



National Audit Office

HM REVENUE & CUSTOMS

Helping individuals understand and complete their tax forms

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SUMMARY

1 Each year millions of individuals submit a tax return or other tax form to HM Revenue & Customs. For example around nine million taxpayers complete Self Assessment income tax returns. The Department aims to make it as easy as possible for them to understand and comply with their tax obligations. It produces around 60 leaflets and factsheets in addition to the guidance notes accompanying its forms. The Department also provides information on its website and through 13 telephone helplines¹ and 279 enquiry centres. Up to 10 million taxpayers² a year contact the Department for help with their tax affairs. The Department spends around £35 million a year on producing and distributing

printed material. It also spends around £55 million dealing with contacts from individuals, either by telephone, face to face or via its website.

2 Helping individuals to provide accurate information is essential if their tax payments or refunds due are to be correctly assessed. Otherwise, they may later face unexpected demands for tax (and interest), or they may not receive refunds of tax when they are due. Accurate and timely information also helps to reduce the Department's costs in seeking further information and chasing up or correcting forms and returns.

¹ In total the Department operates some 30 helplines. The remainder are for businesses, employers or the recipients of child benefit and tax credits.

² We estimated the number of individual taxpayers that contacted the Department in 2005 using Customer Service Survey Data. Contact is defined to include contact by telephone, in person, post and website visits. The estimate includes tax credits because it was not possible to exclude it from the Department's data.

- 3** This report examines:
- the types of communication between the Department and individual taxpayers (Part 1); and,
 - whether forms and guidance are:
 - easy to obtain (Part 2);
 - easy to understand (Part 3);
 - accurate and complete (Part 4).
- 4** The report focuses on some 40 forms completed by individual taxpayers, for example, people who pay income tax through self assessment or PAYE. It covers the help the Department provides to them in printed guidance, on its website, over the telephone and in face-to-face meetings. The report does not cover individual taxpayers' enquiries by post. This is because it was not practicable to separate the handling of such enquiries from the Department's entire workload in dealing with postal communications. That workload includes enquiries from businesses, general correspondence and more detailed enquiries about individuals' tax position. The report also does not cover tax credits which the National Audit Office has covered in other reports.

Appendix 1 provides details of our methodology.

Conclusions

Obtaining forms and guidance

5 Taxpayers can obtain tax forms and guidance from the Department's website, where extensive information is available, and by post or telephone; or in person from local enquiry centres. The Department is encouraging taxpayers to use the method of contact which meets their needs at lowest cost. It could make it easier for taxpayers to find the forms and information they need, by better advertising of website and telephone contact details on forms and improving navigation on the website. The Department is currently considering plans to improve its website to make it more accessible and easier to navigate.

6 A recent report on government wide Service Transformation,³ identifies the scope for substantial savings to government, business and citizens by making channels through which services are delivered more responsive to the needs of customers. The report shows that savings can be made across government by improving telephone contact centre operations, rationalising face to face contact and making the Web the primary source for all simple information and advice. It estimates that savings of up to 25 per cent could be made in telephone contact centre operations by resolving 80 per cent of enquiries on first contact, reducing avoidable contact by 50 per cent and reducing information requests handled by telephone by 50 per cent.

7 Around five million⁴ individual taxpayers a year telephone the Department's helplines for advice resulting in over 18 million calls. Performance in answering these calls has improved during 2006. Seventy-three per cent of calls were answered within 20 seconds in the first ten months of 2006-07, compared with a general industry benchmark of 80 per cent. The average time the Department took to answer calls was 43 seconds in the same period compared to 80 seconds in 2005-06 and 28 seconds achieved by a number of other organisations.⁵ These figures reflect the time waited by those who successfully got through to an adviser. The number of engaged tones and busy messages has reduced from over 60 million in 2005-06 to 10.3 million in the ten months from April 2006. The Department has a target that 90 per cent of callers should get through to an adviser on the same day they first called. It estimates that in the first ten months of 2006-07, 95 per cent of callers got through on the same day, compared to 81 per cent in 2005-06.

8 The Department offers specialist help for people with disabilities or whose first language is not English. The availability of these services is set out on the Department's stationery but they are not prominently advertised on its website and the forms we examined. The Department's website does not meet Cabinet Office guidelines on accessibility which aim to ensure that key groups including blind or partially sighted users can access information.

³ *Service transformation: A better deal for the taxpayer*, December 2006.

⁴ We estimated the total number of individual taxpayers contacting the Department by telephone by applying the proportion of customers reporting telephone contact in the Department's 2005 Customer Service Survey to the total population.

⁵ The average time the Department takes to answer calls includes the introductory message given to callers, whereas the percentage of calls answered within 20 seconds is measured from the point the introductory message has been completed.

Understanding forms and guidance

9 Recent work by the Department suggests that unintentional errors by taxpayers in completing forms result in over £300 million in underpaid tax. Errors can also lead to taxpayers overpaying tax but the Department does not have data on the extent to which this occurs. Making forms and guidance easier to understand could help to reduce the number of errors taxpayers make. But some aspects of the tax system are particularly complex, which makes it difficult to keep forms and guidance simple while accurately reflecting the tax rules.

10 Since 2003 the Department has improved the main forms and other information taxpayers use. This has included introducing shorter forms for people with simple tax affairs and simplifying information on how individuals' tax codes and statements of tax due have been calculated. Our review found that most forms are relatively straightforward to complete but on occasions, some users found it difficult to understand terminology, carry out calculations and follow the sequencing of questions. The Department is currently improving the main income tax self assessment form and the inheritance tax form. We found that some guidance requires a reading age of 16 to 17 years old to understand, whereas less than half of the adult population reach this level.

The accuracy of forms and guidance

11 The Department has processes for ensuring its forms and guidance are accurate and up to date but we found some examples of out-of-date and inaccurate leaflets. It has arrangements for monitoring the quality of telephone call handling which shows that it provides complete and correct advice to taxpayers on around 94 per cent of calls compared with a target of 90 per cent. Individual contact centres monitor the quality of calls to identify staff training priorities and areas of advice that are more prone to errors. The Department does not set a target for the quality of advice provided face to face at its enquiry centres but managers regularly observe interviews to assess the quality of advice provided by staff. We found examples where staff at telephone contact centres and enquiry centres gave incorrect, inconsistent or incomplete advice.

Overall conclusion and recommendations

12 It is difficult to measure directly the effect the Department's forms and guidance have on making it easy for taxpayers to provide complete and accurate information. The recent report on Service Transformation⁶ highlights the potential benefits and savings for the Department, citizens and businesses in making services more responsive to customer needs. The Department has already introduced various improvements and further changes are planned. For example the Department has improved advertising of its services in telephone directories, has redesigned key forms and is planning to improve its website. Building on the work already in hand should help taxpayers to find and understand the information they need and reduce the level of unintentional errors taxpayers make in providing information to the Department. In this context we suggest the Department takes the following steps to:

- a **Make it easier for taxpayers to know how to find information and advice by displaying helpline numbers and the website address more prominently on more of its forms. More of the helplines should make use of a recorded message telling callers that information can be obtained from the website (paragraphs 2.4, 2.5, 2.12).**
- b **Advertise more widely the range of help the Department provides to those with disabilities or who need information to be translated. The Department should also carry out research into the needs of these groups (paragraphs 2.4–2.5).**
- c **Redesign its website to help taxpayers find the information they need and to meet Cabinet Office guidelines on accessibility for key groups, taking into account the findings and recommendations in the Service Transformation report. The website should have a more effective search engine; up-to-date, clearly labelled and consistent links to information, and avoid confusing terminology and abbreviations (paragraphs 2.20–2.22).**
- d **In the longer term, provide a greater range of online services such as enabling more taxpayers to view and update personal information, apply for refunds online and communicate with the Department by email. (paragraphs 2.26 and 3.21).**

⁶ *Service Transformation: A better service for citizens and businesses, a better deal for the taxpayer*, December 2006.

- e Explore the potential savings and other benefits and costs of reducing the number of telephone orderlines for forms and other printed material including the possibility of introducing a single orderline telephone number (paragraph 2.3).
- f Continue to improve its performance in answering taxpayers' telephone calls by increasing the percentage of calls that are answered within 20 seconds and by further reducing the number of engaged tones and busy messages that taxpayers experience when they telephone the Department (paragraphs 2.8–2.10).
- g Regularly remind telephone contact centre staff to refer calls to those qualified to give technical advice and monitor that they do so. This would help to improve further the quality of call handling where the Department has assessed that 94 per cent of calls were provided with complete and correct advice (paragraphs 4.8, 4.11 and 4.12).
- h Develop its methods for assessing the quality of face-to-face advice provided by enquiry centres by piloting techniques used by other organisations such as mystery shopping (paragraphs 4.13 and 4.14).
- i Look for opportunities to simplify the complex rules and procedures as this would enable it to produce forms that are easier to complete and more straightforward guidance for taxpayers. Ultimately, changes to the tax rules would require changes in legislation and would be for Ministers to decide (paragraphs 3.1–3.5).
- j In its programme of improving forms and associated guidance, use plain English; provide quickstart information on forms and clearer signposting of the sections to be filled in; and use more worked examples, checklists and flowcharts in guidance notes (paragraph 3.9).
- k Identify the main types of error that taxpayers make and where they do not understand their tax obligations, to inform the redesign of forms and guidance, and alert taxpayers to areas where particular care is needed. The Department should identify the errors that lead to taxpayers overpaying tax and estimate the extent to which this occurs (paragraphs 3.1–3.5).
- l Rationalise the number of contracts for printing forms and guidance to reduce procurement costs (paragraph 1.3).



Communications between the Department and individual taxpayers

This part of the report looks at the types of forms that individual taxpayers may need to complete to provide information to the Department. It examines how the Department communicates with individual taxpayers and what this costs, and the issues faced by different taxpayers in meeting the Department's requirements.

700,000 forms to register as self-employed and 300,000 forms for inheritance tax. We examined some 40 forms the Department uses to obtain information from individuals. **Figure 1** shows the main types of form used. Further details of the various forms and associated guidance are at Appendix 2.

The forms completed by individual taxpayers

1.1 Taxpayers have a general obligation to notify HM Revenue & Customs of their taxable income and of any change in their circumstances that may affect the amount of tax or duty for which they are liable. Many have no need to report anything; others notify the Department by telephone but a substantial number do this by completing a tax form either in paper format or online. For example the Department receives around nine million paper and online Self Assessment income tax returns,

The Department's communications with individual taxpayers

1.2 On receiving a completed form, the Department checks to ensure that it is correctly completed, contacting the taxpayer if further information is required. The Department uses the information to calculate how much tax or duty is owed or overpaid, or to determine the individual's PAYE tax code for the following year. The tax code is used by the individual's employer or pension provider to deduct the right amount of tax from his or her pay. The Department also contacts the taxpayer, explaining its calculations

1 The main types of form

Type of form	Examples of customer groups involved
Filing Self Assessment returns	Higher rate taxpayers, self-employed, people with multiple incomes including people drawing the state pension who have an additional source of income and a small number of people drawing only the state pension
Providing information to allow the Department to determine PAYE tax codes	People who have changed job, people coming up to retirement, students declaring low earnings
Forms for reclaiming overpaid income tax	People who have changed job or stopped working during the year, including pensioners or the unemployed
Registering as self-employed	Self-employed
Providing information to allow the Department to determine residency status	Migrant workers
Determining inheritance tax liabilities	The bereaved
Importing personal goods	Expatriates returning to the UK, people with second homes abroad, students

Source: National Audit Office analysis

and the decision reached (Figure 2). For example, the Department sends many individuals on PAYE a tax Coding Notice each year which explains how their tax code is determined, and a Statement of Account to taxpayers who file a self assessed income tax return showing how much tax they owe or are owed by the Department.

1.3 We estimate that the Department spends around £35 million a year on producing 66 million printed forms and guidance and sending them to individual taxpayers. £17.5 million is spent on postal costs and £17.5 million is spent on the design and print. The Department has ten printing partners who compete in bidding for contracts. In 2005-06 four of these partners collectively won one per cent of the total work. As demand for printed material decreases, the Department could reduce contract management costs by up to £100,000 each year by reducing the number of printing partners.

1.4 We estimate that the Department also spends around £55 million a year in dealing with 12.5 million contacts from individuals in relation to forms either by telephone, face to face or via its website at an average cost for each contact of around £4.40. Details of our analysis are at Appendix 1. Face-to-face meetings are the most expensive for the Department at around twice the cost of dealing with telephone contacts. Most contacts with the Department are by telephone. The least expensive channel of contact for the Department is where taxpayers obtain information from its website but this is currently the least used.

1.5 The Department is in the early stages of implementing a channel strategy. It is looking to encourage customers seeking advice to use the most cost-effective method of contact (website, telephone, face to face or by post)

that meets their needs. In the strategy, the Department recognises that people have different patterns of behaviour and needs and that the most cost-effective contact channel will not necessarily be the same for all customers in the same circumstances.

1.6 A recent report on Service Transformation (December 2006) identifies the scope for substantial savings to government, businesses and citizens by making the channels through which services are delivered more responsive to the needs of customers.⁷ The report shows that savings of 25 per cent can be made across government departments from improving telephone contact centre operation, for example by resolving 80 per cent of enquiries on first contact, reducing avoidable contact by 50 per cent and reducing the number of information requests handled by telephone by 50 per cent with the Web becoming the primary access point for all simple information and advice requests. The report also identifies scope for savings by rationalising face-to-face contact, for example by ensuring that government websites become the first contact point so that more queries are resolved in this way.

How the requirements affect different taxpayers

1.7 In carrying out our work we examined how the various tax obligations affect three broad taxpayer groups: people drawing pensions, the self-employed and buy-to-let landlords. Figures 3, 4 and 5 overleaf show for each of these groups the different challenges they might face in managing their tax affairs, and the forms and advice they need.

2 The information the Department may send to taxpayers

Event

Filing a self-assessed income tax return

Paying PAYE

Submitting a form to claim a repayment

Registering as self-employed

Filing an inheritance tax return

Submitting a claim for relief from duty on imported goods

What the Department sends the taxpayer

A Tax Calculation showing how much tax is owed or how much will be repaid to them for the year or a Statement of Account which also shows amounts paid or repaid in previous years.

An annual coding notice confirming the PAYE tax code for the year is sent automatically to many PAYE taxpayers.

A refund notice setting out how much tax is owed, how it has been calculated and how the tax will be repaid to the taxpayer.

A guide containing further details about becoming self-employed.

A Clearance Certificate confirming how much tax is due.

A post clearance demand note is issued if a customs debt is owed.

Source: National Audit Office analysis

⁷ Service Transformation: A better service for citizens and businesses, a better deal for the taxpayer, December 2006.

3 Challenges that people drawing pensions might face in dealing with their tax

The Department estimates that in 2006-07 some five million UK pensioners paid around £10 billion in income tax. Around 1.5 million file Income Tax Self Assessment returns, half a million of whom complete the short tax return. While circumstances vary, pensioners' tax affairs can often be more complex than those they faced when younger, and than the affairs of people in employment, as illustrated below. Attitudes also vary, but our interviews with pensioners showed they tended to be meticulous about record keeping and keen to ensure they are doing 'the right thing' and providing all of the information the Department requires.

- Those receiving an occupational pension usually have income tax deducted through the PAYE system by their pension provider.
- If they have more than one occupational pension, they may have to deal with more than one of the Department's tax offices to ensure that the correct tax code is applied.
- If they also receive the State Pension the tax due on it is also collected through the PAYE system by an adjustment to the tax code used by their pension provider.
- If they receive dividend income and building society/bank interest which has the basic rate of tax deducted they may need to complete a tax return, if their total taxable income exceeds the higher rate threshold. Some may need to claim a refund if they have not taken full advantage of their tax allowances.
- If they have no occupational pension but have other income such as the state pension, annuities and National Savings Bonds, which are paid without tax deducted, they may need to complete an Income Tax Self Assessment return.
- For some, it may be the first time they have had to complete a return because when they were in employment their Income Tax was deducted through PAYE. If, once they have filed their tax return, the Department calculates that they owe tax, they will need to pay the tax in a lump sum and they may not have budgeted for this additional expense.
- Some pensioners move from their own home into a care home, with the proceeds from the sale of their house being invested to generate an income on which they need to rely for the rest of their lives. This income may render them liable to tax, and they may need to complete a tax return, perhaps for the first time.
- Some pensioners may lose a husband, wife or partner who handled the couple's financial affairs. They must then learn to deal with their tax obligations at a time when they are coping with their bereavement.

Some pensioners may be less mobile due to illness or have a disability which affects their sight or hearing and how they need to access tax information and services.

Source: National Audit Office

NOTE

Budget 2007 announced plans to increase the personal allowances for those aged 65 or over, as well as changes in the rates of Income Tax.

4 Challenges that the self-employed might face in dealing with their tax

Around three million self-employed people file Income Tax Self Assessment returns, 300,000 of whom complete the short return. They pay around £11.5 billion in tax. While attitudes vary, they are likely to see compliance with their tax obligations as a cost to their business in terms of the time involved in record keeping and completing forms. Our interviews with self-employed taxpayers revealed that if they do not understand the questions on forms they may guess at how to complete them.

- Some people do not realise that they are classified as self-employed for tax purposes. They may unwittingly not register with the Department to pay tax when they should and as a consequence they may not submit tax returns when required.
- Some self-employed people do not always have a good understanding of their tax obligations or the records they need to keep to enable them to complete their tax returns. Some may seek to manage their tax directly whereas others employ a tax agent to help them.

Source: National Audit Office

5 Challenges that the buy-to-let landlords might face in dealing with their tax

There are some 1.2 million buy-to-let landlords in the UK paying around £13 billion in tax (2005). They may need to inform the Department of their rental income and property sales by completing sections in the Self Assessment return if their income exceeds certain limits or they do not pay tax through PAYE. Our interviews showed that some believe tax return forms on rental income are triggered automatically, such as when they complete a mortgage application form. They may have a sketchy and inconsistent knowledge of tax rules and what should be entered on the tax return.

- Buy-to-let landlords may have a single property they let out or a portfolio of properties that have been built up over a number of years. Some may rely on the rental income to meet their day to day living expenses while others are investing for the longer term.
- Some buy-to-let landlords may have difficulties understanding the complex rules on calculating their tax liability on rental income and the items they can offset against tax, such as the costs of letting agents, repairs and insurance against loss of rental income, and the items which cannot be offset such as improvements to their property.
- On selling a property, the rules on calculating whether capital gains tax is payable and the amount due are complex. Some may seek professional help.

Source: National Audit Office



PART TWO

Obtaining forms and information

This part of the report examines how easy it is for taxpayers to obtain the Department's forms and printed guidance, find information on the Department's website and obtain help with completing forms over the telephone and in face-to-face meetings at enquiry centres.

2.1 The Department aims to encourage taxpayers to obtain information using the most appropriate communication channel to meet their needs and at the lowest cost. If taxpayers are to do this, they need to know the options for accessing information from the Department and then obtain that information easily using the channel they have chosen. The Department provides extensive information on its website and operates 279 enquiry centres which taxpayers can visit and 13 helplines⁸ which provide information and advice to individual taxpayers on tax matters. We estimate that around a quarter of individual taxpayers⁹ contact the Department, totalling up to 10 million people¹⁰ a year. They may use different ways to contact the Department depending on their personal preferences but also the type of information they need. For example, while pensioners tend to use the telephone or talk face to face with an adviser, self-employed people are more likely to look for information online, as shown in **Figure 6 overleaf**.

2.2 The Department's target is to increase to at least 80 per cent by 2008 the proportion of customers (including businesses) who achieved success at the first point of contact. In 2006, 74 per cent of customers reported receiving the help or information they were looking for the first time they contacted the Department about a particular issue, an increase of three per cent on that achieved in 2005.

Forms and guidance

2.3 When the Department requires a paper form to be completed, it usually sends the form and accompanying guidance to the taxpayer. Sometimes taxpayers may need to request the form themselves if, for example, they think they might be entitled to reclaim tax, a relative has died and they need inheritance tax forms, or they need a replacement form. When taxpayers need a paper form and/or guidance there are a number of ways they can obtain it by:

- Downloading forms from the Department's website (virtually all forms for individuals are available online), or accessing online guidance or PDF files of printed leaflets and factsheets. We had difficulty, however, in locating some of the forms on the Department's website. In such cases users may contact the Department by phone or face to face, which increases costs.
- Using an online ordering service. Some of the forms and guidance can be ordered through the Department's website but others cannot. For example inheritance tax, income tax repayments and forms for non-residents or migrant workers cannot be ordered online.

⁸ In total, the Department operates some 30 helplines. The remainder are for businesses, employers or the recipients of child benefit and tax credits.

⁹ Includes individuals paying income tax through PAYE and Self Assessment.

¹⁰ We estimated the figure from the Department's annual Customer Service Survey 2005 data. Our definition of 'contact' includes contact in the previous 12 months by telephone, post, face to face and website visits. The estimate includes tax credits because it was not possible to exclude it from the Department's data.

- Telephone. The Department operates a number of 'orderlines' for particular forms covering self-assessment, reclaiming tax on savings and inheritance tax. For other forms taxpayers can telephone the Department's helplines. Our telephone survey of orderlines to test the availability of selected forms and leaflets showed that documents were available in 88 per cent of cases¹¹ and most arrived within seven days. Telephone numbers for the Department's helplines can be obtained from looking at previous correspondence, BT telephone directories or from the Department's website. Telephone numbers for the Department's orderlines are not listed in BT Directories or Yellow Pages.
- Visiting enquiry centres to obtain forms and leaflets. If the documents are not in stock staff will print them off from the Department's website. Visitors can also use telephones without charge to contact the Department's helplines or orderlines or they can use internet terminals at the larger enquiry centres.

2.4 The Department provides copies of forms and guidance in English or Welsh and offers translation services for people whose first language is not English. These translation services are not well advertised by the Department. None of the forms we examined mention the availability of translation services. Translation services are mentioned on the Department's website but none of our users testing the site were able to find the reference. Since we carried out our review the Department has made some improvements to the information presented on the website.

2.5 The Department can provide forms and guidance in alternative formats including Braille, large print, audio, floppy disk and CD-rom for blind and partially sighted people. Taxpayers need to advise their tax office of their requirement for these formats. The tax office arranges with the Department's Visual Impairment Unit for the alternative format to be provided to the taxpayer and notes their records so they are provided automatically in future.

6 Examples of different taxpayer groups' method of contact and their reasons for contact

Surveyed customer group	Method of contact (Two most frequent contact methods) ²	Two most frequent reasons given for most recent contact ³
PAYE taxpayers who do not file an Income Tax Self Assessment return	Phone (60 per cent) Online (44 per cent)	Tax code (28 per cent) Tax/National Insurance calculations (11 per cent)
PAYE taxpayers who file an Income Tax Self Assessment return	Online (68 per cent) Phone (52 per cent)	Self Assessment Form (39 per cent) Paying tax due (16 per cent)
Self-employed	Phone (58 per cent) Online (54 per cent)	Self Assessment Form (35 per cent) Paying Tax due (14 per cent)
Pensioners	Phone (65 per cent) Online (19 per cent)	Non-SA pensioners: Tax Code form (27 per cent), state pension (17 per cent) SA pensioners: Self Assessment form (35 per cent), Statement of Account (13 per cent)
Overall across the groups (National Audit Office analysis)	Phone (59 per cent) Online (46 per cent)	Tax code and tax code form (22 per cent) Self Assessment form (10 per cent)

Source: National Audit Office analysis of the Department's survey data

NOTES

1 Each year, the Department carries out a customer service survey of some 19,000 customers in 13 customer groups (including individuals paying tax through PAYE and Self Assessment, pensioners and the self-employed as well as businesses, employers, agents and customers in receipt of child benefit and tax credits). These results are from the Department's 2005 customer survey.

2 Customers may have used more than one method for contacting the Department. This means that the percentages for method of contact may exceed 100 per cent.

3 These results exclude queries about tax credits.

11 This was not a statistically based test.

We found it difficult to find information about the service on the Department's website and only ten per cent of the forms examined stated the availability of large print or Braille. None mentioned the availability of other formats. All of the Department's stationery states in large print the availability of alternative formats.

Telephone helplines

2.6 In 2005 around five million individual taxpayers contacted the Department by telephone¹² with specific queries or information about their tax affairs or asking for general information. The Department's contact centre staff can access taxpayer's records and update them with information provided by the taxpayer. Helpline telephone numbers are listed on the Department's website and the most common are in BT telephone directories. Helpline numbers are included on almost half of forms we examined and there is space for the tax office issuing the form to insert its phone number on most others. Three forms have neither although these are among the easiest to complete forms. We found that only ten per cent of the forms give details of special telephone numbers for the hard of hearing.

2.7 The Department's helpline numbers begin '0845' rather than geographical dialling codes, allowing it to route calls efficiently between contact centres. These calls were originally charged at local rates but the costs now vary because of the increase in the number of suppliers with different telephone tariffs, the increased use of mobile telephones and the use of the internet to make calls. The Department does not receive any payments from service providers when taxpayers use 0845 numbers. It is considering whether to provide '030' series telephone numbers that OFCOM will be introducing for use by public bodies and not-for-profit services. Calls to 03 numbers will cost the same as calls to geographic numbers (beginning 01 or 02).

2.8 The Department handles 18.5 million calls each year from individual taxpayers.¹³ The Department's performance in answering calls has improved during 2006, as a result of initiatives to improve the service provided by contact centres. The length of time callers have to wait before speaking to an adviser has improved since 2005:

- in the first ten months of 2006-07, the average time in which calls were answered across the Department's taxes helplines was 43 seconds compared to 80 seconds in 2005-06 and 28 seconds achieved by a number of other organisations' call centres.¹⁴
- 73 per cent of calls were answered within 20 seconds in the first ten months of 2006-07 compared with 45 per cent in 2005-06 and a general industry benchmark of around 80 per cent.¹⁵ At the Self Assessment filing deadline, a peak time for the Department, callers may wait longer. In the week preceding the January 2007 filing deadline, 33 per cent of calls were handled within 20 seconds, an improvement on 21 per cent during the equivalent week in 2006.

2.9 To measure its performance, the Department has a target that 90 per cent of callers should get through to an adviser on the same day they first called. The Department estimates that in the first ten months of 2006-07, 95 per cent of callers got through on the same day they first called compared to 81 per cent in 2005-06. Its data shows that the number of engaged tones and busy messages has reduced from over 60 million in 2005-06 to 10.3 million in the first ten months of 2006-07 (**Figure 7 overleaf**).

12 We estimated the total number of individual taxpayers contacting the Department by telephone by applying the proportion of customers reporting telephone contact in the Department's 2005 Customer Service Survey to the total population.

13 Excluding calls on tax credits.

14 Merchants Global Contact Centre Benchmarking Report includes performance data on 160 contact centres located around the world.

15 The average time the Department takes to answer calls includes the introductory message given to callers, whereas the percentage of calls answered within 20 seconds is measured from the point the introductory message has been completed.

7 Calls handled and engaged tones

	Calls handled (millions)	Engaged tones and busy messages (millions)	Engaged tones and busy messages/calls
2005-06	18.6	61.5	3.3
2006-07 (up to and including 31 January 2007)	18.5	10.3	0.6

Source: National Audit Office analysis

2.10 In early 2007, the Department issued pensioners with revised Coding Notices to reflect changes in the way it will tax retirement annuities from April 2007. These are annuities paid out of retirement annuity contracts taken out before July 1988. For some pensioners this is the first notice of coding they will have received for several years and where the Department does not hold up-to-date information, some will have found that the new codes do not correctly reflect their circumstances. Although the Department had separately written to some 300,000 pensioners ahead of the issue of coding notices to alert them to the change, many pensioners contacted the Retirement Annuity Helpline querying their Coding Notices. Because of the number of callers, some pensioners waited longer for calls to be answered or experienced difficulty in getting through. In response, the Department has increased the number of advisers and lines available and published further guidance on its website.

2.11 Taxpayers can find it frustrating to telephone separate helplines for the information required. The Department is exploring the scope for reducing the number of different telephone helplines and telephone numbers to offer a more joined-up service. The success of the initiative depends among other things on helpline staff having access to taxpayers' computer records for all taxes, and the technical and operational capability to route enquiries to advisers with the requisite expert knowledge.

2.12 In Canada, the telephone contact centre signposts callers to the website for future reference where information is available online. When we telephoned the Department's helplines, we found that operators mentioned the Department's website in five out of 96 calls. Some, but not all helplines have a recorded message telling callers that information can be obtained from the website. The Department is considering whether to make greater use of recorded messages informing taxpayers that information is available on its website but this is unlikely to be done until improvements have been made to the website. The Department could make savings for each taxpayer who subsequently visits the website successfully instead of telephoning the Department.

Face-to-face meetings

2.13 Taxpayers can identify their nearest enquiry centre using an online search facility. Addresses of local enquiry centres are available in telephone directories.

2.14 The number of individual taxpayers who contacted the Department in person with enquiries about their tax dropped from 1.4 million people in 2001 to 0.6 million in 2005.¹⁶ The number of face-to-face contacts could fall further because the Department is encouraging taxpayers to use more cost-effective contact channels to meet their needs. Visitors with straightforward queries are now directed to charge-free telephones within the enquiry centres (with the Department's helpline numbers on speed dial) or, at larger enquiry centres to computer terminals linked to the Department's website.

2.15 We visited 72 enquiry centres (25 per cent of all the Departments' enquiry centres) to assess how easy it is for taxpayers to obtain information at these locations, including the ease of making appointments and access to information for visitors with disabilities. We found that visitors were assisted in a variety of ways; some had their query dealt with directly by an adviser, some were referred to telephone helplines or the website, and some were given literature. Eleven out of twelve callers requesting appointments were offered an appointment at a time suitable to them.

2.16 There was adequate wheelchair access at 61 out of the 72 enquiry centres we visited. Where access to an enquiry centre is difficult for an individual, the Department's staff will visit the taxpayer at home. Induction loops for the hard of hearing were available at 58 enquiry centres we visited. At some enquiry centres where facilities were available, there were problems such as the equipment not working or staff were not adequately trained in how to use it. The Department has now made improvements to ensure that the induction loops are available at all enquiry centres, are working properly and that staff know how to use them.

¹⁶ We estimated the total number of individual taxpayers contacting the Department in person by applying the proportion of customers reporting face-to-face contact in the Department's 2005 Customer Service Survey to the total population.

Online contact

Access to the internet

2.17 The Department wants taxpayers to be able to quickly and easily obtain information from its website and use online services successfully. The website is convenient to use because it is available seven days a week 24 hours a day. The number of individual taxpayers using the internet to contact the Department has more than doubled since 2001 to four million in 2005.¹⁷ Its web address www.hmrc.gov.uk can be found by typing 'tax' into an internet search engine such as Google or by going through the Government's online portal for public services, www.direct.gov.uk. The Department's website address is included on its letterheads and in telephone directories and on around one third of the 40 forms we examined.

2.18 Some taxpayers will be less likely to use the internet to access information. Use of the internet varies significantly according to age, income and location. Only 28 per cent of those over 65 have access to the internet, compared to 57 per cent of the UK population.¹⁸ None of the pensioners we interviewed had used the Department's website to obtain information. Taxpayers on lower incomes may not be able to afford a computer, a printer and the subscription to an internet service provider for access to the internet. There are however, other ways to access the internet such as in schools, libraries, the workplace or in internet cafes. The Department provides computer terminals in its 44 larger enquiry centres which taxpayers can use to access information from its website. In March 2006 Lord Carter of Coles' Review of HMRC Online Services recommended that the Department should work with other public and voluntary organisations to ensure that access to the internet, and appropriate assistance with using IT, are available locally, for example at libraries and UK Online centres, for taxpayers who wish to file their tax returns.

2.19 Taxpayers who complete self assessment income tax returns can file their returns, claim refunds and view their self assessment records online. Other taxpayers, who have not registered online for self-assessment, cannot access their personal tax records or claim refunds of tax online. Taxpayers cannot complete forms for inheritance tax,

providing information for PAYE or determining residency status online. This is a particular drawback for those who are blind and partially sighted who use the tools on their computers to help them read documents and complete forms.

Finding information on the website

2.20 Information on the Department's website is grouped according to different types of users such as businesses and individuals, which helps taxpayers find the information relevant to them. We tested individual taxpayers' ability to obtain key pieces of information from the Department's website and found that some experienced difficulty finding some information on the website and the Department's search engine is not effective at identifying the correct information or at displaying the results.¹⁹ The terminology used in some of the information displayed can be confusing to taxpayers (Appendix 3).

2.21 The Department's website does not currently meet Cabinet Office guidelines on accessibility which aims to ensure that key groups including blind and partially sighted users can access information. In particular, navigation links on the Department's site are set up in a way that will be confusing for blind people accessing the site using a screen reader.²⁰ We estimate there may be around 55,000²¹ blind or partially sighted people who might prefer to use the Department's website if they needed information but at present would need to telephone the Department or visit an enquiry centre. Enabling more blind or partially sighted people to access information via its website could also bring savings for the Department.

2.22 The Department's website has a similar overall structure to other tax authorities' websites (the Australian Tax Office, the Canadian Revenue Agency and the Irish Revenue Commissioners). Taxpayers can also file their income tax returns online in those countries. We found that the overseas sites offered some search facilities, navigation tools and online services that are not available on the Department's site. Full details of the key differences and similarities between the Department's and comparator sites are at Appendix 3.

17 We estimated the total number of individual taxpayers obtaining information from the Department's website by applying the proportion of customers reporting this in the Department's 2005 Customer Service Survey to the total population.

18 *Consumers and the Communications market*, OFCOM, June 2006.

19 The results are not based on a statistical sample.

20 Software which translates text on screen into audio material for blind or partially sighted users.

21 Estimated from the number of blind and partially sighted people in the UK and estimates of their computer usage (Royal National Institute for the Blind and Network 1000 Opinions and Circumstances of Visually Impaired people in Great Britain, August 2006).

2.23 The Department has some information about the activities and needs of taxpayers who use its website and intends to do further work on this. Data on the frequency with which pages of the website are visited are available for the former Customs and Excise side of the site but only limited information is available for the former Inland Revenue side of the site. This limits the Department's information about which pages are popular and frequently used. Taxpayers who submit their tax return online can provide feedback on the service and the Department regularly reviews feedback it receives on how easy taxpayers find the website to use overall. However, it does not obtain feedback from taxpayers on why they have not used the website when they telephone helplines.

2.24 Many of the limitations of the website stem from its creation as a top level combination of the websites of the former Inland Revenue and HM Customs and Excise departments in April 2005. The timescales for the merger meant that it was not possible to create an entirely new website and as a consequence the two former departments decided to merge their websites temporarily. In 2006, the Department engaged IT consultants to examine what customers need from the new website. The consultants' conclusions, which agreed with our own findings, were that the website needs to:

- be easier for customers to find what they want;
- be easier to use;
- have straightforward tools and transactions; and
- be more friendly and helpful to ordinary people.

2.25 The Department recognises that it needs to improve its website and is reviewing its plans for a new core site in the light of the recently published Service Transformation report.²² The report recommends rationalising government websites and providing information for citizens and businesses through government-wide Direct.gov and Businesslink.gov websites. The Department plans to invest some £170 million in online service infrastructure over the next five years. This is expected to bring benefits to businesses and taxpayers worth over £50 million each year by 2011-12, and savings in government administration costs of some £64 million each year by 2012-13.

Communication by email

2.26 Some groups of taxpayers can contact the Department by email such as Income Tax Self Assessment taxpayers who are registered for online services and for taxpayers with queries that would have been handled by the former HM Customs and Excise. The Department contacts online-registered Self Assessment taxpayers by email, for example to provide receipts for returns that have been filed online. It is considering how it might expand its email services taking into account security considerations about who it is dealing with and the experiences of other organisations handling large volumes of email contacts. Email communications have the potential to encourage taxpayers to make more use of its website and e-services. For example, the Department could email taxpayers about improvements to the online filing process and remind them of details from previous returns, which would help them complete the current year's returns. Extending the use of email could save costs.

2.27 In 2005 the Organisation for Economic Cooperation and Development carried out a survey of tax authorities in six member countries²³ to identify good practices in managing email communications with citizens. It found that tax authorities had encountered the challenges such as dealing with large volumes of email contact. As yet, these obstacles have not been resolved.²⁴

²² *Service Transformation: A better deal for the taxpayer*, December 2006.

²³ Australia, Canada, New Zealand, the Netherlands, UK and the USA.

²⁴ OECD: *Management of Email: Information Note*: March 2006.



PART THREE

Understanding forms and guidance

This part of the report examines whether taxpayers understand the guidance and advice they receive from the Department and are able to complete forms correctly. If taxpayers understand the Department's forms and guidance they will be less likely to make errors when completing forms and less likely to need to contact the Department for help.

3.1 Errors in completing the Department's forms may result in individuals paying too much or too little tax. They may also result in the Department spending time on correcting the form, contacting the taxpayer for further information, or returning the form to the taxpayer for amendment.

3.2 At one end of the spectrum there are individuals who deliberately misdeclare their circumstances to evade tax. But other errors arise because of simple mistakes or misunderstandings, such as omitting to sign forms or arithmetical errors. The Department carries out an initial check for obvious mistakes on each Income Tax Self Assessment return received. In 2005-06 the Department identified and corrected 0.9 million minor errors and queried a further 11,000 returns, resulting in £9 million of additional revenue and £13 million of repayments to taxpayers. Sometimes individuals make mistakes through 'not taking reasonable care' when completing forms, such as poor record keeping or not declaring taxable income because they are unaware of their obligations.

3.3 The Department carries out random enquiries on a sample of returns to estimate the overall percentage of returns with errors. It estimates that 3.3 million taxpayers or around one third of those filing self assessed income

tax returns understated their tax by a total of £2.8 billion in the 2001-02 tax year (the latest available data). The Department considers that this figure understates the amount of tax at risk as its enquiries will not identify all non-disclosed income. It also does not carry out checks to enable it to estimate the extent to which taxpayers overpay on their tax.

3.4 The Department has started a programme of work to establish how much of the error detected through its random enquiry programme is due to unintentional errors, failure to take reasonable care and evasion. It intends to use the results of this work to develop a strategy to reduce taxpayer error and an action plan for delivery. The action plan could include redesigning guidance to better meet taxpayer needs. This work necessarily involves making judgements about customers' intentions and motivations. The first stage was to ask the Department's compliance staff to estimate the proportion of underpayments in self assessed income tax returns that are unintentional errors. Their initial estimate is that around ten per cent of the understatements (around £300 million) arise from error as opposed to anything more deliberate and culpable. These errors are in addition to those the Department corrects during an initial check on each return (paragraph 3.2).

3.5 In 2003-04 the Department began a random enquiry programme into inheritance tax cases. Enquiries have now been completed and analysis is underway which will provide an indication of the extent that taxpayers make errors when completing inheritance tax forms. The Department does not conduct random enquiry programmes to assess the level of taxpayer accuracy on other forms we examined.

How the Department is improving the usability of its forms

3.6 The Department has taken a number of steps to improve its forms:

- In 2004-05 it introduced a short, simpler Income Tax Self Assessment return. This is completed by around one million taxpayers who would previously have completed the main return which is nearly four times longer. This improvement could have contributed to the 85 per cent of taxpayers who said that they found the Self Assessment tax return easy to complete, an increase of three per cent since 2002.²⁵ The Department is currently reviewing the full length Income Tax Self Assessment return which will be completed in 2008. It has also identified around one million taxpayers whose tax affairs are sufficiently simple that they are no longer required to complete either tax return. Since 2001, taxpayers have been able to file tax returns online which can be simpler and reduce the likelihood of error.
- The Department currently estimates that it issues taxpayers around 25 million Coding Notices each year.²⁶ These notices set out how their tax code is determined and is used by their employer or pension provider to calculate how much tax should be paid. The Department's annual customer survey in 2005 showed that just over three quarters found the Coding Notice easy to understand. It recently redesigned the Coding Notice with the aim of making it easier to understand and its purpose clearer. Our interviews with taxpayers showed that they found the Department's calculations in the new Coding Notice easier to follow and considered it to be an improvement on the previous version.
- The Department introduced a redesigned Statement of Account for those on Income Tax Self Assessment (received by 9 million taxpayers) in 2006. The Statement sets out the amount of tax due and paid, and any amount owed or due to the taxpayer. The new statement is more concise and contains additional information about the statement and how to pay any tax owed. The Department's 2005 customer survey showed that 85 per cent of taxpayers found the previous version of the Statement of Account easy to understand.

²⁵ 2005 Customer Service Survey results for taxpayers who both pay tax through PAYE and complete the Self Assessment return.

²⁶ The Department does not record the number of taxpayers who receive Coding Notices each year. Taxpayers are sent Coding Notices when a change of circumstances causes their tax code to change. Some taxpayers may receive more than one coding notice in any year.

²⁷ *Difficult Forms, How government agencies interact with citizens*, HC 1145 2002-03.

²⁸ *Inland Revenue: Inheritance Tax*, HC 17 2004-05.

²⁹ The sample size used for the interviews with taxpayers were designed to provide illustrations of the experiences faced by taxpayers completing forms. They were not sufficiently large to allow a statistical extrapolation of the results and may not be representative of the overall population.

The usability of forms and guidance notes

3.7 The Department can help taxpayers understand how to complete forms by ensuring that they are well-designed and easy to follow. We assessed the usability of 40 forms that are used by individual taxpayers by comparing each form with a checklist of features developed in earlier work by the National Audit Office.²⁷ Features include use of language, ease of following guidance, sequencing of questions, presentation, whether the form requires calculations, whether the taxpayer needs to provide documentation or make judgements and whether additional advice and support by telephone or web is available.

3.8 Forms were assigned a usability score which are shown in Appendix 2. A score of 25 or less indicates a form which is easy to use and 70 or more suggests a form is difficult. Six forms are rated as easy and 33 as moderate. Only one form was rated as 'difficult'; the main inheritance tax return which was given a score of 82. We reported on inheritance tax previously²⁸ and recommended that the Department improve the form by reducing the use of complex language and jargon, re-ordering the form to make it more relevant to users, using colour and diagrams to aid navigation through guidance notes and giving more prominence to helpline number and return addresses. The Department is currently undertaking a major review of its inheritance tax forms and expects to introduce a revised main form during 2007.

3.9 We also conducted 32 in-depth interviews with general taxpayers, pensioners, self-employed taxpayers and buy-to-let landlords to explore how easy they found it to complete forms relevant to them.²⁹ Further details of the methodology we used are at Appendix 1. Our findings on the following aspects are below:

- The presentation of the text and guidance.
- The terminology used.
- Signposting and routing around the form.
- Calculating the amount of tax owed.
- Requirements on users to retrieve information.

Presentation of text and guidance

3.10 Clear, concise guidance helps users to complete forms accurately. Forms are more difficult or time consuming to complete if the guidance is lengthy or difficult to follow. Users are more likely to read guidance as concise notes on the form itself, rather than in a lengthy separate document or split over two or more documents. Where guidance is lengthy, however, incorporating it on the form itself could make the document overly long and separate documents with well-signposted guidance may be easier for taxpayers to use. Some taxpayers we interviewed were concerned about copious supplementary guidance. Nine forms contain guidance notes as part of the form while sixteen of the forms we examined are accompanied by separate guidance notes. The main Income Tax Self Assessment return is accompanied by a separate 35 page guidance booklet and its supplementary pages are each accompanied by further separate guidance notes ranging from 8 to 24 pages. The Department aims to reduce the amount of guidance accompanying the re-designed return, when it becomes available in 2008. The short Self Assessment return is accompanied by 24 pages of guidance notes.

3.11 Guidance for nearly all the forms is heavily text based and there are opportunities for improving its presentation and using visual aids, depending on the particular material being presented (**Figure 8 overleaf**).

The terminology used

3.12 A form can be difficult to understand and complete if it or the accompanying guidance uses unfamiliar language. Such terminology often reflects the complex nature of the tax rules and the Department's concern to ensure that forms accurately reflect the legislation. Complex aspects of the tax system include the rules on capital gains tax where the tax payable when an asset is sold is subject to complex reliefs which are dependent on the type of asset and how long the taxpayer owned it. The rules that govern whether a person is employed or self-employed are also complex and affect how tax and National Insurance contributions are paid. Many of the taxpayers we interviewed demonstrated difficulties completing the forms because there were terms they did not understand. Examples of their comments are shown in **Figure 9 on page 21**.

3.13 We used SMOG (Simple Measure of Gobbledegook)³⁰, one of a number of possible tests, to test the readability of 13 guidance leaflets for completing forms. The use of some words that the Department needs to use (such as, liability, chargeable, allowance) can impact on the assessment of readability. Nevertheless the test provides an indication of the complexity of the language used and further details of the methodology are at Appendix 1. The Department for Education and Skills³¹ estimates that 56 per cent of the adult population has literacy skills lower than those needed to obtain good GCSE passes (grades A-C) and over five million adults in the UK have reading skills equivalent to that expected of an 11 year old. Our test revealed that seven of the leaflets examined require GCSE level English literacy or a reading age of 16 (Appendix 2). The reading age for new guidance on Income Tax Self Assessment currently being piloted is 16, compared to 17 for the current guidance. Overall, we consider that some information will not always be accessible to many of the Department's customers, for example, those for whom English is not their first language.

Signposting and routing around the form

3.14 Clear sequencing of questions and instructions explaining which parts of the form need to be completed make forms easier to use. We found that nearly all of the ten easier to use forms have clear sequencing. Often this feature is associated with length as shorter forms have fewer questions and less complex numbering systems. Nevertheless, there are examples of longer forms with simple sequencing and shorter forms with overly complex question numbering.

- The form for non-residents requesting a pension forecast is ten pages long and contains over 50 questions. One numbering system is used throughout the form and all questions are completed in order.
- Although it is only two pages long, some users may find the form for non-resident individuals leaving the UK more difficult to complete as it has different numbering systems and more complex routing between questions.

30 The Simple Measure of Gobbledegook (SMOG) is a readability test designed to match the reading level of written material to the 'reading with understanding' level of the reader.

31 Skills for Life: Annual Review 2003-04, Department for Education and Skills.

3.15 It is important that taxpayers are clear which questions they need to complete where some do not apply. For example, taxpayers completing the main tax return only need to complete the supplementary pages that apply to their circumstances. Although this form uses helpful colour coding, the numbering system is confusing, starting at question 10 on the main form. Many questions are divided into several parts and there is complex routing between the main form and supplementary pages. This caused problems for some of the taxpayers we interviewed. Their concerns and comments included:

- The form only has a 'yes' box in most places. The taxpayers we interviewed thought that a 'no' box would make routing clearer and they would be more confident that they had clearly answered the question:

“Why isn't there a No box? If you cross something at least you feel you've completed it. Just having a Yes box you feel like you're missing something out”

The Department, however, received legal advice that it was not entitled to require taxpayers to tick 'no boxes'.

- The front page of supplementary forms needs to be introduced more clearly and linked to the main form. For example, landlords we interviewed were unclear that the Capital Gains supplementary form may apply to them:

“It's so general isn't it... obviously this is for anybody who sells stocks, shares or anything else but it wouldn't hurt ... to put property would it”

One of the objectives of the redesign of the main tax return is to improve the sequencing and signposting of questions so that taxpayers can see more clearly which questions they need to complete.

Making calculations

3.16 On Income Tax Self Assessment, the Department will calculate the amount of tax due or owed to the taxpayer if they file their return by the end of September after the end of the tax year. For 2007-08 and subsequent tax years this date will change to 31 October. Where the taxpayer completes the return online the calculations are carried out automatically. Several forms require users to carry out complex calculations to complete individual boxes. For example:

- The supplementary pages on land and property for Income Tax Self Assessment require the taxpayer to carry out calculations such as the profit from letting.
- The short inheritance tax return (IHT205) can be completed on screen (but not filed online) and automatically carries out some of the calculations – however, this benefit is not advertised on the form or the website.

8

Examples of how the Department could improve the visual presentation of forms and guidance

	How they could work	Examples
Better layout of forms	Use more spacious layouts and typefaces with more space for taxpayers to provide answers. While forms may be longer, they should be easier to read and complete.	There is a noticeable difference in style between forms of the former Inland Revenue, which tend to use a more spacious layout and slightly larger typesizes and those of the former HM Customs and Excise (e.g. forms for importing goods) which tend to use a more crowded layout.
Use of examples	Boxed, on tinted backgrounds, to help illustrate and break up text.	Self Assessment guidance notes could make more use of examples as the helpsheets currently do. The guidance to the inheritance tax short return is completely text based.
Flowcharts, checklists or steps to follow	As an alternative to a string of 'if' statements or to reinforce a sequence of events.	Guidance for tax repayment forms (R40 and R43) is wholly in text. Long series of 'if' statements would be easier to follow using a flowchart.
Quickstart Information	Ideally on the form itself so that a confident user can complete the form without necessarily having to read lengthy guidance first.	Most of the importing goods forms include some key definitions and notes at the start of the form.

Source: National Audit Office

- The notes to R85 (to receive interest without tax deducted) have a useful calculator to help users estimate their tax position for the year, whereas the related R89 (to receive an annuity without tax deducted) does not.

Retrieving information

3.17 Forms are more complicated to complete when users are required to retrieve or remember information from long ago, locate unfamiliar information about themselves and send in documents. To help taxpayers complete a form, the Department should include a preview of the information and documents they will need and the main actions needed to complete it. The guidance to the Income Tax Self Assessment return and supplements include this. The forms for non-residents paying National Insurance

contributions while abroad, which request National Insurance numbers of family members, identity numbers of the user's employer and the address of the user's tax office, would benefit from previews.

Completing and filing forms online

3.18 At present taxpayers who pay income tax through self assessment can claim refunds, view their self assessment records and file returns online. Other forms we examined cannot be completed online. In March 2006 the Review of HMRC Online Services by Lord Carter of Coles recommended that the Government should set an aspirational goal for the Department of universal electronic delivery of individuals' tax returns from IT literate groups by 2012.

9 Examples of where taxpayers find terminology confusing

Form	Term	Comment by taxpayer	Actual meaning
Land and Property self assessment supplementary form	Balancing Charges	“Balancing charges? No I haven't the foggiest idea” [Landlord]	A Balancing Charge may arise when calculating the tax on the profit made when an asset is sold. It is the difference between the value of the asset after it has been depreciated according to HMRC rules (the written down value) and the proceeds from the sale. If the proceeds of the sale exceed the written down value, the profits on which tax must be paid are increased (or losses are reduced) by the balancing charge.
Self-employment self assessment supplementary form	Disallowable expenses	“I've got a new cooker, £600. Shall I put that there? You're obviously claiming for something that you know is not allowable so why would you want to fill it out to start with?” [Self-employed]	Disallowable expenses are those which have been legitimately deducted for the purposes of calculating profits but which are not allowable for tax.
Form for registering as self-employed	Difference between Class 2 and Class 4 National Insurance contributions (NICs)	“There's actually different rates when you're self-employed...But it's not telling you anything like that here and it's not telling you where you would go to find out the information” [Self-employed]	Self-employed people are subject to Class 2 and Class 4 NICs. As long as the person earns more than £4,465 per year, they will be subject to £2.10 Class 2 NICs each week. In addition, profits between £5,035 and £33,540 will be charged Class 4 NICs at eight per cent. Any earnings above this will be charged at one per cent. Earnings below £5,035 will not be subject to Class 4 NICs. (2006-07 thresholds)
Claim for repayment of tax (R40)	Chargeable events	“What are chargeable events?” [pensioner]	Chargeable events occur on some life insurance savings products. If someone makes a profit on their savings and this is paid to them when the policy matures, this profit is called a chargeable event. A chargeable event may also occur if someone withdraws more than five per cent of the original investment in a year. A chargeable event should be included as income on their tax return.

Source: National Audit Office

3.19 The Department estimates that in 2006-07, around 35 per cent of Income Tax Self Assessment returns filed by the 31 January deadline were completed online. Our interviews with self-employed taxpayers showed that some find it easier to complete paper forms, because they believe that online forms are just as time consuming to complete as paper forms and they have concerns about the security of the information provided online (**Figure 10**).

10 The reasons why some self employed taxpayers said they would not file their returns online¹

- Prefer to complete paper forms rather than go online because they never have all the information to hand at once. Paper forms are easier to flick back and forwards, ticking off items as you go.

“I think if I was doing it online I’d suddenly get to a point where ‘oh crikey I haven’t done that’ and I’ve got to go away and get back to the form again. Whereas the paper one is something I can pick up and put down.”
- Concerns over online security

“I visit websites and things no problem... but it still doesn’t feel right. I know it is going to be completely safe but it just feels like I’m putting personal information on the world wide web.”
- Online forms are just as time consuming as paper.

Source: National Audit Office

NOTE

¹ The interviews with taxpayers were designed to provide illustrations of the experiences faced by them when completing forms.

3.20 All of the pensioners we interviewed said they were unlikely to file online and did not make much use of computers.³² Only 28 per cent of those over 65 have access to the internet, compared to 57 per cent of the UK population. Nevertheless, other taxpayers we interviewed are prepared to file online as long as there were benefits for them in doing so. The main advantage is that the online form is easier to complete but taxpayers are not always aware that this is the case (**Figure 11**).

3.21 The Department estimates that the cost of processing a Self Assessment tax return (excluding overhead costs) is reduced from £22 to £13 when filed electronically.³³ It could make further savings if other forms could be filed online. One form, used for registration of the newly self-employed can be completed over the telephone. The remaining forms we examined all need to be returned to the Department by post or by hand at an enquiry centre.

Telephone helplines

3.22 The Department’s rolling survey of contact centre customers shows that 92 per cent of callers to taxes helplines (mainly individual taxpayers) were satisfied with the ease of understanding of their call and 86 per cent were satisfied with the usefulness of the response received. This data is consistent with the Department’s wider Customer Service Survey which indicated that around 88 per cent of individual taxpayers are satisfied with the clarity of response received by telephone. These figures suggest that while the Department is providing a good response for most people, some have difficulty understanding the Department’s advice.

11 The online form has advantages over paper and there is scope to improve it further

Advantages of the online form

- Pre-population of Tax ID and National Insurance numbers and ‘quickstart’ information so that users can begin the form immediately.
- Automated calculations on the form, the software automatically checks for some types of errors and the total tax due is automatically calculated when the user submits the return.
- Taxpayer receives instant acknowledgement that the return has been received.

Source: National Audit Office

Opportunities for improvement

- Scope to improve online guidance.
- Sequencing is confusing as the numbering system follows the paper-based version but questions are asked in a different order.
- Poor signposting to telephone helplines. Non-expert users are likely to find the form less daunting if they realise that a problem can be solved by a quick phone call.

³² The interviews with taxpayers were designed to provide illustrations of the experiences faced by them when completing forms.
³³ *Filing of Income Tax Self Assessment Returns*, Committee of Public Accounts Report, HC 681 2005-06.

3.23 We confirmed a mainly positive but sometimes mixed picture when we asked the taxpayers we interviewed about their experiences of contacting the Department by telephone.³⁴ Some reported positive experiences – that helpful and knowledgeable staff gave clear and more comprehensive explanations than they could have gained through other routes.

“very happy, very pleasant, like nothing was too much trouble. It was a long call and he went into things in great detail with me and was at pains to make sure I understood what was going on.”

[relating to a telephone enquiry on capital gains tax]

Others had more mixed experiences. For example:

“it depends who you get. The last man I spoke to said it’s a bit like making your sandwich. You need to put it altogether and send it to us and we’ll tell you if it’s alright. That’s not really helpful at all. So I hung up and phoned back and got someone extremely helpful”

[landlord seeking help with his tax return]

Face-to-face meetings

3.24 The Department’s annual Customer Service Survey measures the clarity of face-to-face advice but as only seven per cent of those surveyed in 2005 had contacted the Department in person, statistically valid data is only available for the pensioner customer group who visit enquiry centres more frequently – in 2005 16 per cent of pensioners who contacted the Department did so in person. Eighty-one per cent of pensioners visiting enquiry centres reported receiving a clear response to their enquiries from the Department’s staff.

3.25 Our interviews with taxpayers suggested that some taxpayers were very happy with the advice they received, but others were less content. As with the telephone helplines, the response tended to depend on the specific staff member who dealt with the enquiry:

“One day you’ll get somebody that’s pretty helpful and the next time you’ll get somebody that’s the complete opposite, unhelpful and you’ll have to prise the information out. Some of them were quite nice but some of them were quite awkward.”

3.26 Interviews with pensioners showed that some appreciate having forms or changes explained to them in detail and that they can understand the information more easily when given face to face.

“They were very good – in all honesty after she explained it I understood it much better than the old one”

[on receiving the new P2 coding notice]

“In my case – an old age pensioner now – I may be getting a bit slow, but he [at enquiry centre] went through it very simply and I could follow it quite easily”

³⁴ The sample size used for the interviews with taxpayers were designed to provide illustrations of the experiences faced by taxpayers completing forms. They were not sufficiently large to allow a statistical extrapolation of the results and may not be representative of the overall population.



The accuracy and completeness of forms and guidance

This part of the report examines whether the forms produced by the Department and the guidance and advice provided are accurate, up to date and complete.

The challenges for the Department in providing accurate and complete forms and guidance

4.1 Providing accurate and complete forms and guidance is a challenge for the Department because of the volume of information that it needs to keep up to date. The written information we examined for individuals included some 40 forms with associated guidance notes, helpsheets and worksheets, 60 leaflets and factsheets and further online guidance. Forms and guidance may need to be updated each year because of changes arising from the Budget, for example personal income allowances change each year. Civil Partnerships legislation was introduced at Budget 2006 requiring changes to the information the Department provides. The Department also needs to ensure that 11,500 contact and enquiry centre advisers provide accurate and up-to-date information.

The Department's forms

4.2 Several different teams within the Department are responsible for ensuring that forms and associated notes, helpsheets and worksheets are accurate and as clear as possible. The Department's units responsible for each tax are responsible for ensuring that the forms are up to date and reflect legislative changes, and for identifying areas where the design of the forms is resulting in high levels of errors. A dedicated Forms Unit is responsible for the design of forms.

4.3 The Department aims to review each of its forms at least every two years to assess whether technical changes are needed, the form follows house style, it is usable and plain English is used. Our examination of six of the Department's forms showed that quality control processes had been followed in five cases. One of the forms we

examined, – Becoming self employed and registering for National Insurance contributions and/or tax – was out of date as it related to the 2005-06 tax year and could have led to self-employed taxpayers calculating the amount of National Insurance contributions based on out-of-date rates. The form has now been updated.

Printed guidance

4.4 In the three years from April 2003 to March 2006 the Department's Better Guidance Programme assessed the extent to which printed guidance is needed and reduced the number of leaflets from some 260 to around 60. The Department withdrew leaflets which were no longer necessary or where they were duplicated elsewhere. Some leaflets were redesigned while others were replaced with more concise factsheets or online guidance. For example leaflets aimed at students and printed guidance about Share Schemes and on inheritance tax and savings on investments were replaced with online guidance.

4.5 Since the completion of the Better Guidance Programme, the Department's staff responsible for each tax reviews the content of printed guidance including whether it is up to date and reflects legislative and process changes. The Department's Printed Guidance Team is responsible for the design of printed guidance and works with others on the target audience, content and distribution. Members of our advisory group (Appendix 1) told us of some examples where the Department's guidance is out of date particularly where tax allowances have changed such as the married couples allowance factsheet which refers to 2001-02 allowances and Capital Gains Tax guides which refer to 2003-04 rates, bands and allowances. We also found that the checklist designed to help people decide on their employment status (IR56 Employed or Self-Employed?) can be misleading and might lead to taxpayers misinterpreting the true position. It is recognised, however, that deciding employment status is a particularly complex legal area and the Department has agreed to consider specific issues we raised in the next review of the IR56 guidance.

Online guidance

4.6 Similar arrangements apply to ensuring that the content of online guidance is up to date and reflects legislative changes. One month prior to withdrawal, the Department's Printed Guidance team searches the website for references to guidance that needs to be removed. The Printed Guidance team checks that references in other documents and links to the file are also withdrawn. Despite these checks, we found copies of nine leaflets online that had been withdrawn earlier in the year.

Telephone helplines

4.7 The Department seeks to resolve queries from taxpayers at "first point of contact" wherever this is possible. It uses a computer based Customer Adviser Guide to help 10,000 customer advisers in contact centres provide accurate and consistent advice to taxpayers. Advisers can deal with straightforward queries immediately by searching the guide. If the taxpayer has a specific query on their tax affairs and they pass the Department's security and identity checks, the adviser can access the taxpayer's computer records and update them as necessary. There are situations where the adviser is not able to resolve a query because the taxpayer does not have all of the relevant information to hand or because of the complexity of the issue. For these complex cases, the Department expects the adviser to refer the taxpayer to one of its technical advisers.

4.8 The Department aims by 2008 to increase to at least 90 per cent the accuracy and completeness of advice given and action taken in respect of contact by telephone. To assess performance against the target, the Department assesses the recordings of a random sample of calls at each contact centre against a checklist. The results are collated nationally to calculate the overall results. The Department's provisional estimates indicate that 94 per cent of calls were dealt with accurately and completely between April and December 2006.

4.9 Managers and team leaders at contact centres listen into calls handled by their teams to help with coaching and training needs. The Department also uses the feedback from these checks and from customer surveys to help identify areas for improvement such as changes in the online guidance for staff or processes staff are expected to follow.

4.10 We commissioned market research consultants to test contact centre staff's response to eight queries from customers seeking information and advice relating to forms. Further details are at Appendix 1. We tested:³⁵

- The appropriateness of the response, such as whether callers were appropriately referred to more expert staff members, alternative helplines or online guidance.
- How the information provided compared to model answers provided by the Department.

4.11 The detailed results (**Figure 12 overleaf**) from the 96 telephone calls we made show that the Department sometimes provided inconsistent or incomplete information on some questions. In some cases, the response provided was incomplete, for example while all twelve callers planning to begin working for themselves were correctly informed that they would need to register as self-employed, five advisers additionally clarified that they would need to register within three months of beginning working for themselves. In other cases callers were given incorrect information. For example, callers asking how much capital gains tax they needed to pay on a property sale were quoted figures from £4,160 to £8,800 for the tax liability, compared to the Department's model answer of £7,600. Two callers were unnecessarily advised to seek an estate agent's valuation of property they had inherited to determine their inheritance tax liability.

4.12 We also found that 19 out of 24 callers who should have been transferred to more expert staff members were not. The calls that should have been transferred were two of the least well answered queries. Where staff do not transfer more complicated queries to more expert staff, there is a risk that incorrect advice may result in underpaid or overpaid tax.

Face-to-face meetings

4.13 Staff at enquiry centres also seek to resolve queries from taxpayers at "first point of contact". They use the same computer-based Customer Adviser Guide as used by the telephone contact centres to help provide accurate and consistent advice. Enquiry centre managers regularly observe interviews between advisers and taxpayers to assess the quality of advice given, to provide feedback and coaching to advisers and to identify common themes that need to be addressed. But the Department does not set a target for the accuracy and completeness of advice provided by enquiry centres in the same way as for telephone contact centres because of the difficulty of devising a suitable method to measure advice given in face-to-face contact. The Department's annual customer service survey covers face-to-face contact but as only seven per cent of individual taxpayers surveyed in 2005 had contacted the Department in person, the sample size was too small to draw statistically valid conclusions.

³⁵ The sample sizes used (96 calls) were designed to provide illustrations of the accuracy, completeness and consistency of the advice provided by the Department. They were not sufficiently large to allow a statistical extrapolation of the results to make quantified conclusions on the Department's performance overall in providing advice to taxpayers.

12 Summary of the responses received by callers to telephone helplines

Question (summarised)	Helpline	Summary of the response
I am filling in an inheritance tax return. Do I need to obtain a professional valuation for the deceased's house?	Inheritance tax and probate	Ten out of 12 advisers correctly stated that it was not necessary to obtain a professional valuation but only three went on to state what reasonable steps should be taken, e.g. making comparisons with similar properties in the local press. One caller was incorrectly advised to ask an estate agent to value the property.
I'm a pensioner and would like to claim back tax on building society interest.	TaxBack	Nine out of 12 advisers correctly offered to send callers the form. The remainder were advised to contact their local tax offices to obtain the form.
I am completing a tax return and need to know if I can claim Married Couples Allowance.	Self Assessment	All 12 callers were correctly informed that since neither spouse was born before 6 April 1935 they could not claim Married Couples Allowance.
Where do I put my private occupational pension and my state pension when completing the tax return?	Self Assessment	11 out of 12 callers were told the correct place on the form to enter the information. However five of these did not explain the difference between the boxes; which should contain the net of tax figures and which should contain gross figures. One caller was directed to the wrong part of the form.
I'm selling a second property I have been renting – how much Capital Gains Tax do I need to pay?	Self Assessment	The questions asked by the advisers to determine the liability varied (e.g. whether the property had ever been the caller's private residence, whether the property was held jointly, whether the caller had other capital gains or capital losses to offset, when the property had been purchased and the caller's estimated income from other sources). The liability calculated by the advisers ranged from £4,160 to £8,800 – two out of nine gave the Department's model response (£7,600). A further two advisers explained the calculation correctly based on the information supplied by the caller but did not calculate the tax liability.
I've just started working as self-employed – what expenses should I claim?	Self Assessment	Four out of 12 advisers correctly informed callers that motor and other business or administrative expenses could be claimed against tax. Five callers did not have their query answered directly but were referred to alternative information including the Guidance Notes for Self Employment. Others were given less specific information such as 'anything involved in the running of the business can be claimed for'.
I will be working as self-employed but do not expect to make a profit in my first year – do I need to register?	Helpline for the newly self-employed	All callers were correctly informed they needed to register and six were invited to register there and then, potentially avoiding the need for a follow-up call or postal registration. Five out of 12 advisers correctly informed callers they needed to register within three months of starting working for themselves.
Is the Form R40 available in large print for the caller's partially sighted parent? Are other forms available in alternative formats?	TaxBack	Ten out of 12 advisers correctly informed callers that the form was available in large print. The other two callers were advised to call a different telephone number. Two advisers correctly stated that all HMRC forms and guidance are available in Braille and large print, on CD or on disk.

Source: National Audit Office

NOTE

The sample sizes used (96 calls) were designed to provide illustrations of the accuracy, completeness and consistency of the advice provided by the Department. They were not sufficiently large to allow a statistical extrapolation of the results to make quantified conclusions on the Department's performance overall in providing advice to taxpayers.

4.14 We again commissioned a market research firm to test how enquiry staff dealt with six queries from taxpayers. They tested the appropriateness of the response, such as whether visitors were directed to the appropriate helpline or online guidance, and whether visitors were correctly advised as to the need to make an appointment. We were unable to test the quality of advice offered to taxpayers in their appointments as these cover specific aspects of their personal tax affairs and it was not possible for us to replicate these circumstances.

4.15 The results show that 66 out of 72 visitors considered staff had treated them with respect as individuals, and were helpful and easy to deal with. **Figure 13** shows that for four of the queries, all or most of the visitors had their question answered in some way, whether they were referred to telephone helplines or the website, provided with literature or offered appointments. Two queries were answered less well: a third of visitors were correctly advised about alternative formats for blind and partially sighted people and the availability of translation services.

13 Summary of the responses received by visitors to enquiry centres

Question (summarised)

I have bought a house and plan to rent it out. What sort of expenses can I claim?

My mother has just retired. Can she claim back on her building society interest?

My neighbour needs to complete form C3 (bringing personal belongings to the UK from outside EC) but she has difficulty reading and writing in English. Would she be able to get help with completing the form?

I would like some information on inheritance tax.

Is the form R40 available in large print for the partially sighted? Are forms available in other formats for the partially sighted?

I would like to make an appointment as I need help with completing my tax return. I don't want to discuss it on the phone.

Summary of the response

Seven out of 12 visitors were given a telephone contact number (the response expected by the Department). The remainder were referred to relevant alternative information including literature or the website.

Two out of 12 were given the number of the taxback helpline (response expected by the Department). In the remaining cases, the advisers answered the query there and then and/or provided relevant literature.

Four out of 12 advisors correctly informed visitors that HMRC can provide help through a telephone based translation service. The remaining visitors were referred to helplines not necessarily relevant to the query, provided with literature, or in one case, referred to a Department for Work and Pensions office.

Nine out of 12 visitors were given the IHT helpline number and/or referred to the website (Department's expected response). Relevant literature was provided to the remaining three visitors.

Four out of 12 assessors were correctly informed that R40 was available in large print and that all the Department's printed material is available in Braille, large print, disk or CD. Four advisers stated that the caller's parent should contact their own tax office who would note their visual impairment on their records.

Ten out of 12 advisers offered to deal with the enquiry there or then or alternatively referred them to the Self Assessment helpline. 11 of the visitors were offered an appointment at a time suitable to them.

Source: National Audit Office

NOTE

The sample sizes used (72 visits) were designed to provide illustrations of the appropriateness of the advice provided by the Department. They were not sufficiently large to allow a statistical extrapolation of the results to make quantified conclusions on the Department's performance overall in providing advice to taxpayers.

APPENDIX ONE

Scope and methodology

Scope of the study

1 The study focused on the day-to-day contact between the Department and individual taxpayers covering forms and written guidance provided through the post or online, and advice provided by telephone or face to face. We examined whether taxpayers can easily obtain forms and help with completing them, whether forms and guidance are easy to understand and whether the guidance and advice the Department provides is accurate.

2 The report examines forms and guidance used by individual taxpayers and self-employed individuals. The report does not look at taxpayers' enquiries by post. This is because it was not practicable to separate the handling of enquiries relating to forms and guidance from the Department's entire postal workload of 130 million items. That workload includes enquiries from businesses, general correspondence and more detailed enquiries about individuals' tax position. The report also does not cover tax credits as this subject has been covered in other reports by the National Audit Office.³⁶ Nor does it cover forms and guidance used by businesses.

3 The main focus of the study was on the quality of service provided to taxpayers and how better customer service can help to improve taxpayer compliance. The study also looked for opportunities for the Department to improve the efficiency with which it delivers services without affecting the quality of the service provided to taxpayers.

Methodology

4 The report examines the opportunities for the Department to improve the forms and guidance used by individual taxpayers. We have considered whether forms and guidance are:

- easy to obtain;
- easy to understand; and
- accurate and complete.

Figure 14 shows how we designed our methodology to examine these three issues which are considered in Parts 2 to 4 of the report.

Obtaining forms and guidance

5 Testing of forms orderlines. We tested the quality of service offered by the Department's orderlines for forms by telephoning the orderlines to obtain 15 different forms (about a third of all the forms that individual taxpayers may need to complete). We measured the time taken to get through to an operator, whether the requested form was available and the time taken for it to arrive by post. The testing was carried out over a two week period.

³⁶ *Comptroller and Auditor General's Standard Report on the Accounts of HM Revenue & Customs 2005-06: Tax Credits*, HC 1159, 2005-2006; *Child and Working Tax Credits and Stamp Duty Land Tax*, HC 1062, 2003-2004; *Tax Credits* HC 1072, 2002-2003.

14 The methodologies we employed

Obtaining forms and guidance

Testing of forms orderlines

Assessing the Department's website for ease of use

Understanding forms and guidance

Testing the difficulty of forms and guidance

Case studies including user testing of forms and guidance

Simple Measure of Gobbledegook test

Accuracy of forms and guidance

Mapping the Department's processes for producing forms and guidance

Examination of the Department's telephone quality monitoring processes

Overarching methodologies

Examining performance data including the Department's public service agreement targets and customer satisfaction survey data

Testing access to advice provided by telephone helplines and enquiry centres

Financial analysis of the costs of providing accurate forms and guidance

Perspectives of the study advisory group captured through panel discussions and a survey of their views

Source: National Audit Office

6 Assessing the Department's website for ease of use. We assessed whether the Department's website is easy to navigate. Our work involved:

- A general review of the website including whether it met best practice guidelines set by the Cabinet Office, accessibility best practice guidelines set by Government or recommended by the Royal National Institute for the Blind and whether the website meets relevant recommendations made in previous NAO reports (Government on the Web I and II³⁷). We also assessed the visibility of the Department's website using search engines such as Google.
- User testing – six taxpayers were asked to perform nine tests which involved obtaining answers to real life customer queries covering reclaiming overpaid tax, paying National Insurance contributions and Capital Gains tax, obtaining a helpline number, obtaining forms in alternative formats for blind and partially sighted taxpayers and access to translator services. We recorded quantitative data (e.g. time taken, routes taken) as well as qualitative data (problems encountered, level of user satisfaction). This was a small-scale user testing exercise to confirm the results of the Department's more extensive website review.
- Benchmarking – to compare the functionalities and online services offered by overseas tax authorities (websites of the Irish, Canadian and Australian tax authorities) with those offered by the Department. Online services included retrieving personal tax information online, online calculators and decision trees, online filing, search tools, alternative languages, etc.

37 *Government on the Web I*, HC 87, 1999-2000; *Government on the Web II*, HC 764, 2001-2002.

Understanding forms and guidance

7 Testing the difficulty of forms. We employed Jonquil Lowe, a freelance financial researcher, to assess the usability of 40 of the Department's forms which may need to be completed by individual taxpayers. The forms were evaluated using a checklist of criteria developed by the London School of Economics on behalf of the NAO for our earlier report on Difficult Forms.³⁸ As part of the work each form was scored to show how difficult or easy it is to complete. Jonquil Lowe also identified good practices in the design of the forms and their associated guidance and what makes them difficult to complete and how this can be resolved.

8 Case studies including user testing. We examined in depth how easy a small sample of customers from three broad taxpayer groups found it to access and understand information on a number of aspects. These groups were:

- pensioners;
- the self-employed; and
- buy-to-let landlords.

We employed a market research company, FDS International Limited, to help us with this work. They recruited and interviewed eight individuals per taxpayer group who had been in contact with the Department during the previous six months. They also interviewed eight taxpayers from the general population to explore the issues experienced by these taxpayers. One-to-one semi-structured interviews were used to:

- establish the reasons for the individual's contact with the Department and how successful this contact had been;
- gain the individual's overall perception of written (including online) material they had seen as a result of the contact; and
- test individuals' understanding of key information, including their ability to answer questions on forms they had used.

We used the results of the 32 interviews to provide qualitative evidence of taxpayers' experiences when contacting the Department for advice and information. The results were also used to provide evidence of the aspects of forms taxpayers find easier or difficult to complete. This qualitative information was combined with the results of the usability testing described above to identify specific ways in which forms and their associated guidance could be improved. The results we obtained are not statistically valid and may not be representative of these broad customer groups as a whole.

9 Simple Measure of Gobbledegook test. We used a readability test to test the readability of 13 guidance documents (listed in Appendix 2) covering a range of subjects aimed at different taxpayer groups. The test involves selecting three ten-sentence sections at random from the start, the middle and the end of the document being examined. For each section, the number of words containing three or more syllables is counted. The total number of words with more than three syllables is converted into a readability score. The use of some words specific to the Department's business can impact on the assessment of readability. Nevertheless, the test provides an indication of the complexity of the language used.

Accuracy of forms and guidance

10 Mapping the Department's processes for producing forms and guidance. We examined the Department's processes for ensuring that forms and written guidance are accurate and up to date and understandable by examining the design, review and distribution process for a sample of six leaflets and six forms covering a range of subjects and aimed at different taxpayer groups.

Figure 15 shows the forms and leaflets we examined:

11 We assessed the Department's approach against best practice criteria drawing on the recent NAO report on DWP's use of leaflets.³⁹ For example, whether forms and guidance are prioritised for review according to risk, whether reviews establish the objectives of forms and guidance and customer needs, whether the Department has a set of core design standards for reviewing forms and leaflets and whether the Department carries out user testing on forms and leaflets.

³⁸ *Difficult Forms: How government agencies interact with citizens*, HC 1145, 2002-03.

³⁹ *Department of Work and Pensions: Using leaflets to communicate with the public about services and entitlements*, HC 797, 2005-06.

15 Forms and leaflets examined

Forms

P38(S) Student employees
 P161 Pension enquiry and P161(W) Bereavement benefit enquiry
 P86 Arrival in the UK
 R265 Tax Repayment Claim¹
 CWF1 Registering as self-employed

Leaflets

CGT/FS1 Capital Gains Tax – A quick guide
 IR121 Approaching retirement
 CA02 National Insurance Contributions for self-employed with small earnings
 IR111 Bank and building society interest
 IHT2 Inheritance tax on lifetime gifts
 IR56 Employed or self-employed?

Source: National Audit Office analysis

NOTE

¹ Form R265 has been withdrawn. We included it in our sample in order to examine the Department's processes for discontinuing forms and ensuring that out-of-date information and documents are not available to taxpayers.

12 Examination of the Department's telephone quality monitoring. To assess the accuracy and completeness of the information provided to taxpayers over the telephone the Department checks the recordings of a statistically valid random sample of calls at each contact centre. In each case a Quality Monitor listens to the call and assesses the responses against a checklist. We shadowed this process by listening to a sample of five telephone calls made to the Department's Longbenton contact centre in Newcastle which were then assessed by the Quality Monitor. Our objective was to understand how the Department conducts its telephone quality monitoring rather than to validate the results.

Overarching methodologies

13 Analysis of the Department's targets and customer satisfaction surveys. We analysed data supporting the Department's objectives in meeting customer service objectives and targets, for example the proportion of people who feel they achieved success at first point of contact, accuracy and completeness of advice given, the proportion of individuals who find information such as their Tax Coding Notice and their Self Assessment Statement of Account easy to understand. As well as the high level targets we also examined the underlying data collected by the Department. In particular:

- We examined the Department's performance data on the time taken to answer telephone calls including the average time which we compared with international benchmarks sourced from the Merchants Global Contact Centre Benchmarking Report which provides performance data on 160 contact centres located around the world. We also looked at the Department's performance across the year, including any changes in performance at peak times.
- We examined and conducted secondary analysis on the results of the Department's Customer Service Survey which is an annual survey of 19,000 customers from 13 different customer groups including businesses, employers, agents and customers in receipt of benefits. Individual taxpayer groups covered by the survey include PAYE taxpayers who do not file an Income Tax Self Assessment return, PAYE taxpayers who do file an Income Tax Self Assessment return, the self-employed and pensioners. The Department employs an independent market research firm to recruit customers to survey, conduct the survey and analyse the results. We also examined the results of the Department's separate contact centre customer satisfaction survey which looks specifically at the service received by customers who contact the Department by telephone. This survey is also conducted by an independent market research firm.

14 (a) Testing the advice provided by telephone helplines. We engaged GFK-NOP to test the advice provided by telephone helplines used by individual taxpayers (including self assessment, inheritance tax and probate, newly self-employed and taxback helplines). We worked with the Department to develop eight queries (stated in Part 4 of the report) that might be asked by individual taxpayers and would not require the caller to disclose identity information such as their National Insurance number or require access to individual customer records. The queries reflected the issues which might be faced by our case study taxpayer groups. We agreed appropriate responses to each query with the Department. Each query was tested on twelve separate occasions; 96 telephone calls were made in total. The consultants also tested the level of service offered by helplines including waiting times.

(b) Testing the advice provided by enquiry centre staff. GFK-NOP were also commissioned to test the appropriateness of advice offered by enquiry centre staff. We were unable to test the quality of advice offered to taxpayers who have made appointments as these are for people who have specific questions about their personal tax affairs and it was not possible for us to replicate these circumstances. The consultants visited 72 enquiry centres; 26 large, 18 medium and 28 small. Enquiry centres were categorised by zone: north, midlands, south and London. Each zone received 18 visits. 60 of the visited enquiry centres were in urban locations and 12 in rural locations, reflecting the overall spread across the United Kingdom. Again we worked with the Department to develop six queries and agree appropriate responses. Each query was tested on twelve separate occasions. The consultants also tested the level of service offered by enquiry centre staff and access to facilities for the disabled.

In both cases, we used the results to supplement the Department's survey results to back up our case study findings and to identify areas where the Department could improve the service it offers to customers. We quantified the results to provide indicators of what areas/questions were less well answered and whether there is scope to improve the Department's systems for ensuring that staff provide accurate advice. The sample sizes used were designed to provide illustrations of the accuracy, completeness and consistency of the advice provided by the Department. They were not sufficiently large to allow a statistical extrapolation of the results to make quantified conclusions on the Department's performance overall in providing advice to taxpayers.

15 Financial analysis. Our financial analysis comprised:

- *Costs of producing printed material.* We sought to establish how many forms and printed guidance documents are produced annually and what this costs the Department in terms of design and review, printing and ordering and distribution. We analysed data produced by the Department's forms unit and its commercial directorate. We held interviews with the commercial directorate to establish how the Department manages its printing contracts.
- *Costs of different contact channels.* We estimated the total number and cost of forms-related contacts with the public for the year using telephone, face-to-face, and website contact data supplied by the Department. This included secondary analysis of the Department's review of the cost-effectiveness of these different channels. Using various assumptions, we calculated broad estimates of the average overall cost for each type of contact. This analysis allowed broad comparisons of the relative number and cost of contacts for the different channels.

16 Advisory Group. We convened an advisory panel to provide advice and feedback to the study team on our study plans and emerging findings and conclusions. We also surveyed the panel's views on various issues, such as the accuracy of the Department's printed guidance and the quality of information and advice provided to taxpayers over the telephone or face to face. The panel consisted of:

John Andrews, Low Incomes Tax Reform Group

Frances Corrie, TaxAid

Dave Gunn, Royal National Institute for the Blind

Hugh Huddy, Royal National Institute for the Blind

Sue Jones, Low Incomes Tax Reform Group

Simon Juden, Expert on freelance and self-employed workers

Nick Kirby, Which? Magazine

Paddy Millard, TaxHelp for Older People

Steve Plent, National Landlords Association

Anne Redston, Chartered Institute of Taxation

Mavis Sargent, Association of Certified Chartered Accountants

Vanessa Stanislas, Disability Alliance

John Wild, Plain English Campaign

APPENDIX TWO

Detailed analysis of forms and guidance

Length of forms and associated guidance

Form number	Form name or purpose	Number of pages	Number of boxes to complete	Number of pages of additional guidance notes
Self Assessment				
SA100	Main Self Assessed Income Tax Return	12	180 – 190	35 pages of guidance notes + 10 help sheets
SA101 – SA109	Supplementary forms on employment (SA101), share schemes (SA102), self-employment (SA103), partnership (SA104), land and property (SA105), foreign (SA106), trusts (SA107), capital gains (SA108) and non-resident (SA109)	3 (average number of pages)	47 (average number of boxes)	13 (average length of accompanying notes) plus 57 helpsheets
SA200	Short Self Assessed Income Tax Return	4	48	24 pages
SA300	Statement of Account (information from the Department stating how much tax is owed by the individual or will be refunded by the Department)	2	n/a	Form includes 1 page of notes
SA303	To reduce payments on account (made by Self-Employed or other taxpayers if they expect their profits to be lower than in the previous year)	2	15	Form includes 1 page of notes
Self Employment				
CWF1	Registration as self-employed	2	15 – 25	None
CF10	For self-employed people with low earnings to opt out of paying Class 2 National Insurance Contributions	5	25	Form includes 3 pages of notes
PAYE				
P2 (new)	Tax Coding Notice (information from the Department stating the individual's PAYE tax code and how it was calculated)	2	n/a	Guidance and explanation integrated into the form
P38(S)	Declaration of earnings under the tax limit for students	2	14	None
P45	Details of employee leaving work	2 (prepared by the employer)	n/a	Form includes ½ page of notes for the employee
P46	Notice of new employee	2 (1 page completed by the employee)	13	None (for the employee)

Form number	Form name or purpose	Number of pages	Number of boxes to complete	Number of pages of additional guidance notes
<i>PAYE continued</i>				
P60	End of year summary (prepared by employer)	1 (prepared by the employer)	n/a	None (for the employee)
P91	Employment record (seeking information about the individual's current or past employment)	2	18	None
P161	Pension Enquiry (seeking information in order to code the state pension and any other pensions)	2	39	None
P161W	Bereavement Benefit Enquiry (seeking information from a surviving spouse for coding bereavement benefits or changes in state pension)	2	38	None
P810	Tax review form	4	34	Form includes 1 page of notes; 2 further pages of guidance notes
FS1 (MCA)	Transfer of the married couples allowance	1	28	Form includes ½ page of notes; 4 further pages of guidance notes
<i>Non-residents</i>				
P85	To confirm residency status for tax purposes for someone leaving the UK to work abroad	4	64	Suggested reading is 'Residents and non-residents, liability to tax in the UK (72 pages)
P85(S)	To confirm residency status for tax purposes for non-resident individuals leaving the UK to work abroad	2	28	Suggested reading is 'Residents and non-residents, liability to tax in the UK (72 pages)
P86	To confirm residency status for tax purposes for someone entering the UK.	4	50	Form includes ½ page of notes; suggested reading is 'Residents and non-residents, liability to tax in the UK (72 pages)
DOM1	To confirm residency status for tax purposes for someone claiming not to be domiciled in the UK.	4	25	None
CA3638	Application for a state pension forecast by someone living or working abroad.	10	81	Form includes 2 pages of notes
CA3837	To enable a self-employed person going to work in another European Economic Area (EEA) country to continue paying National Insurance Contributions (NICs).	6	41	Form includes 2 pages of notes
CA3916	To obtain a certificate of NIC records to in order to claim benefits in another EEA country.	5	42	Form includes 2 pages of notes

Form number	Form name or purpose	Number of pages	Number of boxes to complete	Number of pages of additional guidance notes
Claiming Back Tax				
R27	To finalise the tax liability of a deceased person up to the date of their death.	4	48	Form includes ½ page of notes
R40	To claim a tax rebate for any reason e.g. claiming tax back on interest that has been paid net to non-taxpayers.	4	61	12
R43	As for R40 but for non-resident individuals with UK income.	4	79	19
P50	For individuals who have left the PAYE system to reclaim overpaid income tax.	2	13	Form includes 1 page of notes
R38/R38SA	To seek information on bank details, third parties, etc. to allow overpaid tax to be repaid.	2	15	None
R85	To elect for gross payment of bank or building society interest	3	24	Form includes 1 page of notes
R89	To elect for gross payment of interest from purchased life annuities	2	19	Form includes 1 page of notes
R105	To elect for gross interest from a UK bank or building society (non-residents).	2	10	Form includes 1 page of notes
Inheritance Tax				
IHT200	Main inheritance tax return	8	149	154 pages including worksheets, examples, supplementary pages and helpsheets
IHT205	The short inheritance tax return	4	74	24 pages + 14 pages of appendices
IHT100, IHT207, C1, C4, C5	Various other inheritance tax forms collecting additional information and details	4	56	47 (average length of accompanying guidance notes)
Claiming relief when importing goods				
C3	To claim relief from duty when importing personal belongings into UK from outside European Community	4	29	7 (Customs Notice 1); 28 (Customs Notice 3)
C5	To claim relief from duty when importing a pet	2	11	7 (Customs Notice 1); 28 (Customs Notice 3)
C33	To claim relief from duty when furnishing a second home in the European Community	4	23	7 (Customs Notice 1); 28 (Customs Notice 3)
C104A	To claim relief when importing a motor vehicle	2	41	7 (Customs Notice 1); 28 (Customs Notice 3)
C179B	To claim relief when re-importing a motor vehicle back into the European Community	2	27	7 (Customs Notice 1); 28 (Customs Notice 3)
C902A	Declaration of goods by passengers on UK service flights	1	7	Form includes 1 page of notes

Scoring of Forms against Usability Checklist

	Form	Purpose	Score
10 most difficult forms	IHT200	Inheritance Tax Main Return	82 (difficult)
	SA108	Self Assessment – Capital Gains supplementary form	61 (moderate)
	C3	Claiming relief from duty when importing personal goods	58 (moderate)
	SA100	Self Assessment main return	57 (moderate)
	C33	Claiming relief from duty when importing personal goods to furnish second home	53 (moderate)
	R40	Claiming tax repayment	49 (moderate)
	SA100 online	Self Assessment main return online	48 (moderate)
	CA3638	Non-residents – application for a state pension forecast	48 (moderate)
	R43	Non-residents – claiming tax repayment	48 (moderate)
	IHT205	Inheritance Tax Short Return	48 (moderate)
	C104A	Claiming relief from duty when importing motor vehicle	48 (moderate)
	CA3837	Non-residents – paying NICs while abroad	47 (moderate)
	CA3916	Non-residents – claiming benefits abroad	46 (moderate)
	SA200	Self Assessment short return	46 (moderate)
	SA103	Self Assessment – supplementary pages on self-employment	45 (moderate)
	P85	Non-residents – arriving in the country to work	44 (moderate)
	C3	Claiming relief from duty on importing a pet	44 (moderate)
	P86	Non-residents – leaving country to work	42 (moderate)
	P810	Tax review form	41 (moderate)
	C179B	Claiming relief from duty when re-importing a motor vehicle	41 (moderate)
	P161(W)	Bereavement enquiry	40 (moderate)
	R27	Settling tax liability of a deceased person	40 (moderate)
	SA101	Self Assessment – supplementary pages on employment	39 (moderate)
	SA105	Self Assessment – supplementary pages on land and property	38 (moderate)
	DOM1	Domicile	38 (moderate)
	MCA 18	Transfer of the married couples allowance	34 (moderate)
	CWF1	Registering as self-employed	34 (moderate)
	P161	Pension enquiry	34 (moderate)
	CF10	Self Employment – claiming exemption from Class 2 NICs	33 (moderate)
	P85(S)	Non-residents – arriving in the country to work	33 (moderate)
10 easiest forms	P50	Claiming overpaid income tax after stopping working	33 (moderate)
	P91	Employment record	30 (moderate)
	R89	Claiming gross payment of interest on purchased life annuities	27 (moderate)
	SA303	Self Assessment – Application for reduced payments on account	26 (moderate)
	R85	Claiming gross payment of interest on bank/building society interest	25 (easy)
	C902A	Declaration of goods by passengers on UK service flights	21 (easy)
	P46	New employee without a P45	19 (easy)
	R105	Non-residents – claiming gross payment of bank/building society interest	19 (easy)
	P38(S)	Declaration of earnings under lower earnings limit for students	18 (easy)
	R38/R38(SA)	Information to facilitate repayment of tax	18 (easy)

Results of the Simple Measure of Gobbledegook (SMOG) test on the guidance notes accompanying forms or associated guidance material

Document	SMOG reading age	Examples of terms that may be difficult
P86 Arrival in the UK guidance notes	18	National Insurance, liability, discontinuance, cessation
SA150 Self Assessment main return guide	17	Dividend, assignment, ratified, valuation
P50 reclaiming income tax (notes on form)	17	Incapacity benefit, notification
Customs Notice 1 – A customs guide for travellers entering the UK	17	Possession, prohibited, unlicensed, infringing
SA150 Self Assessment main return guide (NEW PILOT version)	16	Supplementary, accounting, nominee
IR56 Employed or Self-Employed	16	Statutory, principles, liable
IHT on lifetime gifts (online guidance)	16	Discretionary, exemption, chargeable
IHT200 Inheritance Tax main return guidance notes	15	Representation, supplementary, deficit
CA3638 requesting a state pension forecast guidance notes	15	Contracted-out deductions, notification
IR121 Approaching retirement – a guide to tax and National Insurance	15	Annuity, occupational, entitlement
Bank and building society interest – a guide for savers (online guidance)	15	Eligible, allowance, proportion
CGT/FS1 A quick guide to Capital Gains Tax	14	Chargeable, disposal
CWF1 Becoming Self Employed (notes on form)	11	Information, registered

APPENDIX THREE

Results of the website review

Results of usability testing to test the ability of six participants to obtain key pieces of information from the Department's website

Finding	Impact
Navigation The website is arranged by key user groups – individuals, employers and businesses dividing the site into relevant areas for each group. All tasks were tailored to the individuals section of the site; out of the 54 tasks performed, testers only went into the other sections four times. Two users specifically commented that they liked this division. Search engine – half the testers liked the search engine but others commented that it needed to work faster and present results more clearly. Pages that redirect without warning – four of the testers inadvertently clicked on an online service link, only to be unexpectedly redirected to the online services log-in page. Some information was hard to find – none of the testers were able to find out if there were translator services available and only two were able to find guidance on what their tax liability might be on rental income while working abroad.	High level customer segmentation makes it clear for the user which areas of the website are relevant to them and helps them avoid irrelevant material. For many users the search engine is the navigation aid of choice. If it does not work efficiently, they become frustrated and take longer to find what they are looking for. Less experienced users or non-sighted users accessing the site through a screen reader could become lost within the website. Users who are unable to find what they are looking for online are likely to try other channels (e.g. phone, face-to-face) which may be less cost-effective, or they may just give up.
Content Confusing terminology – abbreviations without explanation are often used for navigation links and our testers needed to guess what they stood for. Examples include a form title where the Large Print version is called LP and the navigation links for forms for non-residents are labelled with the form's reference number only. One tester asked why there wasn't a glossary.	Use of abbreviations makes it harder for users to find what they are looking for, and any perception they have that tax is complicated and impenetrable will be reinforced.

Details of the differences between the Department's website and comparator sites

Similarities	
Top-level navigation	Most authorities divide the site up by key client group (e.g. individuals, employers and businesses).
Colour scheme	All sites use quite plain colour schemes, few graphics and a standardised navigation bar across all pages and a link from the homepage to all forms, consistent with standard web practice.
Online filing	Offered by all sites.
Differences	
Forms and guidance search facilities	All comparator sites offer a specialised forms search engine. In comparison, searching for forms and guidance is confusing on the HMRC site. Users first have to decide if they are searching for a legacy Inland Revenue or Customs & Excise form, and whether the document they are searching for is a form, leaflet or booklet. They are then offered a choice which may involve searching through a subject list rather than an A-Z list or search engine.
Navigation tools	Breadcrumb trails (which help users retrace their steps) are available on the Australian sites and the Irish, Canadian and Australian sites offer A-Z indices. The HMRC site does not offer these tools.
Online Services	All sites offer online filing of income tax returns. Other forms can also be filed on the Irish, Australian and Canadian sites as described in Part 3. In addition, taxpayers can update their personal details on the Irish and Canadian sites, and review their tax record (including previous years) and apply for refunds on the Irish site.
Page design	So users know how current the advice is, the Australian and Canadian sites have a last modified date on each page and use 'back to top' links to help navigate around long pages. These options are not always available on the HMRC site.
Search	All comparator sites give the user an indication of page currency in their results pages such as a last updated date or a date page current date. The Department's search facility does not clarify currency and bizarrely, the Welsh translations often appear higher in the search results than the English versions.
Telephone services	Some overseas tax authorities use the website as a portal to other forms of contact. For example the Canadian site offers 'click to talk' whereby website users can directly access telephone helplines if they need additional assistance.
Terminology	An A-Z glossary is offered on the Australian site.

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