



HM Revenue
& Customs

HMRC Digital Prompts

16th October 2019

Who are HM Revenue and Customs (HMRC)

- We are the UK's tax administration.
- We make sure that money is available to fund the UK's public services and we also help families and individuals with targeted financial support.
- We help the honest majority to get their tax right and make it hard for the dishonest minority to cheat the system.
- Our key objectives are:



What does HMRC do

- In 2018-2019 HMRC collected £627.9 billion for the UK government.
- Additional Tax Revenue from compliance was £34.1 billion in 2018-2019.
- UK tax gap (2017-2018) was 5.6% of tax liabilities. This is internationally quite low, but there is more for us to do.




How can Digital Prompts help

- “Increasing digitalisation of the tax administration...should help close the gap further, reducing the capacity for carelessness and error...”
- Work on Digital Prompts aims to use customer insight, data and compliance risk expertise to develop real-time digital ‘nudges’ to help people report and file their tax affairs correctly.
- Digital Prompts are a low one-off cost to implement. Resulting in improved customer interaction with HMRC avoiding costly post-filing compliance work.



Error Prompt example (1) (Income Tax Self Assessment)

 **GOV.UK** Helpdesk Individual's tax return 2018-19 [Sign out](#)

BETA This is new guidance. Complete our quick survey to [help us improve it](#).

[Your HMRC Services](#) | [Self Assessment](#) English | [Cymraeg](#)

File a return

- [1. Welcome](#)
- [2. Tell us about you](#)
- [3. Tailor your return](#)
- [4. Fill in your return](#)**
- [5. Check your return](#)
- [6. View your calculation](#)
- [7. Save your return](#)
- [8. Submit your return](#)

Fill in your return

Total expenses for abc

WARNING: Bad debts are high in relation to turnover. [Read help](#) ?

! **Important:** You have entered you are over the VAT threshold. A detailed breakdown of your Total Expenses is required here. **Read help.** ?

Cost of goods bought for resale or goods used: (Optional) ?

Construction industry (payments to subcontractors): (Optional) ?

Wages, salaries, and other staff costs: (Optional) ?

Car, van and travel expenses: (Optional) ?



The impact of Digital Prompt (1)

- Nearly four million of eleven million income tax customers file through HMRC software.
- 21 static error prompts introduced (ratios, links to guidance, limited to HMRC tone and language) and impact trialled using a randomised control trial (RCT).
- Two year trial.
- Positive customer reaction to prompts (survey work undertaken).
- Cost savings for HMRC; fall in helpline call volumes and 8% reduction in post-filing compliance activities.
- Additional Tax Revenue £26 million from two million customers for a one off cost of **£112,000**.




Upfront Honesty Declaration (UHD)

Prompt example (2)

Ask people to fill in an honesty declaration upfront, **before** completing a digital form.

1. Declaration

I declare that the information I will give on this tax return and any supplementary pages is correct and complete to the best of my knowledge and belief. 

I understand that I may have to pay financial penalties and face prosecution if I give false information.

* indicates required information

First name: *

Middle name:

Last name: *

Date: 26/08/2017



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The impact of UHD Digital Prompt (2)

- Three million UK businesses file Value Added Tax (VAT) Returns using HMRC software.
- Upfront Honesty Declaration (UHD) prompt introduced and impact trialled using a randomised control trial (RCT).
- 12 month trial.
- Neutral customer reaction to UHD – disruption to ‘auto pilot’ approach to customer filing and submission.
- Initial design now being evolved in conjunction with academics at Duke University (Dan Ariely).
- Additional Tax Revenue over **£200 million** from 1.5 million customers for a one off cost of **£8,000**.



Our next steps with Digital Prompts

Four key HMRC objectives:

1. Learn more about how they work – Analysis to understand decay in efficacy (examples include monthly, quarterly and annual filing in the VAT UHD trial).
2. Develop ‘intelligent’ prompts – nudges that link customer data from different HMRC and third party systems.
3. Build Digital Prompts into third party software – more HMRC customers are moving to non-HMRC software to submit their details.
4. Explore wider applications – other tax regimes; other government filing regimes. These prompts represent a great return on investment.



Questions

Thank you

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