



Research report

CT Online Mandation:

Assessing awareness and ability amongst small agents

Business Customer Unit

About the Business Customer Unit (BCU)

Business Customer Unit (BCU) is part of Business Tax responsible for ensuring businesses pay the right amount of tax whilst improving our customer's experience and the overall UK business environment.

The BCU role is to help colleagues make customer focus a reality by understanding our Business Customers needs better and using that understanding to design better products, processes and service delivery.

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Research requirement (background to the project)

From April 2011, all Corporation Tax (CT) customers will be mandated to file their returns online (using XBRL) and required to pay electronically.

A large proportion of CT customers will use an agent to help them either submit and/or prepare their CT returns; therefore the agent community are the key group in the overall success of online filing. If they do not fully understand the online requirements, then they will not be in a position to fulfil the online obligations for their clients and this could undermine the overall success of online filing.

Agents will have received direct marketing material in March 2010 for CT (in draft stage at present) and we want to explore their understanding of the changes, and to determine to what extent they are responding to this challenge.

The overarching objective was to assess small agent awareness levels around the new online CT mandation. There was also a need to understand the level of preparedness for action that smaller agents have and how the process may be best facilitated through communications in order to maximise the smoothest transition online for both agents and their clients.

An additional, secondary requirement existed to explore awareness levels and responses to the online VAT mandation process (effective from April 2010).

Who did the work (research agency)

Voodoo Research and Brand Consultancy

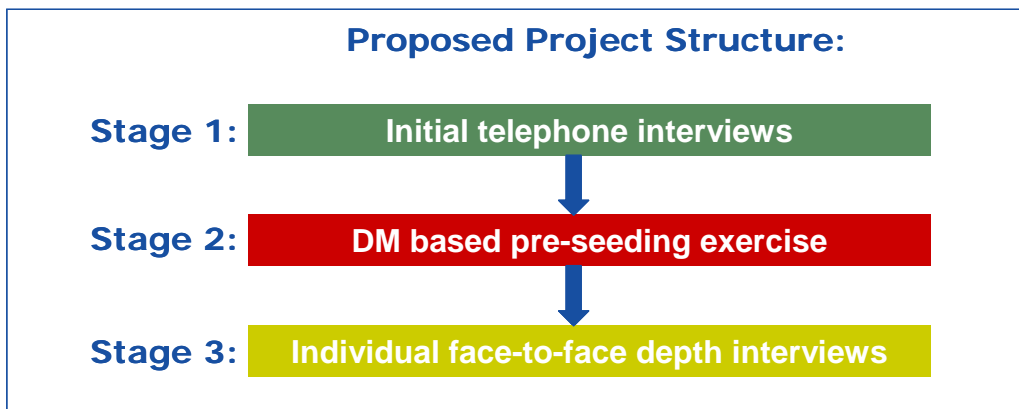
The team consisted of Peter Fenton-O'Creevy, Joint Managing Director of Voodoo, Jodie Duskwick, Associate Director, Lizzie Haycocks, Senior Research Executive and Dave Stenton, Senior Research Executive.

When the research took place

15th February – 10th May 2010

Method, Data and Tools used, Sample

In order to explore spontaneous awareness around both the mandation and the DM being sent to agents as well as how best to maximise future communications a staged approach was adopted:



This staged approach was conducted across the sample of 15 agents. The telephone interviews allowed us to explore spontaneous awareness levels around the changes and having sent the agents' letter to each respondent for the DM pre-seeding exercise, the face to face interview allowed for a more detailed exploration of responses to the letter in order to understand how future communications may be targeted to make the transition to an online only system as smooth as possible.

In order to ensure we represented agents from a number of locations, firm sizes, contexts and awareness levels the sample was structured as follows:

	Rural focus	Suburbs/small town	Larger town
Low awareness	Medium firm Small firm Small firm	Small firms (1-2 agents) Medium firms (3-5 agents) Large firms (6-10 agents)	
Medium awareness	Small firm Medium firm	Small firm	Medium firm
High awareness	Small firm Medium firm	Medium firm Small firm Larger firm	Larger firm Larger firm Larger firm

We conducted interviews across the UK in the South, Midlands and North (including rural Wales and rural Scotland). Given the need to explore how to aid those least likely to have a 'network' of support for dealing with the changes, the focus was upon small firms (mostly sole traders) and agents in rural locations. The overall sample was split by firm size, with the largest firms consisting of 10 accountants maximum. Within the sample, we also covered a range of awareness levels – from those completely unaware of any changes to the system, through to those who had a clear sense of what was happening and when.

All the agents we spoke to were responsible for the process of CT filing within their firms and a good mix of length of trading as well as client type and turnover was also included.

Main Findings

Consistent with the findings from the small business project (a separate project conducted by Voodoo simultaneously exploring responses to the changes in online CT mandate amongst unrepresented businesses), CT was felt to be the most 'difficult' of taxes to complete (in comparison to other 'business tax' - VAT, PAYE). This was driven by the relative complexity of the process and the fact that CT requires a lot of additional 'documentation' to be completed (a typical return could be up to 12 pages). There is little sense that the CT process is in any way 'collaborative' with clients; largely because the complexity of the process demands a level of real understanding. Most agents asserted that there is an unwritten 'rule' around the CT process. Even though clients are hypothetically 'responsible' for signing the calculations off, the process is fully handed over to the agent (including chasing at due time and sending off necessary paperwork) and so, in reality, the client simply 'signs on the dotted line' and trusts their agent to complete this process accurately on their behalf.

The majority of agents we spoke to adopted an excel-based system for managing the CT process. However, approaches were largely determined by firm size – with some larger firms having their own accountancy software for book keeping (notably SAGE, Quikbooks etc). In addition, there were a handful of clients who undertook the book keeping themselves using software packages and then handed over the books to their agents to undertake the calculations for CT liability. For those using an excel system, the calculations were conducted and double-checked manually. However, regardless of the system used to book keep, nearly all were undertaking the filing manually, with a very limited number adopting a PDF system. In the majority of cases therefore, the submission itself was sent through the post with all the necessary documents. Most agents sent the submission via special delivery, due to the risk of the documents going missing (and there was some sense that being relieved of this expense, as well as the need to actively queue in the post-office, would be a positive step).

Current awareness around the changes was dependent partly upon the context and background of the agent. However, amongst the sample we spoke to, awareness was at the medium-high end of the spectrum with very few agents being entirely unaware of the changes taking place. More critically, regardless of awareness levels, none of the agents we spoke to were surprised by the planned changes or revealed any great alarm. In part this was driven by the perception that 'everything is going online' as well as knowledge and familiarity around other systems moving over to an online method (VAT, personal tax returns, PAYE). Those least aware tended to be small or sole traders with a limited 'network' of contacts or industry knowledge.

Given the relationship between agents and their clients, there was little sense of a negative 'backlash' from clients – given that ultimately the agent will still be responsible for the process. The only exception to this was around the issue of online payment, which some agents saw as a potential concern for clients less comfortable or familiar with online payment systems. However, on the whole, agents saw a number of positives to an online system including instant confirmation, less 'hassle' (no having to wait in the post office) and being able to submit filings 'later in the day'.

Few agents had undertaken any significant 'preparation' for the process (even those with high awareness led by industry training bodies) but nearly all anticipated that they would submit a 'trial' filing prior to the deadline and in most instances, planned to do this with a simple set of accounts around 6 months prior to the final deadline.

Without having seen the letter, many agents assumed that an HMRC free product would be available for submitting the filing and this was driven by awareness of free software for other returns (e.g. PAYE etc). All agents felt they knew where they could seek further information – including the HMRC website, industry publications, websites and forums. However, there was no spontaneous awareness of the Agent Dedicated Line.

Despite positivity around the changes, there were some ‘background’ concerns raised by agents. Specifically, around how the process will work; how they will send additional documents (e.g. Directors’ report), how the client will ‘sign-off’ electronically, how to attach any necessary notes for clients with more complicated needs). Some general concerns were also expressed around whether the system itself would ‘crash’ (particularly if everyone chooses to trial at the same time), as well as how seamless the registration may be (some agents had experienced difficulties with the online gateway in the past).

Responses to the agents’ letter were positive with most feeling that it provided the right level of information as an introductory piece of communication. However, there were some queries raised by the letter that agents felt demanded additional presence/clarification in future communication. Namely, the lack of phone number – which can make it seem that HMRC are unwilling to offer support as well as the framing of the change, which some felt made it feel ‘optional’ rather than mandatory.

The remaining concerns raised by the letter all related to the implications of needing iXBRL compatible software and whether a ‘free option’ would be available for agent use. For nearly all small agents, the availability of a free product was key, particularly given that many are using self-designed, low-cost excel based systems and do not want or feel the need for any additional software. This is primarily driven by cost implications – which agents feel would have to be absorbed somewhere but, also, a number of agents we spoke to were less comfortable around the prospect of learning a new software system and felt this would be an additional investment in terms of time, cost and effort. Without understanding the true implications (and potential advantages) of iXBRL compatible systems, many agents were left feeling confused.

All agents perceived a need for additional communications around the changes including a more detailed ‘quick start’ guide for understanding how the process works (around 6 months prior to the deadline) as well as additional ‘reminders’ as a ‘call to action’ closer to the deadline. Most agents asserted that they would go to the website first as a source of further information. However, some were unaware of the ‘dedicated’ agent section or how to find this within the site. In addition, there was a feeling that future communications should flag up this dedicated section and not just the main website address.

In addition to exploring the implications of a change to the CT system, we also spent time exploring how agents had responded the online only VAT system. In the majority of cases, agents had responded to the changes and had not found the transition to pose any major problems. The key issues that were mentioned spontaneously tended to relate to the process – e.g. online registration and not the actual filing itself. In part, the relative simplicity of the VAT process was perceived to contribute to this ease of transition. All agents were familiar with the HMRC website and helpline and did seek this as a source of further information where necessary, though few felt the need to do this unless in a reactive capacity (i.e. at the point at which registration issues arose).

Overall, there was little sense of panic around the move to an online CT system. The questions that did arise did so primarily in relation to the ‘process’ itself - particularly around the need for a different

software system and the real implications of this. In addition, some agents were left unclear as to how the sending of documentation online may work as well as how a 'co-ordinated' process with Companies House would play out. Nearly all felt the need for additional clarification around this. The agents most concerned by the potential difficulties of the changes were small and sole traders with a less pronounced network of colleagues or contacts as well as those who were less connected with wider industry publications and training bodies etc.