



HM Revenue
& Customs

**Research Specification to undertake
Small Business Perceptions of Tax Admin Burden
Qualitative Research**

**DWP/HMRC Social and Economic Research
Framework Services**

Invitation to Tender

May 2017

SPECIFICATION OF REQUIREMENTS

1. Introduction

- 1.1. HM Revenue & Customs (HMRC) wishes to commission a supplier from the DWP/HMRC social and economic research framework to undertake qualitative research to explore small business perceptions of the burden of tax administration.
- 1.2. HMRC intends for this contract to be in place by mid June 2017 with interim findings in August 2017 and final outputs delivered in September 2017.
- 1.3. HMRC will maintain the overall management of the project.
- 1.4. The contract will be awarded to the organisation deemed to best meet HMRC's requirements and provide best value for money. Assessment will be based on the factors included in section 11.

2. Context

- 2.1. One of HMRC's key strategic objectives is to transform tax and payments for our customers. Our goal is to make it easier to pay the correct tax and to reduce error. As part of this objective, we have set ourselves a target to reduce the cost of tax administration to businesses by £400m. To meet this objective, HMRC have an ongoing priority to generate new ideas and innovations that can help mitigate against any target shortfall, while also improving the experience of our customers.
- 2.2. HMRC's Customer Charter¹ explains what our customers can expect from us and what we expect from them. HMRC are committed to upholding the obligations set out in the Charter, which includes a commitment to providing a helpful, efficient and effective service. We strive to uphold this obligation by removing error and grit from the system and making the experience easier for our customers, including our business customers, while also keeping costs for them to a minimum.
- 2.3. There are a number of tax related administrative tasks which businesses are obliged by HMRC to undertake. These tasks are considered by HMRC to be admin burdens. The volume and nature of the burdens a business is subject to will vary depending on a number of factors such as number of employees, legal status, international presence and turnover.
- 2.4. The tax admin burdens that a business might be subject to include, but are not limited to:
 - Fulfilling VAT obligations, including maintaining a VAT account, submitting a VAT return and issuing VAT invoices

¹ <https://www.gov.uk/government/publications/your-charter>

- Completion of appropriate self-assessment tax returns (as a self-employed individual or as a Partnership)
 - Preparing and filing a corporation tax return
 - Fulfilling PAYE obligations, including completing full payment submissions and issuing P60s
 - Submitting customs declarations
- 2.5. In order to meet these obligations there are a variety of administrative tasks which businesses may need to undertake, such as gathering, retrieving and assessing information, preparing and calculating figures, organising and filing information, and making payments.
- 2.6. The landscape of tax admin burdens for businesses is changing, with some processes moving to online channels, or more businesses choosing to fulfil some of their obligations digitally.
- 2.7. Many businesses employ the services of a tax agent to deal with some or all of their tax admin burdens and obligations.
- 2.8. Some of the activities considered as tax admin burdens for businesses are vital activities to enable HMRC to minimise risk to yield and monitor and encourage compliance.
- 2.9. Previous research has been conducted to understand the time and costs associated with complying with tax obligations, helping HMRC to identify potential areas for cost reduction and to work towards our cost reduction target².
- 2.10. However, there is currently little qualitative evidence of the perceptions of small businesses about the activities they feel are overly burdensome and negatively impact on their experience. Conversely, there is a lack of understanding of whether activities HMRC considers to be admin burdens are also deemed by businesses as additional and burdensome, or whether they are considered to be a standard and important part of the day to day running of their business.

3. Research Aims & Objectives

Aims

- 3.1. The main aim of this research is to understand which elements of tax administration are felt to be the most burdensome by small businesses and negatively impact on their customer experience. The research should seek to identify opportunities for HMRC to develop and implement strategies to reduce or remove some of the perceived burden by improving the experience and saving time and cost where possible. It is key that the research generates actionable insights, including clear and realistic recommendations for HMRC to consider.

²https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443746/HMRC_Report_375_Tax_Administration.pdf

Objectives

- 3.2. The research will look to explore perceptions around a range of tax related administrative tasks to gain an understanding of:
- Whether some or all of the administration tasks which HMRC consider to be a burden for its small business customers are actually perceived as burdensome by those customers
 - Which tasks are felt to be an unnecessary irritant and/or a drain on time and resources, and which do businesses consider to be a standard part of running a business which they would conduct regardless of HMRC's requirements
 - Which administrative tasks are considered to be the greatest burden and would small business customers most like to see removed or amended to ease the overall burden on them
 - What steps HMRC could take to reduce the perceived burden of tax administration and improve the overall experience for small business customers
 - Whether small business customers feel the current balance of admin burden obligation between the tax authority (HMRC) and the customer is right
 - What small businesses think might change if tasks they perceive as burdensome are removed or the burden is reduced (are there other areas that they might focus more of their time on which admin burdens have prevented or limited their ability to undertake, might costs/staff/working hours be reduced, etc.)
 - Whether small businesses bear the brunt of the admin burden themselves or if they pass some or all of this onto their tax agent, and might their relationship with their agent change if burden was reduced
 - Whether there are any admin burdens that are an annoyance for small businesses but which they cannot outsource to an agent or third party (e.g. for legal reasons, because the market doesn't offer the service, because costs are too prohibitive)
 - For those who rely on a tax agent for some or all of their tax administration, do they feel that any reduction in the burden would have an impact on their own customer experience, the experience of their agent, or both
 - Has there been any perceived increase or decrease in the overall level of admin burden, and if so what has changed
 - Are there particular channels of communicating with HMRC which are felt to be particularly burdensome (letters/manually forms, telephone, online)
 - How might an increase in the use of digital channels for fulfilling tax obligations impact on the perception of burden for small businesses
- 3.3. The understanding gained of the above areas should be used to generate recommendations of actions that HMRC might take and strategies that we might consider, with the aim of improving the experience for our small business customers.
- 3.4. A secondary objective will be to explore whether businesses with employees feel that recent changes to PAYE and the frequency of HMRC tax coding notices will impact on their customer experience and

administrative burden. This should be treated as a separate module, with a small number of questions on this topic added at the end of the interview which do not to influence responses in the main part of the interview.

4. Methodology & Scope

- 4.1. HMRC anticipate that the project aims and objectives will be best met by conducting approximately 50 qualitative telephone interviews with owners of UK based small businesses.
- 4.2. A minimum of 12 of the total number of interviews achieved should be with businesses who have one or more employees. This sub-sample will be asked a small number of additional questions relating to PAYE.
- 4.3. More than half of the sample of approximately 580 small businesses which HMRC can provide reported having one or more employees when taking part in research between Sept-Nov 2016.
- 4.4. HMRC will work closely with the contractor to develop a topic guide; this will be an iterative process and will be developed with stakeholder input, to ensure a topic guide which is best suited to the generation of relevant and actionable insights for HMRC.
- 4.5. Note that this research will focus on small businesses only. Further research may be conducted at a later stage with mid and large size businesses.

Sampling

- 4.6. HMRC can provide a sample of names, telephone numbers and postal addresses of approximately 580 small businesses who have participated in a previous quantitative survey and have agreed to be re-contacted. HMRC is not able to provide email addresses for this sample. Please note fieldwork for this survey was conducted Sept-Nov 2016, and that in the interim period some businesses may have grown or ceased trading. The contractor will be expected to screen participants to ensure that they still meet the criteria of small businesses and are eligible for participation.
- 4.7. Participants should be a cross section of small businesses from across the UK and across business sectors, ranging in size from zero to nineteen employees and with a turnover of under £10m.
- 4.8. Contractors are invited to suggest an alternative methodology, sample size and/or sampling strategy if they consider there to be preferable alternatives and can demonstrate that the research aims and objectives can be effectively met by any alternatives that they propose. For example, if the contractor feels that the sample HMRC can provide will not be large enough to achieve the required number of interviews, HMRC are open to the suggestion of a reduced number of interviews, an altogether different sampling approach, or an approach which uses the

sample HMRC can provide, but which tops this up or merges it with sample from another source. HMRC has suggested interviews are conducted by telephone, but are also open to alternative suggestions if appropriate justification can be given.

- 4.9. If the contractor proposes any alternatives to the methodology, sample size and/or sampling strategy, costs should be provided for both HMRC's suggested approach, and the contractor's preferred approach.

5. Timetable

- 5.1. Suppliers must include a project plan and time schedule for the work. The plan must identify the main tasks, key milestones and details of how progress will be monitored, indicating clearly where HMRC is expected to contribute. We expect suppliers to be flexible in their approach, and respond to changes as they arise.

- 5.2. The timings below are an estimate and will be reviewed and agreed with the successful bidder at the set-up meeting.

Activity	Date
Issue ITT	18/05/2017
Deadline for ITT	12 noon on 06/06/2017
Interviews (if needed)	w/c 12/06/2017
Contract awarded	16/06/2017
Set-up meeting	w/c 19/06/17
Development	from w/c 19/06/17
Fieldwork	July 2017
Analysis and preliminary findings	Aug 2017
Presentation of results	Aug 2017
Final reporting	Sept 2017

- 5.3. Please note that suppliers who are invited to tender for this project may be expected to attend an interview w/c 12/06/17, and the successful supplier will be expected to attend a set up meeting w/c 19/06/2017, both at HMRC's office in London.

6. Outputs (deliverables)

- 6.1. The department will require a number of key deliverables for the project. Payment milestones are likely to be linked to delivery of a number of outputs, the details of which will be agreed between the parties during post-tender negotiations.
- 6.2. Deliverables will include:
 - I. A detailed project plan outlining key dates and milestones, clearly indicating any actions for HMRC
 - II. A face-to-face set-up meeting at HMRC's London Office (100 Parliament Street)
 - III. An agreed topic guide
 - IV. Weekly progress updates, including the number of interviews achieved
 - V. Anonymised transcripts
 - VI. A summary slide pack of preliminary findings (to be shared in advance of the face to face presentation), which includes an early indication of actionable insights for HMRC.
 - VII. Face to face presentation of the findings at HMRC's London Office (100 Parliament Street) in PowerPoint, plus Q&A session
 - VIII. Final electronic copy of the slide deck, including analysis, findings and insights in an engaging manner with supporting quotes, providing clear recommendations for future action and implementation
 - IX. Draft and final publishable report to be agreed following a drafting and reiteration process. (c.10 pages in MS Word format) to a set publication template to be provided by HMRC
- 6.3. All presentations and reports should be concise and written in plain English. They should be of a high (publishable) standard and HMRC expects all drafts to be complete and to have been proof-read before delivery.
- 6.4. The contractor should assume that fieldwork materials and reports will need to be amended in the light of comments made by the department. These are to be submitted in sufficient time for comments to be incorporated into the final version and for HMRC's approval to be given for production of the final version to take place.

7. Project Management and Contract Administration

- 7.1. The bidders' project teams must include staff with relevant skills and expertise in carrying out all aspects of their proposed research design.
- 7.2. [Redacted under Section 40 of the Freedom of Information Act] is the HMRC Manager for this project. She will be responsible for the day to day management of the contract. Once the contract has been awarded, all contact with HMRC concerning the project should be made through her.

The research organisation will be required to appoint a contract manager who will act as the principal point of contact for the Department.

- 7.3. The research organisation will be expected to work closely with the HMRC project manager and through her, with internal customers within HMRC throughout the duration of the contract. She must be kept informed of progress and be involved in key decisions. Proposed changes in project staffing (at all levels) or deviations from the agreed work programme must be discussed and agreed with the project manager in advance. She is responsible for all decisions that involve funding.
- 7.4. In costing their tender, bidders should allow for attendance at a minimum of two face-to-face meetings in the 2017/18 period. The majority of meetings are expected to take place at HMRC offices in London, although some may take place at the research organisation's premises by arrangement.

8. Quality and Risk Management

- 8.1. Proposals should also include an assessment of the key risks to this project. This should identify the most significant risks to successful completion of the programme of work, assess the degree of risk (likelihood and impact) and set out strategies for minimising these risks and managing the consequences if problems occur. Please use the risk register provided in **Annex C**.
- 8.2. Proposals must also provide details on quality control procedures. It should be clear how these procedures would be implemented with respect to this specific project.

9. Expertise and Capability

- 9.1. HMRC is looking for suppliers who can demonstrate that their proposed team incorporates those with:
 - Experience of delivering qualitative interviews with small businesses.
 - Experience of delivering high quality qualitative analysis.
 - Experience of delivering research projects to timetable and within budget.
 - Experience of delivering research reports of a publishable standard.
- 9.2. Proposals should summarise the skills and expertise that particular members of staff bring to the team and clearly identify the project manager, with CVs included as an annex.
- 9.3. The proposal should specify details of which parts (if any) of the project will be sub-contracted, the name of the sub-contractor who will work on the project, their experience of related research, and their responsibilities within the project. If it is proposed to sub-contract any of the work, the same details as those provided by the tenderer should be given about the

qualifications, experience and responsibilities of staff involved along with a description of their respective roles and the management arrangements put in place. Ultimately, however, the successful contractor will be held to account for the performance of any sub-contractor and needs to demonstrate their confidence to successfully manage sub-contractors.

10. Resourcing and pricing

- 10.1. Suppliers must include a project plan and time schedule for the work. The plan must identify the main tasks, key milestones and details of how progress will be monitored, indicating clearly where HMRC is expected to contribute.
- 10.2. The proposal must include a firm price offer (excluding VAT) based on an assessment of the resources required and the information contained in this document. Costs for HMRC's proposed methodology (outlined in section 4) should be provided. Costs for any alternative methodological design should be presented separately. Costs for the project must be broken down as per the table below, separate tables should be provided for the lead contractor and any collaborator.

Table 10.1. the firm price quote template

Activity	Personnel (level of staff)	Number of days per team member	Day rate per team member	Overheads	Total (£)
Project Management: including initial set-up meeting, regular updates and progress checks					
Development: including topic guide drafting and development meetings					
50 qualitative telephone in-depth interviews, 45 mins in length, including recruitment					
Incentives (if applicable)					
Analysis & Reporting: inclusive of corrections to draft reports and finalising for publication					
Preliminary results presentation					
Anonymised transcripts					
Other costs, including administration, travel and subsistence					

VAT (if applicable)					
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Note: Tenders that do not supply a schedule of costs in the format of table 10.1 will not be accepted. Rows/columns can be added to the table as necessary.

10.3. If the decision not to continue with this project at any stage has additional costs associated, this should be clearly identified and a justification for these costs provided. Any additional costs identified will be subject to negotiation and agreement with HMRC prior to any contract being awarded.

10.4. Please indicate whether VAT would be payable. This is not a factor in determining which tender is successful, but the information is useful to assist our financial planning.

10.5. We are not able to disclose exact budget information. Please provide a cost for the project design set out above and set out alternatives if you feel these would better meet the research objectives.

10.6. We have provided the following table to give you a rough idea of the budget on this particular project. We are not able to provide any further detail and the exact budget could fall at any point inside the range selected.

Budget Banding					
1.1.	£0 - £9,999	<input type="checkbox"/>	1.2.	£10,000 - £19,999	<input type="checkbox"/>
1.3.	£20,000 - £34,999	<input type="checkbox"/>	1.4.	£35,000 - £49,999	<input checked="" type="checkbox"/>
1.5.	£50,000 - £99,999	<input type="checkbox"/>	1.6.	£100,000 - £200,000	<input type="checkbox"/>
1.7.	£200,000+	<input type="checkbox"/>	1.8.	Undisclosed	<input type="checkbox"/>

11. Tender Evaluation Criteria

11.1. The contract will be awarded to the organisation deemed to best meet HMRC's requirements and provide best value for money. Assessment will be based on the following criteria set against overall cost (excluding VAT):

- **Quality Criteria 1** (Weighting 20%): The extent to which the tenderer addresses the projects aims and objectives, and demonstrates an understanding of the context of the research, the key issues, and the relevant population.
- **Quality Criteria 2** (Weighting 20%): The appropriateness of the sampling strategy, methodology and analysis proposed.
- **Quality Criteria 3** (Weighting 20%): The proposed team composition, management, experience and expertise, in the subject matter, methodology and in conducting research with small businesses

- **Quality Criteria 4** (Weighting 20%): Quality of the project plan and evidence of the ability and capacity to deliver to the project within the required timetable.
- **Quality Criteria 5** (Weighting 10%): Demonstration of quality assurance at each stage of the project including producing reports of a publishable standard.
- **Quality Criteria 6** (Weighting 10%): Identification of key risks to the project and proposed strategies to mitigate these risks.

11.2. Tenders will be evaluated using the scale below.

Score	Description
0	Totally fails to meet the requirement
1	Meets some of the requirement, with limited supporting information
2	Meets some of the requirement, with reasonable explanation
3	Fully meets the requirement, with detailed explanation/evidence in support
4	Exceeds the requirement, with detailed explanation/evidence in support

11.3. The contract will be awarded on a value for money basis, considering an ability to identify and address all key areas and issues relevant to the study. Whilst contract price will be an important consideration, it is only one of a range of important factors affecting any decision to award a contract. HMRC reserve the right not to accept the lowest priced (or any) tender.

11.4. HMRC will select the successful tendering organisation(s) based on the criteria above. Tender interviews may be held for this piece of research during w/c 12 June 2017.

11.5. Following selection, any necessary post-tender negotiations will be held with the preferred supplier in order to finalise the work programme prior to awarding the contract.

12. Data security and protection

12.1. The successful contractor will be required to submit a security plan before the start of the contract. This will detail your approach to safeguarding confidential information including your company policies for handling sensitive documents and computer files from unauthorised access.

12.2. If you intend to involve sub contractors at any stage of the project please include details of how you will ensure their compliance with all aspects of the Security Plan.

12.3. The requirement on Data Security is set out at Schedule 5, Appendix 6 of the Framework Call off Terms and Conditions. A Security Plan questionnaire is attached (please see **Annex D**).

13. Other Ethical Issues

- 13.1. To preserve confidentiality and anonymity, details of individual participants in the research must not be included in the analysis and reports.
- 13.2. Published outputs of statistics will be consistent with statistical disclosure guidelines, as advised by HMRC.

14. Procurement Transparency

- 14.1. HMRC is obliged to publish tender documents for all contracts with a whole life value of over £10,000. It is a condition of bidding for this work that applicants agree to the subsequent publication of the contract once awarded.
- 14.2. If Bidders believe that any of the information requested is commercially sensitive they should provide such information in a separate letter.

15. Commissioning Conditions

- 15.1. The DWP/HMRC Research Framework 2013 Terms and Conditions will form the basis of the contractual agreement between the successful tendering organisation and HMRC.
- 15.2. The contractual agreement will be subject to the contractor complying with the Official Secrets Acts and related Legislation including Section 18 and 19 of the Commissioners or Revenue and Customs Act 2005.
- 15.3. HMRC retains the option of whether or not to commission the study, or any element of it.
- 15.4. Terminating the contract - HMRC reserves the right to terminate the contract prematurely (for any reason) should this be deemed necessary. In the event that it would become necessary to terminate or adjust the contract, HMRC will cover costs for services provided up to that point. Contractors should not book or schedule fieldwork until written confirmation has been provided by HMRC. Contractors should provide a cancellation policy, including details of charges (if any) should it be necessary to cancel fieldwork.
- 15.5. Additional contractual information is included in **Annex B**.

Summary of requirements

- 15.6. Tenders should include the following information:
 - A summary of proposals including a firm price bid (exclusive of VAT) as detailed in Section 10;
 - A detailed explanation of proposals to meet the aims and objectives outlined above. This should include details of methodology;

- A detailed timetable for the proposed research for each specific information requirement, taking into account that outlined in Section 5;
- Quality control procedures and risk register as outlined in Section 8 (as annexes);
- Curriculum Vitae of key personnel proposed, their status within the company, area of expertise and details of their individual chargeable day rates;
- Chargeable rates for other personnel proposed. Where these can be identified as groups (e.g. administration, support etc.) then a group rate will suffice;
- Any further costs identified.

15.7. Tenders should not exceed 15 pages (excluding Annexes). Information included after this limit will not be considered under the tender evaluation process.

Queries on this research specification

15.8. Tenderers with any queries about the research specification should contact [Redacted under Section 40 of the Freedom of Information Act] by email: [Redacted under Section 40 of the Freedom of Information Act]. The deadline for queries is 5pm on 30 May 2017.

Information on how and when to return tenders

15.9. Tenderers should provide notification of their intention to submit a proposal by email to [Redacted under Section 40 of the Freedom of Information Act] by 9am on 26 May 2017.

15.10. Please read the enclosed Instructions for Tenderers carefully.

15.11. You should send a **PDF or read-only electronic copy** of your proposal by e-mail to arrive at the following e-mail address [Redacted under Section 40 of the Freedom of Information Act] **no later than 12 noon on 6 June 2017** (unless the date is subsequently amended in writing by the Department). **No hard copies of the tender are required.**

In summary, tenders should note the following:

Action	Deadline	Contact
Notify your intention to submit a proposal	9 am on 26 May	[Redacted under Section 40 of the Freedom of Information Act]
Submit queries on ITT	5 pm on 30 May	[Redacted under Section 40 of the Freedom of Information Act]
Submit read only tender via email	12 noon on 6 June	[Redacted under Section 40 of the Freedom of Information Act]