

Channel Shift Case Study

Guidance Area #4:	Managing Staff & Partner Engagement
Provided By:	Her Majesty's Revenue and Customs
Sector:	Central Government
Service:	Cross Tax Strategy for SME Business Taxes

The HMRC Cross Tax Strategy, is aimed at encouraging Small to Medium sized Enterprises (SME) or their agents (usually accountants) to do online filing for three business related taxes: Corporation Tax (2.4m customers), PAYE For Employers (1.8m customers) and VAT (1.7m customers). Although it is not a business tax, Self Assessment (10m customers) was included in the strategy to encourage online filing of personal and business taxes.

To different extents the customer base for each of these taxes overlap with each other. The volume of transactions varies between each tax and also on how the term 'transaction' is defined. Online tax services have existed since 2003 but take-up varied between services - so the Cross Tax Strategy was launched in 2006 to encourage more SME and their agents to file returns online.

What They Did:

In 2006 HMRC (Communications & Marketing) commissioned Research Works Ltd (an independent research organisation) to review existing research – commissioned by either the Inland Revenue, HM Customs and Excise, or HMRC. The purpose of the review was to inform the development of a Cross-Tax Strategy aimed at SME – small being defined as less than 50 employees and medium as having 50 to 249 employees. From the outset the strategy was also aimed at agents – the intermediaries that help *SME to use HMRC services and could, therefore, assist SME in using online services.*

Research Works reviewed nearly 20 pieces of previous research, both quantitative and qualitative, from a variety of sources. All of this original research was conducted since 2001 and provided insight into users of the service. For example, it provided insight into way that HMRC customers used tax services – *mapping the customer journey's and identified how users' journeys intersected with the HMRC service.*

The report produced by Research Works Ltd covered:

- Campaign Audience & Products
- Compliance Rates
- Attitudes & Perceptions to HMRC Services
- Usage and Barriers to Using Online Services

Developing a clear understanding of their users' awareness of the benefits of the HMRC service

The report identified differences in attitude towards and perception of filing tax returns between business owners and their agents. SME tend to see HMRC services as something they have to do while agents tended to adopt a more professional approach to the way they handled tax returns for their clients – taking professional pride in getting the returns done right and on time. Another key finding was that awareness of online filing for these taxes was very high from 81% for VAT to 93% for Self Assessment – *so it was clear that customers and their intermediaries were aware of digital channels.*

However, the report highlighted that awareness of the various **benefits** of online filing differed considerably for each of the taxes concerned; falling below 30% in some instances but never getting above 64% - demonstrating that *users were not so convinced of the benefits of online services.*

As well as an awareness of the perceived benefits of online filing, the report highlighted perceived barriers for both businesses and intermediaries in using online services.

Developing a clear understanding of users' perception of HMRC's communications

The report also highlighted differences between HMRC perceptions about their communications and the way that SME and their agents actually received the message. Some of the HMRC assumptions were either challenged or refuted. For example; the HMRC hypothesis that fairness and/or morality of paying tax will translate into higher rates of compliance was clearly refuted. Also SME and their agents expected to have a professional relationship with HMRC, including direct communications not via indirect communications such as advertising campaigns on television and radio – although media campaigns for Self Assessment were well received.

Developing a new evidence-based communications approach and provided partner training

From this detailed customer insight, HMRC developed new campaign strategies. Using different key messages for SME and their agents. They also developed specific support for intermediaries such as dedicated web-pages, hands-on support, training seminars, etc. They ensured that the agents were treated as professionals and *partners making them familiar with online services through training, demos, and dedicated support.*

HMRC also worked with the main suppliers of accounting software packages to ensure that their software worked with online filing and the training provided by software suppliers included support for online filing. By engaging with agents and software suppliers, HMRC demonstrated an *awareness of organisations that assist services users* and encouraged a partnership approach to increasing the take-up of online services.

The use of a dedicated campaign, for agents, allowed HMRC to address their issues and – *highlighted the benefits for agents using online filing.*

Key Lessons Learnt:

It is necessary to identify the barriers preventing online filing and ensure that these issues are addressed

in communications sent to customers, their agents, and other intermediaries or delivery partners.

Different communication strategies are needed for customers, their agents, and/or other delivery partners – these must address the concerns of the relevant customer group being targeted by the communication.

Financial incentives, which had been offered to encourage online PAYE filing, failed to address underlying barriers or issues. While fiscal incentives were useful – especially as part of a carrot and stick approach – they are very popular so could be expensive. The use of non-fiscal benefits (convenience, ease of use, audit trails, etc) is also valued by customers and can be more cost effective.

HMRC are aiming to get as high a take up rate as is possible but are not expecting to achieve 100% take up. To do so it would be necessary to mandate use of online services and there are no plans to mandate online services. However, HMRC recognise that high levels of digital take up is possible using a range of methods to encourage use of digital services – but the key factor is the quality of the service offered.