Revenue & Customs Online Services

Chapter summary

This chapter explores agents’ awareness of HMRC Online Services, and how they had become aware. Agents were aware that HMRC was becoming increasingly online focused. However, they had limited awareness of the range of Online Services available to them. Online filing was more front-of-mind for them. Agents had become aware of Online Services usually through HMRC, but external sources also played a part, including word-of-mouth among other agents, the trade press and accountancy courses.

2.1 Awareness of HM Revenue & Customs Online Services

Agents were aware that HMRC was moving towards providing more services online. However their levels of awareness of specific Online Services differed. All agents were aware HMRC offered online services, and that they could use HMRC Online Services via its website for:

- Answers to specific questions
- Tax tables
- Definitive HMRC policy on tax questions (a cheaper alternative to buying paper manuals)
- Downloading some forms
- Filing tax returns for PAYE and SA and receiving information about this

“I tend to use the website quite a lot. It is useful for going through sources of information and things like that. It’s not always easy to find what you want in there, but nevertheless it’s a big subject. It’s a difficult one to deal with and I suppose as time goes on it will get better, but I wouldn’t have any great criticism of it. I think it’s quite useful.”

(‘Reluctant user’, small, 21)

However, agents were less aware of the amount of information offered through HMRC Online Viewing Services, such as viewing real time payments and liabilities for corporation tax, or viewing and downloading client lists (i.e. lists of taxpayers who are registered with each agent) held by HMRC. Some agents were not aware that it was possible to file company tax returns online. Others had limited knowledge about the ability to file VAT returns online. These varying levels of awareness applied across five agent typologies.

The more positive users were the most knowledgeable about HMRC Online Services. They could quote the form names and individual downloads that were available, as well as the ability to view data on clients. Other agents were much less interested in finding out more. Non-users were aware of the existence of online filing, but had limited or no awareness about how to file online or what else they could do through HMRC Online Services.

“Well I know that you can do your tax returns online, self assessment, and PAYE returns, and we’ve just recently got a letter from the VAT office to say that it’s coming. That VAT at the moment you can register it and very soon you’ll be able to do returns on line.”

(No intention non-user, small, 67)

“As far as I’m aware you can file your income tax return, your corporation tax return, you can file all your payroll forms I believe. Apart from that I’m not particularly sure”

(Reluctant user, large, 35)

2.2 Awareness of Electronic Lodgement Service

Only some agents had used the Electronic Lodgement Service (ELS) which was the previous method of sending tax returns to HMRC electronically, before the introduction of online filing. ELS enabled agents to file all self-assessment tax returns electronically, using HMRC approved third party software with an analogue modem. Agents who did not use ELS simply assumed it was the equivalent of filing online, since it required a modem and worked through software.

Agents that had used ELS were generally quite positive about it. However, they did not necessarily consider ELS to be a stepping stone towards online filing. They perceived it to be better than online filing. In their experience, it did not suffer from some of the technical problems they had heard were associated with online filing, such as the HMRC website crashing or refusing access.

ELS users were aware that HMRC was looking to phase out ELS and only offer online filing. They generally accepted this, and said that they would be happy to switch to online filing as long as the benefits of online filing had been 'proved' or explained to them and HMRC resolved its technical problems with the website crashing or refusing access.

"We've always done that (ELS) from day one... I think ELS has got a limited lifespan now because they can't alter it. So ... this is all going to be internet. Great, I think it's very good (the move to online)."

('Accepting but cautious' user, medium, 22)

2.3 How agents became aware of Online Services

Historically, agents had usually become aware of HMRC Online Services through HMRC itself, either from its website, letters/direct mail or face-to-face via seminars. The trade press and accountancy courses were other external sources of information. Some agents had first heard about Online Services through other channels such as word-of-mouth or software vendors.

Agents' knowledge had built up over time incrementally, over the last two or three years. They could not identify one decisive announcement or moment when awareness had suddenly increased.

"Probably in the technical press. But the build up to e-filing and stuff has been going on for three or four years I would say."

('We'll get round to it' non-user, medium, 13)

Word-of-mouth played a central role in forming agents' opinions about online filing. They trusted other agents to 'tell it like it is'. So if a colleague or friend had a negative or positive experience, this could affect their whole attitude towards online filing.

Agents had often used more than one channel of information, both for actively gathering information (e.g. going to the HMRC website) as well as passively receiving information (e.g. via literature through the post). Agent usage of HMRC's website had raised their awareness cumulatively. Those using it as an information source (e.g. looking up tax tables or legislation), became more aware of online filing through this usage.

"Really, I suppose the first thing was downloading forms, suddenly realising we'd run out of these forms, how can we get it? And someone said if you go on their website (you can get some). And then by doing that I suppose, it got us more and more used to it."

("We'll get round to it" non-user, small, 40)

The more positive users had attended more HMRC seminars on the issue than non-users or reluctant users. However, it was not possible to determine whether they were more positive because they had attended seminars, or whether they had attended seminars because they were more positive towards online filing in the first place. Either way, seminars were seen as a helpful step on the way to online filing, and helped demystify the process as well as demonstrate the benefits to agents. The more positive users also seemed to have heard more about HMRC Online Services from a greater variety of sources.

The trade press (such as *Accountancy Age*) was mentioned more frequently than professional bodies as a source of awareness. Agents considered it to provide more relevant and up-to-date information for their professional lives.

"We read the accountancy press, there's various magazines. It was certainly the way that everyone seemed to be going. You can't really be the only ones; we can't bury our heads in the sand. You've got to move forward"

with the times.”

(Pro-technology user, large, 12)

“The general thought was that our main professional body is not exactly helpful on the practical day-to-day matters.”

(‘Accepting but cautious’ user, large, 17)

Overall, agents were becoming more aware of HMRC Online Services in general. However, they were less certain about how these services could help them with their business. They needed HMRC to communicate the benefits to them more clearly before they would devote time to investigating them further.

Chapter 3 – Behaviour and attitudes towards HM Revenue & Customs Online Services

Chapter summary

This chapter explores agents' overall attitudes towards HMRC Online Services and online filing. It introduces the differences between agents and the influences that were behind these attitudes in the form of six different agent typologies which were devised during the research and analysis process. There were three types of agents who used online filing and three types of agents who did not use online filing. The agent typologies can be plotted on a spectrum ranging from negative to positive attitudes towards online filing.

Take-up of online filing was also influenced by the degree of IT literacy within a firm, the type of personnel in the firm and their personal attitudes, the size of the firm and the type of tax strand that agents dealt with.

3.1 Overview of the different agent typologies

This research explored the differences between agents filing tax returns online (i.e. users) and those not filing tax returns online (non-users). Non-users had not filed online for any of the four tax strands (SA, PAYE, VAT or CT returns), whereas users had filed online for at least one of these tax strands in the past.

During the research and analysis process it became clear that agents differed greatly in terms of their attitudes and behaviour towards HMRC Online Services and online filing. Not all users and non-users were the same. Each of these two groups displayed a range of differences that could not adequately be encompassed within just the two user/non-user distinctions.

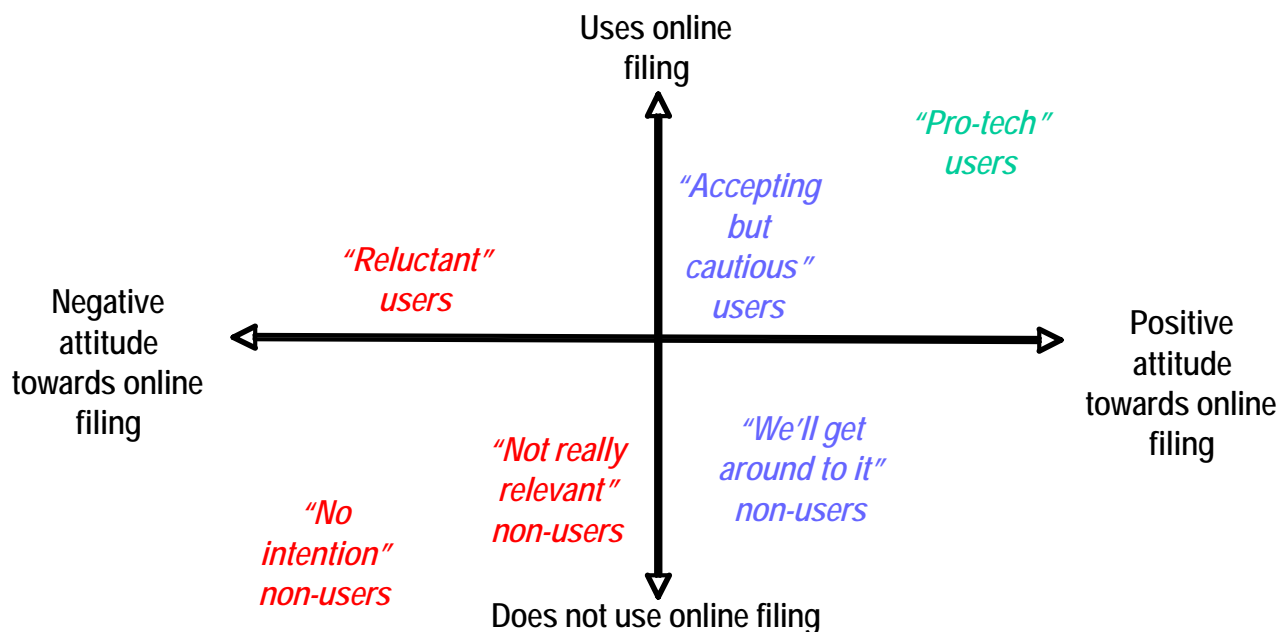
To reflect this, Opinion Leader Research developed typologies to describe these differences. The typologies were kept under continual review throughout research

and analysis. The outcome was a final set of six typologies: three types of users and three types of non-users. The typologies are not based on a statistical analysis; they provide a qualitative overview of the attitudes of agents which can then subsequently be tested and quantified by HMRC in subsequent research if it should wish.

Each agent typology is distinctive in their use of Online Services and their attitudes towards these. The chart below (*Figure 1: Mapping the six types of agents*) plots them against two measures: usage of online filing on a spectrum of using it to not using it, and attitude towards it on a spectrum of negative to positive:

- The three typologies above the horizontal line had filed online; the three typologies beneath it had not
- The three typologies to the left of the vertical line were negative about online filing; the three typologies to the right were more positive about it

Figure 1: Mapping the six types of agent



There was a loose relationship between usage of and attitudes towards online filing. Agents who were more positive about online filing were likely to be filing online and those that were negative were less likely. However, there were agents who had filed

online who were negative about it, and agents who had not yet filed online who were positive about the concept.

On the chart, the most negative agents - 'Reluctant' users, 'Not really relevant' users and 'No intention' non-users are all to the left of the vertical line and the fact that they are in red symbolises the fact that they were the most distant from doing more online filing in the future. On the other end of the spectrum, the 'Pro-technology' users who are in green font, were the most positive about online filing and the closest to increasing their volume of online filing. Those in the middle are in blue font: they are the 'Accepting but cautious' users and the 'We'll get round to it' non-users, and they are the two typologies who could be encouraged to file online more in the future.

3.2 User attitudes and behaviours

3.2.1 Introduction

This section provides an explanation of the different agent typologies. The specific triggers and barriers to filing online are then explored in more detail in Chapters 4 and 5.

3.2.2 User overview

The three types of online filing users were:

- User 1: 'Reluctant' users
- User 2: 'Accepting but cautious' users
- User 3: 'Pro-technology' users

Figure 2: The three types of users of online filing provides an abbreviated overview of how the three user typologies compare with each other in terms of their usage of HMRC online filing, attitudes towards HMRC Online Services, general attitudes towards IT, the size of firm and other relevant characteristics. The three typologies are explained in detail below.

Figure 2: The three types of users of online filing

	User 1 'Reluctant'	User 2 'Accepting but cautious'	User 3 'Pro-technology'
Usage of HMRC online filing	PAYE only No plans for other strands	PAYE only Some using ELS (Electronic Lodgement Service)	Multiple strands Plans for other strands
Attitude towards online filing	More negative	Accepting	More positive
Attitude to computers and software	More negative Might not use 3 rd party software at all, filed through HMRC directly	Accepting	Very positive Early adopters Comprehensive use of 3 rd party software
Size of firm	Small/medium/large	Small/medium/large	Small/medium/large
Other characteristics	Charged clients for filing online Negative about HMRC	Happy with minimal online filing Wait and see attitude	Firm had forward-thinking approach to IT

3.2.3 'Reluctant' users

'Reluctant' users were the most negative users of online filing in comparison to the other two user typologies. They focussed much more on the problems of online filing rather than the benefits, and mentioned worries about functionality and security. Any difficulties they had encountered along the journey to online filing had only served to confirm their fears that it was not a positive experience and offered no genuine benefit over filing paper tax returns. They had only filed PAYE tax returns online, and preferred to file their VAT, CT and SA tax returns on paper. They had little intention of increasing their usage of online filing unless they absolutely had to.

"The big firms will all be filing online and probably did so right from the very beginning. But for the rest of us we haven't got armies of staff that can go round and sort these things out. If I have to sort anything out I have to do it myself. One return I was bumped off six times and I had to log in again, six times because I was trying to print a P35. I mean, it's ridiculous."

(Reluctant user, small, 21)

3.2.4 'Accepting but cautious' users

'Accepting but cautious' users perceived that HMRC wanted agents to file online more and use online services, and accepted that they would need to adapt to this way of doing things. They tended to file only PAYE online, but said they were likely to register to file other tax strands online in the future. They were using their PAYE online filing experiences to trial online filing cautiously before committing more fully to it in terms of filing online for other tax strands. In some cases, the introduction of new technologies to their firm such as broadband had prompted them to consider using Online Services more widely. They were relatively IT literate (e.g. they used computers and software packages in their work) and were confident using the internet both at home and at work.

"I haven't started doing it yet for self-assessment. I'm thinking about it, because the PAYE one has worked out quite successfully." ('Accepting but cautious' user, medium, 24)

3.2.5 'Pro-technology' users

'Pro-technology' users were the most positive about online filing. Their firm had usually embraced the benefits of technology some time ago, and built the need to file online into their business and systems planning, so online filing was a natural progression for them. They (or their firm) had evaluated the benefits of online filing and chosen to realise the perceived gains in terms of increased speed and efficiency of new technology. Their positive attitudes towards the benefits of IT meant that they were confident using the internet generally, both for business and personal use. They worked in organisations of all sizes.

"It's just the way, it's the future, isn't it? Online services generally, shopping, banking, everything." (Pro-technology user, large, 10)

3.3 Non-user attitudes and behaviours

3.3.1 Non-user overview

The three types of non-users of online filing were:

- Non-user 1: 'No-intention' non-users
- Non-user 2: 'Not really relevant' non-users
- Non-user 3: 'We'll get round to it' non-users

Generally non-users did not perceive the benefits of online filing to outweigh the costs and hassle of switching their established processes away from paper filing towards online filing. The following *Figure 3: The three types of non-use of online filing* provides an abbreviated overview of how the three non-user typologies compare with each other. The three typologies are explained in detail below.

Figure 3: The three types of non-user of online filing

	Non-user 1 'No intention'	Non-user 2 'Not really relevant'	Non-user 3 'We'll get round to it'
Usage of HMRC online filing	None	None	None
Attitude towards Online filing	More negative	Neutral	More positive
Attitude to computers and software	Negative	Mixed	More positive
Size of firm	Small	Small number of tax return clients	Small/medium/large
Other characteristics	No/few support staff Older age group	Low volume of returns Non-accountants – law firms, IFAs	Might not do PAYE

3.3.2 'No intention' non-users

'No intention' non-users were more negative about the relevance of using new technology in their business generally, and so had both low interest and low capacity to file online. They preferred working with paper tax returns because paper was tangible and it was the way that had always done their tax returns. Essentially, they were very comfortable using paper documents. They had often been quite late in using computer software to help them with their business, such as investing in tax

software packages. Some did not have specific tax software, but used Excel spreadsheets they had devised themselves for their calculations or even did these on paper.

'No intention' non-users also tended to be older than the other agents. Often nearing retirement, they perceived little reason to change the habits of a lifetime. They perceived that the costs and time involved in making the move to online filing was not worth it when they would only file online for a short time. They perceived that HMRC online services in general had little to offer them. They were also more likely to work in small firms, or be the sole agent/owner and so they had no one around to prompt them to consider doing things differently and take-up online filing. The type of tax strands they worked on were mainly PAYE and SA, and they carried out very few CT returns.

“Obviously I can use the computer for word processing. I can use Excel. I can go into the internet to pull things down that I want and research, but I’m just not as confident with form filling, and I guess don’t feel as in control. I don’t know why, but I just don’t.”

(No intention non-user, small, 47)

3.3.3 ‘Not really relevant’ non-users

'Not really relevant' non-users were not filing online, primarily because the volume of tax return work they did had so far not justified the time and energy required to make the switch to online filing. They filed tax returns as a sideline to their main business which might be providing financial advice or making investment decisions on behalf of clients. They did not have strong views about online filing. Unlike the 'No intention' non-users, they were not negative about the concept, they just did not perceive that it was relevant to them. They displayed a mix of behaviour and attitudes towards computers and software. Some were at the forefront of the trend to adopt IT in their use of programs and case management software, whilst others were much more paper based in their working practices and relatively IT illiterate.

3.3.4 'We'll get round to it' non-users

'We'll get round to it' non-users were the most positive of the non-users about the concept of online filing. The main reasons why they had not yet become users were that other business priorities had taken precedence over looking into it, or in some cases because they had tried to become users and encountered some difficulties along the way which stopped them from filing online. Some had tried to register for online filing but had not received the necessary activation PIN in time or had attempted to file and not succeeded, so they had abandoned it for the meantime.

They were generally comfortable with using computers and software and had few concerns about the functionality and security of HMRC Online Services in general. They recognised that the world and HMRC was moving in the direction of increasing Online Services and that they would have to embrace these. However, they were followers rather than leaders when it came to making changes within their firms. Inertia had largely stopped them from pursuing online filing to the point of usage and they needed a push to get them to do so.

"So, I think, as a firm we prefer sort of a slower, a more cautious approach. When it works, we're happy to go in and then, hopefully, it's minimal disruption. Rather than all of a sudden, right, we're going to do this, or we're going to do that. Chopping and changing all the time."

('We'll get round to it' non-user, small, 40)

3.4 Influences on attitudes and behaviour

3.4.1 Overview

In addition to the personal characteristics which made up these typologies, we have identified a range of specific factors that had influenced the attitudes and behaviour of individual agents and whether or not their firm had filed online.

These are explained in the following sections:

- IT usage within the firm
- Attitudes and experiences of personnel within the firm

- Size of firm
- Type of tax strand dealt with by the agent

3.4.2 Influence of IT usage on online filing

This was a key defining factor which contributed to what typology agents were. The extent of IT usage varied dramatically amongst the firms, from technologically confident firms where papers and pencils were seldom seen, to firms where they used PCs simply for word-processing and spreadsheet work. The more computer literate the firm was, the more likely it was to use HMRC online filing and other Online Services. The less computer literate, the more challenging it was for the firm to contemplate and then implement online filing as well as wider usage of HMRC Online Services.

As a general rule, the larger the firm, the more computer-literate it was likely to be. Common characteristics of less IT literate firms were that the agents running them were older, or that the firms were 'one man bands', and that they did not particularly trust IT, but preferred the tangible nature of dealing with paper tax returns. They were often change resistant and therefore needed very clear reasons for changing processes that they had used for years. However, there were large firms which made less use of computers, and there were also small firms which were highly computer literate so there was not an automatic correlation between firm size and IT usage.

"I'm actually our computer expert. That's worrying! We all work on computers. You can tell how much we're into online things, in that I'm on dial up! I don't have broadband, because it wouldn't pay for itself."

(Reluctant user, large, 35)

There was also a relationship between the use of tax and accounting software and online filing usage. Agents who already used software for preparing tax returns were more easily able to identify the benefits of filing online. This was because they were already comfortable with completing tax returns on the computer, and their software packages made the process easy. They recognised the speed and efficiency

savings available from then being able to 'click the button' to submit tax returns to HMRC instead of printing off returns and filing them manually.

The software packages which agents most often mentioned in the interviews were SAGE, IRIS and PTP. Other specific packages mentioned included:

- For SA: Drummohr Tax Assistant, Objective Tax, Tax Point
- For PAYE: Thesaurus, Pegasus, Q Tec
- For CT: VT, Digita, Drummohr
- For VAT: Cashflow Manager, VT

Where agents were in the process of upgrading or changing their software packages, this could create difficulties for filing online. Early technical problems with the software packages and their capacity to file HMRC tax returns online took time to resolve, which held up the process of switching to online filing.

3.4.3 Influence of personnel on online filing

Often there were mixed views on online filing (and therefore mixed typologies) within the same firm, due to age, experience and personality. However, the decision to file online was generally taken by the most senior manager or partner within the firm. If senior management were IT literate and advocates of using new technology, then this ethos would filter through the firm as a whole. In larger firms, senior management whose inclination was to resist technological change had often been persuaded by their more IT literate colleagues to embrace online filing and Online Services. The infrastructure within larger agent firms, where there was often good IT support, made this transition easier.

In larger firms, senior decision-makers would not always complete tax returns themselves. It depended on the type of tax strand and the complexity of the return. More junior staff would administer particular tax returns (such as PAYE or more straightforward personal self-assessment returns) and they might file these online, whereas more senior staff might administer more complex CT returns and not file these online. This is dealt with in more detail in Chapter 5.

Often, agents assumed that the younger the staff member, the more IT literate they would be, and the older the less IT literate they would be. Younger staff were often encouraged to lead the adoption of e-services, because older decision-makers were less IT savvy.

“They all sat and watched, because we only have one computer that is on the internet, and the others don’t want to know, they feel that they don’t even like using the computer. They’re too old. I didn’t really want to do it on computer. But because I’m the youngest, I ended up just shoving it on.”
(‘Accepting but cautious’ user, large, 32)

In the smaller firms with less IT literate decision-makers, it was noticeable that where there was a lack of dynamic, pro-technology (and younger) support staff there was less impetus from below to consider and implement online filing. In the very smallest firms (one man bands), agents were less likely to have colleagues who would encourage or support them to try it. Therefore, in these smaller firms change was most likely to come from the senior managers themselves, and so this depended on how IT literate and interested in applying new technology they were.

“One of the partners is a wizard on computers. He’s very, very enthusiastic about it. So as a firm, I mean the partners themselves are quite young. Therefore, they are all geared to advances.” (Pro-technology user, large, 12)

3.4.4 Influence of size of firm on online filing

Size of firm had some impact on agent typology: all the ‘No intention’ non-users were based in small firms, but equally there was a mix of typologies across small, medium and large firms. Larger firms found it easier to absorb the costs of investment in up-to-date hardware and software, staff training, and IT support. They had greater scope to bear the short-term costs of setting up new systems, in terms of staff time and cash investment. Larger firms were often less perturbed by this initial outlay, because they perceived there would be long-term cost savings.

In comparison, smaller firms often did not have the resources to easily bear the time and cash costs of implementing what was perceived to be substantial change. They had lower tolerance for potential technical problems with online filing because they did not have the infrastructure to support them and make the process more bearable. In the smallest firms, management had to multi-task a lot more than in the larger firms, finding time to run the business, manage staff, get new clients and carry out accountancy work. It was hard to find time to investigate new ways of filing tax returns or using Online Services, so they needed to have a good reason for changing something they had done for years.

“You don’t have the luxury of saying ‘Right, I’m not going to work this week, I’m going to spend a week trying to make my business better.’ It doesn’t happen; I wish it did but it doesn’t. Could I employ more staff? I’ve tried it. I can’t turn over enough money to pay them. It’s just about right for the turnover. I would like another member of staff to handle all the admin stuff, but I can’t do it at the moment. So really, I don’t really get time to think about how to use things like Online Services.”

(‘No intention’ non-user, small, 62)

Medium size firms were in-between these two generalities. Whether they filed online was due more to the personal characteristics of those in the firm, because the firms had more support and infrastructure to ease change in comparison to the small firms.

The size of the tax business within the firm was also influential. If the firm spent relatively little time on tax returns (e.g. some law firms), even if the firm itself was large, they would see more limited benefits from online filing. Hence the fact that ‘Not really relevant’ non-users were spread across small, medium and large firms.

3.4.5 Influence of tax strand on online filing

The type of tax strand that agents dealt with also had an impact on usage of online filing. All the agents who had filed online, had done so for PAYE returns. Not only had HMRC offered a financial incentive to employers to file PAYE returns online, but

agents perceived that the work involved with filing PAYE returns was more simple and needed less expertise than other tax strands.

In comparison, there were no financial incentives for firms to file online for other tax strands, and filing SA or CT returns was perceived to be more complex. This is explored in more detail in Chapter 5.

Chapter 4 – Reasons and motivations for usage of HM Revenue & Customs online filing and services

Chapter summary

This chapter explores the behaviour and attitudes of agents who had adopted online filing and other Online Services. Two types of trigger to file online existed: influences outside the firm such as the PAYE financial incentive and the move to mandatory filing, and internal influences within the firm such as its ethos and capacity. To make the move to online filing agents needed to have the IT capacity and skills, to be aware of online filing and to perceive some benefit to it.

Agents had different initial expectations about online filing depending on their type. Their response to the experience of online filing also differed. However they identified a number of common difficulties and common benefits to online filing. They were unlikely to switch back to paper filing for PAYE tax returns now they had taken the time to implement it.

Experience of online viewing services was more limited among agents, and they did not perceive there to be a direct correlation between viewing client information and filing tax returns online.

4.1 Triggers for switching to Online Filing

4.1.1 Overview

Triggers to online filing differed between the types of users. For the less positive two user typologies, 'Reluctant' users and 'Accepting but cautious' users, the triggers were mainly external to the firm and derived from HMRC. For the 'Pro-technology' users, the triggers were mainly internal within the firm, connected to its philosophy as a whole.

4.1.2 Influences external to agent firms

The HMRC financial incentive for employers to file PAYE returns online (up to £825 tax free over five years, starting with £250 for filing online for 2004-5) had the greatest impact on uptake of online filing. It had directly encouraged the 'Reluctant users' and 'Accepting but cautious' users to take the step of filing PAYE returns online.

These agents felt obliged to file online because their clients would financially benefit from it. All the 'Reluctant' users and some 'Accepting but cautious' users had passed the costs of becoming online filing literate on to clients by charging a fee for filing online. They had mainly charged their clients a one-off fee, ranging from £35-£150. Some agents were planning on increasing the fee for the 2005-6 return as they were expecting it to continue to take them time and money to implement online filing.

These agents' justified charging clients to file online because of the time and cost it would take the firm to implement the change. They could persuade clients to pay the extra charge because of the financial incentive that the client would then receive. In comparison, 'Pro-technology' users did not consider passing the cost onto their clients because online filing was a natural next step for them as a firm.

*"If they hadn't given the cash incentive then we wouldn't have been doing PAYE online this year because it is more time consuming."
('Accepting but cautious' user, large, 43)*

*"I mean the PAYE thing was purely because of the incentive thing. If we could get £250 for our client it would make us look better."
('We'll get round to it', non-user (who has registered), large, 33)*

Some 'Reluctant' users and 'Accepting but cautious' users had clients who had asked them to file online. For example, an important client or a series of smaller clients could prompt the agent to look into it. Agents feared that clients would take their business elsewhere if they found they had missed out on a financial incentive.

They believed that not taking advantage of the payment on clients' behalf would have been a failure in their professional duty.

"Well the basic factor that decided us to do the PAYE online filing was the fact that they get the £250 whatever it is repayment in the first year and the payments thereafter. It was the incentive really, and we felt that if we didn't complete the returns online then obviously we weren't doing the best for our clients."

(Reluctant user, medium, 25)

All types of agents using online filing had gained clients from employers who had previously managed their own payroll but did not want to learn online filing themselves, and from other agents who had decided not to file online. For 'Pro-technology' users this was an additional benefit to embracing online filing.

"I think, possibly, we attract more clients. Clients come to us and they ask how we work and they like the sound of it, so they will sign up as a client. Whereas if we said 'Oh we're still doing all our tax returns manually and posting them in', I think that would appeal a lot less."

(Pro-technology user, medium, 26)

Working in conjunction with the HMRC 'carrot' of financial incentives, was the HMRC 'stick' of online filing becoming mandatory in the future. This was a key trigger for both the 'Reluctant' and 'Accepting but cautious' users. They might not have wanted to file PAYE online, but they knew that they would have to one day, and so had accepted they needed to start doing it.

"It [filing online] is something I think we'll have to look at because the pressure clearly is to move. The Government wants everything to go electronic by the look of it over the next 10 years or so. They'd be delighted if 90% would move that way I think."

(We'll get round to it' non-user, small, 70)

4.1.3 Influences internal to agent firms

The 'Pro-technology' and 'Accepting but cautious' users perceived personal benefits over and above the HMRC 'carrots' and 'sticks' to file online. They considered that (once any initial short-term implementation difficulties had been overcome) online filing would be quicker, easier and more reliable than paper filing. It would allow them to file online at a click of a button. They expected to have the security of knowing that HMRC had received the tax return. It would also save money in terms of staff time and postage.

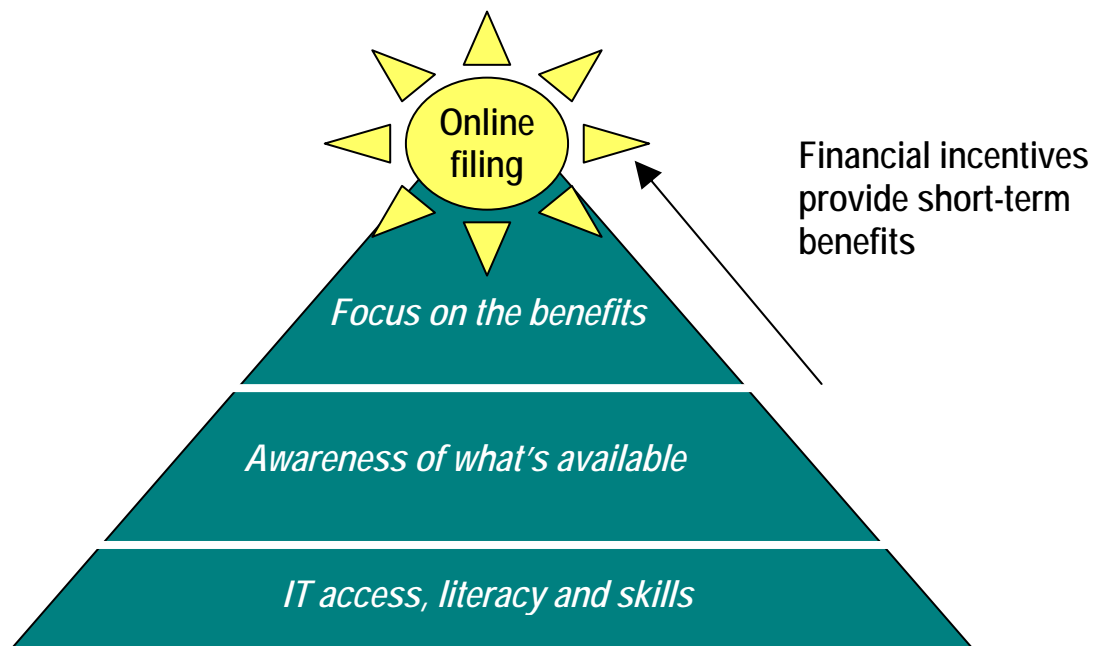
"It was obviously going to save time. We would get clients' affairs sorted quicker. There was a cost side to it. We had to pay for software, but the cost in staff time (was saved), because everything that leaves our office in an envelope has a letter with it. So it saved on typing time and it also saved on postage. It was very useful because, in common with a lot of practices, January is a very, very busy month and the filing online is great if it goes through."

(Pro-technology user, large, 10)

4.2 Factors needed for online filing

Figure 4 demonstrates the three incremental steps to adopting online filing among agents. First agents needed to have access to the appropriate IT systems and skills. They then needed to be aware that online filing was available. Finally, they needed to perceive the benefits of online filing.

Figure 4: Factors needed for online filing



However, the financial incentive to file online meant that 'Reluctant' users who did not perceive any intrinsic benefits to online filing could bypass this step. They filed online not because they thought it would be quicker, easier, more reliable and save them money, but because of the financial incentive for their clients.

"We had one of those employer's bulletins come through on PAYE, that was quite useful. I think they sent out a pack about filing online that we went through and then phoned up and basically started to get ourselves registered to do it. And also check that our software provider was going to be able to do the filing online." (Reluctant user, medium, 25)

4.3 Experiences of the transition from paper to online filing

Agents experienced similar processes in their preparation for filing online. Key steps included:

- **Information gathering** through the HMRC website and seminars, but also software vendors (depending on the quality of the relationship)
- **Preparation:** registering, gathering client authorisations, updating software or hardware if necessary, training staff
- **Trial:** often firms would trial their own returns first, or those of their more simple clients
- **Trouble-shooting** any difficulties which arose as they tried to file online
- **File**

'Pro-technology' users found the transition relatively straightforward. They were less likely to be deterred by any technical problems they encountered. Conversely, 'Reluctant' users found the transition more difficult and found it harder to overcome any problems encountered, resulting in more negative attitudes to online filing. Some 'We'll get round to it' non-users had got as far down the process as the trouble-shooting stage, and then encountered difficulties. They had not persevered with online filing, so they remained non-users for the time being.

4.4 Accessibility and user-friendliness of HM Revenue & Customs Online Services

4.4.1 Agent expectations

Agents were unsure exactly what to expect from filing online as they had limited benchmarks for comparison in terms of sending documents electronically to HMRC. Most users hoped that online filing would probably save them time in the long run. However, as a new HMRC system, agents expected that there might be technical problems early on. Media reports about the difficulties had reinforced this, such as

the HMRC website being overloaded when individuals attempted to file self-assessment online in January 2005.

'Pro-technology' users expected to encounter technical problems, but they accepted these as an intrinsic part of technological change. In contrast, 'Reluctant' users expected to encounter problems and had done so. They saw these problems in a more negative light because their limited levels of IT literacy and resources meant that it was not always easy for them to rectify. 'Accepting but cautious' users had generally encountered less problems, which meant that they were less negative.

"(Our experience was) slightly better than I expected to be honest. I expected hitches. There have been hitches, but the truth of it, it could have been a lot worse."

('Accepting but cautious' user, large, 34)

Overall, agents expected the process to get better over time as the system improved and HMRC sorted any technical problems out, although 'Reluctant' users were more pessimistic about this. Common problems which were encountered by agents when filing online are outlined below.

4.4.2 Registration process

The agent registration process was perceived to be slow and confusing. Agents found the authorisation process confusing to file online on behalf of a client. Some agents did not understand why both 64.8 forms (client authorisation for agent to act on client's behalf) and FBI2 forms (client authorisation for agent to use PAYE Online Services) were needed for different tax strands for the same client. Some also reported that HMRC had lost their client authorisation forms. Delays in HMRC receiving these essential forms meant that online filing could take longer than if agents had stayed with the paper approach. Agents were not able to file online on behalf of a client until HMRC had used the form to set up the client on the system.

“I thought, well this will be quicker, I can finish it, complete it on the screen, I think, and download it. But it doesn’t work like that. You can’t do that. You’ve got to prepare it and set it up and get consent so I didn’t bother. It was quicker just to fill the forms in and post them.”

(‘We’ll get round to it’ non-user, small, 64)

“Well sending the FBI2 forms in was a bit of a hassle because the Inland Revenue lost quite a few of ours actually. I think it was about 20 of our FBI2’s we sent out the middle of February and they still hadn’t been put on the client list by the end of March.”

(‘Reluctant’ user, medium, 25)

Some agents considered having to register separately for different tax strands and waiting to receive activation PINS particularly time consuming. They also encountered problems with activation PINs and were confused over where to input which activation PINs on the screen when accessing Online Services.

4.4.3 HM Revenue & Customs server capacity

Some agents experienced difficulties with online filing because the HMRC server could not always cope with the volume of returns filed. Agents described having to work out of hours (at evenings and weekends) to successfully file. Some agents reported having to log in repeatedly to file online after being ‘thrown out’ of the system.

Agents also encountered delays in successfully filing returns once they had completed them online. It could take over 20 minutes for HMRC to ‘process’ the return and acknowledge that it had been successfully filed. Agents were forced to manage this within their firms by setting aside dedicated PCs for online filing, so that staff could continue with their work whilst waiting for a return to be accepted by HMRC.

“I found it very, very tedious. It was remarkably slow. The first time I went in it threw me out. It takes three hours to do something which manually you’d

do in an hour.”

(‘Reluctant’ user, large, 35)

“It has put me off I have to say (experience with PAYE). Their system hasn’t been able to cope with what they’ve asked people to do.”

(‘Reluctant’ user, medium, 18)

4.4.4 Software incompatibility

Some agents discovered through trial and error that their software was not always compatible with HMRC software (e.g. for CT), which meant that they would need to upgrade their package if they were to file online successfully.

The boundaries between software vendor and HMRC responsibilities were often unclear to agents when they encountered difficulties filing online. They could be uncertain where the source of the problem lay when they received error messages when attempting to file. In some cases, error messages showed that the problem was the result of software inaccuracies, and so agents knew to contact software vendors. Agents were confused at times about whether to go to HMRC or the software vendor for help when the messages did not explain the root of the problem. Seeking help to rectify this could then be a frustrating process for agents, such as when they discovered that the helpline they had called (whether software vendor or HMRC) was unable to resolve their problem.

“I’ve got a programme from Professional Tax, whatever it is. It does the self-assessment forms. When you go to file electronically it’s asking for some information which I don’t know. It’s using passwords and I put in my user ID, which I consider again is probably what they want, but it still doesn’t want to do it”

(‘Accepting but cautious’ user, small, 52)

4.4.5 Other difficulties encountered when filing online

Other difficulties mentioned by agents included:

- Having to get used to the automated nature of an online tax return, e.g. the system required entries in every box on the return, even if there was a 0 value, while paper boxes can be left blank
- Responses from the online help facility were slow, it could take days to receive an answer

4.5 Sources of information and advice for troubleshooting

HMRC was trusted as a source of information and advice on online filing and Online Services. This was because it had developed the systems, so any information it provided to agents about this was not questioned for its accuracy. If agents had a specific query about online filing they would call the HMRC Online Services helpline. There was a mixed response to the usefulness of the helpline. Some had found it difficult to access at peak times, such as when they were nearing filing deadlines and most needed timely advice. Once agents managed to get through, the advice provided was considered to be mixed in terms of its helpfulness. At times, HMRC staff were able to provide solutions to difficulties agents were encountering in filing online, at other times they were not (such as when the difficulty possibly derived from the software vendor and not HMRC).

Software vendors were the other main alternative source of information for agents who had their software packages. Software vendors were considered useful because they could provide more specific information about how to file online using their software. The quality of the advice they provided on their helplines varied greatly, depending on how successfully the agent's query was resolved.

There were some specific criticisms about the user friendliness of the HMRC website for agents. Some perceived a lack of clarity about where agents should go on the website; the homepage had a section for 'employers', 'individuals and employees',

'businesses and corporations' but not a section designated for agents. Agents also mentioned that the website search engine was imprecise and brought up an unmanageable amount of forms and documents to each enquiry.

Some agents had short-term criticisms about the newly merged nature of the HMRC website (due to Inland Revenue and Customs & Excise combining). It was considered to be confusing and unfamiliar. However, it should be noted that as this website was new, familiarity with its navigation will no doubt build over time.

4.6 Impact of online filing on existing practices

Agents who used software packages found that online filing generally seemed to have little impact on existing practices within firms (when it ran smoothly). Previously, they had prepared the tax returns using their software, printed them out, got them signed by the client (if necessary) and sent off to HMRC. Now they did the same but instead of sending off the return and getting the client signature on it they just clicked the button on the computer and sent it electronically instead of by post.

Agents who did not use commercial software (generally small or single-person firms, 'Reluctant' users) found they had to change the way they prepared tax returns. They had to manually input data online via HMRC Online Services. Some completed a paper tax return first and then duplicated this online, others completed the tax return directly online. They often found this new process to be more consuming than completing a paper tax return. As they charged clients for filing online, they were less concerned about this extra time cost, because they were being compensated for it. However, the extra hassle of online filing contributed to their negative attitudes towards online filing.

Both types of agents continued to present paper copies of tax returns to clients on paper for them to sign.

4.7 Views on the benefits of online filing

4.7.1 Overview

Having experienced online filing, users were able to identify a number of benefits in addition to the original motivations to file online. The more positive users ('Pro-technology' users) perceived more benefits than the more negative users ('Reluctant' users). The main benefits are identified below.

4.7.2 Cost savings

Agents identified direct cost savings in terms of paper, photocopying and postage. There were also indirect cost savings in terms of time taken to file, which helped both the agent as well as the client (if they were billed by the hour). Some agents who were users had previously taken their paper tax returns to the HMRC Enquiry Centre in order to get a receipt. This was not necessary if they filed these tax returns online. Some also perceived that they now could e-mail copies of tax returns to clients.

4.7.3 Greater control

Once any technical teething problems had been overcome, users perceived that online filing gave them more control over the process, which itself encouraged greater use in future. As they provided the data themselves electronically, this minimised the data entry mistakes that HMRC might have made.

Agents appreciated the automatic acknowledgement from HMRC that the tax return had been received, providing peace of mind that HMRC would not claim it had been lost or that their client would receive a late penalty.

“Yeah, I don't think it's that bad (online filing). It's a bit stressful at times if it did go wrong or something wasn't going through, but the majority of the time it was quite easy and straightforward, and when you just clicked on the button and it said 'Successful.' It's kind of like 'Thank God that's done.' Whereas, if it was on paper you'll always be thinking ... well did they get it?”
(Reluctant user, medium, 25)

4.7.4 Quicker HM Revenue & Customs processing

Agents also appreciated the fact that online filing could speed up HMRC internal processing. Some had received repayment of overpayments from HMRC more quickly. This resulted in happier clients.

“One of the great advantages is the speed of which things are dealt. In the past, manually sending in a tax return form, where there was an income tax repayment due, you'd wait two or three months for a refund and it's normally within seven or eight days when it's done online. If a client knows they're due some money back, then they're phoning every other day. So it really is a terrific advantage being able to get things processed so quickly.”
(‘Pro-technology’ user, large, 12)

4.8 Likelihood of switching back to paper-filing

There seemed to be little likelihood that agents who had filed online for a specific tax strand would return to paper filing for that tax strand. Agents had invested time and money to enable them to file online for certain tax strands. This investment would have been lost if they reverted back to paper-based filing. They had also begun to experience some benefits to online filing. Even those who had experienced problems with the technology thought the processes would improve and be trouble-free by the time the financial incentives to file online were withdrawn in five years time.

“Only an almighty computer crash I suppose, destroying everything, would put us off a bit, but I can't really see that somehow. No, I think we'll

definitely persevere with online filing.”
(‘Accepting but cautious’ user, large, 40)

4.9 Relative importance of Online Viewing Services

There was limited awareness and experience of Online Viewing Services amongst agents. Online filing was much more front-of-mind for them. ‘Pro-technology’ users perceived online viewing to be a useful service, which saved them time finding out the HMRC position on specific clients. However, for others, HMRC online viewing services were ‘nice-to-haves’, but they did not necessarily perceive there to be a direct correlation between viewing client information online and filing online.

“If you want to see where a client’s up to with his payments, you can just go online and have a look what the current position was without waiting. That saves time. Normally you would have to ring up, go through the contact centre, wait for ages, listen to some dreadful music. It’s just at the push of a button.”

(Pro-technology user, large, 10)

Chapter 5 - Barriers to online filing

Chapter summary

This chapter explores the barriers to online filing. Both users and non-users mentioned the same barriers, but there were some key differences between them. Barriers common for all non-users of online filing included other tasks taking a priority, inability to see the benefits, reports of technical difficulties, and general lack of knowledge of online filing. Current users of online filing had already overcome barriers to file online, but they still encountered barriers to filing more tax returns online, for other tax strands (other than the main strand of PAYE). These barriers differed greatly between the three user types, depending on how positive or negative they were about online filing. There were also particular barriers associated with each tax strand which meant that it was not necessarily simple for agents to transfer a successful online filing experience for one tax strand to another.

5.1 Current barriers – non-users

Non-users cited many of the same barriers to online filing as users, but there were some key differences, largely because of different attitudes to technology and a different volume of tax returns. A dislike or distrust of technology discouraged online filing among 'No intention' non-users, but not the 'Not really relevant' or 'We'll get round to it' non-users who were more positive about technology. Filing a low volume of tax returns discouraged 'No intention' and 'Not really relevant' non-users, but not the 'We'll get round to it' non-users who generally filed larger volumes.

When technology and software were not in place, the cost of introducing new software or hardware, and the cost of learning the new system (in terms of person hours) was a concern. Barriers common for all non-users were as follows:

- They were too busy and did not see online filing as a priority
- They did not see clear benefits for them and their firm if they were to file online
- They had heard reports of technical problems with online filing
- They knew little about online filing

Non-users might put off online filing because of the perception that they would need software if they were to fully embrace online filing. Cost and the fear of technology

put them off making this investment. Hence, they thought that it was not practical to use the HMRC website for extensive filing.

Figure 5 summarises the main barriers for the different non-user typologies. The ticks identify which were barriers for them, and the crosses identify which were not.

Figure 5: Barriers for current non-users of online filing

Potential Barrier	Non-user 1 'No intention'	Non-user 2 'Not really relevant'	Non-user 3 'we'll get round to it'
Dislike/distrust technology	✓	✗	✗
Low volume of tax returns	✓	✓	✗
Technology/software not in place	✓	mixed	mixed
Inertia/too busy/not a priority	✓	✓	✓
Do not see clear benefits	✓	✓	✓
Word of mouth and media coverage of technical problems	✓	✓	✓
Lack of knowledge/information	✓	✓	✓

The following quotes illustrate some of these barriers:

Do not see clear benefits

"I'm just wondering how much time I would save, I'm not convinced that it would be any quicker doing it online or any better than doing it the way I do it. I'm probably of the view that it would be marginal so why change."

(No intention non-user, small, 62)

Word-of-mouth and media coverage of technical problems

“You hear so many stories. The main story is that come January when you want to file online you try and do it over the weekend you can’t do it, so that doesn’t really instil a great deal of confidence in the system.”

(No-intention non-user, small, 71)

Lack of knowledge and information

“If they sent out a newsletter with some frequently asked questions and answers, just a page of A4. ‘So some people experience security issues in the very early days - what’s the current state of play?’ ‘Yes, we’ve tightened it all up, it’s absolutely marvellous now. ‘It’s labour saving and blah, blah, blah’. Just some positive reasons, time is the issue so if it’s time saving.”

(No intention non-user, small, 70)

5.2 Current barriers – users

Current users had already overcome sufficient barriers to start filing online, but rarely for all their tax strands. Barriers to filing for other tax strands differed according to agent typologies, as summarised in *Figure 6* on the following page. ‘Pro-technology’ users had the fewest barriers and ‘Reluctant’ users had the greatest number of barriers. Common barriers for all three typologies included:

- **No access to the correct software** to file online; agents might be using software for compiling tax returns but not have the software ‘add on’ to file online
- **Gaps in their knowledge**; agents did not always know what they could file online or how to do it, e.g. they often thought it was not possible to file company tax returns online because they needed to attach the company accounts

‘Accepting but cautious’ users and ‘Reluctant’ users shared the following barriers:

- **No financial incentives** offered for other tax strands; this meant there was no client pressure to file online and they could not pass on the costs of online filing to the client, by charging for this service
- **No clear benefits** for them for online filing of other tax strands (this had been mitigated for PAYE because of the incentives)

‘Reluctant’ users also demonstrated the following barriers:

- **Negative attitudes to HMRC:** e.g. they could feel that it was only HMRC that benefited from online filing
- **Technical problems with the system:** they did not persist if they experienced technical problems with previous online filings, and were much more cautious about extending usage to other tax strands

Figure 6 summarises the main barriers between the different user typologies to extending online filing to other tax strands. The ticks identify which were barriers for them, and the crosses identify which were not.

Figure 6: Barriers to greater use of online filing among users

Potential Barrier	User 1 'Reluctant'	User 2 'Accepting but cautious'	User 3 'Pro-tech'
No software/not much computer usage	✓	✗	✗
Technical problems	✓	✗	✗
Negative perceptions of HMRC	✓	✗	✗
Do not see clear benefits for them	✓	✓	✗
No financial incentives for other strands	✓	✓	✗
Information gaps/myths	✓	✓	✓
Software issues	✓	✓	✓

5.3 Specific barriers by tax strand

There were particular issues associated with each tax strand which meant that agents did not think it was easy to transfer learning from filing one tax strand online to another tax strand.

PAYE was relatively simple in comparison to the other tax strands. Tax returns were often processed by more junior employees, who did not need to be tax qualified. Automated payroll packages like Sage made the process easy and there was

minimal client involvement. Therefore it was a gentle starting point for agents to get used to filing PAYE online:

- It was lower risk because it was more about data entry than tax computations
- Senior staff did not necessarily have to change the way they worked

Self-assessment and company tax returns were considered to be much more complex than PAYE. There was more senior level involvement in compiling and calculating the tax liability, and more interaction with the client who provided the information. It was considered to be more challenging to implement online filing for these tax strands because:

- Of the need to educate all senior staff in how to do it (especially in larger firms), and to keep their knowledge fresh
- Agents doubted whether they could file company tax returns online because of the need to include attachments
- Some software packages did not currently allow agents to file company tax returns online
- There was confusion over whether SA could be filed online for non-UK residents
- Some non-users were unsure how the client signature could be obtained for online filing

“There’s also not the option to send the Corporation Tax electronically with the Drummohr software, so we have to input it into the Inland Revenue software, so you’d be doing it twice, wouldn’t you?”

(Reluctant user, medium, 29)

“I’ve registered for Corporation Tax and self-assessment, but it’s probably not something I’m likely to do.... And it’s a bit inflexible as well, because sometimes you want to send things in, copies of accounts and things into the Revenue as you go along ... whereas online doesn’t really have a facility for that.”

(Reluctant user, small, 21)

“The Corporation Tax return ... the only point on that is that you do have to submit a copy of the annual accounts as well. So presumably you'd have to submit the accounts in some electronic format, as not all of us have got scanners or anything. I don't know how that works.”

(No intention non-user, small, 70)

Agents were less involved overall with filing VAT returns. Their clients tended to send off their VAT returns themselves, along with payments. Those that did file VAT returns on behalf of agents were unsure whether it was possible yet for them to file VAT returns online as an agent.

“VAT returns, we do our own online but can we do clients' ones online yet? We did enquire with Customs & Excise some months ago and they said it still wasn't available for agents to do them online. You can do your own but we can't do it through agents. If we could we would because that would be far better.”

(Pro-technology user, medium, 26)

Having discussed the barriers to online filing, the following chapter explores the likelihood of agents filing online in the future.

Chapter 6 - Likelihood of agents switching to (more) online filing

Chapter summary

This chapter explores the likelihood of agents switching to online filing (in the case of non-users), or to doing more online filing (in the case of current users). It also explores factors that would most likely encourage agents to switch to online filing.

HMRC could increase the likelihood of more agents filing online by raising awareness of online filing and its benefits and removing HMRC technical problems. Out of the non-user typologies, 'We'll get round to it' non-users were the most ready to be persuaded by HMRC to file online. HMRC would have less success with the 'No intention' and 'Not really relevant to us' non-users. Users were a softer target for HMRC to encourage uptake of online filing across the tax strands. However they also needed reassurance and education to persuade them to do so.

Agents considered that the incentives suggested by HMRC would have a limited impact on agents switching to filing online, with the exception of introducing financial incentives. Improved HMRC guidance and support was preferred instead and agents made a number of suggestions for ways of doing this.

6.1 Likelihood of non-users switching to online filing

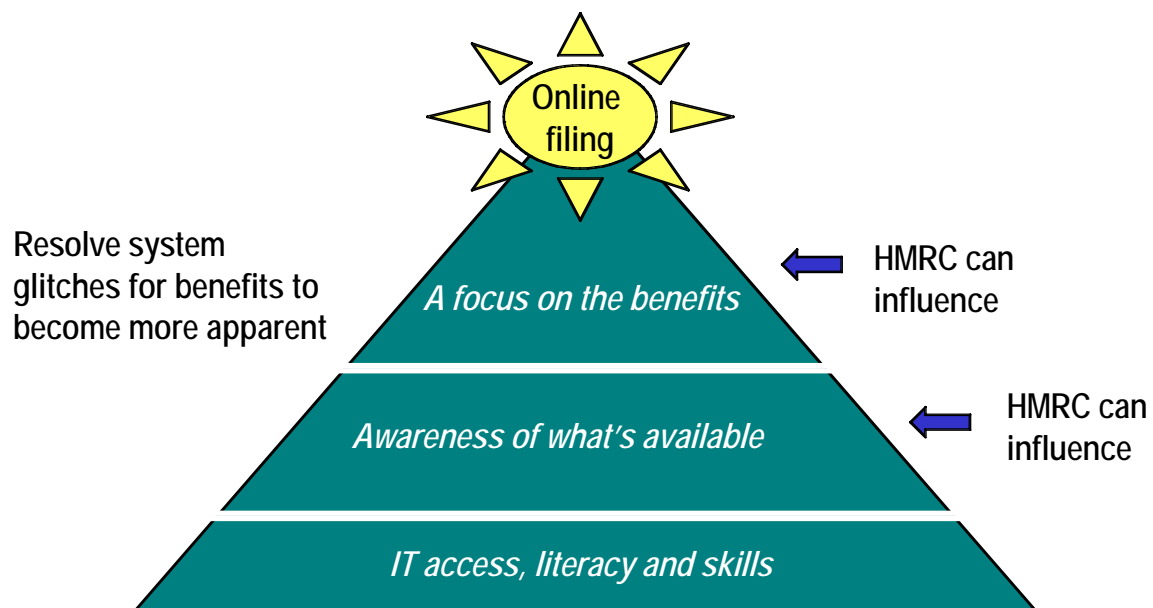
As *Figure 7* below shows, the findings suggest that HMRC could potentially increase uptake of online filing by:

- Raising awareness of the availability of online filing (i.e. for which tax strands online filing is available)
- Raising awareness of the benefits of online filing, e.g.
 - It is easy to learn (with minimal time and financial costs involved)
 - It is faster and safer than paper-based filing, i.e. it reduces the risks of human error, and therefore worthwhile doing even for less frequent activities (e.g. CT returns)

- AND is secure
- Removing HMRC technical problems so that the benefits of online filing become more apparent

The same HMRC actions outlined above seemed as likely both to get non-users to adopt online filing and to encourage users to extend online filing to other tax strands. Agents perceived HMRC to have less of a role to play in terms of building IT and online capacity among them. They considered that it was up to them as agents to build up their own IT and online capacity, although of course the extent to which they wanted to varied depending on agent type.

Figure 7: Conditions for increasing use of online filing



There were differences between non-users in terms of their propensity to file online in the future. 'We'll get round to it' non-users were likely to file online, but in their own time. They generally felt positive about the prospect but needed reassurance from HMRC about how little investment (time and money) would be needed for online filing to encourage them to move in this direction.

'Not really relevant to us' non-users were unlikely to file online because of the low volume of tax returns that they were processing. They needed a compelling case from HMRC to persuade them to consider it, as well as peer group testimony as to the benefits of making the effort to file online.

'No intention' non-users were unlikely to file online because they were content with filing paper returns or they believed they would have retired before online filing became mandatory. Only the legal requirement to file online would persuade them to change their practices.

"I will only do it kicking and screaming and if the powers that be say I have to."

(No intention non-user, small, 71)

6.2 Likelihood of users switching to online filing for more tax strands and tax returns

Users were more likely to think they would extend their use of HMRC online services (especially 'Pro-technology' users) than non-users. As such, they presented a softer target for HMRC in terms of encouraging uptake of online filing across tax strands. Some non-users had absolutely no intention of ever switching to online filing, but were generally older and at the end of their careers (therefore, their numbers within the agents' population should diminish over time).

'Pro-technology' users were confident and solution focused. To encourage them to file more tax returns online HMRC needed to increase awareness of what was possible. 'Accepting but cautious' users were likely to extend usage, but needed reassurance from HMRC about how little investment (time and money) was needed to make the switch to file online for new tax strands. 'Reluctant' users had a low likelihood of increasing their usage of online filing any further than for PAYE tax returns. They were problem focused. Only financial incentives would persuade them to consider switching in the short term, and improved experiences of online filing would persuade them in the longer term.

6.3 Response to HM Revenue & Customs suggested incentives

HMRC suggested a number of incentives to test with agents. Most of the incentives discussed received an ambivalent response. Incentives were not generally thought to address agents' key concerns which were system problems, IT issues, and lack of knowledge about the processes involved in online filing.

Financial incentives were widely welcomed, and received the most positive response of all the incentives suggested. They had proved a strong incentive for uptake of online filing for PAYE. They were welcomed by everyone other than the 'No intention' non-users (who were of course the least likely to be persuaded by any measures). Agents thought financial incentives presented a clear benefit to agents and helped them overcome the barriers of inertia and the additional time costs.

"I can see a lot of problems if they just force you to do it, 'you must file online with your tax return'. You'll probably create a lot of bad feeling. But if there was a cash incentive, all of the bad feeling would be taken away I suspect." (Reluctant user, small, 21)

The idea to **incentivise early on-line submissions** received mixed reactions. 'Pro-technology' and 'Accepting but cautious' users were most positive. They thought this might motivate clients to get their paperwork in order earlier. Non-users were more likely to see early submission as beyond their control (i.e. it depended on the client giving them the details in time).

"Yeah that [incentivising early online filing] would be a very good idea, because that will stop us having this back log in January, which is the nightmare. This January we all worked till midnight. But one of the partners calls us strawberry pickers, you do nothing from April to June, and then everything starts (at once)."
(Pro-technology user, large, 11)

Providing more client information online similarly received most interest among 'Pro-technology' and 'Accepting but cautious' users. They were more likely to be using the facility anyway. Others struggled to comprehend the service and the benefits it offered them, and how this would affect their use of online filing.

The concept of a **streamlined approach to the 64.8 form**² was welcomed by all, particularly those who had problems with the form already. The idea of processing 64.8 forms centrally was welcomed and there was awareness that this was already possible. However, the practicality of HMRC sending codes to clients to forward on to the agent caused some concern. Agents feared that clients would not pass on the codes to their agents. Agents also had difficulty in seeing this as an 'incentive' per se (e.g. if they did not file online did this mean that their clients 64.8s would not be held centrally?).

"That is always an annoyance for us, the 64-8 has gone in and yet it's never been logged the other side. There were major problems last year, where they just hadn't been logged in. We really need that logged within seven days, because until that's logged you can't file electronically." ('Accepting but cautious' user, large, 17)

Changing the enquiry window³ was greeted with indifference. Many agents could see the benefits, but others took a fatalistic view, i.e. if HMRC wanted to make enquiries it would, regardless of the window.

Differential dates for filing⁴ was also generally disliked. Even those who already filed online thought it would 'unfairly' penalise those who did not. Others thought it would be too complicated for HMRC to administer (cost) effectively.

² That is: 64.8s will be processed centrally by HMRC, rather than through multiple offices. Also new process will be introduced whereby agent provides details of client to HMRC, HMRC writes to client with code, client gives code to agent, agent enters code

³ Currently a tax return can be selected for enquiry during the year following the filing deadline. This idea is that HMRC could shorten this window if the agent filed the tax return online.

⁴ That is bringing the paper tax return filing dates forward and keeping the online filing dates as they are

There were few suggestions for **other incentives**. However, some agents thought HMRC should offer the same incentive across different tax strands.

6.4 Response to suggestions for improving guidance and support

Agents were asked to comment on a few outlined HMRC ideas intended to improve guidance and support. Agents generally preferred improvements to guidance and support than incentives as a means of encouraging uptake of online filing. Guidance addressed some of the barriers faced by agents, for example their inability to see clear benefits and their information gaps.

“All I need is information and discussion and clarity. I’m sort of the old school, I suppose. Just offer me a training place, a training place to go down, have some computers and show us how to do it. And then I’d say, oh that’s good; I’ll do that.”

(‘We’ll get round to it’ non-user, small, 64)

More ‘hands-on’ support to meet their needs: non-users often wanted reassurance about a range of online filing issues, for example how long it would take to learn to use the system, to whether their existing software was compatible. Hands-on support was thought to have the potential to build capacity and skills as well as encourage use. As such, it was thought to lead to more sustainable adoption of online filing and Online Services.

“It would be good if they physically took accountants into tax offices, and they said, ‘Look this is how we work’. They’ve got to be more open. If they could sit down and tell accountants ‘Our life is a mess in January because of this, and yours is, why don’t we do it together?’ The biggest problem they will have is converting a lot of the agents because they are still scared of the Revenue.” (Pro-tech user, large, 11)

Personalised communications to agents: 'Pro-technology' users were the most likely to perceive personalised communications as beneficial. Their communication needs were often more sophisticated than other groups (who were struggling to come to terms with the basics).

Better helpline support: the helpline was one of the main contact points for information and help, and so there was near unanimous support for its development.

Roadshow to demonstrate benefits: in theory this was a good idea, and was seen as such (for example, face-to-face explanations were welcomed), but in practice many agents recognised they would not prioritise attendance because of time issues. Interestingly though they supported the idea of seminars – perhaps feeling that the more 'personal' nature of a seminar would justify their making time for it in their calendars.

Engaging with professional bodies: there was little support for greater engagement with professional bodies on this issue. Agents said that they rarely looked to professional bodies for information and advice about technological developments or issues. Trade press titles were more widely used to keep up-to-date with industry developments.

Chapter 7 - Conclusions and Recommendations

Chapter summary

This chapter provides conclusions to the research, under each of the main research objectives. It is then followed by the research recommendations.

7.1 Conclusions

To explore agents' awareness and overall attitudes to HM Revenue & Customs Online Services

Uptake of the financial incentives for PAYE filing suggests that the social context is in place for more widespread adoption of online filing. Since HMRC is perceived to benefit from the efficiency savings, it is thought fair that it should share the money saved with customers.

Agents are aware of HMRC's Online Services in general, however few know exact details of what are available. There is a need to inform agents of the full extent of possibilities for online filing and Online Services.

To explore behaviour and attitudes of agents who had adopted online filing and other HM Revenue & Customs Online Services

A number of reasons had encouraged agents to file online. These were:

- Financial incentives to file PAYE online
- The belief that online filing would soon be mandatory and it might be better to switch now and get used to it than delay
- Perception of benefits to agents of online filing

The benefits to online filing were perceived to be:

- **Cost savings:** in terms of saving paper, photocopying and postage as well as time taken to file
- **Greater control over the process:** receiving automatic acknowledgement from HMRC, agents directly inputting data themselves
- **Quicker HMRC processing:** resulting in quicker repayment

Once they had adopted online filing, agents seem unlikely to go back to paper-based filing, unless a major system crash or violation is encountered. However, they had encountered technical difficulties which meant that some were reluctant to extend their usage of online filing to other tax strands. Specific problems experienced included:

- HMRC and agents' own IT capacity issues
- Activation PINs not reaching agents
- Rejection of online tax returns by HMRC
- Error messages being generated without specific actions to remedy

To explore barriers to online filing and use of other HM Revenue & Customs Online Services

Whilst non-users were aware of the benefits of online filing, they also saw barriers in terms of costs of uptake (in terms of time and money). To enable them to view online filing positively, they needed to be convinced of the positive benefits over the resource costs involved.

Barriers among non-users differed by typology grouping:

- **Dislike and distrust of IT** was an issue among 'No intention' non-users, but not for 'Not really relevant to us' or 'We'll get round to it' non-users who were more positive about technology
- **Filing a low volume of tax returns** discouraged 'No intention' and 'Not really relevant non-users' from online filing, but this was not the case for 'We'll get round to it' non-users who generally filed larger volumes of tax returns

- **Financial cost:** if technology and software were not in place, if staff had to set up and use a new system, then it put all non-users off online filing

Other common barriers among non-users were that agents:

- Were too busy and did not see online filing as a priority
- Did not see clear benefits for them and their firm if they were to file online
- Had heard reports of technical problems with online filing
- Knew little about online filing and how it worked

Agents' lack of awareness about both the existence of other HMRC Online Services, and the benefits of using them (e.g. the Online Viewing Service) was a key barrier to further usage.

To explore the likelihood of agents who submit returns by paper switching to online filing

Some agents will be easier to encourage than others - HMRC cannot change attitudes and use of technology in general. Forcing 'No intention' non-users is the only way to get them to file online at this stage, and 'Reluctant' users will not do further online filing without financial incentives. However, there is scope for actions by HMRC to help encourage 'We'll get round to it', 'Not really relevant' non-users, and 'Accepting but cautious' users.

To explore the factors that would most likely encourage agents to switch to online filing

Providing better information, explanation and support will increase uptake in the long-term. Financial incentives and publicised compliance deadlines will be more effective at increasing uptake in the short-term amongst the 'We'll get round to it', 'Not really relevant' non-users, and 'Accepting but cautious' users because it will give them more specific and immediate reasons to file online.

HMRC needs to ensure its online filing systems are both customer friendly and effective (i.e. they work) to ensure more widespread adoption. The better the system is, the greater use agents will make of it. Users who had encountered technical difficulties were less likely to widen their uptake to other tax strands.

The reputation of the system is paramount to the success of online uptake. One major system fault could be taken as cast iron evidence by non-users that they were right to distrust online filing.

It will be important to quantify the typologies - to determine and verify them, ascertain their prevalence in the agent population, measure the impact of key drivers on adoption (both emotional and rational), and assess the likely impact of proposed measures on use of Online Services. There is an opportunity to do this via the planned survey.

7.2 Recommendations

As a priority, HMRC should ensure that its Online Services are fully functional and reliable in order to persuade agents to file more tax returns online, by:

- Improving HMRC's system
- Developing a closer relationship with software vendors

Improving HMRC's system

HMRC should continue to smooth out the present technical problems in the HMRC system. Some agents forgive 'teething problems' but will expect to see improvements as the system matures. HMRC should also continue to expand the system to encompass all tax returns/strands.

Developing a closer relationship with software vendors

HMRC should continue to work with software vendors to make sure their systems are compatible with HMRC:

- By ensuring that software vendors have correct information so that they can act as support for agents
- Where there are technological errors within the online filing system the vendor can provide useful error messages for agents to help them rectify the situation
- Working with vendors on rejection of forms – provide feedback to vendors as to the reasons for rejections so they can work on solutions
- HMRC could also obtain feedback from agents through software vendors

HMRC should also continue to educate agents about Online Services by:

- Communicating with agents
- Developing tailored guidance and support for agents

Communicating with agents

HMRC should ensure that its communications to agents carry the same basic messages about the improvements made to the system, so as to allay agents' fears about its security and reliability. HMRC communications should also articulate the benefits of the system, which are:

- Cost savings
 - Direct cost savings in terms of paper, photocopying and postage
 - Indirect cost savings in terms of time taken to file, which help both agent and client
- Greater control
 - Automatic acknowledgement from HMRC that the tax return has been received providing peace of mind
 - Agents provide the data themselves electronically which this minimises any data entry mistakes that HMRC may make
 - Ability to view HMRC statements on clients' tax liability, payments and recent history
- Quicker HM Revenue & Customs processing
 - Online filing can speed up HMRC internal processing, resulting in repayment of overpayments from HMRC more quickly

HMRC could also:

- Quantify the costs and benefits of uptake of online filing (i.e. make an informed suggestion about how much time an agent could actually save, in terms of person hours) to support the cost savings message
- Communicate to each current user which other strands can also be filed online, and the minimum software requirements, to encourage trial usage
- Provide agent-specific help and information, including an agent page on the HMRC website through which to access services
- Develop tax strand specific communications for agents recognising their issues and concerns about the particular tax strand:
 - Reflecting the fact that different people may deal with different tax strands and that each tax strand is considered different or distinct
 - Explain how to complete the return online in easy to follow steps
 - Have FAQs for the particular strand (e.g. with CT whether accounts need to be attached and how)
 - Give a link to a dedicated webpage, in which it is possible to email queries

Developing tailored guidance and hands-on support

Different user types want reassurance, guidance or information on different issues. HMRC could consider offering different types of guidance and support to appeal to different types of agents.

- 'Pro-technology' users for instance might ignore a seminar that was aimed at getting started, but would welcome a seminar aimed at helping them get the most out of the system and widen their use to as many strands as possible
- The same applies to literature and online guides – 'We'll get round to it' non-users would benefit most from a basic step-by-step guide to getting started, while 'Accepting but cautious' users would benefit most from a guide articulating the benefits of widening their existing use

Although it is not possible to accurately identify agent's typology from this research, the intended quantitative survey will give much better information that may help

HMRC to identify agent types, which could in future help tailor messages and support to the different agent groupings.

Appendix

Research objectives

1. To explore agents' awareness and overall attitude to HMRC Online Services and especially online filing, specifically:

- To explore agents awareness of all HMRC Online Services currently available (including the availability of client and filing data to agents)
- To explore agents awareness of the option to file tax returns/end of year returns/in-year forms online
- To explore how agents became aware of HMRC Online Services and the option to file online (Advertising, contact with HMRC, professional/specialist journals)
- Had agents visited the HMRC website for information/advice?
- What other channels of information do agents use when seeking advice?

2. To explore behaviour and attitudes of agents who had adopted online filing and other HMRC Online Services, specifically:

- Views on the benefits of online filing
- Views on HMRC Online Services (for SA, CT & PAYE)
- Explore agents expectations of online filing i.e. improved efficiency of filing returns, and whether expectations had been met
- Explore with agents the trigger(s) for them switching to online filing and use of HMRC Online Services
- Explore with agents what (if anything) would make them 'switch back' to paper/other methods of filing
- Explore agents' views on the accessibility/user friendliness of online filing systems and HMRC Online Services more generally
- Explore with agents issues around information and advice obtained before making the decision to migrate to online filing including agents' contact with HMRC during transition to online filing - explore a) reasons for contact (general, specific advice), and b) how useful the advice was?
- Explore with agents their experiences of the transition from paper to online filing - any difficulties (what, if anything, might make them consider switching back to paper)?
- Explore what role (if any) the software vendor played in enabling agents to switch to online filing
- Explore with agents the relative importance of online filing and HMRC online viewing services

3. To explore barriers to online filing and use of other HMRC Online Services.

Specific issues to cover include:

- Capability of HMRC software to handle complex tax cases
- Capability of HMRC software to handle additional information like attachments with returns
- Existing internal practices related to paper filing (i.e. checking returns on paper, signing off return by senior member of organisation)
- Registration of agents in the context of Form 64:8
- Lack of trust in Internet systems generally
- Lack of trust of HMRC (in dealing with online filing/security issues)
- Expenses associated with migration to e-filing
- Agents do not see any benefit to them
- Explore issues around inertia
- 'Clients' objecting to agents' online filing on their behalf

4. To explore the likelihood of agents who submit returns by paper switching to online filing. Specific issues to cover include:

- Factors that would most likely encourage agents to switch to online filing (HMRC incentives/improvements to current Online Services) explore reactions to potential incentives including:
 - Introducing differential dates for filing (bringing paper filing date forward, keeping online filing date as it is)
 - Changing the enquiry window (currently a return can be selected for enquiry during the year following the filing deadline - 31 January). What impact would changing the enquiry window have on the time agents file completed returns?
 - Introducing financial incentives (including the impact of the Carter Review for agents filing PAYE)
 - Introducing a streamlined approach to agent authorisation procedure and 64.8 form
 - Making available more information on their clients (e.g. their status, payments made and repayments received and any other information agents say they would like)

- Does the volume of time spent on HMRC related activity (as a proportion of all business or in aggregate) affect agents preferred method of filing?
- Proficiency of using online services outside of work (e.g. personal use of the internet)
- Explore agents views on efficiency of online filing for large numbers of returns
- Perceived negatives of online filing

5. Develop a draft questionnaire for an agent survey:

- Identify key findings from this study requiring quantification
- Produce a draft questionnaire exemplifying how questions could be framed

Sample specification

Participants were recruited by telephone by Opinion Leader Research from a list of firms generated by HMRC. The sample was drawn from CESA (Computerised Environment for Self-Assessment). The sample was segmented by the following criteria:

The number of tax clients

- Small (6-100)
- Medium (101 – 300)
- Large (301 – 2,000)
- Super large (2,000+)

Location

The sample was distributed between Belfast, Birmingham, Brighton, Bristol, Cambridge, Cardiff, Edinburgh, Leeds, London, Manchester, Newcastle and Nottingham.

Whether they were online filing or not

- Users (of online filing)
- Non users (of online filing)

Figure 1 shows the spread of the final sample across the recruitment categories.

Figure 1: Final sample spread

SIZE OF AGENT	Users	Non-users	Total number of depths
Small (6-100 clients)	18	14	32
Medium (101-300 clients)	18	12	30
Large (301-2,000 clients)	15	10	25
Super large (2,001+ clients)	3	0	3
TOTAL	54	36	90

Sample achieved

During the recruitment process it became clear that it was challenging finding smaller agents, due to the criteria of between 6 and 50 clients. Often even the one-man-bands had more than 50 clients, and we found that whereas the HMRC list might indicate they had a small number of clients, the actual figure was higher than that. This seemed to be because not all agents were registered as the agent for all their clients with HMRC. In discussion with HMRC we therefore agreed to shift the size bands in the following way:

- From 6-50 clients for small to **6-100 clients**
- From 51-250 clients for medium to **101-300 clients**
- From 251-2000 clients for large to **301-2000 clients**
- The super large category remained the same at **2000 plus clients**

The other recruitment challenge concerned user status. For the pilot in March 2005, recruiting non-users was easy. The list of agents provided by HMRC was still

relatively up-to-date and it was not difficult to find non-users. However, recruiting them in May, June and July was much more challenging as we discovered that so many agents had signed up to use HMRC Online Services due to the PAYE incentive offered to their clients. As a result, we agreed with HMRC to change the original sample structure to reflect this new world of agent usage. Whereas the original sample was to conduct 54 interviews with non-users and 36 interviews with users, we changed this around so that we conducted 54 interviews with users and 36 interviews with non-users.

Agents Online – Users Discussion Guide

Introduction

(2 mins)

- Introduce OLR
- Outline the overall aims of the research
- Emphasise that the research is confidential and anonymous and the researchers are independent
- Explain there are no right or wrong answers
- Get permission to tape

Background and Context

Ask 1st Participant or Senior Decision Maker

(5 mins)

- Participant to outline their profession
- What does their organisation do
- What sector is it in
- What is the main tax strand their organisation deals with – SA, PAYE, CT, VAT
- How many people they employ
- How long the business has existed
- Number of tax clients
- Any changes to types of clients or services over the last few years?

Ask All

- Description of their role and responsibilities within their firm
- Main focus of their daily work (check whether they are key decision maker or directly involved in filing and payment processes)
- Does their firm already use IR (HMRC) online services? Which ones? (these should be current users of e-services). VERY BRIEF ON THIS QUESTION AS WILL EXPLORE LATER

1. Objective: To explore agents' awareness of e-filing/IR (HMRC) online services. This covers both overall awareness of the service, awareness of the website and the range of information available in addition to e-filing.

Ask All

Awareness

- What do they think is currently provided by the IR (HMRC) in terms of e-services for agents? (explore the different options relating to the agents particular specialisation e.g. SA, CT PAYE, VAT – see briefing note). How does this differ to options for individuals/organisations?
- When did they first become aware that the IR (HMRC) provided online services?
- Describe in detail how they became aware of them initially? (Advertising, contact with IR (HMRC), professional/specialist journals). Was this different for different forms of e-services?

(if relevant) Who has run the seminars they have attended? What has been the main focus of the seminar?

Gain an understanding of what the seminar has done to persuade them to consider change and anything it might have initially failed to do to convince them

- How did they become aware of the option to file tax returns/end of year returns/in-year forms online?

Obtaining Information

- How did they obtain information about e-services before switching? (through IR (HMRC) website or other channel)?
- What did they try to find out about online services?
- Have they looked at or used the IR (HMRC) website – what was their initial reaction? In what ways, if any, has it been useful in providing information and advice? Not useful? *Probe for which pages they have looked at on the website.*
- What other channels of information do they use to gain advice and information relating to clients tax issues – specialist publications, national press, Working Together etc?
- What guidance, if any, are they getting from their professional bodies on e-services?

How much of a relationship do they have with other bodies around e-services? E.g. software vendors, accountancy organisations

3. Objective: To establish overall attitudes to e-filing and IR (HMRC) online services. It will be particularly important to assess differences in attitudes between users and potential users. What process of attitude change did users go through in adopting the system and what

guidance can this give in converting potential users? Does converting the next generation of users involve distinctly different attitudinal barriers?

Ask All

Internet/Technology perceptions and usage

- To what extent do they personally use the Internet both at home and at work?
- What transactions are conducted online – personal and business?
- How confident do they feel generally with online services?
- What do they see as the main advantages and disadvantages?

Online services/e-filing

- How did they feel initially about IR (HMRC) online services as an idea? Has this changed - how do they feel now?
- What are their expectations of the overall scope of the service and do they feel it could help the future of their business?
- How is this the same or different from the way they think, feel and behave towards other online services and why?
- How pro IR (HMRC) e-services are other members of the firm? Did this have an impact on uptake within the firm?

4. Objective: To identify and explore the reasons and motivations of agents who have adopted e-filing. Can this process of adoption be made easier for future users through planned technical developments?

Areas to cover will differ for the key decision maker in the agent organisation and the staff member responsible for using systems on a day to day basis.

Ask All

- What are the main advantages and disadvantages they have encountered with **paper-based filing**?
- What were seen as the initial advantages that motivated change from a paper system – cost savings, organisational efficiency, improving services to clients etc?
 - Were the reasons for change different for the different tax strands?
 - Which did they change to online filing for first?

Ask Key Decision Makers

- For the tax strands they do use online services for (keep probing for separate tax strands):
- Think back and describe in as much detail as possible the stages they went through in making the decision to move to e-filing and use of online services. Define the key stages and decisions and talk around each in depth.
 - What were the initial triggers that made them first consider change?
 - What, if any, information or advice did they obtain before making the decision to migrate to e-filing? What were the reasons for contact? How useful was the advice?
 - What were the main stages of decision making in the company?
 - Who was involved inside and outside the company?
 - How long the process took, key meetings?
 - Support/guidance from IR (HMRC) or others (e.g. software companies) throughout the process? What were the reasons for contact? How useful was the advice?
 - How views varied between different staff involved?
- How well have their initial expectations for e-filing been met? How worthwhile do they feel the change has been?
- Different for different tax strands?
- What short term costs did they encounter? (quantify if possible)
- And what longer term costs?
- Would anything make them switch back to paper/other methods of filing?
- Did they have any specific concerns or objections from clients?
- As an established user of e-services how would you describe the effect of the change on all aspects of your organisation in terms of business profitability, services to clients, internal staffing and organisation.
- How important are e-filing and online viewing services now?

For each of the benefits/opportunities mentioned in this section:

- *What could the IR (HMRC) do to build on this benefit/opportunity? (via system change, service design and delivery, information, communication or support – face to face or written)?*
- *If the IR (HMRC) was to take such and action, what difference would it make? Do they think it would encourage other people to take up e-services?*

Ask Operational Staff :

- Describe in detail their first experiences of using the e-filing system.
 - Were they transferred from using a paper system or employed specifically for the online system.
 - If they had been paper system users before how do they see the benefits and disadvantages of the change?
- What their current job involves in relation to e-filing, online viewing, information provision etc. Do they use the IR (HMRC) filing system or other software systems?
- What are the main benefits in their specific job of using e-filing and online systems?
- What are their views on the accessibility/user friendliness of e-filing systems and IR (HMRC) online services more generally?
- Who do they turn to for support and advice on IR (HMRC) online services? E.g. software vendor, peers (within the office or local Working Together), professional bodies, IR (HMRC) website, IR (HMRC) online helpdesk, other online resources (accounting websites)?

Ask ALL

Extending e-filing to other practices

- And describe in detail which practices and which clients they DON'T use IR (HMRC) Online Services for
 - What are the reasons for this?
 - What is it about the nature of these other practices or the services available online that means they don't use online services for these
- Could they see any potential benefits in the introduction of e-filing in their firm for the other tax strands/business areas that they don't currently use it for?
 - What additional reassurance/information do they need to encourage them to do so?
 - What are the triggers that could encourage them to extend their usage?
 - Are these external to the firm or internal within the firm?
 - Are these different from the triggers that encouraged them previously?

2. Objective: To understand agents' current behaviour - what services are being provided to what clients by which methods and if online services are not being used how are services organised. Are computer based systems used in other areas of business?

Ask 1st Participant

Describe the process in steps from preparing info for a return to sending it off using the completion table (see end of dg)

- *What is the process internally for compiling tax returns and sending these to IR (HMRC)*
 - *Who does what in the firm?*
 - *How do they do it (e.g. manually / online, etc)?*
 - *What (quality control) checks are there?*
 - *How long does it take to complete returns and why?*
 - *How involved is the client and why?*
- How comfortable, as a firm, are they with computer based systems? Which areas of the business are they used in?
- How much investment is made into keeping up to date with technology?

5. Objective: To identify and explore the main barriers that prevent agents from e-filing. Does this vary by type of taxpayer dealt with or size of organisation? Do these barriers suggest that certain groups have greater potential for conversion and are new strategies needed to overcome barriers?

Ask All

- Were there any technical problems with adoption of e-filing and other IR (HMRC) online services?
 - Reliability of system?
 - Handling complex/unusual tax cases?
 - Handling additional information like attachments with returns?
 - Security issues?
- Have you encountered any other problems with adoption of e-services?
 - Is the authorisation of agents in the context of Form 64:8 an issue?
 - Registration process?
 - Any internal practices relating to paper filing that made it difficult to migrate to e-filing? E.g. checking returns on paper, signing off return by senior member of organisation
 - Implementation time and/or cost?
 - Familiarity with current system and processes?

- What are the issues you have encountered that are related to a particular tax strand?
Probe for differences between SA, PAYE CT or VAT.

For each of the factors mentioned:

- *Who tackled this problem and why?*
 - *What did/could the IR (HMRC) do to tackle it (via system change, service design and delivery, information, communication or support – face to face or written)?*
 - *What difference did/would it make for them? Would it encourage further take up of e-services?*
- Are they aware of any other specific criticism of e-filing and other online services?
 - Are there specific changes or new services they would like to see IR (HMRC) e-services introduce?
 - Overall if they were talking to an agent who had not made the decision to switch from a paper based system, would they recommend the change? What would they say to him was the best thing about making the change and what problems, if any, that they had could be avoided?

6. Objective: To explore the likelihood of agents who currently submit some returns by paper switching to e-filing methods for all strands and all clients. Does this differ by type and size of organisation and at what level of the organisation are the main barriers to change? Are problems different for agents with different business priorities across SA, PAYE and Corporation Tax (and VAT)? What detailed changes in the system might motivate a change in e-filing methods?

Ask All

Summarise with them which services they currently use 'e' services for and which they are still using paper-based methods for. What would encourage them to switch to further 'e' services?

The IR (HMRC) are considering a number of specific actions which may help encourage businesses to use more online services. How effective do you think any of them would be in encouraging further e-filing in your firm?

- Introducing a streamlined approach to agent authorisation procedure and 64.8 form (*64.8s will be processed centrally rather than multiple offices also new process to be introduced in the Autumn – Agent provides details of client to HMRC, HMRC writes to client with code, client gives code to agent, agent enters code.*)
- Making available more information on their clients (e.g. their status, payments made and repayments received etc). Is there any other specific information that would be useful to them regarding their clients?
- Introducing financial incentives (inc. impact of Carter Review for agents for PAYE).

- Incentives for early online submission of forms.
- Introducing differential dates for filing (bringing paper filing date forward, keeping e-filing date as it is)
- Changing the enquiry window (currently a return can be selected for enquiry during the year following the filing deadline - 31 January). What impact would changing the enquiry window have on the time agents file completed returns?
- Would different incentives work for different tax strands?
- Can you suggest any other incentives the IR (HMRC) could introduce which would have an impact on use of e-services?

IR (HMRC) Future Actions

Ask All

- Do they expect that options will be closed down eventually e.g. ELS? And new services only available online? What would their reaction be to this?
- How useful would the following actions from IR (HMRC) be around online services?
 - Providing more personalised assistance and communications to different types of agents?
 - Providing more 'hands on' support to meet their needs?
 - Engage with professional bodies to guide and support agents? ? If so – which professional bodies or organisations – and how would this make a difference?
 - Better helpline support?
 - Provide a roadshow to demonstrate the benefits?
 - Publicity which shows the *benefits* not just the functions of e-services

(With any they are positive about explore ways of carrying out that would be most beneficial)

- Ideally, how would you like to see the IR (HMRC) develop its services in this area? What affect would this have on your attitudes and behaviours?

Summing up:

Final comments on what 5 priorities they would suggest to the IR (HMRC) and actions to tackle them

- What impact this would have on their views and behaviour?

Any other final comments about what the IR (HMRC) should do?

Thanks and close

Summary of e-services currently available:

Self Assessment

File returns

View copy statements

PAYE

File EOY returns

Submit in year forms

Receive in year forms and notices

Maintain output preferences

Stamp Taxes

File SDLT returns

CT

View real-time payments and liabilities

File returns and accounts

VAT

Register as agent for client

Submit quarterly return

Pay electronically

General Services

Lost user ID and password services

View and download client lists (CT,SA and PAYE)

Coming soon:

'Real time' SA accounts

View all payments and liabilities by tax year

Drill down into interest and penalties

View how payments have been allocated

And later on:

Self service on behalf of clients

Reduce payment on accounts

Request repayment

Change client's address

Self service for their firm

Change your firm's details

Set up/amend client authorisations

Agents Online – Non User Discussion Guide

Introduction

(2 mins)

- Introduce OLR
- Outline the overall aims of the research
- Emphasise that the research is confidential and anonymous and the researchers are independent
- Explain there are no right or wrong answers
- Get permission to tape

Background and Context

Ask 1st Participant or Senior Decision Maker

(5 mins)

- Participant to outline their profession
- What does their organisation do
- What sector is it in
- What is the main tax strand their organisation deals with – SA, PAYE or CT, VAT
- How many people they employ

- How long the business has existed
- Number of tax clients
- Any changes to types of clients or services over the last few years?

Ask All

- Description of their role and responsibilities within their firm
- Main focus of their daily work (check whether they are key decision maker or directly involved in filing and payment processes)
- Does their firm already use IR (HMRC) online services? Which ones? (these should be current non-users of e-services)

1. Objective: To explore agents' awareness of e-filing/IR (HMRC) online services. This covers both overall awareness of the service, awareness of the website and the range of information available in addition to e-filing.

Ask All

Awareness

- What do they think is currently provided by the IR (HMRC) in terms of e-services for agents? (explore the different options relating to the agents particular specialisation e.g. SA, CT, VAT or PAYE – see briefing note). How does this differ to options for individuals/organisations?
- When did they first become aware that the IR (HMRC) provided online services?
- Describe in detail how they became aware of them initially? (Advertising, contact with IR (HMRC), professional/specialist journals). Was this different for different forms of e-services?
 - (if relevant) Who has run the seminars they have attended? What has been the main focus of the seminar?

- Gain an understanding of what the seminar has done to persuade them to consider change and what it has failed to do to convince them
- Are they aware of the option to file tax returns/end of year returns/in-year forms online? How did they become aware of this?
- What differences are they aware of between the Internet filing services for agents and services such as Electronic Lodgement Service (*if deal with SA*)?

Obtaining Information

- Have they tried to find out more about online services, if so how (through IR (HMRC) website or other channel)?
- Have they looked at or used the IR(HMRC)/Customs & Excise website – what was their initial reaction? In what ways, if any, has it been useful in providing information and advice? Not useful? *Probe for which pages they have looked at on the website.*
- What other channels of information do they use to gain advice and information relating to clients tax issues – specialist publications, national press, Working Together etc?
- What guidance, if any, are they getting from their professional bodies on e-services?
 - How much of a relationship do they have with other bodies around e-services? E.g. software vendors, accountancy organisations

Objective 2: To understand agents' current behaviour - what services are being provided to what clients by which methods and if online services are not being used how are services organised. Are computer based systems used in other areas of business?

Ask 1st Participant

Explore the firm's use of paper based filing in their dealings with IR (HMRC)

Describe the process in steps from preparing info for a return to sending it off using the completion table (see end of dg)

- *What is the process internally for compiling tax returns and sending these to IR (HMRC)*
 - *Who does what in the firm?*
 - *How do they do it (e.g. manually / online, etc)?*
 - *What (quality control) checks are there?*
 - *How long does it take to complete returns and why?*
 - *How involved is the client and why?*

- How comfortable, as a firm, are they with computer based systems? Which areas of the business are IT packages used in?
 - Which IT packages are used and for which tax strands?
 - How did they make the decision to invest in those specific packages? What advice/help did they seek and from whom?
 - To what extent do they use computer based and then paper based practices? e.g. compiling returns on PC and then printing off to send to IR (HMRC)

- How much investment is made into keeping up to date with technology?

- Do they feel that any of these paper-based practices could potentially be switched to 'e' services? (*probe for each tax strand SA, PAYE, CT, VAT separately – use list of available services to probe*).

- What are the processes involved in these practices and are there certain issues that make 'e' filing an unsuitable option? (*Explore internal practices around signing off returns/postal/delivery issues, links with clients etc.*)

Objective 3: To establish overall attitudes to e-filing and IR / Customs & Excise (HMRC) online services. It will be particularly important to assess differences in attitudes between users and potential users. What process of attitude change did users go through in adopting the system and what guidance can this give in converting potential users? Does converting the next generation of users involve distinctly different attitudinal barriers?

Ask All

Internet perceptions and usage

- To what extent do they personally use the Internet both at home and at work?
- What transactions are conducted online – personal and business?
- How confident do they feel generally with online services?
- What do they see as the main advantages and disadvantages?

Online services/e-filing

- What are the main advantages and disadvantages they have encountered with paper-based filing?
- How did they feel initially about IR (HMRC) online services as an idea? Has this changed - how do they feel now?
- What are their expectations of the overall scope of the service and do they feel it could help the future of their business?
- How is this the same or different from the way they think, feel and behave towards other online services and why?
- Could they see any potential benefits in the introduction of e-filing in their firm? E.g. costs, efficiency, peace of mind?
- How pro online/e-business are other members of the firm? Does this have an impact on uptake within the firm?

Objective 4: To identify and explore the main barriers that prevent agents from e-filing. Does this vary by type of taxpayer dealt with or size of organisation? Do these barriers suggest that certain groups have greater potential for conversion and are new strategies needed to overcome barriers?

Ask All

- What factors have influenced the decision to stay with paper-based filing rather than migrate to e-filing?

- What are the main technical concerns with adoption of e-filing and other IR (HMRC) online services?
 - Reliability of system?
 - Handling complex/unusual tax cases?
 - Handling additional information like attachments with returns?
 - Security issues?

- Are there any other concerns relating to adoption of e-services?
 - Is the authorisation of agents in the context of Form 64:8 an issue?
 - Registration process for internet filing?
 - Any internal practices relating to paper filing that make it difficult to migrate to e-filing? E.g. checking returns on paper, signing off return by senior member of organisation
 - Is the implementation time and/or cost a factor in the decision to proceed with e-filing? – if so what do they envisage the short term costs to be?
 - And the long term costs?
 - Familiarity with current system and processes stops them changing?

- Are they aware of any other specific criticism of e-filing and other online services?

For each of the factors mentioned :

- *Whose responsibility is it to tackle this concern and why?*
 - *What could the IR (HMRC) do to tackle it (via system change, service design and delivery, information, communication or support – face to face or written)?*
 - *If the IR (HMRC) was to take such and action, what difference would it make for them? Would it encourage them to take up e-services?*
-
- Is the decision to start e-filing made difficult by any lack of trust in Internet systems within their organisation?
 - Are they waiting for the system to be developed further before trying it?
 - How do their clients view e-filing? Are there differences between SA, PAYE, CT and VAT clients?
 - Are there specific changes or new services they would like to see IR (HMRC) e-services introduce which would make you willing to try it?

Objective 5: To explore the likelihood of agents who currently submit returns by paper switching to e-filing methods. Does this differ by type and size of organisation and at what level of the organisation are the main barriers to change? Are problems different for agents with different business priorities across SA, PAYE and Corporation Tax? What detailed changes in the system might motivate a change in e-filing methods?

Ask Key Decision Makers

- What proportion of their organisations time is spent on IR (HMRC) related activity? Does this affect they way they file returns?
- Have they or their organisation given any real consideration to changing from a paper based system to using an online approach to filing returns?

If the respondent has or is considering change ask:

- Describe in detail the process their organisation has or is going through in considering a change to e-filing.

Probes:

- Who in the organisation is in favour or against the change? What are their main arguments for and against?
- Have they discussed the change with their clients and what has been the main feedback?
- What is the process they will have to go through in order to make the change?
- Have they made any detailed plans for the change in terms of staffing, training or company organisational plans?
- Are there any specific ideas/initiatives or support they can think of that IR (HMRC) might provide to encourage or make the change easier?
- Are there different considerations for across SA, PAYE and Corporation Tax?
- Have they actually gone some way along the process of adopting e-services? What stopped them going further? E.g. got to the stage of trying to register? What were their experiences of this? Or registered but never used?
- If they have considered registering for PAYE, what potential do they feel there is for extending their usage of PAYE to other tax strand services?

Ask Staff involved in filing and payment processes

- Overall how would you feel if there was a proposal in your agency to move away from paper to an electronic based system with e-filing and online viewing of client data?
- What advantages and disadvantages would this bring to the organisation generally?
- And what impact would it have on your specific job?

Incentives for Change

Ask All

The IR (HMRC) are considering a number of specific actions which may help encourage businesses to use more online services. How important would any of them be to their organisation?

- Introducing a streamlined approach to agent authorisation procedure and 64.8 form (*64.8s will be processed centrally rather than multiple offices also new process to be introduced in the Autumn – Agent provides details of client to HMRC, HMRC writes to client with code, client gives code to agent, agent enters code.*)
 - Making available more information on their clients (e.g. their status, payments made and repayments received etc). Is there any other specific information that would be useful to them regarding their clients?
 - Introducing financial incentives (inc. impact of Carter Review for agents for PAYE).
 - Incentives for early online submission of forms.
 - Introducing differential dates for filing (bringing paper filing date forward, keeping e-filing date as it is)
 - Changing the enquiry window (currently a return can be selected for enquiry during the year following the filing deadline - 31 January). What impact would changing the enquiry window have on the time agents file completed returns?
- Can you suggest any other incentives the IR (HMRC) could introduce which would have an impact on use of e-services?

IR Future Actions

Ask All

- Do they expect that options will be closed down eventually e.g. ELS? And new services only available online? What would their reaction be to this?
- How useful would the following actions from IR (HMRC) be around online services?

- Providing more personalised assistance and communications to different types of agents?
- Providing more 'hands on' support to meet their needs?
- Engage with professional bodies to guide and support agents? If so – which professional bodies or organisations – and how would this make a difference?
- Better helpline support?
- Provide a roadshow to demonstrate the benefits?
- Publicity which shows the *benefits* not just the functions of e-services

(With any they are positive about explore ways of carrying out that would be most beneficial)

- Ideally, how would you like to see the IR (HMRC) develop its services in this area? What affect would this have on your attitudes and behaviours?

Summing up:

Final comments on what 5 priorities they would suggest to the IR (HMRC) and actions to tackle them

- What impact this would have on their views and behaviour?

Any other final comments about what the IR (HMRC) should do?

Thanks and close

Summary of e-services currently available:

Self Assessment

File returns

View copy statements

PAYE

File EOY returns

Submit in year forms

Receive in year forms and notices

Maintain output preferences

Stamp Taxes

File SDLT returns

CT

View real-time payments and liabilities

File returns and accounts

General Services

Lost user ID and password services

View and download client lists (CT,SA and PAYE)

VAT

Register as agent for client

Submit quarterly return

Pay electronically

Coming soon:

'Real time' SA accounts

View all payments and liabilities by tax year

Drill down into interest and penalties

View how payments have been allocated

And later on:

Self service on behalf of clients

Reduce payment on accounts

Request repayment

Change client's address

Self service for their firm

Change your firm's details

Set up/amend client authorisat

